

2019 ANNUAL REPORT



ASHFORD
HOSPITALITY TRUST

Dear Fellow Shareholder,

Ashford Hospitality Trust's core objective is to maximize long-term total shareholder returns. Our Board, management team, and affiliates are aligned with this goal given our high insider ownership of 17%, which exceeds the peer average by approximately five times. This alignment motivates us and continues to be one of our many key differentiators. We pride ourselves on thinking and acting like owners when it comes to implementing strategies. Since our initial public offering in 2003, our efforts have consistently focused on ways to create shareholder value. Many of our approaches have been economically transformational as we attempt to optimize the strategic and financial impact of our transaction, capital markets, asset management, and governance initiatives. While we have a long-term strategic vision, we do not lose sight of short-term results. We believe that we can improve upon our performance relative to our peers and are taking steps to enhance our results.

Our business approach relies on disciplined investment activity, proactive asset management, and timely capital markets execution. Regarding investments, we are focused on acquiring predominantly upper upscale, full-service hotels across the U.S. However, our existing ownership of several upscale select-service hotels also adds balance to our portfolio given higher operating margins and geographic diversity. We believe our investment strategy is appealing given a deep transaction pipeline, attractive initial yields, and potential value-add opportunities. Our asset management initiatives are widespread, and they are intended to enhance our operating performance, drive ancillary revenue and preserve operating margins. Lastly, we have proven our financial expertise over multiple cycles. Our approach focuses on how to best capitalize on lodging and financial market opportunities.

We are externally advised by Ashford Inc., and we believe that this relationship provides unique benefits. Our affiliate companies within Ashford Inc. are high-quality service providers that can drive better operational performance and add value to our hotel portfolio. Moreover, our alignment with Ashford Inc. can result in significant competitive advantages. We believe that the Enhanced Return Funding Program ("ERFP") with Ashford Inc. is one such example. The highlights of this program are clear, simple and impactful. Ashford Inc. committed to provide up to \$50 million to Ashford Trust on a programmatic basis, equating to approximately 10% of each new investment's acquisition price.

Using the ERFP, in January 2019, we acquired the 310-room Embassy Suites New York Manhattan Times Square for \$195 million. This newly constructed, 41-story hotel, ideally located near Bryant Park and Times Square, benefits from being the only Embassy Suites in the Manhattan market. As part of this transaction, we received a \$19.5 million ERFP commitment from Ashford Inc.

Additionally, in February 2019, we purchased the Hilton Santa Cruz/Scotts Valley for \$50 million. This hotel has an attractive location near the expanding tech market in San Jose and is just minutes from Santa Cruz, one of Northern California's most desirable beach communities. This property is the only full-service, Hilton-branded asset in the Santa Cruz market. Not only did this acquisition benefit from \$5 million of ERFP, but \$10.5 million of the purchase price was funded by the issuance of operating partnership units at an attractive price of \$7.00 per share.

We intend for the ERFP to turn good deals into great deals. Although we still have capacity remaining under the ERFP, we will not grow just for growth's sake. We expect our investments to enhance total shareholder returns. Given the current challenging operating environment, we will continue to be prudent with our capital.

Disciplined capital recycling is an important component of our strategy. We believe selling hotels should not simply achieve a stated portfolio objective but should also encompass a broader economic strategy. Our property sales seek to enhance value as well as rotate capital to achieve better yields, enter stronger markets or improve our balance sheet. As a result, we engage in both opportunistic and measured sales efforts. Several factors that guide our hotel sale decisions include: RevPAR growth, future capital expenditures, loan impact, net proceeds redeployment opportunities, and overall results on EBITDA.

Towards this end, in August 2019, we sold the 251-room Marriott Plaza San Antonio for \$34.0 million. The sales price, inclusive of the buyer's estimated capex, represented a trailing twelve-month cap rate of 4.9% on net operating income and a 17.1x Hotel EBITDA multiple as of June 30, 2019. After the loan payoff and transaction costs, the net proceeds from this sale were approximately \$6.0 million. We also completed the sales of the 156-room Courtyard Savannah Downtown and the 128-room Hilton Garden Inn Wisconsin Dells for a total of \$37.8 million. The combined sales price, inclusive of the buyers' estimated capex, equated to a trailing twelve-month cap rate of 5.3% on net operating income and a 16.2x Hotel EBITDA multiple as of June 30, 2019. Proceeds from the sales were used to pay down debt. In December 2019, we sold the 102-room SpringHill Suites Jacksonville for \$11.2 million. The sales price, inclusive of the buyer's estimated capex of \$2.5 million, resulted in a trailing twelve-month cap rate of 5.9% on net operating income and a 14.3x Hotel EBITDA multiple as of October 31, 2019. Each of these transactions demonstrates our successful focus on unlocking embedded value in our portfolio. Note that these sales' EBITDA multiples are significantly higher than where our overall portfolio is publicly valued, in spite of our remaining portfolio having higher RevPAR than each of these sold hotels. We believe these transactions are indicative of a greater intrinsic value of our assets.

Another transaction exemplifying a creative approach to maximizing the value of our assets is evident at the Hilton St. Petersburg Bayfront. In October 2019, we announced the sale at above appraised value of a 1.65-acre parking lot to a developer who will build a 35-story condominium tower and parking garage. Net proceeds from the first payment tranche resulted in \$8.0 million of debt payoff. Upon completion, we will benefit from additional proceeds along with upgraded covered parking for the same 205 spaces we previously owned.

With respect to our asset management initiatives, we remain diligent in exploring ways to increase operational profitability, create value through capital improvements, and enhance our competitive position. As the industry experiences cost pressures due to the tight labor market and a challenging RevPAR environment, we believe we have a competitive advantage in mitigating margin impact given our affiliate Remington Hotels manages approximately 59% of our EBITDA. Remington Hotels is a skilled operator with cyclical experience. In five out of the past six years, we have outperformed our peers in EBITDA growth. At year-end 2019, our portfolio's RevPAR penetration index was the highest in recent history. We believe our capital expenditures in 2019, combined with previous years' refreshes, contributed to these market gains.

During 2019, we continued to invest in our portfolio to maintain competitiveness. In total, we invested approximately \$159 million in capital expenditures during the year at primarily 16 properties. This included significant renovations at the Marriott DFW, Renaissance Nashville, Hyatt Coral Gables, and Ritz-Carlton Atlanta. We continuously identify opportunities to create value throughout the portfolio. For several years, our capital investment as a percentage of revenue has significantly exceeded our peer average. Going forward, we believe that our assets will benefit from these guestroom, meeting space, and public area refreshes that will better position the hotels in their respective markets. Moreover, we anticipate lower capital expenditures in the near term.

The depth and diversity of our portfolio give us the opportunity to evaluate brand or management conversions to enhance value. In October 2019, we entered into a new franchise agreement with Marriott International to convert our Crowne Plaza La Concha Key West to an Autograph Collection property by July 2022. The agreement includes a \$13.7 million property improvement plan. We anticipate the conversion will create a distinctive style for the hotel that is commensurate with the upper upscale Autograph product. With its prime location in Old Town Key West, the upbranding of this landmark hotel should elevate the property into a desirable niche in the very attractive, high-barrier-to-entry, high-RevPAR Key West market. In October 2019, we also announced a new franchise agreement for the 252-room Hilton Alexandria Old Town whereby the hotel transitioned from being Hilton-managed to being managed by Remington Hotels. We believe there is a valuation premium for franchised hotels, and this management conversion did not trigger a property improvement plan.

In addition to our focus on maximizing asset value, we also proactively take steps to drive ancillary income, control costs, and preserve operating margins. This includes market analysis to leverage opportunities in restaurant and banquet prices, directing eCommerce spending to various digital programs to increase visibility, and advertising to the leisure and group segments, as well as utilizing programs to introduce more efficient methods of performing work duties to reduce payroll hours.

Our capital markets initiatives center on our goal to maximize long-term shareholder value and improve our balance sheet. We also seek to preserve cash for financial flexibility to address working capital needs, provide a hedge in uncertain financial times, or pursue accretive investment opportunities. During 2019, we completed several refinancings of our non-recourse, property-level debt that extended our maturities, reduced our cost of capital, strengthened our balance sheet, and improved our liquidity. We capitalized on favorable debt pricing and refinanced four mortgage loans, representing five hotels, for approximately \$302 million that resulted in approximately \$59 million of excess proceeds as well as 45 basis points of weighted average spread reduction compared to the prior loan terms. Our refinancing efforts successfully extended our maturity schedule to an average of 4.8 years assuming full extension of loan terms. We believe that our skill in managing capital markets activity throughout lodging cycles is one of our many competitive advantages.

We also continue to pursue transactions that we believe will enhance returns for our shareholders. In October, we executed a stock purchase agreement with Ashford Inc. under which Ashford Inc. purchased 393,077 shares of its common stock for \$30 per share, resulting in total proceeds of approximately \$11.8 million to Ashford Trust. We also distributed 205,086 shares of Ashford Inc. common stock to our common shareholders and unitholders through a pro-rata, taxable dividend. The proceeds from this sale provided us additional financial flexibility, while the distribution of the remaining shares demonstrated our commitment to unlocking meaningful value for our common shareholders.

As for our 2019 financial and operating highlights, at year-end, our portfolio consisted of 117 hotels containing 24,916 net rooms spread across 30 states. Our 2019 financial performance benefitted from our geographically diverse portfolio, consisting of high-quality, well-positioned assets across the U.S. We believe that this geographic profile provides some very distinct advantages with respect to operating performance as comparable RevPAR for our hotels increased 1.4% to \$128.26, driven by a 1.7% increase in rate and a 0.3% decrease in occupancy. We are also pleased to report a 1.3 percentage point increase in our RevPAR penetration index, which we believe is evidence of strong hotel operations and the benefits of the recent capital expenditures at our hotels. Adjusted EBITDA for 2019 totaled \$425.0 million, and AFFO per share was \$1.22. This performance emphasizes the quality of our portfolio as well as the strength of our asset management capabilities.

We also strive for best practices related to public company governance. Collectively, the Board continues to provide valuable input and sound judgment as we move forward to execute our strategy, and enhance long-term value for Ashford Trust shareholders.

During 2019, we returned approximately \$31 million to common shareholders in cash dividends, equating to \$0.30 per common share on an annualized basis, generating one of the highest yields among our hotel REIT peers.

As we look ahead to 2020, the adverse effects of the novel strain of coronavirus (Covid-19) are currently impacting the lodging industry and our performance. While we are working to mitigate the consequences, the full impact may not be known for some time.

We remain committed to generating solid operating performance, completing opportunistic transactions, and proactively managing our balance sheet. We appreciate your continued trust and support and look forward to continuing to work diligently to increase shareholder value.

Sincerely,



Douglas A. Kessler
President & Chief Executive Officer

Gallery



Crowne Plaza Key West
Key West, Florida



Marriott Sugar Land
Houston, Texas



One Ocean
Atlantic Beach, Florida



La Posada de Santa Fe
Santa Fe, New Mexico



Hyatt Regency Coral Gables
Coral Gables, Florida



Hyatt Regency Long Island
Hauppauge, New York



The Churchill
Washington, District of Columbia



Westin Princeton
Princeton, New Jersey



Ritz-Carlton Atlanta
Atlanta, Georgia



Sheraton San Diego Mission Valley
San Diego, California



Lakeway Resort and Spa
Austin, Texas



Fremont Marriott Silicon Valley
Fremont, California



Sheraton Anchorage
Anchorage, Alaska



Hilton Costa Mesa
Costa Mesa, California



Hilton Fort Worth
Fort Worth, Texas



Le Pavillon
New Orleans, Louisiana



Renaissance Palm Springs
Palm Springs, California



Hilton Parsippany
Parsippany, New Jersey



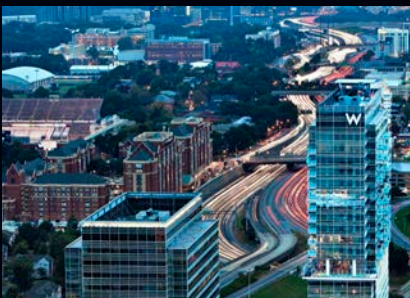
W Minneapolis - The Foshay
Minneapolis, Minnesota



Hilton Santa Fe
Santa Fe, New Mexico



Marriott Beverly Hills
Beverly Hills, California



W Atlanta - Downtown
Atlanta, Georgia



Hilton Alexandria Old Town
Alexandria, Virginia



Hilton Boston Back Bay
Boston, Massachusetts

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, 2019

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: 001-31775

ASHFORD HOSPITALITY TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland

86-1062192

(State or other jurisdiction of incorporation or organization)

(IRS employer identification number)

14185 Dallas Parkway

Suite 1100

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	AHT	New York Stock Exchange
Preferred Stock, Series D	AHT-PD	New York Stock Exchange
Preferred Stock, Series F	AHT-PF	New York Stock Exchange
Preferred Stock, Series G	AHT-PG	New York Stock Exchange
Preferred Stock, Series H	AHT-PH	New York Stock Exchange
Preferred Stock, Series I	AHT-PI	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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of June 30, 2019, the aggregate market value of 96,253,361 shares of the registrant's common stock held by non-affiliates was approximately \$285,872,000.

As of March 10, 2020, the registrant had 101,998,806 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement pertaining to the 2020 Annual Meeting of Stockholders are incorporated herein by reference into Part III of this Form 10-K.

ASHFORD HOSPITALITY TRUST, INC.
YEAR ENDED DECEMBER 31, 2019
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SIGNATURES	

This Annual Report is filed by Ashford Hospitality Trust, Inc., a Maryland corporation (the “Company”). Unless the context otherwise requires, all references to the Company include those entities owned or controlled by the Company. In this report, the terms “the Company,” “Ashford Trust,” “we,” “us” or “our” mean Ashford Hospitality Trust, Inc. and all entities included in its consolidated financial statements. “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., our chairman emeritus, 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.

FORWARD-LOOKING STATEMENTS

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

- the impact of the novel strain of coronavirus (COVID-19) on our business;
- our business and investment strategy;
- anticipated or expected purchases or sales of assets;
- our projected operating results;
- completion of any pending transactions;
- our ability to obtain future financing arrangements or restructure existing property level indebtedness;
- our understanding of our competition;
- market trends;
- 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,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” and “Properties,” as updated in our subsequent Quarterly Reports on Form 10-Q and other filings under the Securities Exchange Act of 1934, as amended (the “Exchange Act”);
- adverse effects of the novel strain of coronavirus (COVID-19), including a potential general reduction in business and personal travel and potential travel restrictions in regions where our hotels are located;
- general volatility of the capital markets and the market price of our common and preferred stock;
- general and economic business conditions affecting the lodging and travel industry;
- changes in our business or investment strategy;
- availability, terms, and deployment of capital;
- unanticipated increases in financing and other costs, including a rise in interest rates;
- availability of qualified personnel to our advisor;
- changes in our industry and the market 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 Inc. and its subsidiaries (including Ashford Hospitality Advisors LLC (“Ashford LLC”), Remington Hotels, Premier Project Management LLC (“Premier”), Braemar Hotels & Resorts Inc. (together with its subsidiaries, “Braemar”), 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 real estate investment trusts (“REITs”); and
- limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify as a REIT for U.S. federal income tax purposes.

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

PART I

Item 1. Business

GENERAL

Ashford Hospitality Trust, Inc., together with its subsidiaries, is an externally-advised REIT. While our portfolio currently consists of upscale hotels and upper upscale full-service hotels, our investment strategy is predominantly focused on investing in upper upscale full-service hotels in the U.S. that have a revenue per available room (“RevPAR”) generally less than two times the U.S. national average. We were formed as a Maryland corporation in May 2003. We are advised by Ashford LLC, a subsidiary of Ashford Inc. We own our lodging investments and conduct our business through Ashford Hospitality Limited Partnership (“Ashford Trust OP”), our operating partnership. Ashford OP General Partner LLC, a wholly-owned subsidiary of the Company, serves as the sole general partner of our operating partnership.

Our hotel properties are primarily branded under the widely recognized upscale and upper upscale brands of Marriott, Hilton, Hyatt and Intercontinental Hotel Group. As of December 31, 2019, we owned interests in the following assets:

- 117 consolidated hotel properties, including 115 directly owned and two owned through a majority-owned investment in a consolidated entity, which represent 24,943 total rooms (or 24,916 net rooms excluding those attributable to our partner);
- 90 hotel condominium units at WorldQuest Resort in Orlando, Florida (“WorldQuest”); and
- 17.0% ownership in OpenKey with a carrying value of \$2.8 million.

For U.S. federal income tax purposes, we have elected to be treated as a REIT, which subjects us to limitations related to operating hotels. As of December 31, 2019, our 117 hotel properties were leased or owned by our wholly-owned or majority-owned subsidiaries that are treated as taxable REIT subsidiaries for U.S. federal income tax purposes (collectively, these subsidiaries are referred to as “Ashford TRS”). Ashford TRS then engages Remington Hotels or third-party hotel management companies to operate the hotels under management contracts. Hotel operating results related to these properties are included in our consolidated statements of operations.

We are advised by Ashford LLC 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 advisory services that might be provided by employees are provided to us by Ashford LLC.

We do not operate any of our hotel properties directly; instead we employ hotel management companies to operate them for us under management contracts. On November 6, 2019, Ashford Inc. completed its acquisition of Remington Lodging’s hotel management business from Mr. Monty J. Bennett, chairman of our board of directors, and chairman, chief executive officer and a significant stockholder of Ashford Inc. and Mr. Archie Bennett, Jr., our chairman emeritus and a significant stockholder of Ashford Inc. Remington Hotels manages 80 of our 117 hotel properties and WorldQuest. Third-party hotel management companies manage our remaining hotel properties.

Ashford Inc. also provides other products and services to us or our hotel properties through certain entities in which Ashford Inc. has an ownership interest. These products and services include, but are not limited to project management services, debt placement services, audio visual services, real estate advisory services, insurance claims services, investment management services, hypoallergenic premium rooms, mobile key technology and broker-dealer services. See note 17 to our consolidated financial statements.

As of December 31, 2019, Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. together owned approximately 353,457 shares of Ashford Inc. common stock, which represented an approximate 16.0% ownership interest in Ashford Inc., and owned 18,758,600 shares of Ashford Inc. Series D Convertible Preferred Stock, which was exercisable (at an exercise price of \$117.50 per share) into an additional approximate 3,991,191 shares of Ashford Inc. common stock, which if exercised would have increased the Bennetts’ ownership interest in Ashford Inc. to 70.1%. The 18,758,600 shares of Series D Convertible Preferred Stock owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. include 360,000 shares owned by trusts.

The negative impact on room demand within our portfolio stemming from the novel coronavirus (COVID-19) is significant. We experienced an initial decline in hotel revenue that began in February in a limited number of markets. However, with the increased spread of the novel coronavirus (COVID-19) across the globe, the impact has accelerated rapidly throughout our hotel portfolio. A more detailed discussion of the potential effects of novel coronavirus (COVID-19) on our business is contained in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

BUSINESS STRATEGIES

Based on our primary business objectives and forecasted operating conditions, our current key priorities and financial strategies include, among other things:

- acquisition of hotel properties, in whole or in part, that will be accretive to our portfolio;
- disposition of non-core hotel properties;
- pursuing capital market activities to enhance long-term stockholder value;
- preserving capital, enhancing liquidity, and continuing current cost saving measures;
- implementing selective capital improvements designed to increase profitability and to maintain the quality of our assets;
- implementing effective asset management strategies to minimize operating costs and increase revenues;
- financing or refinancing hotels on competitive terms;
- utilizing hedges and derivatives to mitigate risks;
- accessing cost effective capital; and
- making other investments or divestitures that our board of directors deems appropriate.

Our current investment strategy is to focus on owning predominantly full-service hotels in the upper upscale segment in domestic markets that have revenue per available room (“RevPAR”) generally less than twice the U.S. national average. We believe that as supply, demand, and capital market cycles change, we will be able to shift our investment strategy to take advantage of new lodging-related investment opportunities as they may develop. Our investments may include: (i) direct hotel investments; (ii) mezzanine financing through origination or acquisition; (iii) first mortgage financing through origination or acquisition; (iv) sale-leaseback transactions; and (v) other hospitality transactions.

Our strategy is designed to take advantage of lodging industry conditions and adjust to changes in market circumstances over time. Our assessment of market conditions will determine asset reallocation strategies. While we seek to capitalize on favorable market fundamentals, conditions beyond our control may have an impact on overall profitability and our investment returns. We will continue to seek ways to benefit from the cyclical nature of the hotel industry.

To take full advantage of future investment opportunities in the lodging industry, we intend to invest according to the asset allocation strategies described below. However, due to ongoing changes in market conditions, we will continually evaluate the appropriateness of our investment strategies. Our board of directors may change any or all of these strategies at any time without stockholder approval or notice.

Direct Hotel Investments—In selecting hotels to acquire, we target hotels that offer either a high current return or the opportunity to increase in value through repositioning, capital investments, market-based recovery, or improved management practices. Our direct hotel acquisition strategy primarily targets full-service upscale and upper upscale hotels with RevPAR less than twice the national average in primary, secondary, and resort markets, typically throughout the U.S and will seek to achieve both current income and appreciation. In addition, we will continue to assess our existing hotel portfolio and make strategic decisions to sell certain under-performing or non-strategic hotels that do not fit our investment strategy or criteria due to micro or macro market changes or other reasons.

Other Transactions—We may also invest in other lodging related assets or businesses that offer diversification, attractive risk adjusted returns, and/or capital allocation benefits, including mezzanine financing, first mortgage financing, and/or sale-leaseback transactions.

BUSINESS SEGMENTS

We currently operate in one business segment within the hotel lodging industry: direct hotel investments. A discussion of our operating segment is incorporated by reference to note 23 to our consolidated financial statements set forth in Part II, Item 8. Financial Statements and Supplementary Data.

FINANCING STRATEGY

We utilize debt to increase equity returns. When evaluating our future level of indebtedness and making decisions regarding the incurrence of indebtedness, our board of directors considers a number of factors, including:

- our leverage levels across the portfolio;
- the purchase price of our investments to be acquired with debt financing;
- impact on financial covenants;

- cost of debt;
- loan maturity schedule;
- the estimated market value of our investments upon refinancing;
- the ability of particular investments, and our Company as a whole, to generate cash flow to cover expected debt service; and
- trailing twelve months net operating income of the hotel to be financed.

We may incur debt in the form of purchase money obligations to the sellers of properties, publicly or privately placed debt instruments, or financing from banks, institutional investors, or other lenders. Any such indebtedness may be secured or unsecured by mortgages or other interests in our properties. This indebtedness may be recourse, non-recourse, or cross-collateralized. If recourse, such recourse may include our general assets or be limited to the particular investment to which the indebtedness relates. In addition, we may invest in properties or loans subject to existing loans secured by mortgages or similar liens on the properties, or we may refinance properties acquired on a leveraged basis. We may also from time to time receive additional capital from our advisor in the form of enhanced return funding pursuant to our Enhanced Return Funding Program Agreement with Ashford LLC.

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.

In addition, if we do not have sufficient cash available, we may need to borrow to meet taxable income distribution requirements under the Code. No assurances can be given that we will obtain additional financings or, if we do, what the amount and terms will be. Our failure to obtain future financing under favorable terms could adversely impact our ability to execute our business strategy. In addition, we may selectively pursue debt financing on our individual properties and debt investments.

DISTRIBUTION POLICY

In December 2019, the board of directors approved our dividend policy for 2020, which stated our then-expectation to pay a quarterly dividend of \$0.06 per share on our common stock and operating partnership units during 2020. As previously disclosed, the approval of our dividend policy did not commit our board of directors to declare future dividends with respect to any quantity or the amount thereof. As a result of the impact of the novel coronavirus (COVID-19) on our business, we expect that the board of directors will reconsider our previously announced dividend policy and may take further action with respect to 2020 dividends, including by eliminating or significantly reducing the dividend until such time as our business operating environment improves. The board of directors will continue to review our dividend policy and make future announcements with respect thereto. In December 2018, the board of directors approved our 2019 dividend policy which was modified in June 2019. The revised dividend policy resulted in a quarterly dividend payment of \$0.06 per share for the last three quarters of 2019. For the year ended December 31, 2019, we declared quarterly dividends totaling \$0.30 per share on our common stock and operating partnership units. We may incur indebtedness to meet distribution requirements imposed on REITs under the Code to the extent that working capital and cash flow from our investments are insufficient to fund required distributions. We may elect to pay dividends on our common stock in cash or a combination of cash and shares of securities as permitted under U.S. federal income tax laws governing REIT distribution requirements. We may pay dividends in excess of our cash flow.

Distributions are authorized by our board of directors and declared by us based upon a variety of factors deemed relevant by our directors. No assurance can be given that our dividend policy, including our dividend policy for 2020, will not change in the future. The adoption of a dividend policy does not commit our board of directors to declare future dividends or the amount thereof. The board of directors will continue to review our dividend policy on at least a quarterly basis. Our ability to pay distributions to our stockholders will depend, in part, upon our receipt of distributions from our operating partnership. This, in turn, may depend upon receipt of lease payments with respect to our properties from indirect subsidiaries of our operating partnership, the management of our properties by our hotel managers and general business conditions (including the impact of the novel coronavirus (COVID-19)). Distributions to our stockholders are generally taxable to our stockholders as ordinary income. However, since a portion of our investments are equity ownership interests in hotels, which result in depreciation and non-cash charges against our income, a portion of our distributions may constitute a non-taxable return of capital, to the extent of a stockholder's tax basis in the stock. To the extent that it is consistent with maintaining our REIT status, we may maintain accumulated earnings of Ashford TRS in that entity.

Our charter allows us to issue preferred stock with a preference on distributions, such as our Series D, Series F, Series G, Series H and Series I preferred stock. The partnership agreement of our operating partnership also allows the operating partnership to issue units with a preference on distributions. The issuance of these series of preferred stock and units together with any similar

issuance in the future, given the dividend preference on such stock or units, could limit our ability to make a dividend distribution to our common stockholders. In addition, the same factors impacting the board of directors' dividend policy in 2020 may impact our ability to pay dividends on our preferred stock.

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 and apartment operators offering short-term rentals.

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 Ashford LLC and by our appointed officers. Ashford LLC has approximately 116 full-time employees. 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.

ENVIRONMENTAL MATTERS

Under various federal, state, and local laws and regulations, an owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on such property. These laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence of hazardous or toxic substances. Furthermore, a person who arranges for the disposal of a hazardous substance or transports a hazardous substance for disposal or treatment from property owned by another may be liable for the costs of removal or remediation of hazardous substances released into the environment at that property. The costs of remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect the owner's ability to sell the affected property or to borrow using the affected property as collateral. In connection with the ownership and operation of our properties, we, our operating partnership, or Ashford TRS may be potentially liable for any such costs. In addition, the value of any lodging property loan we originate or acquire would be adversely affected if the underlying property contained hazardous or toxic substances.

Phase I environmental assessments, which are intended to identify potential environmental contamination for which our properties may be responsible, have been obtained on substantially all of our properties. Such Phase I environmental assessments included:

- historical reviews of the properties;
- reviews of certain public records;
- preliminary investigations of the sites and surrounding properties;
- screening for the presence of hazardous substances, toxic substances, and underground storage tanks; and
- the preparation and issuance of a written report.

Such Phase I environmental assessments did not include invasive procedures, such as soil sampling or ground water analysis. Such Phase I environmental assessments have not revealed any environmental liability that we believe would have a material adverse effect on our business, assets, results of operations, or liquidity, and we are not aware of any such liability. To the extent Phase I environmental assessments reveal facts that require further investigation, we would perform a Phase II environmental assessment. However, it is possible that these environmental assessments will not reveal all environmental liabilities. There may be material environmental liabilities of which we are unaware, including environmental liabilities that may have arisen since the environmental assessments were completed or updated. No assurances can be given that: (i) future laws, ordinances, or regulations will not impose any material environmental liability; or (ii) the current environmental condition of our properties will not be

affected by the condition of properties in the vicinity (such as the presence of leaking underground storage tanks) or by third parties unrelated to us.

We believe our properties are in compliance in all material respects with all federal, state, and local ordinances and regulations regarding hazardous or toxic substances and other environmental matters. Neither we nor, to our knowledge, any of the former owners of our properties have been notified by any governmental authority of any material noncompliance, liability, or claim relating to hazardous or toxic substances or other environmental matters in connection with any of our properties.

INSURANCE

We maintain comprehensive insurance, including liability, property, workers' compensation, rental loss, environmental, terrorism, cyber security and, when available on commercially reasonable terms, flood, wind and earthquake insurance, with policy specifications, limits, and deductibles customarily carried for similar properties. Certain types of losses (for example, matters of a catastrophic nature such as acts of war or substantial known environmental liabilities) are either uninsurable or require substantial premiums that are not economically feasible to maintain. Certain types of losses, such as those arising from subsidence activity, are insurable only to the extent that certain standard policy exceptions to insurability are waived by agreement with the insurer. We believe, however, that our properties are adequately insured, consistent with industry standards.

FRANCHISE LICENSES

We believe that the public's perception of quality associated with a franchisor can be an important feature in the operation of a hotel. Franchisors provide a variety of benefits for franchisees, which include national advertising, publicity, and other marketing programs designed to increase brand awareness, training of personnel, continuous review of quality standards, and centralized reservation systems.

As of December 31, 2019, we owned interests in 117 hotel properties, 110 of which operated under the following franchise licenses or brand management agreements:

Embassy Suites is a registered trademark of Hilton Hospitality, Inc.

Hilton is a registered trademark of Hilton Hospitality, Inc.

Hilton Garden Inn is a registered trademark of Hilton Hospitality, Inc.

Hampton Inn is a registered trademark of Hilton Hospitality, Inc.

Homewood Suites is a registered trademark of Hilton Hospitality, Inc.

Marriott is a registered trademark of Marriott International, Inc.

SpringHill Suites is a registered trademark of Marriott International, Inc.

Residence Inn by Marriott is a registered trademark of Marriott International, Inc.

Courtyard by Marriott is a registered trademark of Marriott International, Inc.

Fairfield Inn by Marriott is a registered trademark of Marriott International, Inc.

TownePlace Suites is a registered trademark of Marriott International, Inc.

Renaissance is a registered trademark of Marriott International, Inc.

Ritz-Carlton is a registered trademark of Marriott International, Inc.

Hyatt Regency is a registered trademark of Hyatt Hotels Corporation.

Le Meridien is a registered trademark of Marriott International, Inc.

Sheraton is a registered trademark of Marriott International, Inc.

W is a registered trademark of Marriott International, Inc.

Westin is a registered trademark of Marriott International, Inc.

Crowne Plaza is a registered trademark of InterContinental Hotels Group.

Hotel Indigo is a registered trademark of InterContinental Hotels Group.

One Ocean is a registered trademark of Remington Hotels, LLC

Tribute Portfolio is a registered trademark of Marriott International, Inc.

Our management companies, including Remington Hotels, must operate each hotel pursuant to the terms of the related franchise or brand management agreement and must use their best efforts to maintain the right to operate each hotel pursuant to such terms. In the event of termination of a particular franchise or brand management agreement, our management companies must operate any affected hotels under another franchise or brand management agreement, if any, that we enter into. We anticipate that many of the additional hotels we acquire could be operated under franchise licenses or brand management agreements as well.

Our franchise licenses and brand management agreements generally specify certain management, operational, recordkeeping, accounting, reporting, and marketing standards and procedures with which the franchisee or brand operator must comply, including requirements related to:

- training of operational personnel;
- safety;
- maintaining specified insurance;
- types of services and products ancillary to guestroom services that may be provided;
- display of signage; and
- type, quality, and age of furniture, fixtures, and equipment included in guestrooms, lobbies, and other common areas.

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. We anticipate that our cash flows from the operations of our properties will be sufficient to enable us to make quarterly distributions to maintain our REIT status. To the extent that cash flows from operations are insufficient during any quarter due to temporary or seasonal fluctuations in revenue, we expect to utilize other cash on hand or borrowings 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.ahtreit.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 Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file or furnish such material with the Securities and Exchange Commission (the "SEC"). All of our filed reports can also be obtained at the SEC's website at www.sec.gov. In addition, our Code of Business Conduct and Ethics, Code of Ethics for the Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, Corporate Governance Guidelines, and Board Committee Charters are also available free-of-charge on our website or can be made available in print upon request.

A description of any substantive amendment or waiver of our Code of Business Conduct and Ethics or our Code of Ethics for the Executive Officer, Chief Financial Officer and Chief Accounting Officer will be disclosed on our website under the Corporate Governance section. Any such description will be located on our website for a period of 12 months following the amendment or waiver. We also use our website to distribute company information, and such information may be deemed material. Accordingly, investors should monitor our website, in addition to our press releases, SEC filings and public conference calls and webcasts. The contents of our website are not, however, a part of this report.

Item 1A. Risk Factors

RISKS RELATED TO OUR BUSINESS

A financial crisis, economic slowdown, or epidemic or other economically disruptive events may harm the operating performance of the hotel industry generally. If such events occur, we may be harmed 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. gross domestic product. A majority of our hotels are classified as upscale and upper upscale. 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 upscale and upper upscale 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 us.

Economic weakness in the U.S. economy, generally, or a recession would likely adversely affect our financial condition.

The hotel industry is highly competitive and the hotels in which we invest are subject to competition from other hotels for guests.

The hotel business is highly competitive. Our hotel properties will compete on the basis of location, brand, room rates, quality, amenities, reputation and reservations systems, among many factors. There are many competitors in the hotel industry, 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, profitability is negatively affected by the fixed costs of operating hotels. We also face competition from services such as home sharing companies and apartment operators offering short-term rentals.

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

We depend on our advisor or its affiliates to manage our assets and operations. Any adverse changes in the financial condition of our advisor or its affiliates or our relationship with them could hinder their ability to manage us and our operations successfully.

We depend on our advisor's key personnel with long-standing business relationships. The loss of our advisor'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 our advisor's management team and the extent and nature of the relationships they have developed with hotel franchisors, operators, and owners and hotel lending and other financial institutions. The loss of services of one or more members of our advisor's management team could harm our business and our prospects.

The aggregate amount of fees and expense reimbursements paid to our advisor, (as provided in our advisory agreement) will exceed the average of internalized expenses of our industry peers 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 on a monthly basis a base management fee (subject to a minimum base management fee described below), that is based on a declining scale percentage of our total market capitalization (as defined in our advisory agreement) plus 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 minimum base management 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. The "G&A Ratio" is 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 selected 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 selected 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.

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 have in the past and may continue to co-invest with third parties through partnerships, joint ventures or other entities, acquiring controlling or non-controlling interests in, or sharing responsibility for, managing the affairs of a property, partnership, joint venture or other entity. In such event, we may not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. 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, if neither we nor the partner or co-venturer has 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 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.

Our business strategy depends on our continued growth. We may fail to integrate recent and additional investments into our operations or otherwise manage our future growth, which may adversely affect our operating results.

We cannot assure you that we will be able to adapt our management, administrative, accounting, and operational systems, or our advisor will be able to hire and retain sufficient operational staff to successfully integrate and manage any future acquisitions of additional assets without operating disruptions or unanticipated costs. Acquisitions of any property or additional portfolios of properties could generate additional operating expenses for us. Any future acquisitions may also require us to enter into property improvement plans that will increase our use of cash and could disrupt performance. As we acquire additional assets, we will be subject to the operational risks associated with owning those assets. Our failure to successfully integrate any future acquisitions into our portfolio could have a material adverse effect on our results of operations and financial condition and our ability to pay dividends to our stockholders.

Because our board of directors and our advisor have broad discretion to make future investments, we may make investments that result in returns that are substantially below expectations or that result in net operating losses.

Our board of directors and our advisor have broad discretion, within the investment criteria established by our board of directors, to make additional investments and to determine the timing of such investments. 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, including with respect to our dividend policies on our common and preferred stock. Such discretion could result in investments with returns inconsistent with expectations.

We may be unable to identify additional investments that meet our investment criteria or to acquire the properties we have under contract.

We cannot assure you that we will be able to identify real estate investments that meet our investment criteria, that we will be successful in completing any investment we identify, or that any investment we complete will produce a return on our investment. Moreover, we have broad authority to invest in any real estate investments that we may identify in the future. We also cannot assure you that we will acquire properties we currently have under firm purchase contracts, if any, or that the acquisition terms we have negotiated will not change.

Hotel franchise or license requirements or the loss of a franchise could adversely affect us.

We must comply with operating standards, terms, and conditions imposed by the franchisors 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 standards could result in the loss or cancellation of a franchise license. With respect to operational standards, we rely on our hotel managers to conform to such standards. At times we may not be in compliance with such standards. Franchisors 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. It is possible that a franchisor could condition the continuation of a franchise based on the completion of capital improvements that our advisor or 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, our advisor or board of directors may elect to allow the franchise to lapse or be terminated, which could result in a termination charge as well as a change in brand franchising or operation of the hotel as an independent hotel. In addition, when the term of a franchise expires, the franchisor has no obligation to issue a new franchise.

The loss of a franchise 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.

Our investments are concentrated in particular segments of a single industry.

Nearly all of our business is hotel related. Our current strategy is predominantly to acquire upper upscale hotels, as well as when conditions are favorable to acquire first mortgages on hotel properties, invest in other mortgage-related instruments such as mezzanine loans to hotel owners and operators, and participate in hotel sale-leaseback transactions. Adverse conditions in the hotel industry, including as a result of the novel coronavirus (COVID-19), will have a material adverse effect on our operating and investment revenues and cash available for distribution to our stockholders.

Our reliance on Remington Hotels, a subsidiary of Ashford Inc., and on third party hotel managers to operate our hotels and for a substantial majority of our cash flow may adversely affect us.

Because U.S. federal income tax laws restrict REITs and their subsidiaries from operating or managing hotels, third parties must operate our hotels. A REIT may lease its hotels to taxable REIT subsidiaries in which the REIT can own up to a 100% interest. A taxable REIT subsidiary (“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 have entered into management agreements with Remington Hotels, a subsidiary of Ashford Inc., to manage 80 of our 117 hotel properties and the WorldQuest condominium properties as of December 31, 2019. We have hired unaffiliated third-party hotel managers to manage our remaining properties. We do not supervise any of the hotel managers or their respective personnel on a day-to-day basis, and we cannot assure you that the hotel managers will manage our properties in a manner that is consistent with their respective obligations under the applicable management agreement or our obligations under our hotel franchise agreements. We also cannot assure you that our hotel managers will not be negligent in their performance, will not engage in criminal or fraudulent activity, or will not otherwise default on their respective management obligations to us. If any of the foregoing occurs, our relationships with any franchisors may be damaged, we may be in breach of our franchise 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. We generally will attempt to resolve any such disputes through discussions and negotiations; however, if we are unable to reach satisfactory results 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 adversely affect us.

Our cash flow from the hotels may be adversely affected if our managers fail to provide quality services and amenities or if they or their affiliates fail to maintain a quality brand name. In addition, our managers or their affiliates may manage, and in some cases may own, invest in or provide credit support or operating guarantees, to hotels that compete with hotel properties that we own or acquire, which may result in conflicts of interest and decisions regarding the operation of our hotels that are not in our best interests. Any of these circumstances could adversely affect us.

Our management agreements could adversely affect our sale or financing of hotel properties.

We have entered into management agreements, and acquired properties subject to management agreements, that do not allow us to replace hotel managers on relatively short notice or with limited cost or contain other restrictive covenants, and 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 in our best interest and could incur substantial expense as a result of the agreements.

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 maintain our qualification as a REIT. As a result, our retained earnings 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 cannot assure you that we will be able to obtain additional debt or equity financing or that we will be able to obtain it on favorable terms.

We may not realize the anticipated benefits of the Enhanced Return Funding Program.

On June 26, 2018, we entered into the Enhanced Return Funding Program Agreement and Amendment No. 1 to the Amended and Restated Advisory Agreement (the “ERFP Agreement”) with Ashford Inc. and Ashford LLC, which generally provides that Ashford LLC will provide funding to facilitate the acquisition of properties by us that are recommended by Ashford LLC, in an aggregate amount of up to \$50 million (subject to increase to up to \$100 million by mutual agreement). Each funding by Ashford LLC 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 furniture, fixtures & equipment (“FF&E”) for use at the acquired property or any other property owned by us. The initial term of the ERFP Agreement is two years (the “Initial Term”), unless earlier terminated pursuant to the terms of the ERFP Agreement. At the end of the Initial Term, the ERFP Agreement shall automatically renew for successive one year periods (each such period a “Renewal Term”) unless either Ashford Inc. or Ashford Trust provides written notice to the other at least sixty days in advance of the expiration of the Initial Term or Renewal Term, as applicable, that such notifying party intends not to renew the ERFP Agreement.

In connection with our acquisition of the Embassy Suites New York Midtown Manhattan on January 23, 2019, Ashford LLC became obligated to provide us with approximately \$19.5 million in exchange for FF&E at our properties. As of December 31, 2019, we had received \$8.1 million of cash with respect to these acquisitions in exchange for FF&E that was subsequently leased back to us rent-free under the ERFP Agreement. The remaining \$11.4 million must be provided within two years of the acquisition date.

Ashford LLC, however, is not required to commit to provide funding under the ERFP Agreement if its unrestricted cash balance, after taking into account the cash amount required for such funding, would be less than \$15.0 million. In addition, there can be no assurance that when FF&E is identified by us in connection with an ERFP funding that Ashford LLC will make the required payment to us on a timely basis or at all. Ashford LLC’s delay or failure to make the payment under the ERFP Agreement would negatively impact our ability to realize the intended benefits under the ERFP Agreement, which could result in a material adverse effect of our business, results of operations and financial condition. Furthermore, we may choose not to enforce, or to enforce less vigorously, our rights under the ERFP Agreement because of our desire to maintain our ongoing relationship with Ashford Inc. and Ashford LLC, and legal action against either party is likely to impact that relationship. Ashford LLC has a remaining commitment to provide approximately \$9.4 million in ERFP fundings to us in respect of its initial \$50 million commitment.

We compete with other hotels for guests and face competition for acquisitions and sales of hotel properties and of desirable debt investments.

The hotel business is competitive. Our hotels compete on the basis of location, room rates, quality, service levels, amenities, loyalty programs, reputation and reservation systems, among many other factors. New hotels may be constructed and these additions to supply create new competitors, in some cases without corresponding increases in demand for hotel rooms. The result in some cases may be lower revenue, which would result in lower cash available to meet debt service obligations, operating expenses and requisite distributions to our stockholders.

We compete for hotel acquisitions with entities that have similar investment objectives as we do. 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. In addition, we compete to sell hotel properties. Availability of capital, the number of hotels available for sale and market conditions all affect prices. We may not be able to sell hotel assets at our targeted price.

We may also compete for mortgage asset investments with numerous public and private real estate investment vehicles, such as mortgage banks, pension funds, other REITs, institutional investors, and individuals. Mortgages and other investments are often obtained through a competitive bidding process. In addition, competitors may seek to establish relationships with the financial institutions and other firms from which we intend to purchase such assets. Competition may result in higher prices for mortgage assets, lower yields, and a narrower spread of yields over our borrowing costs.

Some of our competitors are larger than us, may have access to greater capital, marketing, and other financial resources, may have personnel with more experience than our officers, may be able to accept higher levels of debt or otherwise may tolerate more risk than us, may have better relations with hotel franchisors, sellers or lenders, and may have other advantages over us in conducting certain business and providing certain services.

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

Our business may be impacted by domestic and global economic conditions. Political crises in the U.S. and other international countries or regions, including sovereign risk related to a deterioration in the credit worthiness or a default by local governments, may negatively affect global economic conditions and our business. If the U.S. or global economy experiences volatility or significant disruptions, such disruptions or volatility could hurt the U.S. economy and our business could be negatively impacted by reduced demand for business and leisure travel related to a slow-down in the general economy, by disruptions resulting from credit markets, higher operating costs and by liquidity issues resulting from an inability to access credit markets to obtain cash to support operations.

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

As do most companies, our advisor and our various 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. Our advisor and our hotel managers purchase some of our information technology from vendors, on whom our systems depend, and our advisor relies on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential operator and other customer information, such as individually identifiable information, including information relating to financial accounts.

We often depend upon the secure transmission of this information over public networks. Our advisor's and our hotel managers' networks and storage applications may 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. In some cases, it is difficult to anticipate or immediately detect such incidents and the damage caused thereby. Any significant breakdown, invasion, destruction, interruption or leakage of our advisor's or our hotel managers' systems could harm us.

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.

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. No assurance can be given that applicable laws or regulations will not be amended or construed differently or that new laws and regulations will not be adopted, either of which could materially adversely affect our business, financial condition or results of operations.

Our business could be adversely impacted if there are deficiencies in our disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness, in our internal control over financial reporting could result in misstatements of our results of operations, restatements of our financial statements or could otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

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

Our properties are susceptible to revenue loss, cost increase or damage caused by severe weather conditions or natural disasters such as hurricanes, earthquakes, tornadoes and floods, as well as the effects of climate change. To the extent climate change causes

changes in weather patterns, we could experience increases in storm intensity and rising sea-levels. Over time, these conditions could result in declining hotel demand, significant damage to our properties or our inability to operate the affected hotels at all.

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

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, 2019, we had approximately \$4.1 billion of outstanding indebtedness, including approximately \$3.8 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.

Increases in interest rates could increase our debt payments.

As of December 31, 2019, we had approximately \$4.1 billion of outstanding indebtedness, including approximately \$3.8 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.”

If we default on our secured debt in the future, the lenders may foreclose on our hotels.

All of our property-level indebtedness is secured by mortgages on the applicable property. If we default on any of the secured loans or do not meet our debt service obligations, the lender will be able to foreclose on the property pledged to the relevant lender under that loan. While we have maintained certain of our hotels unencumbered by mortgage debt, we have a relatively high loan-

to-value on a number of our hotels which are subject to mortgage loans and, as a result, those mortgaged hotels may be at an increased risk of default and foreclosure. In addition, to the extent that we cannot meet any future debt service obligations, we will risk losing some or all of our hotels that are pledged to secure our obligations to foreclosure. This could affect our ability to make distributions to our stockholders. A foreclosure may also result in reputational risks with lenders that could make it more difficult, or more costly, to obtain loans in the future.

Particularly in times of economic stress caused by general economic conditions or events particularly impacting the hospitality sector (including the novel coronavirus (COVID-19)), we may attempt to restructure the indebtedness on some of our hotel assets, including if the level of indebtedness exceeds the value of the pledged hotel assets. In March 2020, we informed our mortgage lenders on the Morgan Stanley 8-hotel portfolio (consisting of Courtyard Billerica, Hampton Inn Columbus Easton, Hampton Inn Phoenix Airport, Homewood Suites Pittsburgh Southpointe, Hampton Inn Pittsburgh Waterfront, Hampton Inn Pittsburgh Washington, Residence Inn Stillwater and Courtyard Wichita), with respect to which indebtedness exceeds the value of the hotels, that the cash flow from the hotels will be insufficient to cover debt service and other required payments due on the loan, that we believe there is substantial risk of imminent payment default, and have requested that the lenders restructure the mortgage loans. In the event our lenders are unwilling to restructure these loans, we could elect to stop making payments on the loans, which would entitle the lenders to foreclose on the properties.

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

Our future indebtedness may be cross-collateralized and, consequently, a default on any such indebtedness could cause us to lose part or all of our investment in multiple properties.

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

We intend to incur additional debt in connection with future hotel acquisitions. We may, in some instances, borrow 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, 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 debt financings having staggered maturities, and use variable-rate debt or a mix of fixed and variable-rate debt as appropriate based on favorable interest rates, principal amortization and other

terms. In the event that we do not have sufficient funds to repay the debt at the maturity of these loans, we will need to refinance this debt. If the credit environment is constrained at the time of our debt maturities, we would have a very difficult time refinancing debt. When we refinance our debt, prevailing interest rates and other factors may result in paying a greater amount of debt service, which will adversely affect our cash flow, and, consequently, our cash available for distribution to our stockholders. If we are unable to refinance our debt on acceptable terms, we may be forced to choose from a number of unfavorable options. These options include agreeing to otherwise unfavorable financing terms on one or more of our unencumbered assets, selling one or more hotels on disadvantageous terms, including unattractive prices or defaulting on the mortgage and permitting the lender to foreclose. Any one of these options could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our stockholders. If we sell a hotel, the required loan repayment may exceed the sale proceeds.

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 involve risks, 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 adequately offset the risk of interest rate volatility or other risks or that our hedging transactions will not result in losses that may reduce the overall return on your investment.

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

As of December 31, 2019, we had approximately \$3.8 billion of variable interest rate debt as well as interest rate derivatives including caps and floors that are indexed to the London Interbank Offered Rate (“LIBOR”). In July 2017, the United Kingdom regulator that regulates LIBOR announced its intention to phase out LIBOR rates by the end of 2021. The Alternative Reference Rates Committee (“ARRC”), a steering committee comprised of large U.S. financial institutions, has proposed replacing USD-LIBOR with a new index calculated by short-term repurchase agreements, the Secured Overnight Financing Rate (“SOFR”). At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR, and it is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR, whether LIBOR rates will cease to be published or supported before or after 2021 or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. Such developments and any other legal or regulatory changes in the method by which LIBOR is determined or the transition from LIBOR to a successor benchmark may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, and changes in the rules or methodologies in LIBOR, which may discourage market participants from continuing to administer or to participate in LIBOR’s determination and, in certain situations, could result in LIBOR no longer being determined and published. If a published U.S. dollar LIBOR rate is unavailable after 2021, the interest rates on our debt which is indexed to LIBOR will be determined using various alternative methods, any of which may result in interest obligations which are more than or do not otherwise correlate over time with the payments that would have been made on such debt if U.S. dollar LIBOR was available in its current form. Further, the same costs and risks that may lead to the unavailability of U.S. dollar LIBOR may make one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on our financing costs, and as a result, our financial condition, operating results and cash flows.

RISKS RELATED TO HOTEL INVESTMENTS

We are subject to general risks associated with operating hotels.

Our hotels are subject to various operating risks common to the hotel industry, many of which are beyond our control, including, among others, the following:

- adverse effects of the novel strain of coronavirus (COVID-19), including a potential general reduction in business and personal travel and potential travel restrictions in regions where our hotels are located;
- competition from other hotel properties in our markets;
- over-building of hotels in our markets, which results in increased supply and adversely affects occupancy and revenues at our hotels;
- dependence on business and commercial travelers and tourism;

- increases in operating costs due to inflation, increased energy costs and other factors that may not be offset by increased room rates;
- changes in interest rates and in the availability, cost and terms of debt financing;
- increases in assessed property taxes from changes in valuation or real estate tax rates;
- increases in the cost of property insurance;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- unforeseen events beyond our control, such as terrorist attacks, travel related health concerns which could reduce travel, including pandemics and epidemics such as H1N1 influenza (swine flu), avian flu, SARS, the Zika virus, MERS and other future outbreaks of infectious diseases, imposition of taxes or surcharges by regulatory authorities, travel-related accidents, travel infrastructure interruptions and unusual weather patterns, including natural disasters such as wildfires, hurricanes, tsunamis or earthquakes;
- adverse effects of international, national, regional and local economic and market conditions and increases in energy costs or labor costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists;
- adverse effects of a downturn in the lodging industry;
- political instability;
- travel restrictions (whether government-imposed or voluntary); and
- risks generally associated with the ownership of hotel properties and real estate, as we discuss in more detail below.

These factors could adversely affect our hotel revenues and expenses, as well as the hotels underlying our mortgage and mezzanine loans, which in turn could adversely affect our financial condition, results of operations, the market price of our common stock and our ability to make distributions to our stockholders.

The outbreak of the novel coronavirus (COVID-19) has significantly impacted our occupancy rates and RevPar.

Our business has been adversely affected by the impact of, and the public perception of a risk of, a pandemic disease. In December 2019, a novel strain of coronavirus (COVID-19) was identified in Wuhan, China, which has subsequently spread to other regions of the world, and has resulted in increased travel restrictions and extended shutdown of certain businesses in affected regions. As discussed further below in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”, since late February, we have experienced a significant decline in occupancy and RevPAR and we expect the occupancy and RevPAR reduction associated with the novel coronavirus (COVID-19) to continue as we are recording significant reservation cancellations as well as a significant reduction in new reservations relative to prior expectations. A continued outbreak of the virus in the U.S. would likely further reduce travel and demand at our hotels. A prolonged occurrence of the virus may result in health or other government authorities imposing restrictions on travel or other market impacts. The hotel industry and our portfolio are already experiencing the postponement or cancellation of business conferences and similar events. Additionally, the public perception of a risk of a pandemic or media coverage of these diseases, or public perception of health risks linked to perceived regional food and beverage safety, particularly if focused on regions in which our hotels are located, may adversely affect us by reducing demand for our hotels. Currently, no vaccines have been developed, and there can be no assurance that an effective vaccine can be discovered in time to protect against a potential pandemic. Any of these events could result in a sustained, significant drop in demand for our hotels and could have a material adverse effect on us.

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

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

Other factors that could negatively affect our business include: terrorist incidents and threats and associated heightened travel security measures; political and regional strife; acts of God such as earthquakes, hurricanes, fires, floods, volcanoes and other natural disasters; war; concerns with or threats of pandemics, contagious diseases or health epidemics, such as the novel strain of coronavirus (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.

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. Accordingly, we only own a long-term leasehold or similar interest in those four hotels. If we are found to be in breach of a ground lease, we could lose the right to use the hotel. In addition, unless we can purchase a fee interest in the underlying land and improvements or extend the terms of these leases before their expiration, we will lose our right to operate these properties and our interest in the improvements upon expiration of the 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 that 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 be required 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 impacted as the lease term declines.

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 FF&E. Managers or franchisors of our hotels also will require periodic capital improvements pursuant to the management agreements or as a condition of maintaining franchise licenses. Generally, we are responsible for the cost of these capital improvements. We may also develop hotel properties, timeshare units or other alternate uses of portions of our existing properties, including the development of retail, residential, office or apartments, including through joint ventures. Such renovation and development involves substantial risks, including:

- construction cost overruns and delays;
- the disruption of operations and displacement of revenue at operating hotels, including revenue lost while rooms, restaurants or meeting space under renovation are out of service;
- the cost of funding renovations or developments and inability to obtain financing on attractive terms;
- the return on our investment in these capital improvements or developments failing to meet expectations;
- governmental restrictions on the nature or size of a project;
- 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;
- acts of God such as earthquakes, hurricanes, floods or fires that could adversely affect a project;
- environmental problems; and
- disputes with franchisors or hotel managers regarding compliance with relevant franchise agreements or management agreements.

If we have insufficient cash flow from operations to fund needed capital expenditures, then we will need to obtain additional debt or equity financing to fund future capital improvements, and we may not be able to meet the loan covenants in any financing obtained to fund the new development, creating default risks.

In addition, to the extent that developments are conducted through joint ventures, this creates additional risks, including the possibility that our partners may not meet their financial obligations or could have or develop business interests, policies or objectives that are inconsistent with ours. See “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.”

Any of the above factors could affect adversely our and our partners' ability to complete the developments on schedule and along the scope that currently is contemplated, or to achieve the intended value of these projects. For these reasons, there can be no assurances as to the value to be realized by the company from these transactions or any future similar transactions.

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 any 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. We can provide no assurances that our cash flows will 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, and we can provide no assurances that such borrowings will 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 us.

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. We can provide no assurances regarding whether, or the extent to which, lodging demand will exceed supply and if so, for what period of time. 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 us.

Many real estate costs are fixed, 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, we may be adversely affected.

Our operating expenses may increase in the future which could cause us to raise our room rates, which may deplete room occupancy, or cause us to realize lower net operating income as a result of increased expenses that are not offset by increased room rates, in either case decreasing our cash flow and our operating results.

Operating expenses, such as expenses for fuel, utilities, labor and insurance, are not fixed and may increase in the future. To the extent such increases affect our room rates and therefore our room occupancy at our lodging properties, our cash flow and operating results may be negatively 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. 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 at the expense of brand identification. These intermediaries may hope that consumers will eventually develop brand loyalties to their reservations system rather than to the brands under which our properties are franchised. Although most of the business for our hotels is expected to be derived from traditional channels, if the amount of sales made through Internet intermediaries increases significantly, rooms revenue may be lower than expected, and we may be adversely affected.

We 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 we may be adversely affected.

Our hotels may be subject to unknown or contingent liabilities which could cause us to incur substantial costs.

The hotel properties that we own or may acquire are or may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the sellers. In general, the representations and warranties provided under the transaction agreements related to the sales of the hotel properties may not survive the closing of the transactions. While we will seek to require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification may be limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with these hotels may exceed our expectations, and we may experience other unanticipated adverse effects, all of which may adversely affect our financial condition, results of operations, the market price of our common stock and our ability to make distributions to our stockholders.

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

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, which could materially adversely affect us.

During 2019, approximately 11% of our total hotel revenue was generated from nine hotels located in the Washington D.C. area, one of several key U.S. markets considered vulnerable to terrorist attack. Our financial and operating performance may be adversely affected by potential terrorist attacks. Terrorist attacks in the future may cause our results to differ materially from anticipated results. Hotels we own in other market locations may be subject to this risk as well.

We are subject to risks associated with the employment of hotel personnel, particularly with 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 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 us.

RISKS RELATED TO CONFLICTS OF INTEREST

Our agreements with our external advisor, as well as our mutual exclusivity agreement and management agreements with Remington Hotels and Premier, subsidiaries of Ashford Inc., were not negotiated on an arm's-length basis, and we may pursue less vigorous enforcement of their terms because of conflicts of interest with certain of our executive officers and directors and key employees of our advisor.

Because each of our executive officers are also key employees of our advisor, Ashford LLC, a subsidiary of Ashford Inc. and have ownership interests in Ashford Inc. and because the chairman of our board has an ownership interest in Ashford Inc., our advisory agreement, our master hotel management agreement and hotel management mutual exclusivity agreement with Remington Hotels, a subsidiary of Ashford Inc., and our master project management agreement and project management mutual exclusivity agreement with Premier, a subsidiary of Ashford Inc., 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. As a result, the terms, including fees and other amounts payable, may not be as favorable to us as 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 our advisor and its subsidiaries (including Ashford LLC, Remington Hotels and Premier).

The termination fee payable to our advisor significantly increases the cost to us of terminating our advisory agreement, thereby effectively limiting our ability to terminate our advisor without cause and could make a change of control transaction less likely or the terms thereof less attractive to us and to our stockholders.

The initial term of our advisory agreement with our advisor is 10 years from the effective date of the advisory agreement, with automatic five-year renewal terms thereafter unless previously terminated. Our board will review our advisor's performance and fees annually and, following the 10-year initial term the advisory agreement may be terminated by us with the payment of the termination fee described below and 180 days' prior notice upon the affirmative vote of at least two-thirds of our independent directors based upon a good faith finding that either: (1) there has been unsatisfactory performance by our advisor that is materially detrimental to us and our subsidiaries taken as a whole; or (2) the base fee and/or incentive fee is not fair (and our advisor does not offer to negotiate a lower fee that a majority of our independent directors determines is fair). Additionally, if there is a change of control transaction, we will have the right to terminate the advisory agreement with the payment of the termination fee described below. If we terminate or do not renew the advisory agreement without cause, including pursuant to clauses (1) or (2) above (following a contractual renegotiation process in the case of clause (2) above) or upon a change of control, we will be required to pay our advisor a termination fee equal to:

- (A) 1.1 multiplied by the greater of (i) 12 times the net earnings of our advisor for the 12 month period preceding the termination date of the advisory agreement; (ii) the earnings multiple (calculated as our advisor's total enterprise value on the trading day immediately preceding the day the termination notice is given to our advisor divided by our advisor's most recently reported adjusted EBITDA) for our advisor's common stock for the 12 month period preceding the termination date of the advisory agreement multiplied by the net earnings of our advisor for the 12 month period preceding the termination date of the advisory agreement; or (iii) the simple average of the earnings multiples for each of the three fiscal years preceding the termination of the advisory agreement (calculated as our advisor's total enterprise value on the last trading day of each of the three preceding fiscal years divided by, in each case, our advisor's adjusted EBITDA for the same periods), multiplied by the net earnings of our advisor for the 12 month period preceding the termination date of the advisory agreement; plus
- (B) an additional amount such that the total net amount received by our advisor after the reduction by state and U.S. federal income taxes at an assumed combined rate of 40% on the sum of the amounts described in (A) and (B) shall equal the amount described in (A).

Any such termination fee will be payable on or before the termination date. The termination fee makes it more difficult for us to terminate our advisory agreement even if our board determines that there has been unsatisfactory performance or unfair fees. These provisions significantly increase the cost to us of terminating our advisory agreement, thereby limiting our ability to terminate our advisor without cause.

Our advisor manages other entities and may direct attractive investment opportunities away from us. If we change our investment guidelines, our advisor is not restricted from advising clients with similar investment guidelines.

Our executive officers also serve as key employees and as officers of our advisor and Braemar, and will continue to do so. Furthermore, Mr. Monty J. Bennett, our chairman, is also the chief executive officer, chairman and a significant stockholder of our advisor and the chairman of Braemar. Our advisory agreement requires our advisor to present investments that satisfy our investment guidelines to us before presenting them to Braemar or any future client of our advisor. Additionally, in the future our advisor may advise other clients, some of which may have investment guidelines substantially similar to ours.

Some portfolio investment opportunities may include hotels that satisfy our investment objectives as well as hotels that satisfy the investment objectives of Braemar or other entities advised by our advisor. If the portfolio cannot be equitably divided, our advisor 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 our advisor to allocate portfolio investment opportunities between us, Braemar or other entities advised by our advisor in a fair and equitable manner, consistent with our, Braemar's and such other entities' investment objectives. In making this determination, our advisor, using substantial discretion, will consider the investment strategy and guidelines of each entity with respect to acquisition of properties, portfolio concentrations, tax consequences, regulatory restrictions, liquidity requirements and other factors deemed appropriate. In making the allocation determination, our advisor has no obligation to make any such investment opportunity available to us. Further, our advisor and Braemar 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 Braemar. The above mentioned dual responsibilities may create conflicts of interest for our officers which could result in decisions or allocations of investments that may benefit one entity more than the other.

Our advisor and its key employees, who are Braemar's, Ashford Inc.'s and our executive officers, face competing demands relating to their time and this may adversely affect our operations.

We rely on our advisor and its employees for the day-to-day operation of our business. Certain key employees of our advisor are executive officers of Braemar and Ashford Inc. Because our advisor's key employees have duties to Braemar and Ashford Inc., 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, Braemar and Ashford Inc. Our advisor may also manage other entities in the future. During turbulent market conditions or other times when we need focused support and assistance from our advisor, other entities for which our advisor also acts as an external advisor will likewise require greater focus and attention as well, placing competing high levels of demand on the limited time and resources of our advisor's key employees. Additionally, activist investors have, and in the future, may commence campaigns seeking to influence other entities advised by our advisor to take particular actions favored by the activist or gain representation on the board of directors of such entities, which could result in additional disruption and diversion of management's attention. 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.

Our business could be negatively affected as a result of actions by activist stockholders.

Campaigns by stockholders to effect changes in publicly traded companies are sometimes led by activist investors through various corporate actions, including proxy contests. 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 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.

Conflicts of interest could result in our management acting other than in our stockholders' best interest.

Conflicts of interest in general and specifically relating to Ashford Inc. and its subsidiaries (including Ashford LLC, Remington Hotels and Premier) may lead to management decisions that are not in the stockholders' best interest. The chairman of our board of directors, Mr. Monty J. Bennett, is the chairman, chief executive officer and a significant stockholder of Ashford Inc. and Mr. Archie Bennett, Jr., who is our chairman emeritus, is a significant stockholder of Ashford Inc. Prior to its acquisition by Ashford Inc. on November 6, 2019, Messrs. Archie Bennett, Jr. and Monty J. Bennett beneficially owned 100% of Remington Lodging. As of December 31, 2019, Remington Hotels managed 80 of our 117 hotel properties and the WorldQuest condominium properties and provides other services.

As of December 31, 2019, Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. together owned approximately 353,457 shares of Ashford Inc. common stock, which represented an approximate 16.0% ownership interest in Ashford Inc., and owned 18,758,600 shares of Ashford Inc. Series D Convertible Preferred Stock, which was exercisable (at an exercise price of \$117.50 per share) into an additional approximate 3,991,191 shares of Ashford Inc. common stock, which if exercised would have increased the Bennetts' ownership interest in Ashford Inc. to 70.1%. The 18,758,600 Series D Convertible Preferred Stock owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. include 360,000 shares owned by trusts.

Messrs. Archie Bennett, Jr. and Monty J. Bennett's ownership interests in, and Mr. Monty J. Bennett's management obligations to, Ashford Inc. present them with conflicts of interest in making management decisions related to the commercial arrangements between us and Ashford Inc. Mr. Monty J. Bennett's management obligations to Ashford Inc. (and his obligations to Braemar, where he also serves as chairman of the board of directors) reduce the time and effort he spends on us. Our board of directors has adopted a policy that requires all material approvals, actions or decisions to 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, and 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 the obligations to us under the master hotel management agreement or master project management agreement.

Holders of units in our operating partnership, including members of our management team, may suffer adverse tax consequences upon our sale of certain properties. Therefore, holders of units, either directly or indirectly, including Messrs. Archie Bennett, Jr. and Monty J. Bennett, or Mr. Mark Nunneley, our Chief Accounting Officer, may have different objectives regarding the appropriate pricing and timing of a particular property's sale. These officers and directors of ours may influence 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.

We are a party to a master hotel management agreement and a hotel management exclusivity agreement with Remington Hotels and a master project management agreement and a project management exclusivity agreement with Premier, which describes the terms of Remington Hotels' and Premier's, respectively, services to our hotels, as well as any future hotels we may acquire that may or may not be property managed by Remington Hotels or project managed by Premier. The exclusivity agreements requires us to engage Remington Hotels for hotel management and Premier for project management, respectively, unless, in each case, our independent directors either: (i) unanimously vote to hire a different manager or developer; or (ii) by a majority vote, elect not to engage Remington Hotels or Premier, as the case may be, because they have determined that special circumstances exist or that, based on Remington Hotels' or Premier's prior performance, another manager or developer could perform the duties materially better. As significant owners of Ashford Inc., which would receive any development, management, and management termination fees payable by us under the management agreements, Mr. Monty J. Bennett, and to a lesser extent, Mr. Archie Bennett, Jr., in his role as chairman emeritus, may influence our decisions to sell, acquire, or develop hotels when it is not in the best interests of our stockholders to do so.

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.

Our hotel management mutual exclusivity agreement with Remington requires us to engage Remington Hotels to manage all future properties that we acquire, to the extent we have the right or control the right to direct such matters, 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. 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 will consist 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. Remington Hotels will have significant influence over the determination of the competitive set for any of our hotels managed by Remington Hotels, and as such 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.

Under the terms of our hotel management mutual exclusivity agreement with Remington Hotels, Remington Hotels may be able to pursue lodging investment opportunities that compete with us.

Pursuant to the terms of our hotel management mutual exclusivity agreement 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 Braemar, pursuant to an existing agreement between Braemar and Remington Hotels, on materially the same terms and conditions as offered to us. If we were to reject such an investment opportunity, either Braemar or Remington Hotels could pursue the opportunity and compete with us. In such a case, Mr. Monty J. Bennett, our chairman, in his capacity as chairman of Braemar or chief executive officer of Ashford Inc. could be in a position of directly competing with us.

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.

We, as the general partner of our operating partnership, have fiduciary duties to the other limited partners in our operating partnership, the discharge of which may conflict with the interests of our stockholders. The limited partners of our operating partnership have agreed that, in the event of a conflict in the fiduciary duties owed by us to our stockholders and, in our capacity as general partner of our operating partnership, to such limited partners, we are under no obligation to give priority to the interests of such limited partners. In addition, those persons holding common units will 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 are unable to modify the rights of limited partners to receive distributions as set forth in the operating partnership agreement in a manner that adversely affects their rights without their consent, even though such modification might be in the best interest of our stockholders.

In addition, conflicts may arise when the interests of our stockholders and the limited partners of our operating partnership diverge, particularly in circumstances in which there may be an adverse tax consequence to the limited partners. Tax consequences to holders of common units upon a sale or refinancing of our properties may cause the interests of the key employees of our advisor (who are also our executive officers and have ownership interests in our operating partnership) to differ from our stockholders.

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

In order to avoid any actual or perceived conflicts of interest with our directors or officers or our advisor's employees, we adopted a conflicts of interest policy to address specifically some of the conflicts relating to our activities. Although under this policy the approval of a majority of our disinterested directors is required to approve any transaction, agreement or relationship in which any of our directors or officers or our advisor or it has an interest, there is no assurance that this policy will be adequate to address all of the conflicts that may arise or will resolve such conflicts in a manner that is favorable to us.

RISKS RELATED TO DERIVATIVE TRANSACTIONS

We have engaged in and may continue to engage in derivative transactions, which can limit our gains and expose us to losses.

We have entered into and may continue to enter into hedging transactions to: (i) attempt to take advantage of changes in prevailing interest rates; (ii) protect our portfolio of mortgage assets from interest rate fluctuations; (iii) protect us from the effects of interest rate fluctuations on floating-rate debt; (iv) protect us from the risk of fluctuations in the financial and capital markets; or (v) preserve net cash in the event of a major downturn in the economy. Our hedging transactions may include entering into interest rate swap agreements, interest rate cap or floor agreements or floor and corridor agreements, credit default swaps and purchasing or selling futures contracts, purchasing or selling put and call options on securities or securities underlying futures contracts, or entering into forward rate agreements. Hedging activities may not have the desired beneficial impact on our results of operations or financial condition. Volatile fluctuations in market conditions could cause these instruments to become ineffective. Any gains or losses associated with these instruments are reported in our earnings each period. No hedging activity can completely insulate us from the risks inherent in our business.

Credit default hedging could fail to protect us or adversely affect us because if a swap counterparty cannot perform under the terms of our credit default swap, we may not receive payments due under such agreement and, thus, we may lose any potential benefit associated with such credit default swap. Additionally, we may also risk the loss of any cash collateral we have pledged to secure our obligations under such credit default swaps if the counterparty becomes insolvent or files for bankruptcy.

Moreover, interest rate hedging could fail to protect us or adversely affect us because, among other things:

- available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability;
- the party owing money in the hedging transaction may default on its obligation to pay;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the value of derivatives used for hedging may be adjusted from time to time in accordance with generally accepted accounting principles ("GAAP") to reflect changes in fair value and such downward adjustments, or "mark-to-market loss," would reduce our stockholders' equity.

Hedging involves both risks and costs, including transaction costs, which may reduce our overall returns on our investments. These costs increase as the period covered by the hedging relationship increases and during periods of rising and volatile interest rates. These costs will also limit the amount of cash available for distributions to stockholders. We generally intend to hedge to the extent management determines it is in our best interest given the cost of such hedging transactions as compared to the potential economic returns or protections offered. The REIT qualification rules may limit our ability to enter into hedging transactions by requiring us to limit our income and assets from hedges. If we are unable to hedge effectively because of the REIT rules, we will face greater interest rate exposure than may be commercially prudent.

We are subject to the risk of default or insolvency by the hospitality entities underlying our investments.

The leveraged capital structure of the hospitality entities underlying our investments will increase their exposure to adverse economic factors (such as rising interest rates, competitive pressures, downturns in the economy or deterioration in the condition of the real estate industry) and to the risk of unforeseen events. If an underlying entity cannot generate adequate cash flow to meet such entity's debt obligations (which may include leveraged obligations in excess of its aggregate assets), it may default on its loan agreements or be forced into bankruptcy. As a result, we may suffer a partial or total loss of the capital we have invested in the securities and other investments of such entity.

The derivatives provisions of the Dodd-Frank Act and related rules could have an adverse effect on our ability to use derivative instruments to reduce the negative effect of interest rate fluctuations on our results of operations and liquidity, credit default risks and other risks associated with our business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") establishes federal oversight and regulation of the over-the-counter derivatives market and entities, including us, that participate in that market. As required by the Dodd-Frank Act, the Commodities Futures Trading Commission (the "CFTC"), the SEC and other regulators have adopted certain rules implementing the swaps regulatory provisions of the Dodd-Frank Act and are in the process of adopting other rules to implement those provisions. Numerous provisions of the Dodd-Frank Act and the CFTC's rules relating to derivatives that qualify as "swaps" thereunder apply or may apply to the derivatives to which we are or may become a counterparty. Under such statutory provisions and the CFTC's rules, we must clear on a derivatives clearing organization any over-the-counter swap we enter into that is within a class of swaps designated for clearing by CFTC rule and execute trades in such cleared swap on an exchange if the swap is accepted for trading on the exchange unless such swap is exempt from such mandatory clearing and trade execution requirements. We may qualify for and intend to elect the end-user exception from those requirements for swaps we enter to hedge our commercial risks and that are subject to the mandatory clearing and trade execution requirements. If we are required to clear or voluntarily elect to clear any swaps we enter into, those swaps will be governed by standardized agreements and we will have to post margin with respect to such swaps. To date, the CFTC has designated only certain types of interest rate swaps and credit default swaps for clearing and trade execution. Although we believe that none of the interest rate swaps and credit default swaps to which we are currently party fall within those designated types of swaps, we may enter into swaps in the future that will be subject to the mandatory clearing and trade execution requirements and subject to the risks described.

Rules recently adopted by banking regulators and the CFTC in accordance with a requirement of the Dodd-Frank Act require regulated financial institutions and swap dealers and major swap participants that are not regulated financial institutions to collect margin with respect to uncleared swaps to which they are parties and to which financial end users, among others, are their counterparties. We will qualify as a financial end user for purposes of such margin rules. We will not have to post initial margin with respect to our uncleared swaps under the new rules because we do not have material swaps exposure as defined in the new rules. However, we will be required to post variation margin (most likely in the form of cash collateral) with respect to each of our uncleared swaps subject to the new margin rules in an amount equal to the cumulative decrease in the mark-to-market value of such swap to our counterparty as of any date of determination from the value of such swap as of the date of the swap's execution. The SEC has proposed margin rules for security-based swaps to which regulated financial institutions are not counterparties. Those proposed rules differ from the CFTC's margin rules, but the final form that those rules will take and their effect is uncertain at this time.

The Dodd-Frank Act has caused certain market participants, and may cause other market participants, including the counterparties to our derivative instruments, to spin off some of their derivatives activities to separate entities. Those entities may not be as creditworthy as the historical counterparties to our derivatives.

Some of the rules required to implement the swaps-related provisions of the Dodd-Frank Act remain to be adopted, and the CFTC has, from time to time, issued and may in the future issue interpretations and no-action letters interpreting, and clarifying the application of, those provisions and the related rules or delaying compliance with those provisions and rules. As a result, it is not possible at this time to predict with certainty the full effects of the Dodd-Frank Act, the CFTC's rules and the SEC's rules on us and the timing of such effects.

The Dodd-Frank Act and the rules adopted thereunder could significantly increase the cost of derivative contracts (including from swap recordkeeping and reporting requirements and through requirements to post margin with respect to our swaps, which could adversely affect our available liquidity), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivative contracts, and increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of the Dodd-Frank Act and the related rules, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures and to pay dividends to our stockholders. Any of these consequences could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

RISKS RELATED TO INVESTMENTS IN SECURITIES, MORTGAGES AND MEZZANINE LOANS

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 other public companies and REITs (including Braemar). 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.

Debt investments that are not United States government insured involve risk of loss.

As part of our business strategy, we may originate or acquire lodging-related uninsured and mortgage assets, including mezzanine loans. While holding these interests, we are subject to risks of borrower defaults, bankruptcies, fraud and related losses, and special hazard losses that are not covered by standard hazard insurance. Also, costs of financing the mortgage loans could exceed returns on the mortgage loans. In the event of any default under mortgage loans held by us, we will bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount of the mortgage loan. We suffered significant impairment charges with respect to our investments in mortgage loans in 2009 and 2010. The value and the price of our securities may be adversely affected.

We may invest in non-recourse loans, which will limit our recovery to the value of the mortgaged property.

Our mortgage and mezzanine loan assets have typically been non-recourse. With respect to non-recourse mortgage loan assets, in the event of a borrower default, the specific mortgaged property and other assets, if any, pledged to secure the relevant mortgage loan, may be less than the amount owed under the mortgage loan. As to those mortgage loan assets that provide for recourse against the borrower and its assets generally, we cannot assure you that the recourse will provide a recovery in respect of a defaulted mortgage loan greater than the liquidation value of the mortgaged property securing that mortgage loan.

Investment yields affect our decision whether to originate or purchase investments and the price offered for such investments.

In making any investment, we consider the expected yield of the investment and the factors that may influence the yield actually obtained on such investment. These considerations affect our decision whether to originate or purchase an investment and the price offered for that investment. No assurances can be given that we can make an accurate assessment of the yield to be produced by an investment. Many factors beyond our control are likely to influence the yield on the investments, including, but not limited to, competitive conditions in the local real estate market, local and general economic conditions, and the quality of management of the underlying property. Our inability to accurately assess investment yields may result in our purchasing assets that do not perform as well as expected, which may adversely affect the price of our securities.

Volatility of values of mortgaged properties may adversely affect our mortgage loans.

Lodging property values and net operating income derived from lodging properties are subject to volatility and may be affected adversely by a number of factors, including the risk factors described herein relating to general economic conditions, operating lodging properties, and owning real estate investments. In the event its net operating income decreases, one of our borrowers may have difficulty paying our mortgage loan, which could result in losses to us. In addition, decreases in property values will reduce the value of the collateral and the potential proceeds available to our borrowers to repay our mortgage loans, which could also cause us to suffer losses.

Mezzanine loans involve greater risks of loss than senior loans secured by income-producing properties.

We may make and acquire mezzanine loans. These types of loans are considered to involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property due to a variety of factors, including the loan being entirely unsecured or, if secured, becoming unsecured as a result of foreclosure by the senior lender. We may not recover some or all of our investment in these loans. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans resulting in less equity in the property and increasing the risk of loss of principal.

The assets associated with certain of our derivative transactions do not constitute qualified REIT assets and the related income will not constitute qualified REIT income. Significant fluctuations in the value of such assets or the related income could jeopardize our REIT status or result in additional tax liabilities.

We have entered into certain derivative transactions to protect against interest rate risks and credit default risks not specifically associated with debt incurred to acquire qualified REIT assets. The REIT provisions of the Code limit our income and assets in each year from such derivative transactions. Failure to comply with the asset or income limitation within the REIT provisions of the Code could result in penalty taxes or loss of our REIT status. If we elect to contribute the non-qualifying derivatives into a TRS to preserve our REIT status, such an action would result in any income from such transactions being subject to U.S. federal income taxation.

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 contain investments concentrated in a single industry and will not be fully diversified.

We have formed subsidiaries for the primary purpose of acquiring securities and other investments of lodging-related entities. As such, our investment portfolio will 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.

The values of our investments are affected by the U.S. credit and financial markets and, as such, may fluctuate.

The U.S. credit and financial markets may experience severe dislocations and liquidity disruptions. The values of our investments are likely to be sensitive to the volatility of the U.S. credit and financial markets, and, to the extent that turmoil in the U.S. credit and financial markets occurs, such volatility has the potential to materially affect the value of our investment portfolio.

We may invest in securities for which there is no liquid market, and we may be unable to dispose of such securities at the time or in the manner that may be most favorable to us, which may adversely affect our business.

We may invest in securities for which there is no liquid market or which may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly traded securities generally. The relative illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. Our investments may occasionally be subject to contractual or legal restrictions on resale or will be otherwise illiquid due to the fact that there is no established trading market for such securities, or such trading market is thinly traded. The relative illiquidity of such investments may make it difficult for us to dispose of them at a favorable price, and, as a result, we may suffer losses.

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 or mortgage loans in our portfolio for reasonable prices in response to changing economic, financial, and investment conditions is limited.

The real estate market is affected by many factors that are beyond our control, including:

- adverse changes in international, national, regional and local economic and market conditions;
- changes in interest rates and in the availability, cost, and terms of debt financing;
- the ongoing need for capital improvements, particularly in older structures;
- changes in operating expenses; and
- civil unrest, acts of war or terrorism, epidemics, and acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured and underinsured losses.

We may decide to sell hotel properties or loans in the future. We cannot predict whether we will be able to sell any hotel property or loan 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 may sell a property at a loss as compared to carrying value. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a hotel property or loan. We may offer more flexible terms on our mortgage loans than some providers of commercial mortgage loans, and as a result, we may have more difficulty selling or participating our loans to secondary purchasers than would these more traditional lenders.

We may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements. In acquiring 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 will be 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 and/or preferred 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 and properties underlying our loan assets may be subject to environmental liabilities. An owner of real property, or a lender with respect to a party that exercises control over the 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 or properties underlying our loan assets of which we are unaware. Some of our hotel properties or the properties underlying our loan assets 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 or if we foreclose on the property or otherwise have control over the property.

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

We generally have environmental insurance policies on each of our owned properties, and we intend to obtain environmental insurance for any other properties that we may acquire. However, if environmental liabilities are discovered during the underwriting of the insurance policies for any property that we may acquire in the future, we may be unable to obtain insurance coverage for the liabilities at commercially reasonable rates or at all, and we may experience losses. In addition, we generally do not require our borrowers to obtain environmental insurance on the properties they own that secure their loans from us.

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

Our properties and the properties underlying our mortgage loans 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 or the properties underlying our

loan assets could require us or our borrowers 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 or our borrowers to liability from hotel guests, hotel employees, and others if property damage or health concerns arise.

Compliance with the Americans with Disabilities Act and fire, safety, and other regulations may require us or our borrowers to incur substantial costs.

All of our properties and properties underlying our mortgage loans are required to comply with the Americans with Disabilities Act of 1990, as amended (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 and our borrowers 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 obtain only limited warranties when we purchase a property and would have only limited recourse if our due diligence did not identify any issues that lower the value of our property, which could adversely affect our financial condition and ability to make distributions to our stockholders.

We may acquire a hotel property in its “as is” condition on a “where is” basis and “with all faults,” without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing, or provide a cap on the amount of damages we can recover. The purchase of properties with limited warranties increases the risk that we may lose some or all our invested capital in the property as well as the loss of income from that property.

We may experience uninsured or underinsured losses.

We have 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 with the intent to satisfy the requirements of lenders and franchisors). In doing so, we have made 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, the cost of insurance and other factors.

Various types of catastrophic losses may not be insurable or may not be economically insurable. In the event of a substantial loss, our insurance coverage may not cover the full current market value or replacement cost of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations, and other factors might cause insurance proceeds to be insufficient to fully replace or renovate a hotel after it has been damaged or destroyed. Accordingly, there can be no assurance that:

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

In the future, we may choose not to maintain terrorism or other insurance policies on any of our properties. As a result, one or more large uninsured or underinsured losses could have a material adverse effect on us.

Each of our current lenders requires us to maintain certain insurance coverage thresholds, and we anticipate that future lenders will have similar requirements. We believe that we have complied with the insurance maintenance requirements under the current governing loan documents and we intend to comply with any such requirements in any future loan documents. However, a lender may disagree, in which case 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, subject us to a foreclosure on hotels securing one or more loans. In addition, a material casualty to one or more hotels securing 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, or the lender foreclosing on the hotels if there is a material loss that is not insured.

RISKS RELATED TO OUR STATUS AS A REIT

If we do not qualify as a REIT, we will be subject to tax as a regular corporation and could face substantial tax liability.

We conduct operations so as to qualify as a REIT under the Code. However, qualification as a REIT involves the application of highly technical and complex Code provisions for which only a limited number of judicial or administrative interpretations exist. Even a technical or inadvertent mistake could jeopardize our REIT status or we may be required to rely on a REIT “savings clause.” If we were to rely on a REIT “savings clause,” we would have to pay a penalty tax, which could be material. Due to the gain we recognized as a result of the spin-off of Braemar, if Braemar were to fail to qualify as a REIT for 2013, we may have failed to qualify as a REIT for 2013 and subsequent taxable years. Furthermore, new tax legislation, administrative guidance, or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT.

If we fail to qualify as a REIT in any tax year, then:

- we would be taxed as a regular domestic corporation, which, among other things, means being unable to deduct distributions to our stockholders in computing taxable income and being subject to U.S. federal income tax on our taxable income at regular corporate rates;
- we would also be subject to federal alternative minimum tax for taxable years beginning before January 1, 2018, and, possibly, increased state and local income taxes;
- any resulting tax liability could be substantial and would reduce the amount of cash available for distribution to stockholders; and
- unless we were entitled to relief under applicable statutory provisions, we would be disqualified from treatment as a REIT for the subsequent four taxable years following the year that we lost our qualification, and, thus, our cash available for distribution to stockholders could be reduced for each of the years during which we did not 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 not be required to make distributions to stockholders to maintain our tax status. As a result of all of these factors, our failure to qualify as a REIT could impair our ability to raise capital, expand our business, and make distributions to our stockholders and could 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. 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 continue to 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 that have increased our state and local income tax burden 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 us to continue to qualify as a REIT for U.S. federal income tax purposes. In order to continue 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 lessee structure increases our overall tax liability.

Our TRS lessees 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, net of the operating expenses for such hotel properties and rent payments to us. Accordingly, although our ownership of our TRS lessees allows us to participate in the operating income from our hotel properties in addition to receiving fixed rent, the net operating income is fully subject to income tax. The after-tax net income of our TRS lessees is available for distribution to us.

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, there can be no assurance that we will be able to avoid application of the 100% excise tax discussed above.

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 is not qualifying income for purposes of the two gross income tests applicable to REITs. We lease all of our hotels to our TRS lessees. 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 of the REIT “savings clauses” 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, there can be no assurance that these ownership levels will not 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.”

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.

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 would be subject to higher taxes and have less cash available for distribution to our stockholders and suffer other adverse consequences.

We believe that our operating partnership qualifies to 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 required to pay tax on its allocable share of the operating partnership’s income. No assurance can be provided, however, that the IRS will not challenge its status as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership as a corporation for tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, cease to qualify as a REIT. Also, the failure of our operating partnership to qualify as a partnership would 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, 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 may utilize 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).

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 stock. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. 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. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Code may limit our ability to hedge mortgage securities and related borrowings by requiring us to limit our income and assets in each year from certain hedges, together with any other income not generated from qualified real estate assets, to no more than 25% of our gross income. In addition, we must limit our aggregate income from nonqualified hedging transactions, from our provision of services, and from other non-qualifying sources to no more than 5% of our annual gross income. As a result, we may have to limit our use of advantageous hedging techniques. This could result in greater risks associated with changes in interest rates than we would otherwise want to incur. However, for transactions that we enter into to protect against interest rate risks on debt incurred to acquire qualified REIT assets and for which we identify as hedges for tax purposes, any associated hedging income is excluded from the 95% income test and the 75% income test applicable to a REIT. In addition, similar rules apply to income from positions that primarily manage risk with respect to a prior hedge entered into by a REIT in connection with the extinguishment or disposal (in whole or in part) of the liability or asset related to such prior hedge, to the extent the new position qualifies as a hedge or would so qualify if the hedged position were ordinary property. If we were to violate the 25% or 5% limitations, we may have to pay a penalty tax equal to the amount of income in excess of those limitations multiplied by a fraction intended to reflect our profitability. If we fail to satisfy the REIT gross income tests, unless our failure was due to reasonable cause and not due to willful neglect such that a REIT “savings clause” applied, we could lose our REIT status for U.S. federal income tax purposes.

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, and 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 our 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 our 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 shares of our common stock instead of cash, in which case stockholders may be required to pay income taxes in excess of the cash dividends they receive.

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

If we make a taxable dividend payable in cash and common stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the shares of 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 shares of common stock. In addition, 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. Although a safe harbor to the characterization of the sale of real property by a REIT as a prohibited transaction is available, we cannot assure you that we can comply with the safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary course of business. Consequently, we may choose not to engage in certain sales of our properties or 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 stockholder return received by our stockholders.

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 Braemar failed to qualify as a REIT for 2013, it would significantly affect our ability to maintain our REIT status.

For U.S. federal income tax purposes, we recorded a gain of approximately \$145.7 million as a result of the spin-off of Braemar in November 2013. If Braemar qualified for taxation as a REIT for 2013, that gain was qualifying income for purposes of our 2013 REIT income tests. If, however, Braemar failed to qualify as a REIT for 2013, that gain would be non-qualifying income for purposes of the 75% gross income test. Although Braemar covenanted in the Separation and Distribution Agreement to use reasonable best efforts to qualify as a REIT in 2013, no assurance can be given that it so qualified. If Braemar failed to qualify, we would have failed our 2013 REIT income tests, which would either result in our loss of our REIT status for 2013 and the following 4 taxable years or result in a significant tax in 2013 that has not been accrued or paid and thereby would materially negatively impact our business, financial condition and potentially impair our ability to continue operating in the future.

Your investment in our securities has various federal, state, and local income tax risks that could affect the value of your investment.

We strongly urge you to consult your own tax advisor concerning the effects of federal, state, and local income tax law on an investment in our securities because of the complex nature of the tax rules applicable to REITs and their stockholders.

Our failure to qualify as a REIT would potentially give rise to a claim for damages from Braemar.

In connection with the spin-off of Braemar, which was completed in November 2013, we represented in the Separation and Distribution Agreement with Braemar that we have no knowledge of any fact or circumstance that would cause us to fail to qualify as a REIT. In the event of a breach of this representation, Braemar may be able to seek damages from us, which could have a significantly negative effect on our liquidity and results of operations.

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 CORPORATE STRUCTURE

Our charter, the partnership agreement of our operating partnership and Maryland law contain 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 (i) 9.8% of the lesser of the total number or value (whichever is more restrictive) of the outstanding shares of our common stock or (ii) 9.8% of the total number or value (whichever is more restrictive) 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 any class or series of our stock by an individual or entity could nevertheless cause that individual or entity to own constructively in excess of 9.8% of a class or series of outstanding stock, and thus be subject to our charter’s ownership limit. Any attempt to own or transfer shares of our 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 a 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. 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 a change in control were in our stockholders’ best interests.

Certain provisions in the partnership agreement of 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 under specified circumstances.

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

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

These provisions include the following:

- The ownership limit in our charter limits related investors, including, among other things, any voting group, from acquiring over 9.8% of our common stock or 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 other provisions of Maryland law, if they became applicable to us, could inhibit changes in control.

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

- “business combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose special stockholder voting requirements on these business combinations, unless certain fair price requirements set forth in the MGCL are satisfied; and
- “control share” provisions that provide that “control shares” of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of outstanding “control shares”) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

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

Our charter opts out of the business combination/moratorium provisions and control share provisions of the MGCL and prevents us from making any elections under Subtitle 8 of the MGCL. Because these provisions are contained in our charter, they cannot be amended unless the Board recommends the amendment and the stockholders approve the amendment. Any such amendment would require the affirmative vote of two-thirds of the outstanding voting power of our common stock.

We depend on our operating partnership and its subsidiaries for cash flow and are effectively structurally subordinated in right of payment to the obligations of our operating partnership and its subsidiaries, which could adversely affect our ability to make distributions to our stockholders.

We have no business operations of our own. Our only significant asset is and will be the general and limited partnership interests of our operating partnership. We conduct, and intend to continue to conduct, all of our business operations through our operating partnership. Accordingly, our only source of cash to pay our obligations is distributions from our operating partnership and its subsidiaries of their net earnings and cash flows. We cannot assure our stockholders that our operating partnership or its subsidiaries will be able to, or be permitted to, make distributions to us that will enable us to make distributions to our stockholders from cash flows from operations. Each of our operating partnership's subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from such entities. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries will be able to satisfy the claims of our stockholders only after all of our and our operating partnership and its subsidiaries liabilities and obligations have been paid in full.

Offerings of debt securities, which would be senior to our common stock and any preferred stock upon liquidation, or equity securities, which would dilute our existing stockholders' holdings and could be senior to our common stock for the purposes of dividend distributions, may adversely affect the market price of our common stock and any preferred stock.

We may attempt to increase our capital resources by making additional 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 or preferred units and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of shares of preferred stock or common stock. Furthermore, 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. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common or preferred stock or both. Our preferred stock or preferred units could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to make a dividend 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.

Securities eligible for future sale may have adverse effects on the market price of our securities.

We cannot predict the effect, if any, of future sales of securities, or the availability of securities for future sales, on the market price of our outstanding securities. Sales of substantial amounts of common stock, or the perception that these sales could occur, may adversely affect prevailing market prices for our securities.

We also may issue from time to time additional shares of our securities or units of our operating partnership in connection with the acquisition of properties and we may grant additional demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of our securities or the perception that such sales could occur may adversely affect the prevailing market price for our securities or may impair our ability to raise capital through a sale of additional debt or equity securities.

An increase in market interest rates may have an adverse effect on the market price of our securities.

A factor investors may consider in deciding whether to buy or sell our securities is our dividend rate as a percentage of our share or unit price relative to market interest rates. If market interest rates increase, prospective investors may desire a higher dividend or interest rate on our securities or seek securities paying higher dividends or interest. The market price of our securities is likely based on the earnings and return that we derive from our investments, income with respect to our properties, and our related distributions to stockholders and not necessarily from the market value or underlying appraised value of the properties or investments themselves. As a result, interest rate fluctuations and capital market conditions can affect the market price of our securities. For instance, if interest rates rise without an increase in our dividend rate, the market price of our common or preferred stock could decrease because potential investors may require a higher dividend yield on our common or preferred stock as market rates on interest-bearing securities, such as bonds, rise. In addition, rising interest rates would result in increased interest expense on our variable-rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay dividends.

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

Our board of directors has overall authority to oversee our operations and determine our major corporate policies. This authority includes significant flexibility. For example, our board of directors can do the following:

- 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 our advisor under certain conditions pursuant to the advisory agreement, subject to the payment of a termination fee;
- 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, subject to the limitations and restrictions provided in our advisory agreement and mutual exclusivity agreement;
- 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;
- issue additional shares without obtaining stockholder approval, which could dilute the ownership of our then-current stockholders;
- 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;
- 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, 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 not 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 you, as a stockholder, the right to vote.

The ability of our board of directors to change our major policies without the consent of stockholders may not be in our stockholders' interest.

Our board of directors determines our major policies, including policies and guidelines relating to our acquisitions, leverage, financing, growth, operations and distributions to stockholders. Our board of directors may amend or revise these and other policies and guidelines from time to time without the vote or consent of our stockholders, subject to certain limitations and restrictions provided in our advisory agreement. Accordingly, our stockholders will have limited control over changes in our policies and those changes could adversely affect our financial condition, results of operations, the market price of our stock and our ability to make distributions to our stockholders.

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 active and deliberate dishonesty established by a final judgment to have been 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 fund the defense costs incurred by our 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 400,000,000 shares of common stock and 50,000,000 shares of preferred stock. As of March 10, 2020, we had 101,998,806 shares of our common stock issued and outstanding, 2,389,393 shares of our Series D Cumulative Preferred Stock, 4,800,000 shares of our Series F Cumulative Preferred Stock, 6,200,000 shares of our Series G Cumulative Preferred Stock, 3,800,000 shares of our Series H Cumulative Preferred Stock, and 5,400,000 share of our Series I Cumulative Preferred Stock. Accordingly, we may issue up to an additional 298,001,194 shares of common stock and 27,410,607 shares of preferred stock.

Future issuances of common stock or preferred stock 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. Future issuances 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.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. Properties

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

HOTEL PROPERTIES. As of December 31, 2019, we held ownership interests in 117 hotel properties that were included in our consolidated operations, which included direct ownership in 115 hotel properties and 85% ownership in two hotel properties through equity investments with joint venture partners. Currently, all of our hotel properties are located in the United States. The following table presents certain information related to our hotel properties:

Hotel Property	Location	Service Type	Total Rooms	% Owned	Owned Rooms	Year Ended December 31, 2019		
						Occupancy	ADR	RevPAR
Fee Simple Properties								
Embassy Suites.....	Austin, TX	Full service	150	100%	150	82.44%	\$ 159.95	\$ 131.86
Embassy Suites.....	Dallas, TX	Full service	150	100	150	75.30%	\$ 135.30	\$ 101.88
Embassy Suites.....	Herndon, VA	Full service	150	100	150	79.29%	\$ 172.61	\$ 136.86
Embassy Suites.....	Las Vegas, NV	Full service	220	100	220	87.53%	\$ 143.40	\$ 125.52
Embassy Suites.....	Flagstaff, AZ	Full service	119	100	119	80.59%	\$ 148.90	\$ 120.01
Embassy Suites.....	Houston, TX	Full service	150	100	150	80.25%	\$ 144.39	\$ 115.87
Embassy Suites.....	West Palm Beach, FL	Full service	160	100	160	82.22%	\$ 153.53	\$ 126.23
Embassy Suites.....	Philadelphia, PA	Full service	263	100	263	85.31%	\$ 157.87	\$ 134.68
Embassy Suites.....	Walnut Creek, CA	Full service	249	100	249	83.48%	\$ 181.88	\$ 151.83
Embassy Suites.....	Arlington, VA	Full service	269	100	269	83.86%	\$ 199.28	\$ 167.13
Embassy Suites.....	Portland, OR	Full service	276	100	276	84.43%	\$ 203.80	\$ 172.07
Embassy Suites.....	Santa Clara, CA	Full service	258	100	258	90.09%	\$ 255.75	\$ 230.40
Embassy Suites.....	Orlando, FL	Full service	174	100	174	91.23%	\$ 159.06	\$ 145.10
Embassy Suites.....	New York, NY	Full service	310	100	310	94.96%	\$ 245.75	\$ 233.37
Hilton Garden Inn.....	Jacksonville, FL	Select service	119	100	119	73.55%	\$ 131.62	\$ 96.81
Hilton Garden Inn.....	Austin, TX	Select service	254	100	254	82.25%	\$ 180.31	\$ 148.29
Hilton Garden Inn.....	Baltimore, MD	Select service	158	100	158	72.57%	\$ 121.02	\$ 87.82
Hilton Garden Inn.....	Virginia Beach, VA	Select service	176	100	176	83.49%	\$ 143.84	\$ 120.10
Hilton.....	Houston, TX	Full service	242	100	242	72.35%	\$ 120.99	\$ 87.53
Hilton.....	St. Petersburg, FL	Full service	333	100	333	79.80%	\$ 157.33	\$ 125.54
Hilton.....	Santa Fe, NM	Full service	158	100	158	89.18%	\$ 166.24	\$ 148.25
Hilton.....	Bloomington, MN	Full service	300	100	300	76.84%	\$ 134.17	\$ 103.10
Hilton.....	Costa Mesa, CA	Full service	486	100	486	78.19%	\$ 140.98	\$ 110.23
Hilton.....	Boston, MA	Full service	390	100	390	90.14%	\$ 251.73	\$ 226.93
Hilton.....	Parsippany, NJ	Full service	353	100	353	66.49%	\$ 169.73	\$ 112.86
Hilton.....	Tampa, FL	Full service	238	100	238	82.84%	\$ 137.97	\$ 114.29
Hilton.....	Alexandria, VA	Full service	252	100	252	82.21%	\$ 184.93	\$ 152.03
Hilton.....	Santa Cruz, CA	Full service	178	100	178	75.84%	\$ 185.71	\$ 140.84
Hampton Inn.....	Lawrenceville, GA	Select service	85	100	85	70.99%	\$ 112.30	\$ 79.72
Hampton Inn.....	Evansville, IN	Select service	140	100	140	63.15%	\$ 107.22	\$ 67.71
Hampton Inn.....	Parsippany, NJ	Select service	152	100	152	72.49%	\$ 145.88	\$ 105.75
Hampton Inn.....	Buford, GA	Select service	92	100	92	69.79%	\$ 124.18	\$ 86.67
Hampton Inn.....	Phoenix, AZ	Select service	106	100	106	77.71%	\$ 126.82	\$ 98.56
Hampton Inn - Waterfront	Pittsburgh, PA	Select service	113	100	113	76.95%	\$ 126.45	\$ 97.30
Hampton Inn - Washington.....	Pittsburgh, PA	Select service	103	100	103	73.16%	\$ 94.25	\$ 68.95
Hampton Inn.....	Columbus, OH	Select service	145	100	145	63.66%	\$ 144.34	\$ 91.88
Marriott.....	Beverly Hills, CA	Full service	260	100	260	88.15%	\$ 260.92	\$ 230.00
Marriott.....	Durham, NC	Full service	225	100	225	73.28%	\$ 145.86	\$ 106.88
Marriott.....	Arlington, VA	Full service	701	100	701	77.77%	\$ 194.46	\$ 151.24
Marriott.....	Bridgewater, NJ	Full service	347	100	347	68.07%	\$ 210.77	\$ 143.48
Marriott.....	Dallas, TX	Full service	265	100	265	75.21%	\$ 135.43	\$ 101.85
Marriott.....	Fremont, CA	Full service	357	100	357	77.21%	\$ 198.45	\$ 153.22
Marriott.....	Memphis, TN	Full service	232	100	232	74.55%	\$ 167.02	\$ 124.51
Marriott.....	Irving, TX	Full service	491	100	491	74.95%	\$ 154.38	\$ 115.71

Hotel Property	Location	Service Type	Total Rooms	% Owned	Owned Rooms	Year Ended December 31, 2019		
						Occupancy	ADR	RevPAR
Marriott.....	Omaha, NE	Full service	300	100	300	61.68%	\$ 129.46	\$ 79.85
Marriott.....	Sugarland, TX	Full service	300	100	300	79.98%	\$ 136.58	\$ 109.24
SpringHill Suites by Marriott	Baltimore, MD	Select service	133	100	133	82.49%	\$ 106.30	\$ 87.68
SpringHill Suites by Marriott	Kennesaw, GA	Select service	90	100	90	72.66%	\$ 119.88	\$ 87.11
SpringHill Suites by Marriott	Buford, GA	Select service	97	100	97	80.67%	\$ 110.16	\$ 88.86
SpringHill Suites by Marriott	Charlotte, NC	Select service	136	100	136	70.07%	\$ 103.67	\$ 72.65
SpringHill Suites by Marriott	Durham, NC	Select service	120	100	120	76.74%	\$ 111.88	\$ 85.86
SpringHill Suites by Marriott	Manhattan Beach, CA	Select service	164	100	164	85.89%	\$ 137.33	\$ 117.94
SpringHill Suites by Marriott	Plymouth Meeting, PA	Select service	199	100	199	72.39%	\$ 111.51	\$ 80.72
Fairfield Inn by Marriott.....	Kennesaw, GA	Select service	86	100	86	55.02%	\$ 103.37	\$ 56.88
Courtyard by Marriott	Bloomington, IN	Select service	117	100	117	69.61%	\$ 122.57	\$ 85.32
Courtyard by Marriott - Tremont.....	Boston, MA	Select service	315	100	315	82.17%	\$ 232.57	\$ 191.11
Courtyard by Marriott	Columbus, IN	Select service	90	100	90	66.48%	\$ 112.98	\$ 75.11
Courtyard by Marriott	Denver, CO	Select service	202	100	202	88.32%	\$ 150.68	\$ 133.08
Courtyard by Marriott	Louisville, KY	Select service	150	100	150	68.74%	\$ 143.08	\$ 98.35
Courtyard by Marriott	Gaithersburg, MD	Select service	210	100	210	72.43%	\$ 151.86	\$ 110.00
Courtyard by Marriott	Crystal City, VA	Select service	272	100	272	74.95%	\$ 158.56	\$ 118.84
Courtyard by Marriott	Ft. Lauderdale, FL	Select service	174	100	174	78.45%	\$ 130.50	\$ 102.37
Courtyard by Marriott	Overland Park, KS	Select service	168	100	168	64.45%	\$ 123.64	\$ 79.68
Courtyard by Marriott	Foothill Ranch, CA	Select service	156	100	156	77.92%	\$ 136.42	\$ 106.30
Courtyard by Marriott	Alpharetta, GA	Select service	154	100	154	68.55%	\$ 144.40	\$ 98.99
Courtyard by Marriott	Oakland, CA	Select service	156	100	156	84.66%	\$ 189.40	\$ 160.35
Courtyard by Marriott	Scottsdale, AZ	Select service	180	100	180	82.00%	\$ 141.54	\$ 116.07
Courtyard by Marriott	Plano, TX	Select service	153	100	153	64.33%	\$ 148.19	\$ 95.33
Courtyard by Marriott	Newark, CA	Select service	181	100	181	82.65%	\$ 170.31	\$ 140.76
Courtyard by Marriott	Manchester, CT	Select service	90	85	77	75.00%	\$ 133.92	\$ 100.44
Courtyard by Marriott	Basking Ridge, NJ	Select service	235	100	235	68.32%	\$ 187.90	\$ 128.37
Courtyard by Marriott	Wichita, KS	Select service	128	100	128	75.98%	\$ 133.04	\$ 101.09
Courtyard by Marriott - Billerica	Boston, MA	Select service	210	100	210	63.94%	\$ 141.71	\$ 90.61
Homewood Suites.....	Pittsburgh, PA	Select service	148	100	148	71.98%	\$ 121.96	\$ 87.79
Marriott Residence Inn.....	Lake Buena Vista, FL	Select service	210	100	210	73.76%	\$ 132.82	\$ 97.96
Marriott Residence Inn.....	Evansville, IN	Select service	78	100	78	85.68%	\$ 105.06	\$ 90.02
Marriott Residence Inn.....	Orlando, FL	Select service	350	100	350	82.51%	\$ 129.74	\$ 107.05
Marriott Residence Inn.....	Falls Church, VA	Select service	159	100	159	75.96%	\$ 163.70	\$ 124.35
Marriott Residence Inn.....	San Diego, CA	Select service	150	100	150	85.61%	\$ 172.35	\$ 147.56
Marriott Residence Inn.....	Salt Lake City, UT	Select service	144	100	144	71.70%	\$ 125.87	\$ 90.25
Marriott Residence Inn.....	Las Vegas, NV	Select service	256	100	256	84.56%	\$ 132.06	\$ 111.68
Marriott Residence Inn.....	Phoenix, AZ	Select service	200	100	200	78.47%	\$ 122.03	\$ 95.76
Marriott Residence Inn.....	Plano, TX	Select service	126	100	126	63.90%	\$ 113.59	\$ 72.58
Marriott Residence Inn.....	Newark, CA	Select service	168	100	168	80.79%	\$ 190.62	\$ 154.00
Marriott Residence Inn.....	Manchester, CT	Select service	96	85	82	78.78%	\$ 134.11	\$ 105.64
Marriott Residence Inn.....	Jacksonville, FL	Select service	120	100	120	82.08%	\$ 134.87	\$ 110.70
Marriott Residence Inn.....	Stillwater, OK	Select service	101	100	101	56.03%	\$ 113.15	\$ 63.39
TownePlace Suites by Marriott	Manhattan Beach, CA	Select service	143	100	143	86.45%	\$ 136.29	\$ 117.83
One Ocean	Atlantic Beach, FL	Full service	193	100	193	71.91%	\$ 214.36	\$ 154.14
Sheraton Hotel.....	Ann Arbor, MI	Full service	197	100	197	68.06%	\$ 153.36	\$ 104.37
Sheraton Hotel.....	Langhorne, PA	Full service	186	100	186	65.81%	\$ 127.07	\$ 83.63
Sheraton Hotel.....	Minneapolis, MN	Full service	220	100	220	54.69%	\$ 124.86	\$ 68.28
Sheraton Hotel.....	Indianapolis, IN	Full service	378	100	378	72.27%	\$ 140.44	\$ 101.49
Sheraton Hotel.....	Anchorage, AK	Full service	370	100	370	68.41%	\$ 158.59	\$ 108.49
Sheraton Hotel.....	San Diego, CA	Full service	260	100	260	75.13%	\$ 136.88	\$ 102.84
Hyatt Regency	Coral Gables, FL	Full service	254	100	254	79.95%	\$ 188.77	\$ 150.92
Hyatt Regency	Hauppauge, NY	Full service	358	100	358	68.27%	\$ 138.19	\$ 94.34

Hotel Property	Location	Service Type	Total Rooms	% Owned	Owned Rooms	Year Ended December 31, 2019		
						Occupancy	ADR	RevPAR
Hyatt Regency	Savannah, GA	Full service	351	100	351	86.65%	\$ 190.57	\$ 165.12
Renaissance	Nashville, TN	Full service	673	100	673	85.25%	\$ 246.53	\$ 210.17
Annapolis Historic Inn	Annapolis, MD	Full service	124	100	124	58.27%	\$ 163.09	\$ 95.03
Lakeway Resort & Spa.....	Austin, TX	Full service	168	100	168	67.50%	\$ 184.91	\$ 124.81
Silversmith.....	Chicago, IL	Full service	144	100	144	70.67%	\$ 177.45	\$ 125.40
The Churchill.....	Washington, D.C.	Full service	173	100	173	62.45%	\$ 183.23	\$ 114.43
The Melrose.....	Washington, D.C.	Full service	240	100	240	74.64%	\$ 196.19	\$ 146.43
Le Pavillon	New Orleans, LA	Full service	226	100	226	68.49%	\$ 159.64	\$ 109.34
The Ashton	Ft. Worth, TX	Full service	39	100	39	72.10%	\$ 206.37	\$ 148.80
Westin	Princeton, NJ	Full service	296	100	296	68.94%	\$ 163.22	\$ 112.52
W	Atlanta, GA	Full service	237	100	237	78.17%	\$ 219.55	\$ 171.62
W	Minneapolis, MN	Full service	229	100	229	67.39%	\$ 214.70	\$ 144.69
Le Meridien	Minneapolis, MN	Full service	60	100	60	71.23%	\$ 205.55	\$ 146.42
Hotel Indigo.....	Atlanta, GA	Full service	141	100	141	73.06%	\$ 161.67	\$ 118.11
Ritz-Carlton	Atlanta, GA	Full service	444	100	444	78.42%	\$ 258.94	\$ 203.05
La Posada de Santa Fe.....	Santa Fe, NM	Full service	157	100	157	80.91%	\$ 226.23	\$ 183.04
Ground Lease Properties								
Crowne Plaza ⁽¹⁾⁽²⁾	Key West, FL	Full service	160	100	160	79.47%	\$ 282.71	\$ 224.68
Crowne Plaza ⁽³⁾	Annapolis, MD	Full service	197	100	197	56.22%	\$ 116.90	\$ 65.73
Hilton ⁽⁴⁾	Ft. Worth, TX	Full service	294	100	294	74.04%	\$ 163.36	\$ 120.95
Renaissance ⁽⁵⁾	Palm Springs, CA	Full service	410	100	410	72.16%	\$ 167.12	\$ 120.59
Total.....			<u>24,943</u>		<u>24,916</u>	<u>76.34%</u>	<u>\$ 168.06</u>	<u>\$ 128.29</u>

⁽¹⁾ The ground lease expires in 2084.

⁽²⁾ The Company entered into a new franchise agreement with Marriott to convert the Crowne Plaza La Concha Key West Hotel in Key West, Florida to an Autograph Collection property. Marriott International's Autograph Collection® Hotels are a diverse portfolio of independent hotels around the world that reflect unique vision, design and environments. The agreement with Marriott calls for the Hotel to be converted to an Autograph property by July 1, 2022.

⁽³⁾ The ground lease expires in 2114.

⁽⁴⁾ The ground lease expires in 2040.

⁽⁵⁾ The ground lease expires in 2059 with one 25-year extension option.

Item 3. Legal Proceedings

Litigation—Palm Beach Florida Hotel and Office Building Limited Partnership, et al. v. Nantucket Enterprises, Inc. This litigation involves a landlord tenant dispute from 2008 in which the landlord, Palm Beach Florida Hotel and Office Building Limited Partnership, a subsidiary of the Company, claimed that the tenant had violated various lease provisions of the lease agreement and was therefore in default. The tenant counterclaimed and asserted multiple claims including that it had been wrongfully evicted. The litigation was instituted by the plaintiff in November 2008 in the Circuit Court of the Fifteenth Judicial Circuit, in and for Palm Beach County, Florida and proceeded to a jury trial on June 30, 2014. The jury entered its verdict awarding the tenant total claims of \$10.8 million and ruling against the landlord on its claim of breach of contract. In 2016, the Court of Appeals reduced the original \$10.8 million judgment to \$8.8 million and added pre-judgment interest on the wrongful eviction judgment. The case was further appealed to the Florida Supreme Court. On May 23, 2017, the trial court issued an order compelling the company that issued the supersedeas bond, RLI Insurance Company ("RLI"), to pay approximately \$10.0 million. On June 1, 2017, RLI paid Nantucket this amount and sought reimbursement from the Company, and on June 7, 2017, the Company paid \$2.5 million of the judgement. On June 27, 2017, the Florida Supreme Court denied the Company's petition for review. As a result, all of the appeals were exhausted and the judgment was final with the determination and reimbursement of attorney's fees being the only remaining dispute. On June 29, 2017, the balance of the judgment of \$3.9 million was paid to Nantucket by the Company. On July 26, 2018, we paid \$544,000 as part of a settlement on certain legal fees. The negotiations relating to the potential payment of the remaining attorney's fees are still ongoing. As of December 31, 2019, we have accrued approximately \$504,000 in legal fees, which represents the Company's estimate of the amount of potential remaining legal fees that could be owed.

On December 4, 2015, Pedro Membrives filed a class action lawsuit against HHC TRS FP Portfolio LLC, Remington Lodging & Hospitality, LLC, Remington Holdings LLC, Mark A. Sharkey, Archie Bennett, Jr., Monty J. Bennett, Christopher Peckham, and any other related entities in the Supreme Court of New York, Nassau County, Commercial Division. On August 30, 2016, the complaint was amended to add Michele Spero as a Plaintiff and Remington Long Island Employers, LLC as a defendant. The lawsuit is captioned *Pedro Membrives and Michele Spero, individually and on behalf of others similarly situated v. HHC TRS FP Portfolio LLC, Remington Lodging & Hospitality, LLC, Remington Holdings LLC, Remington Long Island Employers, LLC, et*

al., Index No. 607828/2015 (Sup. Ct. Nassau Cty.). The plaintiffs allege that the owner and management company of the Hyatt Regency Long Island hotel violated New York law by improperly retaining service charges rather than distributing them to employees. In 2017, the class was certified. On July 24, 2018, the trial court granted the plaintiffs' motion for summary judgment on liability. The defendants appealed the summary judgment and that appeal is still pending. Notwithstanding the pending appeal on the summary judgment issue, the trial court continued the litigation with respect to the plaintiffs' alleged damages. The plaintiffs filed an application for damages on August 28, 2019. The defendants filed their opposition to the plaintiffs' application for damages on October 11, 2019. The plaintiffs filed their reply on October 25, 2019. The defendants intend to vigorously defend against the plaintiffs' claims and the Company does not believe that an unfavorable outcome is probable. If the plaintiffs' motion for summary judgment on liability is upheld and the Company is unsuccessful in any further appeals, the Company estimates that damages could range between approximately \$5.8 million and \$11.9 million plus attorneys' fees. As of December 31, 2019 no amounts have been accrued.

We are engaged in other various legal proceedings which have arisen but have not been fully adjudicated. The likelihood of loss from these legal proceedings is based on the definitions within contingency accounting literature. Based on estimates of the range of potential losses associated with these matters, management does 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, the final results of legal proceedings cannot be predicted with certainty and if we fail to 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 or results of operations could be materially adversely affected in future periods.

Item 4. *Mine Safety Disclosures*

Not Applicable

PART II

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

(a) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

Market Price and Dividend Information

Our common stock is listed and traded on the New York Stock Exchange under the symbol "AHT." On March 10, 2020, there were 522 registered holders of record of our common stock.

For the year ended December 31, 2019, we declared and paid dividends of \$0.30 per share, paid at a rate of \$0.12, \$0.06, \$0.06, and \$0.06, respectively, per share per quarter. For the year ended December 31, 2018, we declared and paid dividends of \$0.48 per share, paid at a rate of \$0.12, per share per quarter. In December 2019, the board of directors approved our dividend policy for 2020, which stated our then-expectation to pay a quarterly dividend of \$0.06 per share for 2020. As previously disclosed, the approval of our dividend policy did not commit our board of directors to declare future dividends with respect to any quantity or the amount thereof. As a result of the impact of the novel coronavirus (COVID-19) on our business, we expect that the board of directors will reconsider our previously announced dividend policy and may take further action with respect to 2020 dividends, including by eliminating or significantly reducing the dividend until such time as our business operating environment improves. The board of directors will continue to review our dividend policy and make future announcements with respect thereto. We may incur indebtedness to meet distribution requirements imposed on REITs under the Code to the extent that working capital and cash flow from our investments are insufficient to fund required distributions. 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 maintain our qualification as a REIT, we intend to make annual distributions to our stockholders of at least 90% of our REIT taxable income, excluding net capital gains (which does not necessarily equal net income as calculated in accordance with GAAP). Distributions will be authorized by our board of directors and declared by us based upon a variety of factors deemed relevant by our directors. Our ability to pay distributions to our stockholders will depend, in part, upon our receipt of distributions from our operating partnership. This, in turn, may depend upon receipt of lease payments with respect to our properties from indirect, wholly-owned subsidiaries of our operating partnership and the management of our properties by our hotel managers and general business conditions (including the impact of the novel coronavirus (COVID-19)).

Characterization of Distributions

For income tax purposes, distributions paid consist of ordinary income, capital gains, return of capital or a combination thereof. Distributions paid per share were characterized as follows for the following fiscal years:

	2019		2018		2017	
	Amount	%	Amount	%	Amount	%
Common Stock (cash):						
Ordinary income	\$ —	—%	\$ —	—%	\$ —	—%
Capital gain	—	—	—	—	—	—
Return of capital.....	0.3600 ⁽¹⁾	100.0000	0.4800 ⁽¹⁾	100.0000	0.4800 ⁽¹⁾	100.0000
Total.....	<u>\$ 0.3600</u>	<u>100.0000%</u>	<u>\$ 0.4800</u>	<u>100.0000%</u>	<u>\$ 0.4800</u>	<u>100.0000%</u>
Common Stock (stock - NYSE: AINC):						
Ordinary income	\$ —	—%	\$ —	—%	\$ —	—%
Capital gain	—	—	—	—	—	—%
Return of capital.....	0.0380 ⁽²⁾	100.0000	—	—	—	—
Total.....	<u>\$ 0.0380</u>	<u>100.0000%</u>	<u>\$ —</u>	<u>—%</u>	<u>\$ —</u>	<u>—%</u>
Preferred Stock – Series A:						
Ordinary income	\$ —	—%	\$ —	—%	\$ —	—%
Capital gain	—	—	—	—	0.8605 ⁽¹⁾	53.6739
Return of capital.....	—	—	—	—	0.7427 ⁽¹⁾	46.3261
Total.....	<u>\$ —</u>	<u>—%</u>	<u>\$ —</u>	<u>—%</u>	<u>\$ 1.6032</u>	<u>100.0000%</u>
Preferred Stock – Series D:						
Ordinary income	\$ —	—%	\$ —	—%	\$ —	—%
Capital gain	—	—	—	—	1.1338 ⁽¹⁾	53.6735
Return of capital.....	2.1124 ⁽¹⁾	100.0000	2.1124 ⁽¹⁾	100.0000	0.9786 ⁽¹⁾	46.3265
Total.....	<u>\$ 2.1124</u>	<u>100.0000%</u>	<u>\$ 2.1124</u>	<u>100.0000%</u>	<u>\$ 2.1124</u>	<u>100.0000%</u>
Preferred Stock – Series F:						
Ordinary income	\$ —	—%	\$ —	—%	\$ —	—%
Capital gain	—	—	—	—	0.9895 ⁽¹⁾	53.6722
Return of capital.....	1.8436 ⁽¹⁾	100.0000	1.8436 ⁽¹⁾	100.0000	0.8541 ⁽¹⁾	46.3278
Total.....	<u>\$ 1.8436</u>	<u>100.0000%</u>	<u>\$ 1.8436</u>	<u>100.0000%</u>	<u>\$ 1.8436</u>	<u>100.0000%</u>
Preferred Stock – Series G:						
Ordinary income	\$ —	—%	\$ —	—%	\$ —	—%
Capital gain	—	—	—	—	0.9428 ⁽¹⁾	53.6719
Return of capital.....	1.8436 ⁽¹⁾	100.0000	1.8436 ⁽¹⁾	100.0000	0.8138 ⁽¹⁾	46.3281
Total.....	<u>\$ 1.8436</u>	<u>100.0000%</u>	<u>\$ 1.8436</u>	<u>100.0000%</u>	<u>\$ 1.7566</u>	<u>100.0000%</u>
Preferred Stock – Series H:						
Ordinary income	\$ —	—%	\$ —	—%	\$ —	—%
Capital gain	—	—	—	—	0.1006 ⁽¹⁾	53.6533
Return of capital.....	1.8750 ⁽¹⁾	100.0000	1.8750 ⁽¹⁾	100.0000	0.0869 ⁽¹⁾	46.3467
Total.....	<u>\$ 1.8750</u>	<u>100.0000%</u>	<u>\$ 1.8750</u>	<u>100.0000%</u>	<u>\$ 0.1875</u>	<u>100.0000%</u>
Preferred Stock – Series I:						
Ordinary income	\$ —	—%	\$ —	—%	\$ —	—%
Capital gain	—	—	—	—	—	—
Return of capital.....	1.8750 ⁽¹⁾	100.0000	1.6354 ⁽¹⁾	100.0000	—	—
Total.....	<u>\$ 1.8750</u>	<u>100.0000%</u>	<u>\$ 1.6354</u>	<u>100.0000%</u>	<u>\$ —</u>	<u>—%</u>

⁽¹⁾ The fourth quarter 2017 preferred and common distributions paid January 17, 2018 are treated as 2018 distributions for tax purposes. The fourth quarter 2018 preferred and common distributions paid January 16, 2019 are treated as 2019 distributions for tax purposes. The fourth quarter 2019 preferred and common distributions paid January 15, 2020 are treated as 2020 distributions for tax purposes.

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

Equity Compensation Plan Information

The following table sets forth certain information with respect to securities authorized and available for issuance under our equity compensation plans as of December 31, 2019:

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price Of Outstanding Options, Warrants, And Rights	Number of Securities Remaining Available for Future Issuance	
Equity compensation plans approved by security holders	None	N/A	1,895,026	(1)
Equity compensation plans not approved by security holders .	None	N/A	None	
Total	None	N/A	1,895,026	

(1) As of December 31, 2019, there were 1,895,026 shares of our common stock, or securities convertible into 1,895,026 shares of our common stock that remained available for issuance under our Amended and Restated 2011 Stock Incentive Plan.

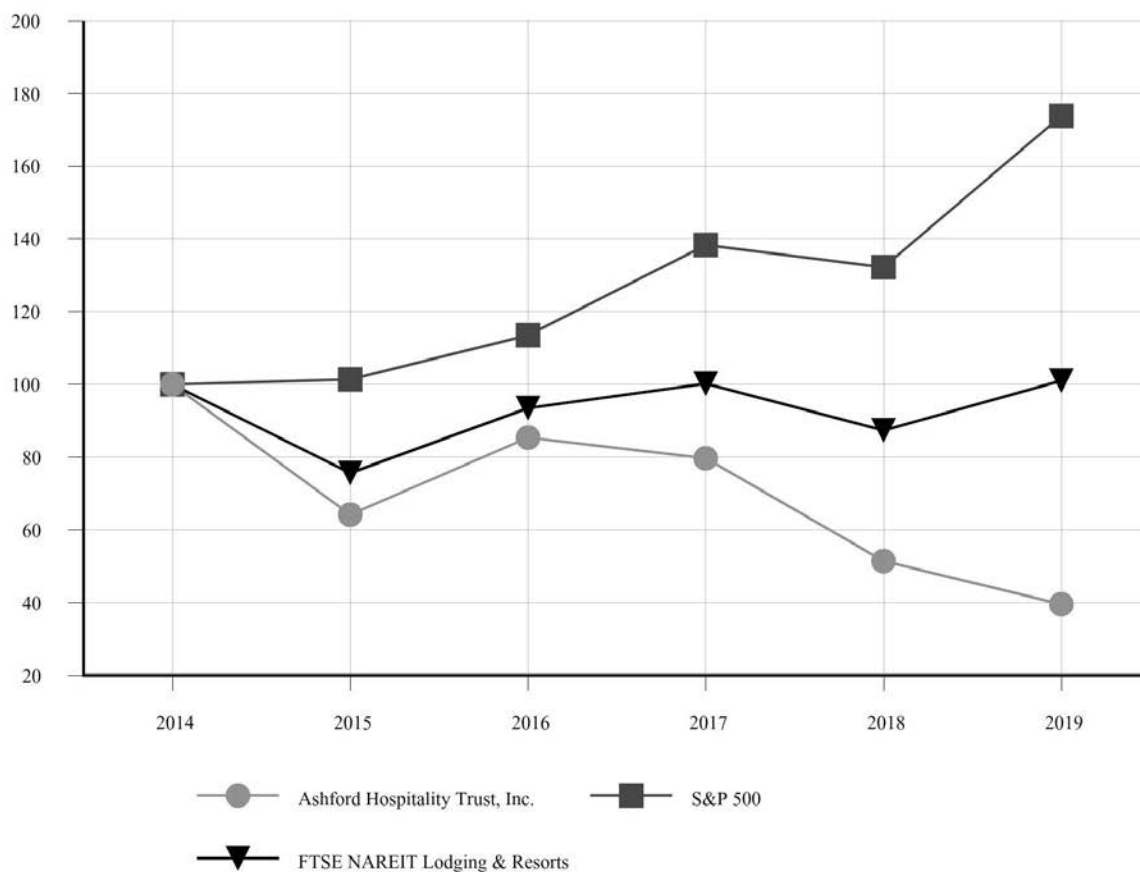
Performance Graph

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, 2014 through December 31, 2019, assuming an initial investment of \$100 in stock on December 31, 2014 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 Ashford Hospitality Trust, Inc., Attention: Stockholder Relations, 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254.

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

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Ashford Hospitality Trust, Inc., the S&P Index and the FTSE NAREIT Lodging & Resorts Index



Purchases of Equity Securities by the Issuer

The following table provides the information with respect to purchases of shares of our common stock during each of the months in the fourth quarter of 2019:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan ⁽¹⁾	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plan
Common stock:				
October 1 to October 31.....	2,138	\$ — ⁽²⁾	—	\$ 200,000,000
November 1 to November 30.....	1,458	\$ — ⁽²⁾	—	\$ 200,000,000
December 1 to December 31.....	2,451	\$ — ⁽²⁾	—	\$ 200,000,000
Total.....	6,047	\$ —	—	

⁽¹⁾ On December 5, 2017, the board of directors reapproved a stock repurchase program (the “Repurchase Program”) pursuant to which the board of directors granted a repurchase authorization to acquire shares of the Company’s common stock and preferred stock having an aggregate value of up to \$200 million. The board of director’s authorization replaced any previous repurchase authorizations.

⁽²⁾ There is no cost associated with the forfeiture of restricted shares of our common stock.

Item 6. Selected Financial Data

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

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands, except per share amounts)				
Statements of Operations Data:					
Total revenue	\$ 1,502,759	\$ 1,430,789	\$ 1,439,270	\$ 1,492,043	\$ 1,336,966
Total operating expenses	1,414,156	1,340,850	1,304,265	1,336,339	1,199,051
Gain (loss) on sale of assets and hotel properties	26,126	475	14,030	31,599	380,752
Operating income (loss)	114,729	90,414	149,035	187,303	518,667
Net income (loss)	(142,679)	(156,309)	(88,760)	(58,782)	305,813
Net income (loss) attributable to the Company	(113,635)	(126,966)	(67,008)	(46,285)	270,939
Net income (loss) attributable to common stockholders..	(156,212)	(169,543)	(122,568)	(88,681)	236,977
Diluted income (loss) per common share:					
Net income (loss) attributable to common stockholders..	\$ (1.58)	\$ (1.75)	\$ (1.30)	\$ (0.95)	\$ 2.35
Weighted average diluted common shares	99,837	97,282	95,207	94,426	114,881

	December 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Balance Sheets Data:					
Investments in hotel properties, net	\$ 4,108,443	\$ 4,105,219	\$ 4,035,915	\$ 4,160,563	\$ 4,419,684
Cash and cash equivalents	262,636	319,210	354,805	347,091	215,078
Restricted cash	135,571	120,602	116,787	144,014	153,680
Notes receivable, net	7,709	—	—	—	3,746
Total assets	4,691,348	4,685,954	4,669,850	4,891,544	4,965,131
Indebtedness, net	4,106,518	3,927,266	3,696,300	3,723,559	3,840,617
Total stockholders' equity of the Company	268,762	452,489	632,500	791,621	811,086

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands, except per share amounts)				
Other Data:					
Cash provided by (used in) operating activities.....	\$ 177,209	\$ 181,560	\$ 207,382	\$ 179,723	\$ 203,577
Cash provided by (used in) investing activities	(253,193)	(329,634)	(63,881)	(21,858)	(780,613)
Cash provided by (used in) financing activities.....	34,379	115,814	(163,902)	(34,150)	644,604
Cash dividends declared per common share	0.30	0.48	0.48	0.48	0.48
EBITDAre (unaudited) ⁽¹⁾	403,285	366,639	378,261	398,222	371,101
Funds From Operations (FFO) (unaudited) ⁽¹⁾	89,017	82,363	98,406	129,532	132,863

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

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

This section of this Form 10-K generally discusses 2019 and 2018 items and year-to-year comparisons between 2019 and 2018. Discussions of 2017 items and year-to-year comparisons between 2018 and 2017 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, 2018.

EXECUTIVE OVERVIEW

General

As of December 31, 2019, we owned 117 consolidated hotel properties, including 115 hotel properties directly owned, and two hotel properties owned through a majority-owned investment in a consolidated entity, which represents 24,943 total rooms, or 24,916 net rooms excluding those attributable to our partner. Currently, all of our hotel properties are located in the United States.

Based on our primary business objectives and forecasted operating conditions, our current key priorities and financial strategies include, among other things:

- acquisition of hotel properties that will be accretive to our portfolio;
- disposition of non-core hotel properties;
- pursuing capital market activities to enhance long-term stockholder value;
- preserving capital, enhancing liquidity, and continuing current cost-saving measures;
- implementing selective capital improvements designed to increase profitability;
- implementing effective asset management strategies to minimize operating costs and increase revenues;
- financing or refinancing hotels on competitive terms;
- utilizing hedges and derivatives to mitigate risks; and
- making other investments or divestitures that our board of directors deems appropriate.

Our current investment strategy is to focus on owning predominantly full-service hotels in the upper upscale segment in domestic markets that have revenue per available room ("RevPAR") generally less than twice the national average. Our board of directors may change our investment strategy at any time without stockholder approval or notice.

RECENT DEVELOPMENTS

COVID-19 Impact

The negative impact on room demand within our portfolio stemming from the novel coronavirus (COVID-19) is significant. We experienced an initial decline in hotel revenue that began in February in a limited number of markets. However, with the increased spread of the novel coronavirus (COVID-19) across the globe, the impact has accelerated rapidly, and we are seeing a much greater effect on occupancy and RevPAR throughout our hotel portfolio. We expect the occupancy and RevPAR reduction associated with the novel coronavirus (COVID-19) to continue as we are experiencing significant reservation cancellations as well as a significant reduction in new reservations relative to prior expectations. While intense efforts to reduce operating costs are underway, we cannot be certain as to what level of savings can be achieved overall to mitigate the material decline in hotel revenues we are experiencing. As part of our efforts to reduce costs, we will likely reduce our capital expenditures below our previously announced range of \$125 million to \$145 million. Until such time as the virus is contained or eradicated and business and personal travel return to more customary levels, we expect to see substantial erosion in hotel cash flow. There may also be lasting effects related to the novel coronavirus (COVID-19). For some period related to a slowdown in the U.S. economy, increased labor costs, increased operating costs, reduced air travel or other unknown factors which could materially reduce our operating cash flow.

On March 10, 2020, we informed our mortgage lenders on the Morgan Stanley 8-hotel portfolio (consisting of Courtyard Billerica, Hampton Inn Columbus Easton, Hampton Inn Phoenix Airport, Homewood Suites Pittsburgh Southpointe, Hampton Inn Pittsburgh Waterfront, Hampton Inn Pittsburgh Washington, Residence Inn Stillwater and Courtyard Wichita) that the cash flow from the hotels will be insufficient to cover debt service and other required payments due on the loan, that we believe there is substantial risk of imminent payment default, and have requested that the lenders restructure the mortgage loans.

Other Developments

On January 22, 2019, the Company acquired a 100% interest in the 310-room Embassy Suites New York Manhattan Times Square for \$195.0 million in cash. In connection with this acquisition, we closed on a \$145.0 million mortgage loan. This mortgage loan is interest only and provides for an interest rate of LIBOR + 3.90%. The stated maturity date of the mortgage loan is February 2022, with two one-year extension options. The mortgage loan is secured by the Embassy Suites New York Manhattan Times Square. As a result of the acquisition under the ERFPA Agreement, we are entitled to receive \$19.5 million from Ashford LLC in the form of future purchases of hotel FF&E at Ashford Trust properties that will be leased to us by Ashford LLC rent free. As of December 31, 2019, we have received \$8.1 million from Ashford LLC in exchange for purchases of hotel FF&E at Ashford Trust properties that was leased to us by Ashford LLC rent free.

On February 6, 2019, we made an additional investment of \$299,000 in OpenKey.

On February 26, 2019, the Company acquired a 100% interest in the 178-room Hilton Santa Cruz/Scotts Valley for \$47.5 million. Consideration included cash and approximately 1.5 million common units in our operating partnership. Additionally, we assumed a \$25.3 million non-recourse mortgage loan with a fair value of \$24.9 million. This mortgage loan amortizes monthly and provides for a fixed interest rate of 4.66%. The stated maturity date of the mortgage loan is March 2025. The mortgage loan is secured by the Hilton Santa Cruz/Scotts Valley. As a result of the acquisition under the ERFPA Agreement, we received \$5.0 million from Ashford LLC in exchange for purchases of hotel FF&E at Ashford Trust properties that was leased to us by Ashford LLC rent free.

On March 5, 2019, we refinanced our \$178.1 million mortgage, secured by the Renaissance Nashville and Westin Princeton. The new mortgage loan totals \$240.0 million. The mortgage loan is interest only and provides for an interest rate of LIBOR + 2.75%. The stated maturity is March 2021 with five one-year extension options, subject to the satisfaction of certain conditions. The mortgage loan is secured by the Renaissance Nashville and Westin Princeton.

On June 7, 2019, we amended the mortgage loan secured by the Fort Worth Ashton totaling \$5.2 million. The amended mortgage loan totaling \$8.9 million has a five-year term, is interest only and bears interest at a rate of LIBOR + 2.00%.

On August 2, 2019, the Company sold the San Antonio Marriott for approximately \$34.0 million in cash. The sale resulted in a gain of \$2.6 million for the year ended December 31, 2019 and is included in “gain (loss) on sale of assets and hotel properties” in the consolidated statement of operations. The Company also repaid approximately \$26.8 million of principal on its mortgage loan partially secured by the hotel property.

On August 6, 2019, the Company sold the Hilton Garden Inn Wisconsin Dells for \$8.0 million in cash. The sale resulted in a loss of \$292,000 for the year ended December 31, 2019 and is included in “gain (loss) on sale of assets and hotel properties” in the consolidated statement of operations. The Company also repaid approximately \$7.7 million of principal on its mortgage loan secured by the hotel property.

On August 13, 2019, we made an additional investment of \$348,000 in OpenKey.

On August 14, 2019, the Company sold the Courtyard Savannah for approximately \$29.8 million in cash. The sale resulted in a loss of \$60,000 for the year ended December 31, 2019 and is included in “gain (loss) on sale of assets and hotel properties” in the consolidated statement of operations. The Company also repaid approximately \$28.8 million of principal on its mortgage loan partially secured by the hotel property.

On September 25, 2019, Ashford Inc. announced the formation of Ashford Securities LLC (“Ashford Securities”) to raise retail capital in order to grow its existing and future platforms. In conjunction with the formation of Ashford Securities, Ashford Trust has entered into a contribution agreement with Ashford Inc. pursuant to which Ashford Trust has agreed to contribute, with Braemar, up to \$15.0 million to fund the operations of Ashford Securities. These costs will be allocated initially to Ashford Trust and Braemar based on an allocation percentage of 75% to Ashford Trust and 25% to Braemar. Upon reaching the earlier of \$400 million in aggregate non-listed preferred equity offerings raised or June 10, 2023, there will be a true up (the “True-up Date”) between Ashford Trust and Braemar whereby the actual capital contributions contributed by each company will be based on the actual amount of capital raised by Ashford Trust and Braemar, respectively. After the True-up Date, the capital contributions will be allocated between Ashford Trust and Braemar quarterly based on the actual capital raised through Ashford Securities. Funding advances will be expensed as the expenses are incurred by Ashford Securities.

On October 2, 2019, the Company entered into a stock purchase agreement with Ashford LLC under which Ashford LLC purchased all of the common stock of Ashford Inc. held by Ashford TRS, totaling 393,077 shares, for \$30 per share, resulting in total proceeds of approximately \$11.8 million to the Company.

On October 10, 2019, the Company sold the 1.65-acre parking lot adjacent to the Hilton St. Petersburg Bayfront for consideration of approximately \$20.6 million. The sale resulted in a gain of \$19.4 million for the year ended December 31, 2019 and is included in “gain (loss) on sale of assets and hotel properties” in the consolidated statement of operations. The Company also repaid approximately \$8.0 million of debt associated with the hotel property.

On October 21, 2019, the Company announced that its board of directors had declared the distribution of its remaining 205,086 shares of common stock of Ashford Inc. Both common stockholders and unitholders of Ashford Trust received their pro rata share of Ashford Inc. common stock. The distribution to Company stockholders and unitholders was completed through a pro-rata taxable dividend of Ashford Inc. common stock on November 5, 2019 (the “Distribution Date”) to common stockholders and unitholders of record (“Company Record Holders”) as of the close of business of the New York Stock Exchange (“NYSE”) on October 29, 2019 (the “Record Date”). On the Distribution Date, each Company Record Holder received approximately 0.0017 shares of Ashford Inc. common stock for every unit and/or share of the Company’s common stock held by such Company Record Holder on the Record Date. No fractional shares of Ashford Inc. common stock were issued. Fractional shares of Ashford Inc. common stock to which Company Record Holders would otherwise be entitled will be aggregated and, after the distribution, sold in the open market by the distribution agent. The aggregate net proceeds of the sales will be distributed in a pro-rata manner as cash payments to the Company Record Holders who would otherwise have received fractional shares of Ashford Inc. common stock. Additionally, Company Record Holders who hold in “street name” on behalf of their customers may sell additional shares into the open market to make cash payments to their customers who would have otherwise received fractional shares of Ashford Inc. common stock. Subsequent to the distribution, the Company does not have any ownership interest in Ashford Inc.

On November 6, 2019, Ashford Inc. completed its acquisition of Remington Lodging’s hotel management business.

On December 3, 2019, the Company sold the SpringHill Suites Jacksonville for approximately \$11.2 million in cash.

On December 27, 2019, we amended the mortgage loan secured by the Indigo Atlanta totaling \$16.0 million. The amended mortgage loan totaling \$16.1 million has a three-year term, is interest only and bears interest at a rate of LIBOR + 2.25%. The stated maturity is December 2022 with two one-year extension options, subject to the satisfaction of certain conditions.

On January 9, 2020, we refinanced our \$43.8 million mortgage loan, secured by the Le Pavillon in New Orleans, Louisiana. In connection with the refinance we repaid \$6.8 million on the existing loan. The new mortgage loan totals \$37.0 million. The new mortgage loan is interest only and provides for an interest rate of LIBOR + 3.40%. The stated maturity is January 2023 with two one-year extension options, subject to the satisfaction of certain conditions. The mortgage loan is secured by the Le Pavillon.

On March 9, 2020, the Company completed the sale of the Crowne Plaza in Annapolis, Maryland for approximately \$5.1 million. As of December 31, 2019, the carrying value of the building and FF&E was approximately \$5.3 million at December 31, 2019. This hotel property is subject to a ground lease with a below-market component with a carrying value of \$(3.2) million at December 31, 2019. The combined carrying value of the hotel property at December 31, 2019 was approximately \$2.2 million.

RESULTS OF OPERATIONS

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 FFO, AFFO, EBITDAre, Adjusted EBITDAre and Hotel EBITDA 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.

Following the recession that commenced in 2008, the lodging industry has experienced improvement in fundamentals, including demand, which has continued through 2019.

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 and Hyatt 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.

The following table summarizes the changes in key line items from our consolidated statements of operations for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Year Ended December 31,			Favorable (Unfavorable) Change	
	2019	2018	2017	2019 to 2018	2018 to 2017
Total revenue	\$1,502,759	\$1,430,789	\$1,439,270	\$ 71,970	\$ (8,481)
Total hotel expenses.....	(952,674)	(900,582)	(907,301)	(52,092)	6,719
Property taxes, insurance and other.....	(84,110)	(78,355)	(73,579)	(5,755)	(4,776)
Depreciation and amortization	(269,003)	(258,458)	(246,731)	(10,545)	(11,727)
Impairment charges	(33,628)	(23,391)	(10,153)	(10,237)	(13,238)
Transaction costs	(2)	(11)	(14)	9	3
Advisory service fee	(63,632)	(69,122)	(53,199)	5,490	(15,923)
Corporate, general and administrative.....	(11,107)	(10,931)	(13,288)	(176)	2,357
Gain (loss) on sale of assets and hotel properties.....	26,126	475	14,030	25,651	(13,555)
Operating income (loss)	114,729	90,414	149,035	24,315	(58,621)
Equity in earnings (loss) of unconsolidated entities....	(2,307)	867	(5,866)	(3,174)	6,733
Interest income	3,067	3,952	2,202	(885)	1,750
Other income (expense).....	10,490	64	(3,422)	10,426	3,486
Interest expense and amortization of loan costs	(262,001)	(236,786)	(222,631)	(25,215)	(14,155)
Write-off of premiums, loan costs and exit fees.....	(2,841)	(8,847)	(2,845)	6,006	(6,002)
Unrealized gain (loss) on marketable securities.....	1,896	(1,013)	(4,649)	2,909	3,636
Unrealized gain (loss) on derivatives	(4,494)	(2,178)	(2,802)	(2,316)	624
Income tax benefit (expense).....	(1,218)	(2,782)	2,218	1,564	(5,000)
Net income (loss).....	(142,679)	(156,309)	(88,760)	13,630	(67,549)
(Income) loss from consolidated entities attributable to noncontrolling interests	112	30	110	82	(80)
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership.....	28,932	29,313	21,642	(381)	7,671
Net income (loss) attributable to the Company	<u>\$ (113,635)</u>	<u>\$ (126,966)</u>	<u>\$ (67,008)</u>	<u>\$ 13,331</u>	<u>\$ (59,958)</u>

Comparison of Year Ended December 31, 2019 with Year Ended December 31, 2018

All hotel properties owned during the years ended December 31, 2019 and 2018 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, operating results for certain hotel properties are not comparable for the years ended December 31, 2019 and 2018. 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 and dispositions affect reporting comparability related to our consolidated financial statements:

Hotel Properties	Location	Type	Date
SpringHill Suites Glen Allen ⁽¹⁾	Glen Allen, VA	Disposition	February 20, 2018
SpringHill Suites Centreville ⁽¹⁾	Centreville, VA	Disposition	May 1, 2018
Residence Inn Tampa ⁽¹⁾	Tampa, FL	Disposition	May 10, 2018
Hilton Alexandria Old Town ⁽²⁾	Alexandria, VA	Acquisition	June 29, 2018
La Posada de Santa Fe ⁽²⁾	Santa Fe, NM	Acquisition	October 31, 2018
Embassy Suites New York Manhattan Times Square ⁽²⁾	New York, NY	Acquisition	January 22, 2019
Hilton Santa Cruz/Scotts Valley ⁽²⁾	Santa Cruz, CA	Acquisition	February 26, 2019
San Antonio Marriott ⁽¹⁾	San Antonio, TX	Disposition	August 2, 2019
Hilton Garden Inn Wisconsin Dells ⁽¹⁾	Wisconsin Dells, WI	Disposition	August 6, 2019
Courtyard Savannah ⁽¹⁾	Savannah, GA	Disposition	August 14, 2019
SpringHill Suites Jacksonville ⁽¹⁾	Jacksonville, FL	Disposition	December 3, 2019

⁽¹⁾ Collectively referred to as “Hotel Dispositions”

⁽²⁾ Collectively reported as “Hotel Acquisitions”

The following table illustrates the key performance indicators of the hotel properties and WorldQuest included in our results of operations:

	Year Ended December 31,	
	2019	2018
RevPAR (revenue per available room)	\$ 127.22	\$ 123.62
Occupancy	76.26%	76.32%
ADR (average daily rate)	\$ 166.84	\$ 161.99

The following table illustrates the key performance indicators of the 113 hotel properties and WorldQuest that were included for the full years ended December 31, 2019 and 2018, respectively:

	Year Ended December 31,	
	2019	2018
RevPar	\$ 125.70	\$ 124.26
Occupancy	75.93%	76.32%
ADR	\$ 165.55	\$ 162.82

Net Income (Loss) Attributable to the Company. Net loss attributable to the Company decreased \$13.3 million, from \$127.0 million for the year ended December 31, 2018 (“2018”) to \$113.6 million for the year ended December 31, 2019 (“2019”) as a result of the factors discussed below.

Revenue. Rooms revenue from our hotel properties and WorldQuest increased \$50.3 million, or 4.4%, to \$1.2 billion during 2019 compared to 2018. This increase is attributable to higher rooms revenue of \$49.1 million from our Hotel Acquisitions and \$12.8 million at our comparable hotel properties and WorldQuest. These increases were partially offset by lower rooms revenue of \$11.7 million from our Hotel Dispositions. Our comparable hotel properties experienced an increase of 1.7% in room rates and a decrease of 39 basis points in occupancy.

Food and beverage revenue increased \$19.6 million, or 8.7%, to \$243.9 million in 2019 compared to 2018. This increase is attributable to higher food and beverage revenue of \$12.9 million at our comparable hotel properties and WorldQuest, \$7.1 million from our Hotel Acquisitions, partially offset by lower revenue of \$396,000 from our Hotel Dispositions.

Other hotel revenue, which consists mainly of Internet access, parking, spa and business interruption revenue, increased \$1.9 million, or 2.8%, to \$69.7 million in 2019 compared to 2018. This increase is attributable to higher other revenue of \$3.0 million from our Hotel Acquisitions and \$2.2 million from our comparable hotel properties and WorldQuest, partially offset by lower other revenue of \$494,000 from our Hotel Dispositions and lower business interruption income of \$2.8 million. In 2018, we received \$2.5 million of business interruption income for the Hilton St. Petersburg Bayfront and Key West Crowne Plaza related to a settlement for lost profits from the BP Deepwater Horizon oil spill in the Gulf of Mexico in 2010 and \$401,000 of business interruption income related to Hurricane Irma. In 2019, we received \$172,000 of business interruption income at certain hotel properties. Other non-hotel revenue increased \$193,000, or 4.8%, to \$4.2 million in 2019.

Hotel Operating Expenses. Hotel operating expenses increased \$52.1 million, or 5.8%, to \$952.7 million during 2019 compared to 2018. Hotel operating expenses consist of direct expenses from departments associated with revenue streams and indirect expenses associated with support departments and management fees. Direct expenses increased \$22.5 million in 2019 compared to 2018, which was comprised of an increase of \$18.3 million from our Hotel Acquisitions and \$7.6 million from our comparable hotel properties and WorldQuest, partially offset by a decrease of \$3.4 million from our Hotel Dispositions. Direct expenses were 29.7% of total hotel revenue for 2019 and 29.6% for 2018. Indirect expenses and management fees increased \$29.6 million in 2019 compared to 2018, which was comprised of an increase of \$19.0 million from our Hotel Acquisitions and \$15.2 million from our comparable hotel properties and WorldQuest, partially offset by a decrease of \$4.6 million from our Hotel Dispositions.

Property Taxes, Insurance, and Other. Property taxes, insurance, and other increased \$5.8 million or 7.3%, to \$84.1 million during 2019 compared to 2018. The increase was primarily due to an increase of \$4.5 million from our Hotel Acquisitions and \$2.7 million at our comparable hotel properties and WorldQuest, partially offset by a property tax refund of \$590,000 and a decrease of \$843,000 from our Hotel Dispositions.

Depreciation and Amortization. Depreciation and amortization increased \$10.5 million or 4.1%, to \$269.0 million during 2019 compared to 2018. The increase was primarily due to an increase of \$6.1 million from our Hotel Acquisitions and \$6.6 million at our comparable hotel properties and WorldQuest, partially offset by a decrease of \$2.2 million from our Hotel Dispositions.

Impairment Charges. Impairment charges increased \$10.2 million, or 43.8%, to \$33.6 million in 2019 compared to 2018. We recorded an impairment charge of \$33.6 million in 2019 that was comprised of \$5.1 million at the Courtyard Savannah Downtown and \$1.4 million at the Hilton Garden Inn Wisconsin Dells as a result of their sales as well as \$10.2 million at the Washington Hampton Inn Pittsburgh Meadow Lands, \$9.3 million at the Pittsburgh Hampton Inn Waterfront, and \$7.6 million at the Stillwater Residence Inn as a result of changes to the expected holding periods of these hotel properties. We recorded an impairment charge of \$23.4 million in 2018 which was comprised of a \$9.9 million impairment charge at the San Antonio Marriott, a \$6.7 million impairment charge at the Annapolis Crowne Plaza, a \$5.1 million impairment charge at the Hilton Garden Inn Wisconsin Dells and a \$2.0 million impairment charge at the SpringHill Suites Centreville. This increase was partially offset by impairment credits of \$275,000 from changes in estimates of property damage incurred from Hurricanes Harvey and Irma.

Transaction Costs. Transaction costs decreased \$9,000 or 81.8%, to \$2,000 in 2019 compared to 2018.

Advisory Service Fee. The advisory services fee decreased \$5.5 million or 7.9%, to \$63.6 million in 2019 compared to 2018. The advisory services fee represents fees incurred in connection with the advisory agreement between Ashford Inc. and the Company. In 2019, the advisory services fee was comprised of a base advisory fee of \$36.3 million, equity-based compensation of \$18.0 million associated with equity grants of our common stock and LTIP units awarded to the officers and employees of Ashford Inc. and reimbursable expenses of \$9.3 million. In 2018, the advisory services fee was comprised of a base advisory fee of \$35.5 million, equity-based compensation of \$25.2 million associated with equity grants of our common stock and LTIP units awarded to the officers and employees of Ashford Inc. and reimbursable expenses of \$8.4 million. In 2018, approximately \$4.5 million of the equity-based compensation expense was related to the accelerated vesting of equity awards granted to one of our executive officers upon his death, in accordance with the terms of the awards.

Corporate, General and Administrative. Corporate, general and administrative expenses increased \$176,000, or 1.6%, to \$11.1 million during 2019 compared to 2018. The increase in 2019 was primarily attributable to \$896,000 of reimbursed operating expenses of Ashford Securities paid by Ashford Trust. These costs were partially offset by lower legal and professional fees of \$454,000, public company costs of \$89,000 and other miscellaneous expenses of \$177,000 in 2019 compared to 2018.

Gain (Loss) on Sale of Assets and Hotel Properties. Gain on the sale of assets and hotel properties was \$26.1 million and \$475,000 in the 2019 and 2018, respectively. The gain in 2019 was comprised of \$19.4 million gain related to the disposition of

land at Hilton St. Petersburg Bayfront, \$6.5 million gain related to the sales of the SpringHill Suites Jacksonville, San Antonio Marriott and two units at WorldQuest and a \$561,000 gain related to the sale of assets at the Santa Fe La Posada, Hilton Santa Cruz/Scotts Valley, Minneapolis Le Meridien and the Embassy Suites New York Manhattan Times Square related to ERFP. These gains were partially offset by a loss of \$352,000 from the sale of the Hilton Garden Inn Wisconsin Dells and Courtyard Savannah. The gain in 2018 was comprised of a \$488,000 gain from the sales of the Tampa Residence Inn and SpringHill Suites Centreville, partially offset by a loss of \$13,000 from the sale of the SpringHill Suites Glen Allen.

Equity in Earnings (Loss) of Unconsolidated Entities. Equity in earnings (loss) of unconsolidated entities changed \$3.2 million from equity in earnings of \$867,000 in 2018 to equity in loss of \$2.3 million in 2019. In 2019, we recorded equity in loss of \$1.9 million from Ashford Inc. and \$411,000 from OpenKey. In 2018, we recorded equity in earnings of \$1.5 million from Ashford Inc. partially offset by an equity in loss of \$592,000 from OpenKey.

Interest Income. Interest income was \$3.1 million and \$4.0 million in 2019 and 2018, respectively.

Other Income (Expense). Other income increased \$10.4 million to \$10.5 million during 2019 compared to 2018. In 2019, we recorded a realized gain on our disposition of our investment in Ashford Inc. of \$11.8 million, a realized gain on marketable securities of \$84,000, dividend income of \$271,000 and other income of \$219,000; partially offset by expense of \$1.1 million related to CMBX premiums and interest paid on collateral and a realized loss of \$800,000 on interest rate floors. In 2018, we recorded dividend income of \$603,000, a realized gain on marketable securities of \$89,000 and other miscellaneous income of \$417,000; partially offset by expense of \$1.0 million related to CMBX premiums and interest paid on collateral.

Interest Expense and Amortization of Loan Costs. Interest expense and amortization of loan costs increased \$25.2 million or 10.6%, to \$262.0 million during 2019 compared to 2018. The increase is primarily due to higher interest expense and amortization of loan costs of \$13.9 million due to higher LIBOR rates and higher amortization of loan costs from refinances at our comparable hotel properties and \$13.5 million from our Hotel Acquisitions, partially offset by lower interest expense and amortization of loan costs of \$2.2 million from loan repayments resulting from our Hotel Dispositions. The average LIBOR rates in 2019 and 2018 were 2.22% and 2.00%, respectively.

Write-off of Premiums, Loan Costs and Exit Fees. Write-off of premiums, loan costs and exit fees was \$2.8 million and \$8.8 million in 2019 and 2018, respectively. In 2019, we incurred write-off of loan costs and exit fees of \$2.8 million consisting of the write-off of unamortized loan costs of \$2.4 million and other costs of \$490,000 as a result of loan refinances and hotel property sales. In 2018, we incurred write-off of loan costs and exit fees of \$8.8 million consisting of the write-off of unamortized loan costs of \$2.9 million and other costs of \$6.0 million as a result of the refinancing of mortgage loans and hotel property sales.

Unrealized Gain (Loss) on Marketable Securities. We recognized a \$1.9 million unrealized gain on marketable securities in 2019 and a \$1.0 million unrealized loss on marketable securities in 2018, which are based on changes in closing market prices during the period.

Unrealized Gain (Loss) on Derivatives. Unrealized loss on derivatives increased \$2.3 million or 106.3%, to \$4.5 million during 2019 compared to 2018. In 2019, we recognized an unrealized loss of \$3.2 million related to CMBX tranches, \$1.7 million associated with interest rate caps, and \$437,000 from interest rate floors. These losses were partially offset by an unrealized gain of \$800,000 associated with the recognition of realized losses from the termination of interest rate floors. In 2018, we recognized unrealized losses of \$2.7 million from interest rate caps and \$488,000 from interest rate floors, partially offset by unrealized gains of \$988,000 from CMBX tranches.

Income Tax (Expense) Benefit. Income tax expense decreased \$1.6 million or 56.2%, to \$1.2 million in 2019 compared to 2018. The decrease was primarily due to a decrease in the profitability of our TRS entities in 2019 compared to 2018.

(Income) Loss from Consolidated Entities Attributable to Noncontrolling Interests. Our noncontrolling interest partner in consolidated entities were allocated losses of \$112,000 and \$30,000 during 2019 and 2018, respectively.

Net (Income) Loss Attributable to Redeemable Noncontrolling Interests in Operating Partnership. Noncontrolling interests in our operating partnership were allocated their proportionate share of net loss of \$28.9 million and \$29.3 million in 2019 and 2018, respectively. Redeemable noncontrolling interests represented ownership interests of 15.92% and 14.64% in the operating partnership at December 31, 2019 and 2018, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our cash position from operations is affected primarily by macro industry movements in occupancy and rate as well as our ability to control costs. Further, interest rates can greatly affect the cost of our debt service as well as the value of any financial hedges we may put in place. We monitor industry fundamentals and interest rates very closely. Capital expenditures above our reserves will affect cash flow as well.

Certain of our loan agreements contain cash trap provisions that may get 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. This could affect our liquidity and our ability to make distributions to our stockholders.

Also, we have entered into certain customary guaranty agreements pursuant to which we guaranty payment of any recourse liabilities of our subsidiaries or joint ventures that may result from non-recourse carve-outs, which include, but are not limited to fraud, misrepresentation, willful misconduct resulting in waste, misappropriations of rents following an event of default, voluntary bankruptcy filings, unpermitted transfers of collateral, and certain environmental liabilities. Certain of these guarantees represent a guaranty of material amounts, and if we are required to make payments under those guarantees, our liquidity could be adversely affected.

On December 5, 2017, the board of directors reapproved a stock repurchase program (the “Repurchase Program”) pursuant to which the board of directors granted a repurchase authorization to acquire shares of the Company’s common stock and preferred stock having an aggregate value of up to \$200 million. The board of directors’ authorization replaced any previous repurchase authorizations. We made no purchases under the Repurchase Program in 2019.

On December 11, 2017, we entered into equity distribution agreements with certain sales agents to sell from time to time shares of our common stock having an aggregate offering price of up to \$100 million. Sales of shares of our common stock, if any, may be made in negotiated transactions or transactions that are deemed to be “at-the-market” offerings as defined in Rule 415 of the Securities Act, including sales made directly on the NYSE, the existing trading market for our common stock, or sales made to or through a market maker other than on an exchange or through an electronic communications network. We will pay each of the sales agents a commission, which in each case shall not be more than 2.0% of the gross sales price of the shares of our common stock sold through such sales agent. No shares were issued during the year ended December 31, 2019. As of December 31, 2019, we have issued approximately 2.4 million shares of our common stock for gross proceeds of approximately \$15.5 million leaving approximately \$84.5 million available under the program.

On January 22, 2019, in connection with the acquisition of the Embassy Suites New York Manhattan Times Square, we closed on a \$145.0 million mortgage loan. This mortgage loan is interest only and provides for an interest rate of LIBOR + 3.90%. The stated maturity date of the mortgage loan is February 2022, with two one-year extensions. The mortgage loan is secured by the Embassy Suites New York Manhattan Times Square.

On February 26, 2019, in connection with the acquisition of the Hilton Santa Cruz/Scotts Valley, we assumed a \$25.3 million non-recourse mortgage loan with a fair value of \$24.9 million. This mortgage loan amortizes monthly and provides for a fixed interest rate of 4.66%. The stated maturity date of the mortgage loan is March 2025. The mortgage loan is secured by the Hilton Santa Cruz/Scotts Valley.

On March 5, 2019, we refinanced our \$178.1 million mortgage loan, secured by the Renaissance Nashville and Westin Princeton. The new mortgage loan totals \$240.0 million. The mortgage loan is interest only and provides for an interest rate of LIBOR + 2.75%. The stated maturity is March 2021 with five one-year extension options, subject to the satisfaction of certain conditions. The mortgage loan is secured by the Renaissance Nashville and Westin Princeton.

On June 7, 2019, we amended the mortgage loan secured by the Fort Worth Ashton totaling \$5.2 million. The amended mortgage loan totaling \$8.9 million has a five-year term, is interest only and bears interest at a rate of LIBOR + 2.00%.

On August 2, 2019, we repaid \$26.8 million of principal on our mortgage loan partially secured by the San Antonio Marriott as a result of the sale of the hotel property.

On August 6, 2019, we repaid \$7.7 million of principal on our mortgage loan secured by the Hilton Garden Inn Wisconsin Dells as a result of the sale of the hotel property.

On August 14, 2019, we repaid \$28.8 million of principal on our mortgage loan partially secured by the Courtyard Savannah as a result of the sale of the hotel property.

On September 25, 2019, Ashford Inc. announced the formation of Ashford Securities to raise retail capital in order to grow its existing and future platforms. In conjunction with the formation of Ashford Securities, Ashford Trust has entered into a contribution agreement with Ashford Inc. pursuant to which Ashford Trust has agreed to contribute, with Braemar, up to \$15.0 million to fund the operations of Ashford Securities. These costs will be allocated initially to Ashford Trust and Braemar based on an allocation percentage of 75% to Ashford Trust and 25% to Braemar. Upon reaching the earlier of \$400 million in aggregate non-listed preferred equity offerings raised or June 10, 2023, there will be a true up (the “True-up Date”) between Ashford Trust and Braemar whereby the actual capital contributions contributed by each company will be based on the actual amount of capital

raised by Ashford Trust and Braemar, respectively. After the True-up Date, the capital contributions will be allocated between Ashford Trust and Braemar quarterly based on the actual capital raised through Ashford Securities. Funding advances will be expensed as the expenses are incurred by Ashford Securities. As of December 31, 2019, Ashford Trust has funded approximately \$2.5 million.

On October 2, 2019, the Company entered into a stock purchase agreement with Ashford LLC under which Ashford LLC purchased all of the common of Ashford Inc. stock held by our TRS subsidiaries, totaling 393,077 shares, for \$30 per share, resulting in total proceeds of approximately \$11.8 million to the Company.

On October 15, 2019, we repaid approximately \$8.0 million principal on our mortgage loan partially secured by the Hilton St. Petersburg Bayfront as a result of the sale of the 1.65-acre parking lot adjacent to hotel.

On December 27, 2019, we amended the mortgage loan secured by the Indigo Atlanta totaling \$16.0 million. The amended mortgage loan totaling \$16.1 million has a three-year term, is interest only and bears interest at a rate of LIBOR + 2.25%. The stated maturity is December 2022 with two one-year extension options, subject to the satisfaction of certain conditions.

On January 9, 2020, we refinanced our \$43.8 million mortgage loan, secured by the Le Pavillon in New Orleans, Louisiana. We repaid \$6.8 million on the existing loan. The new mortgage loan totals \$37.0 million. The new mortgage loan is interest only and provides for an interest rate of LIBOR + 3.4%. The stated maturity is January 2023 with two one-year extension options, subject to the satisfaction of certain conditions. The mortgage loan is secured by the Le Pavillon.

Secured Credit Facility

On September 26, 2019, our secured revolving credit facility expired. We did not draw on the secured revolving credit facility while it was outstanding. Cash flows from operations, capital market activities and property refinancing proceeds have provided sufficient liquidity throughout the term of the secured revolving credit facility. Accordingly, the absence of a credit facility is not expected to have a significant impact on our liquidity.

Sources and Uses of Cash

Our principal sources of funds to meet our cash requirements include: cash on hand, positive cash flow from operations, capital market activities, property refinancing proceeds and asset sales. Additionally, our principal uses of funds are expected to include possible operating shortfalls, owner-funded capital expenditures, dividends, new investments, and debt interest and principal payments. Items that impacted our cash flow and liquidity during the periods indicated are summarized as follows:

Net Cash Flows Provided by (Used in) Operating Activities. Net cash flows provided by operating activities, pursuant to our consolidated statements of cash flows, which includes changes in balance sheet items, were \$177.2 million and \$181.6 million for the years ended December 31, 2019 and 2018, respectively. Cash flows from operations were impacted by changes in hotel operations, the operating results of our 2019 and 2018 hotel acquisitions and dispositions as well as the timing of collecting receivables from hotel guests, paying vendors, settling with related parties and settling with hotel managers.

Net Cash Flows Provided by (Used in) Investing Activities. For the year ended December 31, 2019, investing activities used net cash flows of \$253.2 million, which primarily consisted of cash outflows of \$159.2 million for capital improvements made to various hotel properties, \$212.6 million primarily for the purchase of the Embassy Suites New York Manhattan Times Square and Hilton Santa Cruz/Scotts Valley, a \$647,000 investment in OpenKey and \$475,000 of payments for initial franchise fees. Cash outflows were partially offset by cash inflows of \$102.7 million from proceeds received from the sales of the San Antonio Marriott, Hilton Garden Inn Wisconsin Dells, Courtyard Savannah, SpringHill Suites Jacksonville, a parking lot adjacent to the Hilton St. Petersburg Bayfront and FF&E for ERF, \$11.8 million of proceeds from the sale of our investment in Ashford Inc., \$4.0 million of proceeds from franchise agreement extensions and \$1.2 million of proceeds from property insurance.

For the year ended December 31, 2018, investing activities used net cash flows of \$329.6 million which primarily consisted of cash outflows of \$162.6 million primarily for the purchase of the Hilton Alexandria Old Town and La Posada de Santa Fe and \$207.3 million for capital improvements made to various hotel properties, \$667,000 investment in OpenKey and \$329,000 of payments for initial franchise fees. These outflows were partially offset by inflows of \$40.6 million from proceeds received from the sales of the SpringHill Suites Glen Allen, SpringHill Suites Centreville and Residence Inn Tampa and \$651,000 of proceeds from property insurance.

Net Cash Flows Provided by (Used in) Financing Activities. For the year ended December 31, 2019, net cash flows provided by financing activities were \$34.4 million. Cash inflows consisted of \$404.8 million in borrowings on indebtedness. Cash inflows were partially offset by cash outflows, which consisted of \$272.4 million for repayments of indebtedness, \$86.2 million for dividend and distribution payments to common and preferred stockholders and unitholders, \$9.6 million for payments of loan costs and exit fees, \$1.1 million of payments for derivatives and \$1.0 million for the repurchase of common stock.

For the year ended December 31, 2018, net cash flows provided by financing activities were \$115.8 million. Cash inflows consisted primarily of \$2.7 billion in borrowings on indebtedness \$14.8 million from issuance of common stock and a \$16.1 million deposit on ERF assets from Ashford LLC. Cash inflows were partially offset by cash outflows primarily consisting \$2.5 billion for repayments of indebtedness, \$97.4 million for dividend and distribution payments to common and preferred stockholders and unitholders, \$55.6 million for payments of loan costs and exit fees, \$3.2 million of payments for derivatives and \$1.6 million for the repurchase of common stock.

We are required to maintain certain financial ratios under various debt and derivative agreements. If we violate covenants in any debt or derivative 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. Presently, our existing financial debt covenants primarily relate to maintaining minimum net worth and leverage ratios and liquidity. As of December 31, 2019, we were in compliance in all material respects with all covenants or other requirements set forth in our debt and related agreements.

Mortgage and mezzanine loans are nonrecourse to the borrowers, except for customary exceptions or carve-outs that trigger recourse liability to the borrowers in certain limited instances. Recourse obligations typically include only the payment of costs and liabilities suffered by lenders as a result of the occurrence of certain bad acts on the part of the borrower. However, in certain cases, carve-outs could trigger recourse obligations on the part of the borrower with respect to repayment of all or a portion of the outstanding principal amount of the loans. We have entered into customary guaranty agreements pursuant to which we guaranty payment of any recourse liabilities of the borrowers that result from non-recourse carve-outs (which include, but are not limited to, fraud, misrepresentation, willful conduct resulting in waste, misappropriations of rents following an event of default, voluntary bankruptcy filings, unpermitted transfers of collateral, and certain environmental liabilities). In the opinion of management, none of these guaranty agreements, either individually or in the aggregate, are likely to have a material adverse effect on our business, results of operations, or financial condition.

Based on our current level of operations, management believes that our cash flow from operations and our existing cash balances should be adequate to meet upcoming anticipated requirements for interest and principal payments on debt (excluding any potential final maturity 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. With respect to upcoming maturities, we will continue to proactively address the refinancing or repayment of our 2020 and 2022 final debt maturities. No assurances can be given that we will obtain additional financings or, if we do, what the amount and terms will be. Our failure to obtain future financing under favorable terms could adversely impact our ability to execute our business strategy or may result in lender foreclosure.

We are committed to an investment strategy where we will pursue hotel-related investments as suitable situations arise. Funds for future hotel-related investments are expected to be derived, in whole or in part, from cash on hand, future borrowings under a credit facility or other loans, or proceeds from additional issuances of common stock, preferred stock, or other securities, asset sales, and joint ventures. However, we have no formal commitment or understanding to invest in additional assets, and there can be no assurance that we will successfully make additional investments. We may, when conditions are suitable, consider additional capital raising opportunities.

Our existing hotel properties are mostly located in developed areas with competing hotel properties. Future occupancy, ADR, and RevPAR of any individual hotel could be materially and adversely affected by an increase in the number or quality of competitive hotel properties, home sharing companies or apartment operators offering short-term rentals in its market area. Competition could also affect the quality and quantity of future investment opportunities.

Dividend Policy. During each of the quarters in the year ended December 31, 2019 our board of directors declared quarterly dividends of \$0.12, \$0.06, \$0.06, and \$0.06, per share of outstanding common stock. During each of the years ended December 31, 2018 and 2017 our board of directors declared quarterly dividends of \$0.12 per share of outstanding common stock. In December 2019, the board of directors approved our 2020 dividend policy which stated our then-expectation to pay a quarterly dividend payment of \$0.06 per share for 2020. As previously disclosed, the approval of our dividend policy did not commit our board of directors to declare future dividends. As a result of the impact of the novel coronavirus (COVID-19) on our business, we expect that the board of directors will reconsider our previously announced dividend policy and may take further action with respect to 2020 dividends, including by eliminating or significantly reducing the dividend until such time as our business operating environment improves. The board of directors will continue to review our dividend policy with respect to both our common stock and preferred stock and make future announcements with respect thereto. We may incur indebtedness to meet distribution requirements imposed on REITs under the Code to the extent that working capital and cash flow from our investments are insufficient to fund required distributions. Alternatively, we may elect to pay dividends on our common stock in cash or a combination of cash and shares of securities as permitted under U.S. federal income tax laws governing REIT distribution requirements. We may pay dividends in excess of our cash flow.

INFLATION

We rely entirely on the performance of our hotel properties and the ability of the hotel properties' managers to increase revenues to keep pace with inflation. Hotel operators can generally increase room rates, 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, labor costs and utilities are subject to inflation as well.

SEASONALITY

Our hotel 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 lease revenue under our percentage leases. We anticipate that our cash flows from the operations of our hotel properties will be sufficient to enable us to make quarterly distributions to maintain our REIT status. To the extent that cash flows from operations are insufficient during any quarter due to temporary or seasonal fluctuations in lease revenue, we expect to utilize other cash on hand or borrowings to fund required distributions. However, we cannot make any assurances that we will make distributions in the future.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, we form partnerships or joint ventures that operate certain hotels. We evaluate each partnership and joint venture to determine whether the entity is a Variable Interest Entity ("VIE"). If the entity is determined to be a VIE, we assess whether we are the primary beneficiary and need to consolidate the entity. For further discussion of the company's VIEs, see note 2 to our consolidated financial statements.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The table below summarizes our future obligations for principal and estimated interest payments on our debt, future minimum lease payments on our operating leases and capital commitments, each as of December 31, 2019 (in thousands):

	Payments Due by Period				
	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Contractual obligations excluding extension options:					
Long-term debt obligations	\$3,279,403	\$ 509,353	\$ 251,580	\$ 83,667	\$ 4,124,003
Estimated interest obligations ⁽¹⁾	114,514	65,409	20,085	12,912	212,920
Operating lease obligations	3,425	6,327	6,052	204,869	220,673
Capital commitments.....	50,481	—	—	—	50,481
Total contractual obligations	<u>\$3,447,823</u>	<u>\$ 581,089</u>	<u>\$ 277,717</u>	<u>\$ 301,448</u>	<u>\$ 4,608,077</u>

⁽¹⁾ For variable interest rate indebtedness, interest obligations are estimated based on the LIBOR interest rate as of December 31, 2019.

In addition to the amounts discussed above, we also have management agreements which require us to pay monthly management fees, market service fees and other general fees, if required. These management agreements expire from 2020 through 2038. See note 18 to our consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are fully described in note 2 to our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data. We believe that the following discussion addresses our most critical accounting policies, representing those policies considered most vital to the portrayal of our financial condition and results of operations and require management's most difficult, subjective, and complex judgments.

Impairment of Investments in Hotel Properties—Hotel properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of the hotel is measured by comparison of the carrying amount of the hotel to the estimated future undiscounted cash flows, which take into account current market conditions and our intent with respect to holding or disposing of the hotel. If our analysis indicates that the carrying value of the hotel is not recoverable on an undiscounted cash flow basis, we recognize an impairment charge for the amount by which the property's net book value exceeds its estimated fair value, or fair value, less cost to sell. In evaluating 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. We recorded impairment charges of \$33.6 million, \$23.4 million and \$10.2 million for the years ended December 31, 2019, 2018 and 2017, respectively. See note 5 to our consolidated financial statements.

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 taxable REIT subsidiaries. However, Ashford TRS is treated as a TRS for U.S. federal income tax purposes. In accordance with authoritative accounting guidance, we account for income taxes related to Ashford TRS using the asset and liability method under which deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, the analysis utilized by us in determining our deferred tax asset valuation allowance involves considerable management judgment and assumptions. See note 19 to our consolidated financial statements.

At December 31, 2019 and 2018, we recorded a valuation allowance of \$7.7 million and \$10.0 million, respectively on the net deferred tax assets of our taxable REIT subsidiaries. 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. At December 31, 2019, we had net operating loss carryforwards for U.S. federal income tax purposes of \$11.7 million, which begin to expire in 2030. The majority of the \$11.7 million net operating loss carryforwards are attributable to acquired subsidiaries and subject to substantial limitation on their use. Management determined that it is more likely than not that as of December 31, 2019, \$7.7 million of our net deferred tax assets will not be realized, and a valuation allowance has been recorded accordingly. At December 31, 2019, Ashford Hospitality Trust, Inc., our REIT, had net operating loss carryforwards for U.S. federal income tax purposes of \$562.0 million, based on the latest filed tax return, which begin to expire in 2024, and are available to offset future taxable income, if any, through 2037.

The “Income Taxes” topic of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification 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 2015 through 2019 remain subject to potential examination by certain federal and state taxing authorities.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASU 2016-02”). The new standard establishes a ROU model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Under the new standard, lessee leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases* (“ASU 2018-10”) and ASU 2018-11, *Leases (Topic 842), Targeted Improvements* (“ASU 2018-11”). The amendments in ASU 2018-10 affect only narrow aspects of the guidance issued in the amendments in ASU 2016-02, including but not limited to lease residual value guarantee, rate implicit in the lease, lease term and purchase option. The amendments in ASU 2018-11 provide an optional transition method for adoption of the new standard, which allows entities to continue to apply the legacy guidance in Accounting Standards Codification (“ASC”) 840, including its disclosure requirements, in the comparative periods presented in the year of adoption. In December 2018, the FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors* (“ASU 2018-20”). The amendments create a lessor practical expedient applicable to sales and other similar taxes incurred in connection with a lease, and simplify lessor accounting for lessor costs paid by the lessee.

We adopted the standard effective January 1, 2019 on a modified retrospective basis and implemented internal controls to enable the preparation of financial information on adoption. We elected the practical expedients which provide us the option to apply the new guidance at its effective date on January 1, 2019 without having to adjust the comparative prior period financial statements. The package of practical expedients also allowed us to carry forward the historical lease classification. Additionally, we elected the practical expedients allowing us not to separate lease and non-lease components and not record leases with an initial term of twelve months or less (“short-term leases”) on the balance sheet across all existing asset classes.

The adoption of this standard has resulted in the recognition of ROU assets and lease liabilities primarily related to our ground lease arrangements for which we are the lessee. As of January 1, 2019, we recorded operating lease liabilities of \$43.3 million as

well as a corresponding operating lease ROU asset of \$38.8 million, which includes, among other things, reclassified intangible assets of \$9.0 million, intangible liabilities of \$13.0 million and deferred rent of \$485,000. The standard did not have a material impact on our consolidated statements of operations and statements of cash flows. See related disclosures in note 6.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). The ASU sets forth an “expected credit loss” impairment model to replace the current “incurred loss” method of recognizing credit losses. The standard requires measurement and recognition of expected credit losses for most financial assets held. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* (“ASU 2018-19”). ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, *Leases*. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842): Effective Dates* (“ASU 2018-19”). In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* (“ASU 2019-11”). ASU 2019-11, clarifies specific issues within the amendments of ASU 2016-13. We are currently evaluating the impact that ASU 2016-13 will have on our consolidated financial statements and related disclosures.

In January 2020, the FASB issued ASU 2020-01, *Investments – Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)* (“ASU 2020-01”), which clarifies the interaction between the accounting for equity securities, equity method investments, and certain derivative instruments. The ASU, among other things, clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under *Topic 323, Investments—Equity Method and Joint Ventures*, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. ASU 2020-01 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years and should be applied prospectively. Early adoption is permitted. We are currently evaluating the impact that ASU 2020-01 will have on our consolidated financial statements and related disclosures.

NON-GAAP FINANCIAL MEASURES

The following non-GAAP presentations of EBITDA, EBITDAre, Adjusted EBITDAre, FFO and AFFO are presented to help our investors evaluate our operating performance.

EBITDA is defined as net income (loss) before interest expense and amortization of premiums and loan costs, net, depreciation and amortization, income taxes, equity in earnings/loss of unconsolidated entities and after the Company’s portion of EBITDA of unconsolidated entities. In addition, we include impairment charges on real estate and gain/loss on sale of hotel properties to calculate EBITDAre, as defined by NAREIT.

We then further adjust EBITDAre to exclude certain additional items such as uninsured hurricane related costs, gain/loss on insurance settlements, write-off of premiums, loan costs and exit fees, other income/expense, net, transaction, acquisition and management conversion costs, legal, advisory and settlement costs, dead deal costs, software implementation costs, and non-cash items such as amortization of unfavorable contract liabilities, non-cash stock/unit-based compensation, unrealized gains/losses on marketable securities, derivative instruments, investment in securities investment fund, as well as our portion of adjustments to EBITDAre of unconsolidated entities.

We present EBITDA, EBITDAre and Adjusted EBITDAre because we believe they reflect more accurately the ongoing performance of our hotel assets and other investments and provide more useful information to investors as they are indicators of our ability to meet our future debt payment requirements, working capital requirements and they provide an overall evaluation of our financial condition. EBITDA, EBITDAre and Adjusted EBITDAre as calculated by us may not be comparable to EBITDA, EBITDAre and Adjusted EBITDAre reported by other companies that do not define EBITDA, EBITDAre and Adjusted EBITDAre exactly as we define the terms. EBITDA, EBITDAre and Adjusted EBITDAre do not represent cash generated from operating activities determined in accordance with GAAP, and should not be considered as an alternative to operating income or net income determined in accordance with GAAP as an indicator of performance or as an alternative to cash flows from operating activities as determined by GAAP as an indicator of liquidity.

Beginning with the three months ended March 31, 2018, we have started reporting EBITDA for real estate, or EBITDAre, as defined by NAREIT, and Adjusted EBITDAre. Previously, we reported Adjusted EBITDA. Adjusted EBITDAre is calculated in a similar manner as Adjusted EBITDA, with the exception of the adjustment for the consolidated noncontrolling interest’s pro rata share of Adjusted EBITDA. The rationale for including 100% of EBITDAre for consolidated noncontrolling interests is that

the full amount of any debt of these entities is reported in our consolidated balance sheet and therefore metrics using total debt to EBITDA are provide a better understanding of the Company's leverage. This is also consistent with NAREIT's definition of EBITDA. All prior periods have been adjusted to conform to the current period presentation.

The following table reconciles net income (loss) to EBITDA, EBITDAre and Adjusted EBITDAre (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Net income (loss)	\$ (142,679)	\$(156,309)	\$ (88,760)
Interest expense and amortization of premiums and loan costs, net	262,001	236,786	222,631
Depreciation and amortization	269,003	258,458	246,731
Income tax expense (benefit)	1,218	2,782	(2,218)
Equity in (earnings) loss of unconsolidated entities	2,307	(867)	5,918
Company's portion of EBITDA of unconsolidated entities (Ashford Inc.).....	4,336	3,445	(1,666)
Company's portion of EBITDA of unconsolidated entities (OpenKey)	(403)	(572)	(498)
EBITDA	395,783	343,723	382,138
Impairment charges on real estate	33,628	23,391	10,153
(Gain) loss on sale of assets and hotel properties	(26,126)	(475)	(14,030)
EBITDAre	403,285	366,639	378,261
Amortization of unfavorable contract liabilities	176	(155)	(1,535)
Uninsured hurricane related costs	—	(291)	2,829
(Gain) loss on insurance settlements	(450)	(928)	(192)
Write-off of premiums, loan costs and exit fees	2,841	8,847	2,845
Other (income) expense, net	(10,219)	539	3,422
Transaction and conversion costs	2,329	863	4,299
Legal, advisory and settlement costs	1,660	1,084	4,199
Unrealized (gain) loss on marketable securities	(1,896)	1,013	4,649
Unrealized (gain) loss on derivatives	4,494	2,178	2,802
Dead deal costs	78	291	9
Software implementation costs	—	—	1,034
Non-cash stock/unit-based compensation	19,717	26,939	12,287
Company's portion of (gain) loss of AQUA U.S. Fund	—	—	(52)
Company's portion of adjustments to EBITDAre of unconsolidated entities (Ashford Inc.) ..	2,941	4,479	6,790
Company's portion of adjustments to EBITDAre of unconsolidated entities (OpenKey)	49	17	13
Adjusted EBITDAre	<u>\$ 425,005</u>	<u>\$ 411,515</u>	<u>\$ 421,660</u>

We calculate FFO and AFFO in the following table. FFO is calculated on the basis defined by NAREIT, which is net income (loss) attributable to common stockholders, computed in accordance with GAAP, excluding gains or losses on properties, plus depreciation and amortization of real estate assets, impairment charges on real estate assets, and after adjustments for unconsolidated entities and noncontrolling interests in the operating partnership. Adjustments for unconsolidated entities are calculated to reflect FFO on the same basis. 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 AFFO excludes extinguishment of issuance costs upon redemption of preferred stock, write-off of premiums, loan costs and exit fees, uninsured hurricane related costs, other income/expense, transaction, acquisition and management conversion costs, legal, advisory and settlement costs, dead deal costs, software implementation costs, tax reform, and non-cash items such as gain/loss on insurance settlements, non-cash stock/unit-based compensation, unrealized gains/losses on marketable securities, derivative instruments, investment in securities investment fund, amortization of loan costs, as well as our portion of adjustments to FFO related to unconsolidated entities. We exclude items from AFFO that are either non-cash or are not part of our core operations in order to provide a period-over-period comparison of our operating results. We consider FFO and AFFO 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 AFFO do not represent cash generated from operating activities as determined by GAAP and should not be considered as an alternative to a) GAAP net income or loss as an indication of our financial performance or b) GAAP cash flows from operating activities as a measure of our liquidity, nor is it 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 AFFO should be considered along with our net income or loss and cash flows reported in the consolidated financial statements.

The following table reconciles net income (loss) to FFO and Adjusted FFO (in thousands) (unaudited):

	Year Ended December 31,		
	2019	2018	2017
Net income (loss)	\$ (142,679)	\$ (156,309)	\$ (88,760)
(Income) loss from consolidated entities attributable to noncontrolling interests.....	112	30	110
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership	28,932	29,313	21,642
Preferred dividends	(42,577)	(42,577)	(44,761)
Extinguishment of issuance costs upon redemption of preferred stock	—	—	(10,799)
Net income (loss) available to common stockholders	(156,212)	(169,543)	(122,568)
Depreciation and amortization on real estate	268,778	258,227	246,490
(Gain) loss on sale of assets and hotel properties	(26,126)	(475)	(14,030)
Net income (loss) attributable to redeemable noncontrolling interests in operating partnership	(28,932)	(29,313)	(21,642)
Equity in (income) loss of unconsolidated entities	2,307	(867)	5,918
Impairment charges on real estate	33,628	23,391	10,153
Company's portion of FFO of unconsolidated entities (Ashford Inc.).....	(4,030)	1,524	(5,410)
Company's portion of FFO of unconsolidated entities (OpenKey)	(396)	(581)	(505)
FFO available to common stockholders and OP unitholders	89,017	82,363	98,406
Extinguishment of issuance costs upon redemption of preferred stock	—	—	10,799
Write-off of premiums, loan costs and exit fees	2,841	8,847	2,845
(Gain) loss on insurance settlements	(450)	(928)	(192)
Uninsured hurricane related costs	—	(291)	2,829
Other (income) expense, net	(10,219)	539	3,422
Transaction and conversion costs	2,329	863	4,299
Legal, advisory and settlement costs	1,660	1,084	4,199
Unrealized (gain) loss on marketable securities	(1,896)	1,013	4,649
Unrealized (gain) loss on derivatives	4,494	2,178	2,802
Dead deal costs	78	291	9
Software implementation costs	—	—	1,034
Non-cash stock/unit-based compensation	19,717	26,939	12,287
Tax reform	—	—	(1,080)
Amortization of loan costs	29,537	21,435	13,213
Company's portion of unrealized loss of AQUA U.S. Fund	—	—	(52)
Company's portion of adjustments to FFO of unconsolidated entities (Ashford Inc.).....	8,319	907	9,374
Company's portion of adjustments to FFO of unconsolidated entities (OpenKey)	55	21	13
Adjusted FFO available to common stockholders and OP unitholders	<u>\$ 145,482</u>	<u>\$ 145,261</u>	<u>\$ 168,856</u>

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. The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market interest rates.

At December 31, 2019, our total indebtedness of \$4.1 billion included \$3.8 billion of variable-rate debt. The impact on our results of operations of a 25-basis point change in interest rate on the outstanding balance of variable-rate debt at December 31, 2019, would be approximately \$9.4 million annually. Interest rate changes have no impact on the remaining \$360.7 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. As the information presented above includes only those exposures that existed at December 31, 2019, 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.

We use credit default swaps, tied to the CMBX index, to hedge financial and capital market risk. We have entered into credit default swap transactions, excluding those that have terminated, for notional amounts totaling \$212.5 million, to hedge financial and capital market risk. A credit default swap is a derivative contract that functions like an insurance policy against the credit risk of an entity or obligation. The seller of protection assumes the credit risk of the reference obligation from the buyer (us) of protection in exchange for annual premium payments. If a default or a loss, as defined in the credit default swap agreements, occurs on the underlying bonds, then the buyer of protection is protected against those losses. The only liability for us, the buyer, is the annual premium and any change in value of the underlying CMBX index (if the trade is terminated prior to maturity). For all CMBX trades completed to date, we were the buyer of protection. Credit default swaps are subject to master-netting settlement arrangements and credit support annexes. Assuming the underlying bonds pay off at par over their remaining average life, our total exposure for these trades was approximately \$3.2 million at December 31, 2019.

We hold interest rate floors with notional amounts totaling \$12.0 billion and strike rates ranging from (0.25)% to 1.63%. Our total exposure is capped at our initial upfront costs totaling \$9.6 million. These instruments have termination dates ranging from March 2020 to November 2021.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Ashford Hospitality Trust, Inc.
Dallas, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Ashford Hospitality Trust, Inc. (the “Company”) as of December 31, 2019 and 2018, 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, 2019, and the related notes and financial statement schedule listed in the accompanying index (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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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 12, 2020 expressed an unqualified opinion thereon.

Adoption of New Accounting Standard

As discussed in Notes 2 and 6 to the consolidated financial statements, the Company changed its method of accounting for leases in the year ended December 31, 2019 due to the adoption of ASU No. 2016-02, *Leases*.

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.

/s/ BDO USA, LLP

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

Dallas, Texas
March 12, 2020

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31,	
	2019	2018
Assets		
Investments in hotel properties, net	\$ 4,108,443	\$ 4,105,219
Cash and cash equivalents	262,636	319,210
Restricted cash	135,571	120,602
Marketable securities	14,591	21,816
Accounts receivable, net of allowance of \$698 and \$485, respectively	39,638	37,060
Inventories	4,346	4,224
Notes receivable, net	7,709	—
Investment in unconsolidated entities	2,829	4,489
Deferred costs, net	2,897	3,449
Prepaid expenses	21,886	19,982
Derivative assets, net	1,691	2,396
Operating lease right-of-use assets	49,995	—
Other assets	17,932	15,923
Intangible asset, net	797	9,824
Due from related parties, net	3,019	—
Due from third-party hotel managers	17,368	21,760
Total assets	\$ 4,691,348	\$ 4,685,954
Liabilities and Equity		
Liabilities:		
Indebtedness, net	\$ 4,106,518	\$ 3,927,266
Accounts payable and accrued expenses	134,341	136,757
Dividends and distributions payable	20,849	26,794
Due to Ashford Inc., net	6,570	23,034
Due to related parties, net	—	1,477
Due to third-party hotel managers	2,509	2,529
Intangible liabilities, net	2,337	15,483
Operating lease liabilities	53,270	—
Derivative liabilities, net	42	50
Other liabilities	25,776	18,716
Total liabilities	4,352,212	4,152,106
Commitments and contingencies (note 18)		
Redeemable noncontrolling interests in operating partnership	69,870	80,743
Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized:		
Series D Cumulative Preferred Stock, 2,389,393 shares issued and outstanding at December 31, 2019 and 2018	24	24
Series F Cumulative Preferred Stock, 4,800,000 shares issued and outstanding at December 31, 2019 and 2018	48	48
Series G Cumulative Preferred Stock, 6,200,000 shares issued and outstanding at December 31, 2019 and 2018	62	62
Series H Cumulative Preferred Stock, 3,800,000 shares issued and outstanding at December 31, 2019 and 2018	38	38
Series I Cumulative Preferred Stock, 5,400,000 shares issued and outstanding at December 31, 2019 and 2018	54	54
Common stock, \$0.01 par value, 400,000,000 shares authorized, 102,103,602 and 101,035,530 shares issued and outstanding at December 31, 2019 and 2018, respectively	1,021	1,010
Additional paid-in capital	1,825,553	1,814,273
Accumulated deficit	(1,558,038)	(1,363,020)
Total stockholders' equity of the Company	268,762	452,489
Noncontrolling interests in consolidated entities	504	616
Total equity	269,266	453,105
Total liabilities and equity	\$ 4,691,348	\$ 4,685,954

See Notes to Consolidated Financial Statements.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended December 31,		
	2019	2018	2017
Revenue			
Rooms	\$ 1,184,987	\$ 1,134,687	\$ 1,143,135
Food and beverage	243,917	224,311	234,777
Other	69,653	67,782	58,204
Total hotel revenue.....	1,498,557	1,426,780	1,436,116
Other	4,202	4,009	3,154
Total revenue.....	1,502,759	1,430,789	1,439,270
Expenses			
Hotel operating expenses:			
Rooms	258,446	248,139	248,643
Food and beverage	167,945	156,902	161,683
Other expenses	472,437	442,463	444,322
Management fees	53,846	53,078	52,653
Total hotel operating expenses.....	952,674	900,582	907,301
Property taxes, insurance and other	84,110	78,355	73,579
Depreciation and amortization	269,003	258,458	246,731
Impairment charges.....	33,628	23,391	10,153
Transaction costs.....	2	11	14
Advisory services fee.....	63,632	69,122	53,199
Corporate, general and administrative	11,107	10,931	13,288
Total expenses	1,414,156	1,340,850	1,304,265
Gain (loss) on sale of assets and hotel properties	26,126	475	14,030
Operating income (loss)	114,729	90,414	149,035
Equity in earnings (loss) of unconsolidated entities	(2,307)	867	(5,866)
Interest income.....	3,067	3,952	2,202
Other income (expense)	10,490	64	(3,422)
Interest expense and amortization of premiums and loan costs.....	(262,001)	(236,786)	(222,631)
Write-off of premiums, loan costs and exit fees	(2,841)	(8,847)	(2,845)
Unrealized gain (loss) on marketable securities	1,896	(1,013)	(4,649)
Unrealized gain (loss) on derivatives.....	(4,494)	(2,178)	(2,802)
Income (loss) before income taxes	(141,461)	(153,527)	(90,978)
Income tax benefit (expense).....	(1,218)	(2,782)	2,218
Net income (loss)	(142,679)	(156,309)	(88,760)
(Income) loss from consolidated entities attributable to noncontrolling interests	112	30	110
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership	28,932	29,313	21,642
Net income (loss) attributable to the Company	(113,635)	(126,966)	(67,008)
Preferred dividends	(42,577)	(42,577)	(44,761)
Extinguishment of issuance costs upon redemption of preferred stock.....	—	—	(10,799)
Net income (loss) attributable to common stockholders	<u>\$ (156,212)</u>	<u>\$ (169,543)</u>	<u>\$ (122,568)</u>
Income (loss) per share – basic and diluted:			
Basic:			
Net income (loss) attributable to common stockholders.....	<u>\$ (1.58)</u>	<u>\$ (1.75)</u>	<u>\$ (1.30)</u>
Weighted average common shares outstanding – basic.....	<u>99,837</u>	<u>97,282</u>	<u>95,207</u>
Diluted:			
Net income (loss) attributable to common stockholders.....	<u>\$ (1.58)</u>	<u>\$ (1.75)</u>	<u>\$ (1.30)</u>
Weighted average common shares outstanding – diluted	<u>99,837</u>	<u>97,282</u>	<u>95,207</u>

See Notes to Consolidated Financial Statements.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Year Ended December 31,		
	2019	2018	2017
Net income (loss)	\$ (142,679)	\$ (156,309)	\$ (88,760)
Other comprehensive income (loss), net of tax:			
Total other comprehensive income (loss)	—	—	—
Total comprehensive income (loss)	(142,679)	(156,309)	(88,760)
Comprehensive (income) loss attributable to noncontrolling interests in consolidated entities.....	112	30	110
Comprehensive (income) loss attributable to redeemable noncontrolling interests in operating partnership.....	28,932	29,313	21,642
Comprehensive income (loss) attributable to the Company	<u>\$ (113,635)</u>	<u>\$ (126,966)</u>	<u>\$ (67,008)</u>

See Notes to Consolidated Financial Statements.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)

	Preferred Stock												Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests in Consolidated Entities	Total	Redeemable Noncontrolling Interest in Operating Partnership
	Series A		Series D		Series F		Series G		Series H		Series I						
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 1, 2017	1,657	\$ 17	9,469	\$ 95	4,800	\$ 48	6,200	\$ 62	—	\$ —	96,377	\$ 964	\$ 1,764,450	756	\$ 792,377	\$ 132,768	
Purchases of common stock	—	—	—	—	—	—	—	—	—	—	(203)	(2)	(1,270)	—	(1,272)	—	
Equity-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	7,227	—	7,227	5,060	
Forfeitures of restricted shares	—	—	—	—	—	—	—	—	—	—	(56)	—	—	—	—	—	
Issuance of restricted shares/units	—	—	—	—	—	—	—	—	—	—	1,271	12	(12)	—	—	94	
Redemption of preferred shares	(1,657)	(17)	(7,080)	(71)	—	—	—	—	—	—	—	—	(207,538)	—	(218,425)	—	
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	221,979	—	222,071	—	
Dividends declared - common shares (\$48/share)	—	—	—	—	—	—	—	—	—	—	—	—	(47,104)	—	(47,104)	—	
Dividends declared - preferred shares- Series A (\$1.6032/share)	—	—	—	—	—	—	—	—	—	—	—	—	(2,539)	—	(2,539)	—	
Dividends declared - preferred shares- Series D (\$2.1124/share)	—	—	—	—	—	—	—	—	—	—	—	—	(18,211)	—	(18,211)	—	
Dividends declared - preferred shares- Series F (\$1.8436/share)	—	—	—	—	—	—	—	—	—	—	—	—	(8,849)	—	(8,849)	—	
Dividends declared - preferred shares- Series G (\$1.8436/share)	—	—	—	—	—	—	—	—	—	—	—	—	(11,430)	—	(11,430)	—	
Dividends declared - preferred shares- Series H (\$0.603/share)	—	—	—	—	—	—	—	—	—	—	—	—	(2,494)	—	(2,494)	—	
Dividends declared - preferred shares- Series I (\$2.292/share)	—	—	—	—	—	—	—	—	—	—	—	—	(1,238)	—	(1,238)	—	
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(10,007)	
Redemption/conversion of operating partnership units	—	—	—	—	—	—	—	—	—	—	20	—	161	—	161	(161)	
Redemption value adjustment	—	—	—	—	—	—	—	—	—	—	—	—	(10,010)	—	(10,010)	10,010	
Net income (loss)	—	—	2,389	\$ 24	4,800	\$ 48	6,200	\$ 62	3,800	\$ 38	5,400	\$ 54	\$ 1,784,997	646	\$ 633,146	(21,642)	
Balance at December 31, 2017	—	\$ —	2,389	\$ 24	4,800	\$ 48	6,200	\$ 62	3,800	\$ 38	5,400	\$ 54	\$ (1,153,697)	646	\$ 633,146	\$ 116,122	
Purchases of common shares	—	—	—	—	—	—	—	—	—	—	(249)	(3)	(1,595)	—	(1,598)	—	
Equity-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	16,098	—	16,098	10,841	
Forfeitures of restricted shares	—	—	—	—	—	—	—	—	—	—	(48)	—	—	—	—	—	
Issuance of restricted shares/units	—	—	—	—	—	—	—	—	—	—	1,490	15	108	—	123	53	
Issuance of common stock (net)	—	—	—	—	—	—	—	—	—	—	2,434	24	14,665	—	14,689	—	
Dividends declared - common shares (\$48/share)	—	—	—	—	—	—	—	—	—	—	—	—	(47,951)	—	(47,951)	—	
Dividends declared - preferred shares- Series D (\$2.1124/share)	—	—	—	—	—	—	—	—	—	—	—	—	(5,047)	—	(5,047)	—	
Dividends declared - preferred shares- Series F (\$1.8436/share)	—	—	—	—	—	—	—	—	—	—	—	—	(8,849)	—	(8,849)	—	
Dividends declared - preferred shares- Series G (\$1.8436/share)	—	—	—	—	—	—	—	—	—	—	—	—	(11,431)	—	(11,431)	—	
Dividends declared - preferred shares- Series H (\$1.875/share)	—	—	—	—	—	—	—	—	—	—	—	—	(7,125)	—	(7,125)	—	
Dividends declared - preferred shares- Series I (\$1.875/share)	—	—	—	—	—	—	—	—	—	—	—	—	(10,125)	—	(10,125)	—	
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(8,789)	
Redemption value adjustment	—	—	—	—	—	—	—	—	—	—	—	—	8,171	—	8,171	(8,171)	
Net income (loss)	—	—	—	—	—	—	—	—	—	—	—	—	(126,966)	(30)	(126,996)	(29,313)	
Balance at December 31, 2018	—	\$ —	2,389	\$ 24	4,800	\$ 48	6,200	\$ 62	3,800	\$ 38	5,400	\$ 54	\$ (1,363,020)	616	\$ 453,105	\$ 80,743	
Impact of adoption of new accounting standard	—	—	—	—	—	—	—	—	—	—	—	—	1,755	—	1,755	—	
Purchases of common stock	—	—	—	—	—	—	—	—	—	—	(210)	(1)	(1,030)	—	(1,031)	—	
Equity-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	12,413	—	12,413	7,304	

	Preferred Stock														Noncontrolling Interests in Consolidated Entities	Accumulated Deficit	Additional Paid-in Capital	Common Stock Shares	Common Stock Amount	Series I Shares	Series I Amount	Series H Shares	Series H Amount	Series G Shares	Series G Amount	Series F Shares	Series F Amount	Series D Shares	Series D Amount	Series A		Total	Redeemable Noncontrolling Interest in Operating Partnership
	Shares	Amount																															
			Shares	Amount																													
Forfeitures of restricted shares.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Issuance of restricted shares/units	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	28					
Issuance of units for hotel acquisition	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,854					
Common stock issuance costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Dividends declared - common shares (\$30/share).....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Dividends declared - preferred shares- Series D (\$2.1124/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Dividends declared - preferred shares- Series F (\$1.8436/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Dividends declared - preferred shares- Series G (\$1.8436/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Dividends declared - preferred shares- Series H (\$1.875/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Dividends declared - preferred shares- Series I (\$1.875/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(6,572)					
Redemption value adjustment.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	9,445					
Net income (loss).....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(112)					
Balance at December 31, 2019	—	\$ —	2,389	\$ 24	4,800	\$ 48	6,200	\$ 62	3,800	\$ 38	5,400	\$ 54	102,104	\$ 1,021	\$ 1,825,553	\$ (1,558,038)	\$ 504	(113,747)	\$ 269,266	\$ (28,932)	\$ 69,870												

See Notes to Consolidated Financial Statements.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2019	2018	2017
Cash Flows from Operating Activities			
Net income (loss).....	\$ (142,679)	\$ (156,309)	\$ (88,760)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	269,003	258,458	246,731
Impairment charges	33,628	23,391	10,153
Amortization of intangibles	(257)	(237)	(238)
Recognition of deferred income	(954)	(577)	(869)
Deferred income tax expense (benefit)	(159)	135	2,324
Bad debt expense	3,127	2,148	2,185
Equity in (earnings) loss of unconsolidated entities	2,307	(867)	5,866
(Gain) loss on sale of assets and hotel properties, net	(26,126)	(475)	(14,030)
Realized and unrealized (gain) loss on marketable securities	(1,980)	924	3,678
Purchases of marketable securities	(4,208)	(12,228)	(54,793)
Sales of marketable securities	13,413	16,414	77,374
Realized (gain) loss on investment in Ashford Inc.	(11,792)	—	—
(Gain) loss on insurance settlement	(450)	(928)	—
Net settlement of trading derivatives	(3,485)	648	(5,035)
Realized and unrealized (gains) losses on derivatives	5,294	2,178	7,510
Amortization of loan costs and premiums and write-off of premiums, loan costs and exit fees ..	32,153	30,012	14,190
Equity-based compensation	19,717	26,939	12,287
Amortization of parking asset	118	—	—
Non-cash interest income	(191)	—	—
Changes in operating assets and liabilities, exclusive of the effect of acquisitions and dispositions of hotel properties:			
Accounts receivable and inventories	(6,639)	5,553	2,037
Prepaid expenses and other assets	2,307	(1,946)	(4,762)
Operating lease right-of-use assets	1,322	—	—
Operating lease liabilities	(937)	—	—
Accounts payable and accrued expenses	(4,177)	376	(5,316)
Due to/from related parties	(4,496)	(574)	944
Due to/from third-party hotel managers	4,372	(4,214)	(4,353)
Due to/from Braemar OP, net	—	—	(488)
Due to/from Ashford Inc., net	(1,256)	(8,793)	(570)
Other liabilities	234	1,532	1,317
Net cash provided by (used in) operating activities	177,209	181,560	207,382
Cash Flows from Investing Activities			
Investment in unconsolidated entity	(647)	(667)	(984)
Proceeds from franchise agreement extensions	4,000	—	—
Acquisition of hotel properties and assets, net of cash and restricted cash acquired	(212,552)	(162,593)	(363)
Improvements and additions to hotel properties	(159,220)	(207,325)	(221,960)
Net proceeds from sale of assets and hotel properties	102,676	40,629	105,267
Payments for initial franchise fees	(475)	(329)	(225)
Liquidation of U.S. AQUA Fund	—	—	50,942
Proceeds from sale of investment in Ashford Inc.	11,792	—	—
Proceeds from property insurance	1,233	651	3,442
Net cash provided by (used in) investing activities	(253,193)	(329,634)	(63,881)
Cash Flows from Financing Activities			
Borrowings on indebtedness	404,795	2,705,769	704,800
Repayments of indebtedness	(272,357)	(2,463,100)	(754,836)
Payments for loan costs and exit fees	(9,643)	(55,555)	(13,871)
Payments for dividends and distributions	(86,210)	(97,445)	(101,592)
Purchases of common stock	(1,031)	(1,598)	(1,272)
Redemption of preferred stock	—	—	(218,425)
Payments for derivatives	(1,112)	(3,162)	(871)
Proceeds from common stock offering	—	14,752	—
Proceeds from preferred stock offerings	—	—	222,071
Preferred and common stock offering costs	(91)	—	—
Deposit on ERFPA assets	—	16,100	—
Other	28	53	94

Year Ended December 31,

	2019	2018	2017
Net cash provided by (used in) financing activities	34,379	115,814	(163,902)
Net change in cash and cash equivalents.....	(41,605)	(32,260)	(20,401)
Cash, cash equivalents and restricted cash at beginning of year.....	439,812	472,072	492,473
Cash, cash equivalents and restricted cash at end of year	<u>\$ 398,207</u>	<u>\$ 439,812</u>	<u>\$ 472,072</u>

Supplemental Cash Flow Information

Interest paid	\$ 233,771	\$ 215,344	\$ 210,644
Income taxes paid (received), net.....	(1,059)	1,890	(253)

Supplemental Disclosure of Investing and Financing Activities

Accrued but unpaid capital expenditures	\$ 24,239	\$ 23,615	\$ 19,456
Dividends and distributions declared but not paid	20,849	26,794	25,045
Issuance of units for hotel acquisition	7,854	—	—
Assumption of debt in hotel acquisition	24,922	—	—
Notes receivable issued in land sale	7,590	—	—
Other non-cash consideration from land sale	4,797	—	—
Non-cash dividends paid	—	123	—
Unsettled common stock offering proceeds	—	1,075	—

Supplemental Disclosure of Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents at beginning of period	\$ 319,210	\$ 354,805	\$ 347,091
Cash and cash equivalents at beginning of period included in assets held for sale	—	78	976
Restricted cash at beginning of period	120,602	116,787	144,014
Restricted cash at beginning of period included in assets held for sale	—	402	392
Cash, cash equivalents and restricted cash at beginning of period	<u>\$ 439,812</u>	<u>\$ 472,072</u>	<u>\$ 492,473</u>
Cash and cash equivalents at end of period.....	\$ 262,636	\$ 319,210	\$ 354,805
Cash and cash equivalents at end of period included in assets held for sale	—	—	78
Restricted cash at end of period	135,571	120,602	116,787
Restricted cash at end of period included in assets held for sale	—	—	402
Cash, cash equivalents and restricted cash at end of period.....	<u>\$ 398,207</u>	<u>\$ 439,812</u>	<u>\$ 472,072</u>

See Notes to Consolidated Financial Statements.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2019, 2018 and 2017

1. Organization and Description of Business

Ashford Hospitality Trust, Inc., together with its subsidiaries (“Ashford Trust”), is a real estate investment trust (“REIT”). While our portfolio currently consists of upscale hotels and upper upscale full-service hotels, our investment strategy is predominantly focused on investing in upper upscale full-service hotels in the U.S. that have revenue per available room (“RevPAR”) generally less than twice the U.S. national average, and in all methods including direct real estate, equity, and debt. Future investments will predominantly be in upper upscale hotels. We own our lodging investments and conduct our business through Ashford Hospitality Limited Partnership (“Ashford Trust OP”), our operating partnership. Ashford OP General Partner LLC, a wholly-owned subsidiary of Ashford Trust, serves as the sole general partner of our operating partnership. In this report, terms such as the “Company,” “we,” “us,” or “our” refer to Ashford Hospitality Trust, Inc. and all entities included in its consolidated financial statements.

Our hotel properties are primarily branded under the widely recognized upscale and upper upscale brands of Hilton, Hyatt, Marriott and Intercontinental Hotel Group. As of December 31, 2019, we owned interests in the following assets:

- 117 consolidated hotel properties, including 115 directly owned and two owned through a majority-owned investment in a consolidated entity, which represent 24,943 total rooms (or 24,916 net rooms excluding those attributable to our partner);
- 90 hotel condominium units at WorldQuest Resort in Orlando, Florida (“WorldQuest”); and
- 17.0% ownership in OpenKey with a carrying value of \$2.8 million.

For U.S. federal income tax purposes, we have elected to be treated as a REIT, which imposes limitations related to operating hotels. As of December 31, 2019, our 117 hotel properties were leased or owned by our wholly-owned or majority-owned subsidiaries that are treated as taxable REIT subsidiaries for U.S. federal income tax purposes (collectively, these subsidiaries are referred to as “Ashford TRS”). Ashford TRS then engages third-party or affiliated hotel management companies to operate the hotels under management contracts. Hotel operating results related to these properties are included in the consolidated statements of operations.

We are advised by Ashford Hospitality Advisors LLC (“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. On November 6, 2019, Ashford Inc. completed its acquisition of Remington Lodging’s hotel management business from Mr. Monty J. Bennett, chairman of our board of directors, and chairman, chief executive officer and a significant stockholder of Ashford Inc., and Mr. Archie Bennett, Jr., our chairman emeritus and a significant stockholder of Ashford Inc. Remington Hotels manages 80 of our 117 hotel properties and WorldQuest. Third-party management companies managed the remaining hotel properties.

Ashford Inc. also provides other products and services to us or our hotel properties through certain entities in which Ashford Inc. has an ownership interest. These products and services include, but are not limited to project management services, debt placement services, audio visual services, real estate advisory services, insurance claims services, hypoallergenic premium rooms, investment management services and mobile key technology. See note 17.

2. Significant Accounting Policies

Basis of Presentation—The accompanying consolidated financial statements include the accounts of Ashford Hospitality Trust, Inc., its majority-owned subsidiaries and its majority-owned joint ventures in which it has a controlling interest. All significant inter-company accounts and transactions between consolidated entities have been eliminated in these consolidated financial statements.

Ashford Trust 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 Ashford Trust OP that most significantly impact its economic performance, including but not limited to operating procedures with respect to business affairs and any acquisitions, dispositions, financings, restructurings or other transactions with sellers, purchasers, lenders, brokers, agents and other applicable representatives, are subject to the approval of our wholly-owned subsidiary, Ashford Trust OP General Partner LLC, its general partner. As such, we consolidate Ashford Trust OP.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following acquisitions and dispositions affect reporting comparability of our consolidated financial statements:

Hotel Property	Location	Type	Date
Renaissance Portsmouth	Portsmouth, VA	Disposition	February 1, 2017
Embassy Suites Syracuse	Syracuse, NY	Disposition	March 6, 2017
Crowne Plaza Ravinia	Atlanta, GA	Disposition	June 29, 2017
SpringHill Suites Glen Allen	Glen Allen, VA	Disposition	February 20, 2018
SpringHill Suites Centreville	Centreville, VA	Disposition	May 1, 2018
Residence Inn Tampa	Tampa, FL	Disposition	May 10, 2018
Hilton Alexandria Old Town	Alexandria, VA	Acquisition	June 29, 2018
La Posada de Santa Fe	Santa Fe, NM	Acquisition	October 31, 2018
Embassy Suites New York Manhattan Times Square	New York, NY	Acquisition	January 22, 2019
Hilton Santa Cruz/Scotts Valley	Santa Cruz, CA	Acquisition	February 26, 2019
San Antonio Marriott	San Antonio, TX	Disposition	August 2, 2019
Hilton Garden Inn Wisconsin Dells	Wisconsin Dells, WI	Disposition	August 6, 2019
Courtyard Savannah	Savannah, GA	Disposition	August 14, 2019
SpringHill Suites Jacksonville	Jacksonville, FL	Disposition	December 3, 2019

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 FF&E replacements of approximately 4% to 6% of property revenue for certain hotels, as required by certain management or mortgage debt agreement restrictions and provisions.

Marketable Securities—Marketable securities include U.S. treasury bills and publicly traded equity securities. All of these investments are recorded at fair value. The fair value of these investments has been determined based on the closing price as of the balance sheet date and is reported as “marketable securities.” Net investment income, including interest income, dividends, and realized gains and losses, is reported as a component of “other income (expense)” in the consolidated statement of operations. Unrealized gains and losses on these investments are reported as “unrealized gain (loss) on marketable securities” in the consolidated statements of operations.

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 to be 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. However, four hotel properties contributed upon Ashford Trust’s formation in 2003 are stated at the predecessor’s historical cost, net of impairment charges, if any, plus a partial step-up related to the acquisition of noncontrolling interests from third parties associated with certain of these properties. For hotel properties owned through our majority-owned entities, the carrying basis attributable to the partners’ minority ownership is recorded at the predecessor’s 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 that extend the useful life of the hotel properties are capitalized.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Impairment of Investments in Hotel Properties—Hotel properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of the hotel is measured by comparison of the carrying amount of the hotel to the estimated future undiscounted cash flows, which take into account current market conditions and our intent with respect to holding or disposing of the hotel. If our analysis indicates that the carrying value of the hotel is not recoverable on an undiscounted cash flow basis, we recognize an impairment charge for the amount by which the property's net book value exceeds its estimated fair value, or fair value, less cost to sell. In evaluating 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. We recorded impairment charges of \$33.6 million, \$23.4 million and \$10.2 million for the years ended December 31, 2019, 2018 and 2017, respectively. See note 5.

Hotel Dispositions—Discontinued operations are defined as the disposal of components of an entity that represents strategic shifts that have (or will have) a major effect on an entity's operations and financial results. We believe that individual dispositions of hotel properties do not represent a strategic shift that has (or will have) a major effect on our operations and financial results as most will not fit the definition. See note 5.

Assets Held for Sale—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 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.

Investments in Unconsolidated Entities—As of December 31, 2019, we held a 17.0% 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 the investment in our 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 entities" in the consolidated statements of operations. No such impairment was recorded for the years ended December 31, 2019, 2018 and 2017.

Our investments in certain unconsolidated entities are considered to be variable interests in the underlying entities. Each VIE, 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 entities' activities and operations, we are not considered to be the primary beneficiary of these entities on an ongoing basis and therefore such entities are not consolidated. In evaluating VIEs, our analysis involves considerable management judgment and assumptions.

Notes Receivable, net—We record notes receivable at present value upon the transaction date. Any discount or premium is amortized using the effective interest method.

Impairment of Notes Receivable—We review notes receivable for impairment each reporting period. A loan is impaired when, based on current information and events, collection of all amounts recorded as assets on the balance sheet is no longer considered probable. When a loan is impaired, we measure impairment based on the present value of expected cash flows discounted at the loan's effective interest rate against the value of the asset recorded on the balance sheet. We may also measure impairment based on a loan's observable market price or the fair value of collateral if the loan is collateral-dependent. Loan impairments are recorded as a valuation allowance and a charge to earnings. Our assessment of impairment is based on considerable management judgment and assumptions. No impairment charges were recorded for the year ended December 31, 2019.

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

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 Accounting Standard Codification (“ASC”) 842, we are not accounting for separately. For certain equipment leases, such as office equipment, copiers and vehicles, we account for the lease and non-lease components as a single lease component.

As of January 1, 2019, we recorded operating lease liabilities as well as a corresponding operating lease ROU asset which includes deferred rent and the reclassified intangible assets and intangible liabilities associated with above/below market-rate leases where we are the lessee.

Intangible Assets and Liabilities—Intangible assets represent the acquisition of a permanent docking easement and intangible liabilities represent the liabilities recorded on certain hotel properties’ lessor lease contracts that were below market rates at the date of acquisition. The asset is not subject to amortization and liabilities are amortized using the straight-line method over the remaining terms of the respective lease contracts. See note 21.

Deferred Costs, net—Debt issuance costs associated with debt obligations are reflected as a direct reduction to the related debt obligation on our consolidated balance sheets. Debt issuance costs are recorded at cost and amortized over the terms of the related indebtedness using the effective interest method. Deferred franchise fees are amortized on a straight-line basis over the terms of the related franchise agreements and are presented as an asset on our consolidated balance sheets. See notes 8 and 20.

Derivative Instruments and Hedging—We use interest rate derivatives to hedge our risks and to capitalize on the historical correlation between changes in LIBOR (London Interbank Offered Rate) and RevPAR. Interest rate derivatives could include swaps, caps, floor, and floorriders. We also use credit default swaps to hedge financial and capital market risk. All of our derivatives are subject to master-netting settlement arrangements and the credit default swaps are subject to credit support annexes. For credit default swaps, cash collateral is posted by us as well as our counterparty. We offset the fair value of the derivative and the obligation/right to return/reclaim cash collateral. We also purchase options on Eurodollar futures as a hedge against our cash flows. Eurodollar futures prices reflect market expectations for interest rates on three month Eurodollar deposits for specific dates in the future, and the final settlement price is determined by three month LIBOR on the last trading day. Options on Eurodollar futures provide the ability to limit losses while maintaining the possibility of profiting from favorable changes in the futures prices. As the purchaser, our maximum potential loss is limited to the initial premium paid for the Eurodollar option contracts, while our potential gain has no limit. These exchange-traded options are centrally cleared, and a clearinghouse stands in between all trades to ensure that the obligations involved in the trades are made good.

All derivatives are recorded at fair value in accordance with the applicable authoritative accounting guidance. None of our derivative instruments are designated as cash flow hedges. Interest rate derivatives, credit default swaps and options on futures contracts are reported as “derivative assets, net” in the consolidated balance sheets. For interest rate derivatives, credit default swaps and options on futures contracts, changes in fair value and realized gains and losses are recognized in earnings as “unrealized gain (loss) on derivatives” and “other income (expense),” respectively, in the 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—Due to/from related parties represents 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.

Due to/from Ashford Inc.—Due to/from Ashford Inc. represents current receivables and payables resulting from the advisory services fee, including reimbursable expenses as well as other hotel products and services. Due to/from Ashford Inc. is generally settled within a period not exceeding one year.

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. Due to/from third-party hotel managers also represents current receivables and payables resulting from transactions related to hotel management. Due to/from third-party hotel managers is generally settled within a period not exceeding one year.

Unfavorable Management Contract Liabilities—Certain management agreements assumed in previous acquisitions had terms that were more favorable to the respective managers than typical market management agreements at the acquisition dates. As a result, we initially recorded unfavorable contract liabilities related to those management agreements totaling \$23.4 million based on the present value of expected cash outflows over the initial terms of the related agreements. The unfavorable contract

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

liabilities are amortized as reductions to incentive management fees on a straight-line basis over the initial terms of the related agreements. In evaluating unfavorable contract liabilities, our analysis involves considerable management judgment and assumptions.

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 attributable to the common unit holders 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 the 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 as described in note 14. 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 interests in consolidated entities represent ownership interests of 15% in two hotel properties held by one joint venture at December 31, 2019 and 2018, and is reported in equity in the consolidated balance sheets.

Net income/loss attributable to redeemable noncontrolling interests in the 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—On January 1, 2018, we adopted Topic 606 using the modified retrospective method. As the adoption of this standard did not have a material impact on our consolidated financial statements, no adjustments to opening retained earnings were made as of January 1, 2018. Results for reporting periods beginning after January 1, 2018, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC Topic 605 - *Revenue Recognition*.

Rooms revenue represents revenue from the occupancy of our hotel rooms, which is driven by the occupancy and average daily rate charged. Rooms revenue includes revenue for guest no-shows, day use, and early/late departure fees. The contracts for room stays with customers are generally short in duration and revenues are recognized as services are provided over the course of the hotel stay.

Food & Beverage ("F&B") revenue consists of revenue from the restaurants and lounges at our hotel properties, in-room dining and mini-bars revenue, and banquet/catering revenue from group and social functions. Other F&B revenue may include revenue from audiovisual equipment/services, rental of function rooms, and other F&B related revenue. 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, audiovisual services. We evaluate each of these contracts to determine if the hotel is the principal or the agent in the transaction, and record the revenue as appropriate (i.e. gross vs. net).

Other revenue consists of ancillary revenue at the property, including attrition and cancellation fees, resort and destination fees, spas, parking, entertainment and other guest services, as well as rental revenue primarily from leased retail outlets at our hotel properties. Cancellation fees are recognized from non-cancellable deposits when the customer provides notification of cancellation in accordance with established management policy time frames.

Taxes collected from customers and submitted to taxing authorities are not recorded in revenue. Interest income is recognized when earned.

Prior to the adoption of Topic 606 on January 1, 2018, hotel revenues, including rooms, food, beverage, and ancillary revenues such as long-distance telephone service, laundry, parking and space rentals, were recognized when services have been rendered. Taxes collected from customers and submitted to taxing authorities were not recorded in revenue. Interest income has been recognized when earned.

Other Hotel Expenses—Other hotel expenses include Internet, telephone charges, guest laundry, valet parking, and hotel-level general and administrative, sales and marketing expenses, repairs and maintenance, franchise fees and utility costs. They are expensed as incurred.

Advertising Costs—Advertising costs are charged to expense as incurred. For the years ended December 31, 2019, 2018 and 2017, we incurred advertising costs of \$10.4 million, \$8.5 million and \$7.5 million, respectively. Advertising costs are included in "other" hotel expenses in the accompanying consolidated statements of operations.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Equity-Based Compensation—Prior to the adoption of Accounting Standards Update (“ASU”) 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* (“ASU 2018-07”) in the third quarter of 2018, stock/unit-based compensation for non-employees was accounted for at fair value based on the market price of the shares at period end that resulted in recording expense, included in “advisory services fee” and “management fees,” equal to the fair value of the award in proportion to the requisite service period satisfied during the period. Performance stock units (“PSUs”) and Performance Long-Term Incentive Plan (“Performance LTIP”) units granted to certain executive officers were accounted for at fair value at period end based on a Monte Carlo simulation valuation model that resulted in recording expense, included in “advisory services fee,” equal to the fair value of the award in proportion to the requisite service period satisfied during the period. Stock/unit grants to certain independent directors are recorded at fair value based on the market price of the shares at grant date, which amount is fully expensed as the grants of stock/units are fully vested on the date of grant.

After the adoption of ASU 2018-07 in the third quarter of 2018, stock/unit-based compensation for non-employees is measured at the grant date and expensed ratably over the vesting period based on the original measurement as of the grant date. This results in the recording of expense, included in “advisory services fee,” “management fees” and “corporate, general and administrative” expense, equal to the ratable amount of the grant date fair value based on the requisite service period satisfied during the period. PSUs and Performance LTIP units granted to certain executive officers vest based on market conditions and are measured at the grant date fair value based on a Monte Carlo simulation valuation model. The subsequent expense is then ratably recognized over the service period as the service is rendered regardless of when, if ever, the market conditions are satisfied. This results in recording expense, included in “advisory services fee,” equal to the ratable amount of the grant date fair value based on the requisite service period satisfied during the period. Stock/unit grants to certain independent directors are measured at the grant date based on the market price of the shares at grant date, which amount is fully expensed as the grants of stock/units are fully vested on the date of grant.

Depreciation and Amortization—Depreciation expense is based on the estimated useful life of the assets, while amortization expense for leasehold improvements is based on 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 and amortization 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 taxable REIT subsidiaries. However, Ashford TRS is treated as a taxable REIT subsidiary for U.S. federal income tax purposes. In accordance with authoritative accounting guidance, we account for income taxes related to Ashford TRS using the asset and liability method under which deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, the analysis utilized by us in determining our deferred tax asset valuation allowance involves considerable management judgment and assumptions. See note 19.

The “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 2015 through 2019 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 February 2016, the FASB issued ASU 2016-02, *Leases* (“ASU 2016-02”). The new standard establishes a ROU model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Under the new standard, lessee leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2018-10, *Codification Improvements to Topic 842, Leases* (“ASU 2018-10”) and ASU 2018-11, *Leases* (Topic 842), *Targeted Improvements* (“ASU 2018-11”). The amendments in ASU 2018-10 affect only narrow aspects of the guidance issued in the amendments in ASU 2016-02, including but not limited to lease residual value guarantee, rate implicit in the lease, lease term and purchase option. The amendments in ASU 2018-11 provide an optional transition method for adoption of the new standard, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption. In December 2018, the FASB issued ASU 2018-20, *Leases* (Topic 842), *Narrow-Scope Improvements for Lessors* (“ASU 2018-20”). The amendments create a lessor practical expedient applicable to sales and other similar taxes incurred in connection with a lease, and simplify lessor accounting for lessor costs paid by the lessee.

We adopted the standard effective January 1, 2019 on a modified retrospective basis and implemented internal controls to enable the preparation of financial information on adoption. We elected the practical expedients which provide us the option to apply the new guidance at its effective date on January 1, 2019 without having to adjust the comparative prior period financial statements. The package of practical expedients also allowed us to carry forward the historical lease classification. Additionally, in conjunction with the transition from ASC 840 to ASC 842, we elected the practical expedients allowing us not to separate lease and non-lease components and not record leases with an initial term of twelve months or less (“short-term leases”) on the balance sheet across all existing asset classes.

The adoption of this standard has resulted in the recognition of ROU assets and lease liabilities primarily related to our ground lease arrangements for which we are the lessee. As of January 1, 2019, we recorded operating lease liabilities of \$43.3 million as well as a corresponding operating lease ROU asset of \$38.8 million, which includes, among other things, reclassified intangible assets of \$9.0 million, intangible liabilities of \$13.0 million and deferred rent of \$485,000. The standard did not have a material impact on our consolidated statements of operations and statements of cash flows. See related disclosures in note 6.

Recently Issued Accounting Standards—In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). The ASU sets forth an “expected credit loss” impairment model to replace the current “incurred loss” method of recognizing credit losses. The standard requires measurement and recognition of expected credit losses for most financial assets held. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* (“ASU 2018-19”). ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, *Leases*. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses* (Topic 326), *Derivatives and Hedging* (Topic 815) and *Leases* (Topic 842): *Effective Dates* (“ASU 2018-19”). In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* (“ASU 2019-11”). ASU 2019-11, clarifies specific issues within the amendments of ASU 2016-13. We are currently evaluating the impact that ASU 2016-13 will have on our accounts receivable and notes receivable balances within our consolidated financial statements and related disclosures.

In January 2020, the FASB issued ASU 2020-01, *Investments – Equity Securities* (Topic 321), *Investments—Equity Method and Joint Ventures* (Topic 323), and *Derivatives and Hedging* (Topic 815) – *Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)* (“ASU 2020-01”), which clarifies the interaction between the accounting for equity securities, equity method investments, and certain derivative instruments. The ASU, among other things, clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, *Investments—Equity Method and Joint Ventures*, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. ASU 2020-01 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years and should be applied prospectively. Early adoption is permitted. We are currently evaluating the impact that ASU 2020-01 will have on our consolidated financial statements and related disclosures.

3. Revenue

For the years ended December 31, 2019, 2018, and 2017, we recorded \$0, \$2.6 million, and \$0 of business interruption income for the Hilton St. Petersburg Bayfront and Key West Crowne Plaza related to a settlement for lost profits from the BP Deepwater Horizon oil spill in the Gulf of Mexico in 2010. In 2019, we recorded \$172,000 of miscellaneous business interruption income. Business interruption income is included in “other” hotel revenue in our consolidated statements of operations.

Taxes specifically collected from customers and submitted to taxing authorities are not recorded in revenue. Interest income is recognized when earned.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Primary Geographical Market	Year Ended December 31, 2019					
	Number of Hotels	Rooms	Food and Beverage	Other Hotel	Other	Total
Atlanta, GA Area.....	9	\$ 72,572	\$ 18,878	\$ 4,650	\$ —	\$ 96,100
Boston, MA Area	3	61,222	7,943	3,773	—	72,938
Dallas / Ft. Worth Area	7	59,926	15,814	3,486	—	79,226
Houston, TX Area	3	26,038	9,208	809	—	36,055
Los Angeles, CA Metro Area	6	78,689	16,117	5,237	—	100,043
Miami, FL Metro Area	3	27,857	9,277	938	—	38,072
Minneapolis - St. Paul, MN - WI Area	4	32,073	7,997	3,727	—	43,797
Nashville, TN Area	1	51,628	22,356	2,356	—	76,340
New York / New Jersey Metro Area	7	98,961	24,239	3,461	—	126,661
Orlando, FL Area	3	30,400	1,865	1,737	—	34,002
Philadelphia, PA Area	3	24,469	3,903	723	—	29,095
San Diego, CA Area.....	2	17,838	1,395	1,015	—	20,248
San Francisco - Oakland, CA Metro Area	7	91,081	9,628	2,627	—	103,336
Tampa, FL Area.....	2	25,187	7,858	1,112	—	34,157
Washington D.C. - MD - VA Area	9	124,056	26,231	8,333	—	158,620
Other Areas	48	343,813	58,878	23,567	—	426,258
Orlando WorldQuest	—	4,066	102	1,333	—	5,501
Sold properties	4	15,111	2,228	769	—	18,108
Corporate.....	—	—	—	—	4,202	4,202
Total	121	\$ 1,184,987	\$ 243,917	\$ 69,653	\$ 4,202	\$ 1,502,759

Primary Geographical Market	Year Ended December 31, 2018					
	Number of Hotels	Rooms	Food and Beverage	Other Hotel	Other	Total
Atlanta, GA Area.....	9	\$ 66,688	\$ 17,060	\$ 5,217	\$ —	\$ 88,965
Boston, MA Area	3	60,232	7,725	3,468	—	71,425
Dallas / Ft. Worth Area	7	61,910	16,746	3,602	—	82,258
Houston, TX Area	3	26,783	9,214	854	—	36,851
Los Angeles, CA Metro Area	6	77,976	15,645	4,702	—	98,323
Miami, FL Metro Area	3	28,366	9,009	997	—	38,372
Minneapolis - St. Paul, MN - WI Area	4	36,138	9,618	4,602	—	50,358
Nashville, TN Area	1	50,120	13,116	1,783	—	65,019
New York / New Jersey Metro Area	6	74,441	23,029	2,899	—	100,369
Orlando, FL Area	3	28,966	1,570	1,325	—	31,861
Philadelphia, PA Area	3	24,385	4,534	869	—	29,788
San Diego, CA Area.....	2	18,392	1,075	971	—	20,438
San Francisco - Oakland, CA Metro Area	6	81,368	7,726	2,562	—	91,656
Tampa, FL Area.....	2	22,896	6,459	1,542	—	30,897
Washington D.C. - MD - VA Area	9	113,902	23,673	6,695	—	144,270
Other Areas	48	330,898	55,358	23,245	—	409,501
Orlando WorldQuest	—	4,429	130	1,188	—	5,747
Sold properties	7	26,797	2,624	1,261	—	30,682
Corporate.....	—	—	—	—	4,009	4,009
Total	122	\$ 1,134,687	\$ 224,311	\$ 67,782	\$ 4,009	\$ 1,430,789

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended December 31, 2017

Primary Geographical Market	Number of Hotels	Rooms	Food and Beverage	Other Hotel	Other	Total
Atlanta, GA Area.....	9	\$ 67,463	\$ 17,526	\$ 4,979	\$ —	\$ 89,968
Boston, MA Area	3	58,719	8,265	3,217	—	70,201
Dallas / Ft. Worth Area	7	61,086	16,887	3,258	—	81,231
Houston, TX Area	3	27,965	9,162	738	—	37,865
Los Angeles, CA Metro Area.....	6	77,224	15,503	4,592	—	97,319
Miami, FL Metro Area	3	28,833	9,057	992	—	38,882
Minneapolis - St. Paul, MN - WI Area	4	36,156	9,740	4,391	—	50,287
Nashville, TN Area	1	50,530	16,979	1,629	—	69,138
New York / New Jersey Metro Area	6	73,670	24,876	2,528	—	101,074
Orlando, FL Area	3	30,053	1,851	736	—	32,640
Philadelphia, PA Area	3	23,434	4,052	725	—	28,211
San Diego, CA Area.....	2	18,044	1,512	769	—	20,325
San Francisco - Oakland, CA Metro Area	6	77,713	8,073	2,033	—	87,819
Tampa, FL Area.....	3	23,775	6,699	760	—	31,234
Washington D.C. - MD - VA Area	9	111,928	23,896	5,094	—	140,918
Other Areas	48	327,697	54,716	18,822	—	401,235
Orlando WorldQuest	—	4,946	141	1,224	—	6,311
Sold properties	10	43,899	5,842	1,717	—	51,458
Corporate.....	—	—	—	—	3,154	3,154
Total	126	\$ 1,143,135	\$ 234,777	\$ 58,204	\$ 3,154	\$ 1,439,270

4. Investments in Hotel Properties, net

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

	December 31,	
	2019	2018
Land	\$ 769,381	\$ 670,362
Buildings and improvements	4,129,884	4,062,810
Furniture, fixtures and equipment	503,156	504,806
Construction in progress	29,745	37,394
Condominium properties.....	12,093	12,091
Total cost	5,444,259	5,287,463
Accumulated depreciation.....	(1,335,816)	(1,182,244)
Investments in hotel properties, net.....	\$ 4,108,443	\$ 4,105,219

The cost of land and depreciable property, net of accumulated depreciation, for U.S. federal income tax purposes was approximately \$3.5 billion and \$3.6 billion as of December 31, 2019 and 2018, respectively.

For the years ended December 31, 2019, 2018 and 2017, we recognized depreciation expense of \$268.4 million, \$257.9 million and \$246.0 million, respectively.

Acquisitions

Embassy Suites New York Manhattan Times Square

On January 22, 2019, we acquired a 100% interest in the 310-room Embassy Suites New York Manhattan Times Square for \$195.0 million in cash. In connection with this transaction, we entered into a \$145.0 million mortgage loan (see note 8).

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

We accounted for this transaction 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. We allocated the cost of the acquisition including transaction costs of \$1.5 million to the individual assets acquired on a relative fair value basis, which is considered a Level 3 valuation technique, as noted in the following table (in thousands):

Land	\$ 111,619
Buildings and improvements	80,047
Furniture, fixtures and equipment ⁽¹⁾	8,626
Investments in hotel properties, net	\$ 200,292
Key money	(3,800)
	<u>\$ 196,492</u>
Net other assets (liabilities)	\$ 1,320

⁽¹⁾ FF&E of \$8.6 million was sold to Ashford Inc. as a part of the ERFP transaction for the Embassy Suites New York Manhattan Times Square.

The results of operations of the hotel property have been included in our results of operations as of the acquisition date. The table below summarizes the total revenue and net income (loss) of the hotel property in our consolidated statements of operations for the year ended December 31, 2019 (in thousands):

	Year Ended December 31, 2019
Total revenue	\$ 26,139
Net income (loss)	(3,549)

Hilton Santa Cruz/Scotts Valley

On February 26, 2019, we acquired a 100% interest in the 178-room Hilton Santa Cruz/Scotts Valley for \$47.5 million. Consideration included cash of \$14.7 million, approximately 1.5 million common units in our operating partnership and the assumption of a non-recourse mortgage loan with a face value of approximately \$25.3 million and a fair value of \$24.9 million (see note 8). The number of common units was determined using a price of \$7.00 per common unit. On February 26, 2019, the price per unit was \$5.35 resulting in a fair value of \$7.9 million.

We accounted for this transaction 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. We allocated the cost of the acquisition including transaction costs of \$355,000 to the individual assets acquired on a relative fair value basis, which is considered a Level 3 valuation technique, as noted in the following table (in thousands):

Land	\$ 9,399
Buildings and improvements	34,276
Furniture, fixtures and equipment ⁽¹⁾	3,852
Investments in hotel properties, net	\$ 47,527
Debt discount	407
	<u>\$ 47,934</u>
Net other assets (liabilities)	\$ 38

⁽¹⁾ \$3.9 million of FF&E was sold to Ashford Inc. as a part of the ERFP transaction for the Hilton Santa Cruz/Scotts Valley.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The results of operations of the hotel property have been included in our results of operations as of the acquisition date. The table below summarizes the total revenue and net income (loss) of the hotel property in our consolidated statements of operations for the year ended December 31, 2019 (in thousands):

	Year Ended December 31, 2019
Total revenue	\$ 9,106
Net income (loss)	(346)

5. Hotel Dispositions, Land Sale, Impairment Charges and Insurance Recoveries

Hotel Dispositions

On August 2, 2019, the Company sold the San Antonio Marriott for \$34.0 million in cash. The sale resulted in a gain of approximately \$2.6 million for the year ended December 31, 2019, which was included in “gain (loss) on sale of assets and hotel properties” in the consolidated statements of operations. The Company also repaid approximately \$26.8 million of debt associated with the hotel property. See note 8.

On August 6, 2019, the Company sold the Hilton Garden Inn Wisconsin Dells for \$8.0 million in cash. The sale resulted in a loss of approximately \$292,000 for the year ended December 31, 2019, which was included in “gain (loss) on sale of assets and hotel properties” in the consolidated statements of operations. The Company also repaid approximately \$7.7 million of debt associated with the hotel property. See note 8.

On August 14, 2019, the Company sold the Savannah Courtyard for approximately \$29.8 million in cash. The sale resulted in a loss of approximately \$60,000 for the year ended December 31, 2019, which was included in “gain (loss) on sale of assets and hotel properties” in the consolidated statements of operations. The Company also repaid approximately \$28.8 million of debt associated with the hotel property. See note 8.

On December 3, 2019, the Company sold the SpringHill Suites Jacksonville for approximately \$11.2 million in cash. The sale resulted in a gain of approximately \$3.8 million for the year ended December 31, 2019, which was included in “gain (loss) on sale of assets and hotel properties” in the consolidated statements of operations.

On February 20, 2018, the Company sold the SpringHill Suites Glen Allen for approximately \$10.9 million in cash. The sale resulted in a loss of approximately \$13,000 for the year ended December 31, 2018, which was included in “gain (loss) on sale of assets and hotel properties” in the consolidated statements of operations. The Company also repaid approximately \$7.6 million of debt associated with the hotel property. See note 8.

On May 1, 2018, the Company sold the SpringHill Suites Centreville for approximately \$7.5 million in cash. The sale resulted in a gain of approximately \$98,000 for the year ended December 31, 2018, which was included in “gain (loss) on sale of assets and hotel properties” in the consolidated statements of operations. The Company also repaid approximately \$6.6 million of debt associated with the hotel property. See note 8.

On May 10, 2018, the Company sold the Residence Inn Tampa for approximately \$24.0 million in cash. The sale resulted in a gain of approximately \$390,000 for the year ended December 31, 2018, which was included in “gain (loss) on sale of assets and hotel properties” in the consolidated statements of operations. The Company also repaid approximately \$22.5 million of debt associated with the hotel property. See note 8.

On February 1, 2017, the Company sold the Renaissance Portsmouth hotel for approximately \$9.2 million in cash. The sale resulted in a loss of \$43,000 for the year ended December 31, 2017, which was included in “gain (loss) on sale of assets and hotel properties” in the consolidated statements of operations. The Company also repaid approximately \$20.2 million of debt associated with the hotel property. See note 8.

On March 6, 2017, the Company sold the Embassy Suites Syracuse for approximately \$8.8 million in cash. The sale resulted in a loss of \$40,000 for the year ended December 31, 2017, which was included in “gain (loss) on sale of assets and hotel properties” in the consolidated statements of operations. The Company also repaid approximately \$20.6 million of debt associated with the hotel property. See note 8.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On June 29, 2017, the Company sold the Crowne Plaza Ravinia in Atlanta, Georgia for approximately \$88.7 million in cash. The sale resulted in a gain of \$14.1 million for the year ended December 31, 2017, which was included in “gain (loss) on sale of assets and hotel properties” in the consolidated statements of operations. The Company also repaid approximately \$78.7 million of debt associated with the hotel property. See note 8.

We included the results of operations for these hotel properties through the date of disposition as shown in the consolidated statements of operations for the years ended December 31, 2019, 2018 and 2017. The following table includes condensed financial information from these hotel properties (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Total hotel revenue	\$ 18,108	\$ 30,682	\$ 51,458
Total hotel operating expenses	(11,740)	(19,631)	(34,987)
Gain (loss) on sale of assets and hotel properties	6,072	475	14,030
Property taxes, insurance and other	(1,418)	(2,266)	(3,105)
Depreciation and amortization	(2,399)	(4,590)	(9,012)
Impairment charges	(6,533)	(16,983)	(8,301)
Operating income (loss)	2,090	(12,313)	10,083
Interest income	—	—	12
Interest expense and amortization of premiums and loan costs	(808)	(2,983)	(8,290)
Write-off of premiums, loan costs and exit fees	(426)	(524)	(98)
Income (loss) before income taxes	856	(15,820)	1,707
(Income) loss before income taxes attributable to redeemable noncontrolling interests in operating partnership	(136)	2,316	(265)
Net Income (loss) before income taxes attributable to the Company	<u>\$ 720</u>	<u>\$ (13,504)</u>	<u>\$ 1,442</u>

Land Sale

On October 10, 2019, the Company sold the 1.65-acre parking lot adjacent to the Hilton St. Petersburg Bayfront in St. Petersburg, Florida for consideration of approximately \$20.6 million. The sale resulted in a gain of approximately \$19.4 million for the year ended December 31, 2019, which was included in “gain (loss) on sale of assets and hotel properties” in the consolidated statement of operations. The Company also repaid approximately \$8.0 million of debt associated with the hotel property. See notes 8 and 9. The consideration received is summarized in the table below (in thousands):

Cash	\$ 8,250
Note receivable - construction financing ⁽¹⁾	3,543
Note receivable - certificate of occupancy ⁽²⁾	4,047
Other asset - future ownership rights of parking parcel ⁽³⁾	4,100
Other asset - free use of parking easement prior to development commencement ⁽⁴⁾	235
Other asset - reimbursement of parking fees while parking parcel is in development ⁽⁵⁾	462
Total	<u>\$ 20,637</u>

⁽¹⁾ This note receivable has a face value of \$4.0 million and was discounted at 7.0%, which represents the stated rate in the note. See note 9.

⁽²⁾ This note receivable has a face value of \$5.3 million and was discounted at 7.0%, which represents the stated rate in the note. See note 9.

⁽³⁾ The \$4.1 million is the estimated fair value on the closing date of the transaction.

⁽⁴⁾ This amount represents the value for the time period that the Company will receive free use of the parking easement prior to development commencement. The total amount was discounted at 7.0%.

⁽⁵⁾ This amount represents the value for parking fees that will be reimbursed to the Company during the development of the parking parcel and was discounted at 7.0%.

Impairment Charges and Insurance Recoveries

For the year ended December 31, 2019, we recorded impairment charges of \$33.6 million. During the second quarter of 2019, we recorded impairment charges of \$1.4 million at the Wisconsin Dells Hilton Garden Inn and \$5.1 million at the Savannah Courtyard related to the disposition of the hotel properties. In the fourth quarter of 2019, we recorded impairment charges of \$9.3

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

million at the Pittsburgh Hampton Inn Waterfront, \$7.6 million at the Stillwater Residence Inn, and \$10.2 million at the Washington Hampton Inn Pittsburgh Meadow Lands. These impairment charges resulted from changes in the estimated holding periods of these hotel properties. The impairment charges were based on methodologies discussed in note 2, which are considered Level 3 valuation techniques.

For the year ended December 31, 2018, we recorded a \$23.4 million impairment charge, which was comprised of \$9.9 million at the San Antonio Marriott, \$6.7 million at the Annapolis Crowne Plaza, \$5.1 million at the Wisconsin Dells Hilton Garden Inn and \$2.0 million at the SpringHill Suites Centreville related to its disposition. The impairment charges were based on methodologies discussed in note 2, which are considered Level 3 valuation techniques. We also recorded impairment adjustments of \$275,000 in 2018 based on changes in estimates of property damages incurred from Hurricanes Harvey and Irma.

For the year ended December 31, 2017, we recorded an impairment charge of \$8.2 million related to two hotel properties. The impairment charges occurred at the SpringHill Suites Centreville and the SpringHill Suites Glen Allen in the amounts of \$4.7 million and \$3.5 million, respectively. The impairment charges were based on methodologies discussed in note 2, which are considered Level 3 valuation techniques. The hotel properties were held for sale as of December 31, 2017 and subsequently sold during 2018.

In August and September 2017, twenty-four of our hotel properties in Texas and Florida were impacted by the effects of Hurricanes Harvey and Irma. The Company holds insurance policies that provide coverage for property damage and business interruption after meeting certain deductibles at all of its hotel properties. During 2017, the Company recognized impairment charges, net of anticipated insurance recoveries of \$2.0 million. Additionally, the Company recognized remediation and other costs, net of anticipated insurance recoveries of \$2.8 million, included primarily in other hotel operating expenses. During the year ended December 31, 2019, 2018 and 2017, the Company received proceeds of \$0, \$401,000, and \$612,000, respectively, for business interruption losses associated with lost profits, which has been recorded as “other” hotel revenue in our consolidated statement of operations, in excess of the deductible of \$360,000.

We received additional proceeds of \$43,000 and \$836,000 associated with property damage from the hurricanes during the years ended December 31, 2019 and 2018. The Company will not record an insurance recovery receivable for business interruption losses associated with lost profits until the amount for such recoveries is known and the amount is realizable.

6. Leases

On January 1, 2019, we adopted ASC 842 on a modified retrospective basis. We elected the practical expedients which allowed us to apply the new guidance at its effective date on January 1, 2019 without adjusting the comparative prior period financial statements. The package of practical expedients also allowed us to carry forward the historical lease classification. Additionally, we elected the practical expedients allowing us not to separate lease and non-lease components and not record short-term leases on the balance sheet across all existing asset classes.

The adoption of this standard has resulted in the recognition of operating lease ROU assets and lease liabilities primarily related to our ground lease arrangements for which we are the lessee. As of January 1, 2019, we recorded operating lease liabilities of \$43.3 million as well as a corresponding operating lease ROU asset of \$38.8 million which includes the reclassified intangible assets of \$9.0 million, intangible liabilities of \$13.0 million and deferred rent of \$485,000. The standard did not have a material impact on our consolidated statements of operations and statements of cash flows.

The majority of our leases, as lessee, 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 1 year to 99 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, 2019.

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.

During preparation of the December 31, 2019 financial statements management identified an error in the adoption of ASC 842. One lease was inadvertently excluded from the original entry to record the initial operating lease right-of-use asset and operating lease liability in the amount of approximately \$8.8 million. Management evaluated the impact of this balance sheet entry and concluded it was immaterial. As a result, the operating lease right-of-use asset and related operating lease liability were recorded

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

as of December 31, 2019 in our consolidated balance sheet as an out-of-period adjustment. There was no impact to net income (loss) or cash flows for any prior period.

As of December 31, 2019, our leased assets and liabilities consisted of the following (in thousands):

	<u>December 31, 2019</u>
Assets	
Operating lease right-of-use assets	\$ 49,995
Liabilities	
Operating lease liabilities.....	\$ 53,270

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

<u>Classification</u>	<u>Year Ended December 31, 2019</u>
Hotel operating expenses - other ⁽¹⁾	\$ 4,323

⁽¹⁾ For the year ended December 31, 2019, operating lease cost includes approximately \$501,000 of variable lease cost associated with the ground leases and \$176,000 of net amortization costs related to the intangible assets and liabilities 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, 2019</u>
Supplemental Cash Flows Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases (in thousands).....	\$ 3,511
Weighted Average Remaining Lease Term	
Operating leases ⁽¹⁾	73 years
Weighted Average Discount Rate	
Operating leases ⁽¹⁾	5.17%

⁽¹⁾ Calculated using the lease term, excluding extension options, and our calculated discount rates of the ground leases and owner managed leases.

Future minimum lease payments due under non-cancellable leases as of December 31, 2019 were as follows (in thousands):

	<u>Operating Leases</u>
2020	\$ 3,425
2021	3,235
2022	3,092
2023	3,026
2024	3,026
Thereafter	204,869
Total future minimum lease payments	220,673
Less: interest	(167,403)
Present value of lease liabilities	<u>\$ 53,270</u>

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Future minimum lease payments due under non-cancellable leases under ASC 840 as of December 31, 2018 were as follows (in thousands):

2019	\$ 2,643
2020	2,506
2021	2,379
2022	2,297
2023	2,249
Thereafter	121,697
Total	<u>\$ 133,771</u>

Enhanced Return Funding Program

We lease certain assets from Ashford Inc. under the Enhanced Return Funding Program. See note 17.

7. Investment in Unconsolidated Entities

Ashford Inc.

As of December 31, 2018, the Company held approximately 598,000 shares of Ashford Inc. common stock, which represented an approximate 25.0% ownership interest in Ashford Inc. with a carrying value of \$1.9 million and a fair value of \$31.0 million.

On October 2, 2019, the Company entered into a stock purchase agreement with Ashford LLC under which Ashford LLC purchased all of the common stock of Ashford Inc. held by Ashford TRS, totaling 393,077 shares, for \$30 per share, resulting in total proceeds of approximately \$11.8 million and a gain of \$11.8 million to the Company which is included in “other income (expense)” in our consolidated statement of operations for the year ended December 31, 2019. The carrying value of our investment in Ashford Inc. on October 2, 2019 was \$0.

On October 21, 2019, the Company announced that its board of directors had declared the distribution of its remaining 205,086 shares of common stock of Ashford Inc. Both common stockholders and unitholders of Ashford Trust received their pro rata share of Ashford Inc. common stock. The distribution to Company common stockholders and unitholders was completed through a pro-rata taxable dividend of Ashford Inc. common stock on the Distribution Date to Company Record Holders as of the close of business of the NYSE on the Record Date. On the Distribution Date, each Company Record Holder received approximately 0.0017 shares of Ashford Inc. common stock for every unit and/or share of the Company’s common stock held by such Company Record Holder on the Record Date. No fractional shares of Ashford Inc. common stock were issued. Fractional shares of Ashford Inc. common stock to which Company Record Holders would otherwise be entitled were aggregated and, after the distribution, sold in the open market by the distribution agent. The aggregate net proceeds of the sales were distributed in a pro-rata manner as cash payments to the Company Record Holders who would otherwise have received fractional shares of Ashford Inc. common stock. Additionally, Company Record Holders who hold in “street name” on behalf of their customers may sell additional shares into the open market to make cash payments to their customers who would have otherwise received fractional shares of Ashford Inc. common stock. The carrying value of the remaining investment in Ashford Inc. on November 5, 2019 was \$0.

Subsequent to the distribution, the Company does not have any ownership interest in Ashford Inc.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following tables summarize the condensed consolidated balance sheet and our ownership interest in Ashford Inc. as of December 31, 2018, and the condensed consolidated statements of operations of Ashford Inc. and our equity in earnings (loss) for the years ended December 31, 2019, 2018 and 2017 (in thousands):

Ashford Inc.
Condensed Consolidated Balance Sheet

	December 31, 2018
Total assets.....	\$ 379,005
Total liabilities	\$ 108,726
Series B Convertible Preferred Stock	200,847
Redeemable noncontrolling interests.....	3,531
Total stockholders' equity of Ashford Inc.....	65,443
Noncontrolling interests in consolidated entities.....	458
Total equity	65,901
Total liabilities and equity.....	\$ 379,005
Our ownership interest in Ashford Inc.....	\$ 1,896

Ashford Inc.
Condensed Consolidated Statements of Operations

	Year Ended December 31,		
	2019	2018	2017
Total revenue.....	\$ 291,250	\$ 195,520	\$ 81,573
Total operating expenses.....	(302,480)	(196,359)	(92,095)
Operating income (loss).....	(11,230)	(839)	(10,522)
Equity in earnings (loss) of unconsolidated entities	(286)	—	—
Realized and unrealized gain (loss) on investments, net.....	—	—	(91)
Interest expense and amortization of loan costs.....	(2,367)	(1,200)	(122)
Other income (expense)	49	(505)	264
Income tax benefit (expense)	(1,540)	10,364	(9,723)
Net income (loss)	(15,374)	7,820	(20,194)
(Income) loss from consolidated entities attributable to noncontrolling interests	536	924	358
Net (income) loss attributable to redeemable noncontrolling interests.....	983	1,438	1,484
Net income (loss) attributable to Ashford Inc.	(13,855)	10,182	(18,352)
Preferred dividends	(14,435)	(4,466)	—
Amortization of preferred stock discount	(1,928)	(730)	—
Net income attributable to common stockholders.....	\$ (30,218)	\$ 4,986	\$ (18,352)
Our equity in earnings (loss) of Ashford Inc.....	\$ (1,896)	\$ 1,459	\$ (5,437)

OpenKey

OpenKey, which is controlled and consolidated by Ashford Inc., 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. Our investment is recorded as a component of “investment in unconsolidated entities” in our consolidated balance sheets and is accounted for under the equity method of accounting as we have been deemed to have significant influence over the entity under the applicable accounting guidance. As of December 31, 2019, the Company has made investments in OpenKey totaling \$4.6 million. In 2019, 2018, and 2017 we made additional investments in OpenKey of \$647,000, \$667,000 and \$983,000, respectively.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	December 31, 2019	December 31, 2018
Carrying value of the investment in OpenKey (in thousands).....	\$ 2,829	\$ 2,593
Ownership interest in OpenKey	17.0%	16.3%

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

Line Item	Year Ended December 31,		
	2019	2018	2017
Equity in earnings (loss) of unconsolidated entity	\$ (411)	\$ (592)	\$ (481)

AQUA U.S. Fund

In June 2015, for consideration of certain marketable securities, we obtained a 52.4% ownership interest in the AQUA U.S. Fund. The AQUA U.S. Fund was managed by Ashford Investment Management, LLC (“AIM”), an indirect subsidiary of Ashford Inc. The AQUA U.S. Fund was consolidated by Ashford Inc. During the first quarter of 2017, we liquidated our investment in the AQUA U.S. Fund subject to a 5% hold back of \$2.6 million, which was received during the second quarter of 2017. For the year ended December 31, 2017, our equity in earnings was \$52,000.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Indebtedness, net

Indebtedness and the carrying values of related collateral were as follows at December 31, 2019 and 2018 (in thousands):

Indebtedness	Collateral	Maturity	Interest Rate	December 31, 2019		December 31, 2018	
				Debt Balance	Book Value of Collateral	Debt Balance	Book Value of Collateral
Mortgage loan ⁽²⁾	1 hotel	July 2019	4.00%	\$ —	\$ —	\$ 5,232	\$ 7,752
Mortgage loan	1 hotel	August 2019	LIBOR ⁽¹⁾ + 4.95%	—	—	7,778	9,446
Mortgage loan ⁽³⁾	8 hotels	February 2020	LIBOR ⁽¹⁾ + 2.92%	395,000	331,686	395,000	344,744
Mortgage loan ^{(4) (5) (6)}	19 hotels	April 2020	LIBOR ⁽¹⁾ + 3.20%	907,030	1,077,936	962,575	1,168,504
Mortgage loan ⁽⁷⁾	1 hotel	May 2020	LIBOR ⁽¹⁾ + 2.90%	—	—	16,100	29,966
Mortgage loan ⁽⁸⁾	1 hotel	June 2020	LIBOR ⁽¹⁾ + 5.10%	43,750	60,191	43,750	62,995
Mortgage loan ⁽⁴⁾	7 hotels	June 2020	LIBOR ⁽¹⁾ + 3.65%	180,720	131,102	180,720	136,325
Mortgage loan ⁽⁴⁾	7 hotels	June 2020	LIBOR ⁽¹⁾ + 3.39%	174,400	131,420	174,400	137,611
Mortgage loan ⁽⁴⁾	5 hotels	June 2020	LIBOR ⁽¹⁾ + 3.73%	221,040	175,875	221,040	176,279
Mortgage loan ⁽⁴⁾	5 hotels	June 2020	LIBOR ⁽¹⁾ + 4.02%	262,640	105,702	262,640	116,304
Mortgage loan ⁽⁴⁾	5 hotels	June 2020	LIBOR ⁽¹⁾ + 2.73%	160,000	185,854	160,000	189,026
Mortgage loan ⁽⁴⁾	5 hotels	June 2020	LIBOR ⁽¹⁾ + 3.68%	215,120	198,059	215,120	193,120
Mortgage loan ⁽⁹⁾	1 hotel	July 2020	LIBOR ⁽¹⁾ + 4.40%	35,200	38,383	35,200	36,177
Mortgage loan ⁽¹⁰⁾	8 hotels	July 2020	LIBOR ⁽¹⁾ + 4.33%	144,000	168,054	144,000	173,678
Mortgage loan	1 hotel	November 2020	6.26%	91,542	112,767	93,433	121,162
Mortgage loan ⁽¹¹⁾	1 hotel	November 2020	LIBOR ⁽¹⁾ + 2.55%	25,000	49,748	25,000	49,912
Mortgage loan ^{(12) (13)}	17 hotels	November 2020	LIBOR ⁽¹⁾ + 3.00%	419,000	263,998	427,000	282,462
Mortgage loan ⁽¹⁴⁾	2 hotels	March 2021	LIBOR ⁽¹⁾ + 2.75%	240,000	235,705	—	—
Mortgage loan ⁽¹⁵⁾	1 hotel	February 2022	LIBOR ⁽¹⁾ + 3.90%	145,000	189,982	—	—
Mortgage loan ⁽¹⁴⁾	2 hotels	June 2022	LIBOR ⁽¹⁾ + 3.00%	—	—	178,099	245,984
Mortgage loan	1 hotel	November 2022	LIBOR ⁽¹⁾ + 2.00%	97,000	186,400	97,000	194,886
Mortgage loan ⁽⁷⁾	1 hotel	December 2022	LIBOR ⁽¹⁾ + 2.25%	16,100	27,498	—	—
Mortgage loan	1 hotel	May 2023	5.46%	51,843	83,824	52,843	79,124
Mortgage loan	1 hotel	June 2023	LIBOR ⁽¹⁾ + 2.45%	73,450	107,212	73,450	110,592
Mortgage loan	1 hotel	January 2024	5.49%	6,759	8,112	6,883	8,694
Mortgage loan	1 hotel	January 2024	5.49%	9,865	19,166	10,045	20,516
Mortgage loan	1 hotel	May 2024	4.99%	6,292	6,896	6,414	7,153
Mortgage loan ⁽²⁾	1 hotel	June 2024	LIBOR ⁽¹⁾ + 2.00%	8,881	7,416	—	—
Mortgage loan	3 hotels	August 2024	5.20%	64,207	48,560	65,242	50,768
Mortgage loan	2 hotels	August 2024	4.85%	11,845	11,727	12,048	10,909
Mortgage loan	3 hotels	August 2024	4.90%	23,683	17,348	24,086	16,211
Mortgage loan	2 hotels	February 2025	4.45%	19,438	10,314	19,835	10,423
Mortgage loan	3 hotels	February 2025	4.45%	50,279	70,318	51,304	73,645
Mortgage loan	1 hotel	March 2025	4.66%	24,919	43,577	—	—
				<u>\$ 4,124,003</u>	<u>\$ 4,104,830</u>	<u>\$ 3,966,237</u>	<u>\$ 4,064,368</u>
Premiums, net				655		1,293	
Deferred loan costs, net				(18,140)		(40,264)	
Indebtedness, net				<u>\$ 4,106,518</u>		<u>\$ 3,927,266</u>	

⁽¹⁾ LIBOR rates were 1.763% and 2.503% at December 31, 2019 and December 31, 2018, respectively.

⁽²⁾ On June 7, 2019, we amended this mortgage loan totaling \$5.2 million. The amended mortgage loan totaling \$8.9 million has a five year term, is interest only and bears interest at a rate of LIBOR + 2.00%.

⁽³⁾ This mortgage loan has five one-year extension options, subject to satisfaction of certain conditions. The first one-year extension period began in February 2020.

⁽⁴⁾ This mortgage loan has five one-year extension options, subject to satisfaction of certain conditions.

⁽⁵⁾ This mortgage loan had a \$26.8 million pay down of principal related to the sale of the Marriott San Antonio on August 2, 2019. See note 5.

⁽⁶⁾ This mortgage loan had a \$28.8 million pay down of principal related to the sale of the Courtyard Savannah on August 14, 2019. See note 5.

⁽⁷⁾ On December 27, 2019, we amended this mortgage loan totaling \$16.0 million. The amended mortgage totaling \$16.1 million has a three-year initial term and two one-year extension options, subject to satisfaction of certain conditions. The amended mortgage loan is interest only and bears interest at a rate of LIBOR + 2.25%.

⁽⁸⁾ This mortgage loan has three one-year extension options, subject to satisfaction of certain conditions. The third one-year extension period began in June 2019.

⁽⁹⁾ This mortgage loan has three one-year extension options, subject to satisfaction of certain conditions. The third one-year extension period, which began in July 2019, resulted in a change in the interest rate in accordance with the original loan terms. The interest rate at December 31, 2018 was LIBOR + 4.15%.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

- ⁽¹⁰⁾ This mortgage loan has three one-year extension options, subject to satisfaction of certain conditions. The third one-year extension period, which began in July 2019, resulted in a change in the interest rate in accordance with the original loan terms. The interest rate at December 31, 2018 was LIBOR + 4.09%.
- ⁽¹¹⁾ This mortgage loan has three one-year extension options, subject to satisfaction of certain conditions.
- ⁽¹²⁾ This mortgage loan has five one-year extension options, subject to satisfaction of certain conditions. The first one-year extension period began in November 2019.
- ⁽¹³⁾ This mortgage loan had an \$8.0 million pay down of principal related to the sale of the parking lot adjacent to the Hilton St. Petersburg Bayfront on October 10, 2019. See note 5.
- ⁽¹⁴⁾ On March 5, 2019, we refinanced this mortgage loan totaling \$178.1 million with a new \$240.0 million mortgage loan with a two-year initial term and five 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 LIBOR + 2.75%.
- ⁽¹⁵⁾ This mortgage loan has two one-year extension options, subject to satisfaction of certain conditions.

On January 17, 2018, we refinanced our \$376.8 million mortgage loan. The new mortgage loan totaled \$395.0 million. The new mortgage loan has a two-year initial term and five one year extension options, subject to the satisfaction of certain conditions. The mortgage loan is interest only and provides for an interest rate of LIBOR + 2.92%. The new mortgage loan is secured by eight hotels: Embassy Suites Portland, Embassy Suites Crystal City, Embassy Suites Orlando, Embassy Suites Santa Clara, Crowne Plaza Key West, Hilton Costa Mesa, Sheraton Minneapolis, and Historic Inns of Annapolis.

On February 20, 2018, we repaid \$7.6 million of principal on our mortgage loan partially secured by the SpringHill Suites Glen Allen. This hotel property was sold on February 20, 2018. See note 5.

On April 9, 2018, we refinanced our \$971.7 million mortgage loan secured by 22 hotel properties. The new mortgage loan totaled \$985.0 million, is interest only and provides for an interest rate of LIBOR + 3.20%. The stated maturity is April 2020 with five one-year extension options, subject to the satisfaction of certain conditions. The new mortgage loan is secured by the same 22 hotel properties that include: the Courtyard Boston Downtown, Courtyard Denver, Courtyard Gaithersburg, Courtyard Savannah, Hampton Inn Parsippany, Hilton Parsippany, Hilton Tampa, Hilton Garden Inn Austin, Hilton Garden Inn BWI, Hilton Garden Inn Virginia Beach, Hyatt Windwatch Long Island, Hyatt Savannah, Marriott DFW Airport, Marriott Omaha, Marriott San Antonio, Marriott Sugarland, Renaissance Palm Springs, Ritz-Carlton Atlanta, Residence Inn Tampa, Churchill, Melrose and Silversmith.

On May 1, 2018, we repaid \$6.6 million of principal on our mortgage loan partially secured by the SpringHill Suites Centreville. This hotel property was sold on May 1, 2018. See note 5.

On May 10, 2018, we repaid \$22.5 million of principal on our mortgage loan partially secured by the Residence Inn Tampa. This hotel property was sold on May 10, 2018. See note 5.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On June 13, 2018, we refinanced seven mortgage loans with existing outstanding balances totaling \$1.068 billion. The new financing is comprised of six separate mortgage loans that total approximately \$1.270 billion. Each has a two-year initial term with five one-year extension options, subject to the satisfaction of certain conditions. The original principal amounts of each mortgage loan and the hotel properties securing each mortgage loan are set forth in the following table:

Mortgage Loan	Principal Amount (in thousands)	Interest Rate	Secured Hotel Properties
A	\$180,720	LIBOR + 3.65%	Courtyard Columbus Tipton Lakes Courtyard Scottsdale Old Town Residence Inn Phoenix Airport SpringHill Suites Manhattan Beach SpringHill Suites Plymouth Meeting Residence Inn Las Vegas Hughes Center Residence Inn Newark
B	\$174,400	LIBOR + 3.39%	Courtyard Newark SpringHill Suites BWI Courtyard Oakland Airport Courtyard Plano Legacy Residence Inn Plano TownePlace Suites Manhattan Beach Courtyard Basking Ridge
C	\$221,040	LIBOR + 3.73%	Sheraton San Diego Mission Valley Sheraton Bucks County Hilton Ft. Worth Hyatt Regency Coral Gables Hilton Minneapolis
D	\$262,640	LIBOR + 4.02%	Hilton Santa Fe Embassy Suites Dulles Marriott Beverly Hills One Ocean Marriott Suites Dallas Market Center
E ⁽¹⁾	\$216,320	LIBOR + 4.36%	Marriott Memphis East Embassy Suites Philadelphia Airport Sheraton Anchorage Lakeway Resort & Spa Marriott Fremont
F	\$215,120	LIBOR + 3.68%	W Atlanta Downtown Embassy Suites Flagstaff Embassy Suites Walnut Creek Marriott Bridgewater Marriott Durham Research Triangle Park

⁽¹⁾ On July 3, 2018, we purchased \$56.3 million of mezzanine debt related to the Pool E loan that was issued in conjunction with the June 13, 2018 refinancing. The net interest rate after the purchase of the Pool E loan is LIBOR + 2.73%.

On June 29, 2018, in connection with the acquisition of the Hilton Alexandria Old Town in Alexandria, Virginia, we completed the financing of a \$73.5 million mortgage loan. This mortgage loan is interest only and provides for an interest rate of LIBOR + 2.45%. The stated maturity date of the mortgage loan is June 2023, with no extension options. The mortgage loan is secured by the Hilton Alexandria Old Town.

On July 3, 2018, we purchased \$56.3 million of mezzanine debt related to the Pool E loan that was issued in conjunction with the June 13, 2018 refinancing. The net interest rate after the purchase of the Pool E loan is LIBOR + 2.73%. The mezzanine debt receivable purchase and corresponding mezzanine debt eliminate in consolidation.

On September 27, 2018, we established a secured credit facility with a borrowing capacity of up to \$100.0 million, which is secured by a pledge of 100% of the equity interests in the subsidiaries that own the hotel property for which revolving credit facility funds would be used to acquire. The interest rate associated with the secured credit facility is either the Base Rate + 1.65% or LIBOR + 2.65% at the Company's election. The Base Rate is the greater of (i) the prime rate set by Bank of America; (ii) federal funds rate + 0.5%; or (iii) LIBOR + 1.0%. The secured credit facility expired on September 26, 2019. No amounts were drawn on the secured credit facility at expiration.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On November 8, 2018, in connection with the acquisition of the La Posada de Santa Fe, we completed the financing of a \$25.0 million mortgage loan. This mortgage loan is interest only and provides for an interest rate of LIBOR + 2.55%. The stated maturity date of the mortgage loan is November 2020, with three one-year extension options. The mortgage loan is secured by the La Posada de Santa Fe.

On January 22, 2019, in connection with the acquisition of the Embassy Suites New York Manhattan Times Square, we completed the financing of a \$145.0 million mortgage loan. This mortgage loan is interest only and provides for an interest rate of LIBOR + 3.90%. The stated maturity date of the mortgage loan is February 2022, with two one-year extensions. The mortgage loan is secured by the Embassy Suites New York Manhattan Times Square.

On February 26, 2019, in connection with the acquisition of the Hilton Santa Cruz/Scotts Valley, we assumed a \$25.3 million non-recourse mortgage loan with a fair value of \$24.9 million. This mortgage loan amortizes monthly and provides for a fixed interest rate of 4.66%. The stated maturity date is March 2025. The mortgage loan is secured by the Hilton Santa Cruz/Scotts Valley. See note 4.

On March 5, 2019, we refinanced our \$178.1 million mortgage loan, secured by the Renaissance Nashville and Westin Princeton. The new mortgage loan totals \$240.0 million. The new mortgage loan is interest only and provides for an interest rate of LIBOR + 2.75%. The stated maturity is March 2021 with five one-year extension options, subject to the satisfaction of certain conditions. The mortgage loan is secured by the Renaissance Nashville and Westin Princeton.

On June 7, 2019, we amended the mortgage loan secured by the Fort Worth Ashton totaling \$5.2 million. The amended mortgage loan totaling \$8.9 million has a five-year term, is interest only and bears interest at a rate of LIBOR + 2.00%.

On August 2, 2019, we repaid \$26.8 million of principal on our mortgage loan partially secured by the San Antonio Marriott. This hotel property was sold on August 2, 2019. See note 5.

On August 6, 2019, we repaid \$7.7 million of principal on our mortgage loan secured by the Hilton Garden Inn Wisconsin Dells. This hotel property was sold on August 6, 2019. See note 5.

On August 14, 2019, we repaid \$28.8 million of principal on our mortgage loan partially secured by the Courtyard Savannah. This hotel property was sold on August 14, 2019. See note 5.

On October 10, 2019, we repaid \$8.0 million of principal on our mortgage loan partially secured by the Hilton St. Petersburg Bayfront in connection with selling the 1.65-acre parking lot adjacent to the hotel on October 10, 2019. See note 5.

On December 27, 2019, we amended the mortgage loan secured by the Indigo Atlanta totaling \$16.0 million. The amended mortgage loan totaling \$16.1 million has a three-year term, is interest only and bears interest at a rate of LIBOR + 2.25%. The stated maturity is December 2022 with two one-year extension options, subject to the satisfaction of certain conditions.

During the years ended December 31, 2019, 2018, and 2017 we recognized premium amortization as presented in the table below (in thousands):

Line Item	Year Ended December 31,		
	2019	2018	2017
Interest expense and amortization of premium and loan costs	\$ 232	\$ 277	\$ 1,953

The amortization of the net premium is computed using a method that approximates the effective interest method, which is included in “interest expense and amortization of premiums and loan costs” in the consolidated statements of operations.

We are required to maintain certain financial ratios under various debt and related agreements. If we violate covenants in any debt or related 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 Ashford Trust or Ashford Trust OP, our operating partnership, and the liabilities of such subsidiaries do not constitute the obligations of Ashford Trust or Ashford Trust OP. As of December 31, 2019, we were in compliance in all material respects with all covenants or other requirements set forth in our debt and related agreements as amended.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Maturities and scheduled amortizations of indebtedness as of December 31, 2019 for each of the five following years and thereafter are as follows (in thousands):

2020	\$ 3,279,403
2021	5,485
2022	503,868
2023	126,875
2024	124,705
Thereafter	83,667
Total	<u>\$ 4,124,003</u>

9. Notes Receivable, net and Other

On October 10, 2019, the Company sold the 1.65-acre parking lot adjacent to the Hilton St. Petersburg Bayfront in St. Petersburg, Florida. The consideration received is summarized in the table below (in thousands):

Cash	\$ 8,250
Note receivable - construction financing	3,543
Note receivable - certificate of occupancy	4,047
Other asset - future ownership rights of parking parcel	4,100
Other asset - free use of parking easement prior to development commencement	235
Other asset - reimbursement of parking fees while parking parcel is in development	462
Total	<u>\$ 20,637</u>

Notes Receivable, net

Notes receivable, net are summarized in the table below (dollars in thousands):

	<u>Interest Rate</u>	<u>December 31, 2019</u>
Construction Financing Note ⁽¹⁾		
Face amount	7.0%	\$ 4,000
Discount ⁽²⁾		<u>(402)</u>
		3,598
Certificate of Occupancy Note ⁽³⁾		
Face amount	7.0%	\$ 5,250
Discount ⁽⁴⁾		<u>(1,139)</u>
		4,111
Note receivable, net		<u>\$ 7,709</u>

⁽¹⁾ The outstanding principal balance and all accrued and unpaid interest shall be due and payable on or before the earlier of (i) the buyer closing on third party institutional financing for the construction of improvements on the property, (ii) three years after the development commencement date, or (iii) July 9, 2024.

⁽²⁾ The discount represents the imputed interest during the interest free period. Interest begins accruing on July 9, 2021.

⁽³⁾ The outstanding principal balance and all accrued and unpaid interest shall be due and payable on or before July 9, 2025.

⁽⁴⁾ The discount represents the imputed interest during the interest free period. Interest begins accruing on July 9, 2023.

No cash interest income was recorded for the year ended December 31, 2019.

For the year ended December 31, 2019, we recognized discount amortization of \$119,000, which is included in “other income (expense)” in the consolidated statement of operations.

As of December 31, 2019, there was no allowance related to the notes receivable as collectibility is considered probable.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other

Other consideration is summarized in the table below (dollars in thousands, except interest rates):

	Imputed Interest Rate	December 31, 2019
Future ownership rights of parking parcel.....	7.0%	\$ 4,100
Imputed accrued interest.....		72
		<u>4,172</u> ⁽¹⁾
Free use of parking easement prior to development commencement	7.0%	\$ 235
Accumulated amortization.....		(118)
		<u>117</u> ⁽¹⁾
Reimbursement of parking fees while parking parcel is in development ⁽²⁾	7.0%	\$ 462
Accumulated amortization.....		—
		<u>462</u> ⁽¹⁾
Total		<u>\$ 4,751</u>

⁽¹⁾ Included in “other assets” in the consolidated balance sheets.

⁽²⁾ Amortization will commence when the parking parcel begins development.

For the year ended December 31, 2019, we recognized imputed accrued interest of \$72,000 and amortization of \$118,000 related to the free use of parking easement, which are included in “other income (expense)” in the consolidated statement of operations.

10. Derivative Instruments and Hedging

Interest Rate Derivatives—We are exposed to risks arising from our business operations, economic conditions and financial markets. To manage these risks, we primarily use interest rate derivatives to hedge our debt and our cash flows. The interest rate derivatives currently include interest rate caps and interest rate floors. These derivatives are subject to master netting settlement arrangements. To mitigate the nonperformance risk, we routinely use a third party’s analysis of the creditworthiness of the counterparties, which supports our belief that the counterparties’ nonperformance risk is limited. All derivatives are recorded at fair value.

The following table presents a summary of our interest rate derivatives entered into over each applicable period:

	Year Ended December 31,		
	2019	2018	2017
<u>Interest rate caps:</u>			
Notional amount (in thousands)	\$ 1,051,050 ⁽¹⁾	\$ 3,614,618 ⁽¹⁾	\$ 2,539,700 ⁽¹⁾
Strike rate low end of range	1.50 %	1.50 %	1.50 %
Strike rate high end of range	4.88 %	5.71 %	5.84 %
Effective date range.....	January 2019 - November 2019	January 2018 - November 2018	February 2017 - October 2017
Termination date range.....	June 2020 - February 2022	January 2019 - November 2020	February 2018 - November 2019
Total cost (in thousands).....	\$ 1,112	\$ 3,143	\$ 871
<u>Interest rate floors:</u>			
Notional amount (in thousands)	\$ 6,000,000 ⁽¹⁾	\$ 12,025,000 ⁽¹⁾	\$ 10,750,000 ⁽¹⁾
Strike rate low end of range	1.63 %	1.25 %	1.00 %
Strike rate high end of range	1.63 %	2.00 %	1.50 %
Effective date range.....	January 2019	July 2018 - November 2018	September 2017 - December 2017
Termination date range.....	March 2020	September 2019 - November 2021	March 2019 - June 2019
Total cost (in thousands).....	\$ 225	\$ 432	\$ 388

⁽¹⁾ These instruments were not designated as cash flow hedges

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

We held interest rate instruments as summarized in the table below:

	December 31, 2019	December 31, 2018
Interest rate caps:		
Notional amount (in thousands)	\$ 3,799,740 ⁽¹⁾	\$ 3,953,718 ⁽¹⁾
Strike rate low end of range	1.50 %	1.50 %
Strike rate high end of range	5.22 %	5.71 %
Termination date range	February 2020 - February 2022	January 2019 - November 2020
Aggregate principle balance on corresponding mortgage loans (in thousands)..	\$ 3,666,331	\$ 3,521,872
Interest rate floors: ⁽²⁾		
Notional amount (in thousands)	\$ 12,025,000 ⁽¹⁾	\$ 28,775,000 ⁽¹⁾
Strike rate low end of range	(0.25)%	(0.25)%
Strike rate high end of range	1.63 %	2.00 %
Termination date range	March 2020 - November 2021	March 2019 - November 2021

⁽¹⁾ These instruments were not designated as cash flow hedges

⁽²⁾ Cash collateral is posted by us as well as our counterparties. We offset the fair value of the derivative and the obligation/right to return/reclaim cash collateral.

Credit Default Swap Derivatives—We use credit default swaps, tied to the CMBX index, to hedge financial and capital market risk. A credit default swap is a derivative contract that functions like an insurance policy against the credit risk of an entity or obligation. The seller of protection assumes the credit risk of the reference obligation from the buyer (us) of protection in exchange for annual premium payments. If a default or a loss, as defined in the credit default swap agreements, occurs on the underlying bonds, then the buyer of protection is protected against those losses. The only liability for us, the buyer, is the annual premium and any change in value of the underlying CMBX index (if the trade is terminated prior to maturity). For all CMBX trades completed to date, we were the buyer of protection. Credit default swaps are subject to master-netting settlement arrangements and credit support annexes. As of December 31, 2019, we held credit default swaps with notional amounts totaling \$212.5 million. These credit default swaps had effective dates from February 2015 to August 2017 and expected maturity dates from October 2023 to October 2026. Assuming the underlying bonds pay off at par over their remaining average life, our total exposure for these trades was approximately \$3.2 million as of December 31, 2019. Cash collateral is posted by us as well as our counterparties. We offset the fair value of the derivative and the obligation/right to return/reclaim cash collateral. The change in market value of credit default swaps is settled net through posting cash collateral or reclaiming cash collateral between us and our counterparties when the change in market value is over \$250,000.

Futures Contracts—During the year ended December 31, 2016, we purchased an option on Eurodollar futures for a total cost of \$250,000, and maturity date of June 2017. There were no purchases during the years ended December 31, 2019, 2018 and 2017.

11. Fair Value Measurements

Fair Value Hierarchy—For disclosure purposes, financial instruments, whether measured at fair value on a recurring or nonrecurring basis or not measured at fair value, are classified in a hierarchy consisting of three levels based on the observability of valuation inputs in the market place as discussed below:

- Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets that we have the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets.
- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability.

Fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts/payments and the discounted expected variable cash payments/receipts. Fair values of interest rate caps, floors, floorridors, and corridors are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates fell below the strike rates of the floors or rise above the strike rates of the caps. Variable interest rates used in the calculation of projected receipts and payments on the swaps, caps, and floors are based on an expectation

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

of future interest rates derived from observable market interest rate curves (LIBOR 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.

Fair values of credit default swaps are obtained from a third party who publishes various information including the index composition and price data (Level 2 inputs). The fair value of credit default swaps does not contain credit-risk-related adjustments as the change in fair value is settled net through posting cash collateral or reclaiming cash collateral between us and our counterparty.

Fair values of interest rate floors are calculated using a third-party discounted cash flow model based on future cash flows that are expected to be received over the remaining life of the floor. These expected future cash flows are probability-weighted projections based on the contract terms, accounting for both the magnitude and likelihood of potential payments, which are both computed using the appropriate LIBOR forward curve and market implied volatilities as of the valuation date (Level 2 inputs).

Fair value of options on futures contracts is determined based on the last reported settlement price as of the measurement date (Level 1 inputs). These exchange-traded options are centrally cleared, and a clearinghouse stands in between all trades to ensure that the obligations involved in the trades are satisfied.

Fair values of marketable securities and liabilities associated with marketable securities, including public equity securities, equity put and call options, and other investments, are based on their quoted market closing prices (Level 1 inputs).

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 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, 2019, the LIBOR interest rate forward curve (Level 2 inputs) assumed a downtrend from 1.76% to 1.47% 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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)	Counter-party and Cash Collateral Netting ⁽¹⁾	Total
<u>December 31, 2019:</u>					
Assets					
Derivative assets:					
Interest rate derivatives – floors	\$ —	\$ 42	\$ —	\$ 257	\$ 299 ⁽²⁾
Interest rate derivatives – caps	—	47	—	—	47 ⁽²⁾
Credit default swaps	—	(1,579)	—	2,924	1,345 ⁽²⁾
	—	(1,490)	—	3,181	1,691
Non-derivative assets:					
Equity securities	14,591	—	—	—	14,591 ⁽³⁾
Total	<u>\$ 14,591</u>	<u>\$ (1,490)</u>	<u>\$ —</u>	<u>\$ 3,181</u>	<u>\$ 16,282</u>
Liabilities					
Derivative liabilities:					
Credit default swaps	—	(1,092)	—	1,050	(42) ⁽⁴⁾
Net	<u>\$ 14,591</u>	<u>\$ (2,582)</u>	<u>\$ —</u>	<u>\$ 4,231</u>	<u>\$ 16,240</u>
<u>December 31, 2018:</u>					
Assets					
Derivative assets:					
Interest rate derivatives – floors	\$ —	\$ 255	\$ —	\$ 208	\$ 463 ⁽²⁾
Interest rate derivatives – caps	—	601	—	—	601 ⁽²⁾
Credit default swaps	—	520	—	812	1,332 ⁽²⁾
	—	1,376	—	1,020	2,396
Non-derivative assets:					
Equity securities	21,816	—	—	—	21,816 ⁽³⁾
Total	<u>\$ 21,816</u>	<u>\$ 1,376</u>	<u>\$ —</u>	<u>\$ 1,020</u>	<u>\$ 24,212</u>
Liabilities					
Derivative liabilities:					
Credit default swaps	—	—	—	(50)	(50) ⁽⁴⁾
Net	<u>\$ 21,816</u>	<u>\$ 1,376</u>	<u>\$ —</u>	<u>\$ 970</u>	<u>\$ 24,162</u>

⁽¹⁾ Represents net cash collateral posted between us and our counterparties.

⁽²⁾ Reported net as “derivative assets, net” in our consolidated balance sheets.

⁽³⁾ Reported as “marketable securities” in our consolidated balance sheets.

⁽⁴⁾ Reported net as “derivative liabilities, net” in our consolidated balance sheets.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Effect of Fair Value Measured Assets and Liabilities on Consolidated Statements of Operations

The following tables summarize the effect of fair value measured assets and liabilities on the consolidated statements of operations (in thousands):

	Gain (Loss) Recognized in Income		
	Year Ended December 31,		
	2019	2018	2017
Assets			
Derivative assets:			
Interest rate derivatives - floors	\$ (438)	\$ (488)	\$ (2,435)
Interest rate derivatives - caps.....	(1,666)	(2,678)	(758)
Credit default swaps.....	(2,098) ⁽⁴⁾	703 ⁽⁴⁾	(4,201) ⁽⁴⁾
Options on futures contracts	—	—	(116)
Non-derivative assets:			
Equity.....	1,980	(924)	(3,678)
Total	(2,222)	(3,387)	(11,188)
Liabilities			
Derivative liabilities:			
Credit default swaps.....	(1,092)	285	—
Net.....	<u>\$ (3,314)</u>	<u>\$ (3,102)</u>	<u>\$ (11,188)</u>
Total combined			
Interest rate derivatives - floors	\$ 362	\$ (488)	\$ (2,435)
Interest rate derivatives - caps.....	(1,666)	(2,678)	(758)
Credit default swaps.....	(3,190)	988	(36)
Options on futures contracts	—	—	427
Total derivatives.....	(4,494) ⁽¹⁾	(2,178) ⁽¹⁾	(2,802) ⁽¹⁾
Realized gain (loss) on credit default swaps.....	— ^{(2) (4)}	— ^{(2) (4)}	(4,165) ^{(2) (4)}
Realized gain (loss) on options on futures contracts	(800) ⁽²⁾	—	(543) ⁽²⁾
Unrealized gain (loss) on marketable securities	1,896 ⁽³⁾	(1,013) ⁽³⁾	(4,649) ⁽³⁾
Realized gain (loss) on marketable securities	84 ⁽²⁾	89 ⁽²⁾	971 ⁽²⁾
Net.....	<u>\$ (3,314)</u>	<u>\$ (3,102)</u>	<u>\$ (11,188)</u>

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

⁽²⁾ Included in “other income (expense)” in our consolidated statements of operations.

⁽³⁾ Reported as “unrealized gain (loss) on marketable securities” in our consolidated statements of operations.

⁽⁴⁾ Excludes costs of \$1,077, \$1,045 and \$1,036 in 2019, 2018 and 2017, respectively, included in “other income (expense)” associated with credit default swaps.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Summary of Fair Value of Financial Instruments

Determining estimated fair values of our financial instruments such as notes receivable and indebtedness requires considerable judgment to interpret market data. Market assumptions and/or estimation methodologies used may have a material effect on estimated fair value amounts. Accordingly, estimates presented are not necessarily indicative of amounts at which these instruments could be purchased, sold, or settled. Carrying amounts and estimated fair values of financial instruments, for periods indicated, were as follows (in thousands):

	December 31, 2019		December 31, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets and liabilities measured at fair value:				
Marketable securities	\$ 14,591	\$ 14,591	\$ 21,816	\$ 21,816
Derivative assets, net	1,691	1,691	2,396	2,396
Derivative liabilities, net	42	42	50	50
Financial assets not measured at fair value:				
Cash and cash equivalents	\$ 262,636	\$ 262,636	\$ 319,210	\$ 319,210
Restricted cash	135,571	135,571	120,602	120,602
Accounts receivable, net	39,638	39,638	37,060	37,060
Notes receivable, net	7,709	\$7,323 to \$8,095	—	—
Due from related parties, net	3,019	3,019	—	—
Due from third-party hotel managers	17,368	17,368	21,760	21,760
Financial liabilities not measured at fair value:				
Indebtedness	\$ 4,124,658	\$3,881,453 to \$4,290,027	\$ 3,967,530	\$3,773,343 to \$4,170,538
Accounts payable and accrued expenses	134,341	134,341	136,757	136,757
Dividends and distributions payable	20,849	20,849	26,794	26,794
Due to Ashford Inc., net	6,570	6,570	23,034	23,034
Due to related parties, net	—	—	1,477	1,477
Due to third-party hotel managers	2,509	2,509	2,529	2,529

Cash, cash equivalents, and restricted cash. These financial assets bear interest at market rates and have original maturities of less than 90 days. The carrying value approximates fair value due to their short-term nature. This is considered a Level 1 valuation technique.

Accounts receivable, net, accounts payable and accrued expenses, dividends and distributions payable, due to/from related parties, net, due to Ashford Inc., net and due to/from third-party hotel managers. The carrying values of these financial instruments approximate their fair values due to their short-term nature. This is considered a Level 1 valuation technique.

Notes receivable, net. The carrying amount of notes receivable, net approximates its fair value. We estimate the fair value of the notes receivable, net to be approximately 95% to 105% of the carrying value of \$7.7 million as of December 31, 2019.

Marketable securities. Marketable securities consist of U.S. treasury bills, publicly traded equity securities, and put and call options on certain publicly traded equity securities. The fair value of these investments is based on quoted market closing prices at the balance sheet date. See notes 2 and 11 for a complete description of the methodology and assumptions utilized in determining the fair values.

Indebtedness. 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. 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 credit spreads. Credit spreads take into consideration general market conditions, maturity, and collateral. We estimated the fair value of total indebtedness to be approximately 94.1% to 104.0% of the carrying value of \$4.1 billion at December 31, 2019 and approximately 95.1% to 105.1% of the carrying value of \$4.0 billion at December 31, 2018. This is considered a Level 2 valuation technique.

Derivative assets, net and derivative liabilities, net. Fair value of interest rate caps is determined using the net present value of expected cash flows of each derivative based on the market-based interest rate curve and adjusted for credit spreads of us and

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our counterparties. Fair values of credit default swap derivatives are obtained from a third party who publishes the CMBX index composition and price data. Fair values of interest rate floors are calculated using a third-party discounted cash flow model based on future cash flows that are expected to be received over the remaining life of the floor. Fair values of options on futures contracts are valued at their last reported settlement price as of the measurement date. See notes 2, 10, and 11 for a complete description of the methodology and assumptions utilized in determining fair values.

13. Income (Loss) Per Share

Basic income (loss) per common share is calculated using the two-class method by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share is calculated using the two-class method, or treasury stock method if more dilutive, and 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.

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,		
	2019	2018	2017
Income (loss) allocated to common stockholders – basic and diluted:			
Income (loss) attributable to the Company	\$ (113,635)	\$ (126,966)	\$ (67,008)
Less: Dividends on preferred stock	(42,577)	(42,577)	(44,761)
Less: Extinguishment of issuance costs upon redemption of preferred stock	—	—	(10,799)
Less: Dividends on common stock	(29,840)	(47,057)	(45,752)
Less: Dividends on unvested performance stock units	(475)	(50)	(393)
Less: Dividends on unvested restricted shares	(801)	(844)	(959)
Undistributed income (loss) allocated to common stockholders	(187,328)	(217,494)	(169,672)
Add back: Dividends on common stock	29,840	47,057	45,752
Distributed and undistributed income (loss) allocated to common stockholders - basic and diluted	<u>\$ (157,488)</u>	<u>\$ (170,437)</u>	<u>\$ (123,920)</u>
Weighted average common shares outstanding:			
Weighted average common shares outstanding - basic and diluted	99,837	97,282	95,207
Basic income (loss) per share:			
Net income (loss) allocated to common stockholders per share	<u>\$ (1.58)</u>	<u>\$ (1.75)</u>	<u>\$ (1.30)</u>
Diluted income (loss) per share:			
Net income (loss) allocated to common stockholders per share	<u>\$ (1.58)</u>	<u>\$ (1.75)</u>	<u>\$ (1.30)</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Due to their anti-dilutive effect, the computation of diluted income (loss) per share does not reflect adjustments for the following items (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Income (loss) allocated to common stockholders is not adjusted for:			
Income (loss) allocated to unvested restricted shares	\$ 801	\$ 844	\$ 959
Income (loss) allocated to unvested performance stock units	475	50	393
Income (loss) attributable to noncontrolling interest in operating partnership	(28,932)	(29,313)	(21,642)
Total	<u>\$ (27,656)</u>	<u>\$ (28,419)</u>	<u>\$ (20,290)</u>
Weighted average diluted shares are not adjusted for:			
Effect of unvested restricted shares	68	111	376
Effect of unvested performance stock units	69	251	258
Effect of assumed conversion of operating partnership units	19,082	17,599	17,342
Total	<u>19,219</u>	<u>17,961</u>	<u>17,976</u>

14. Redeemable Noncontrolling Interests in Operating Partnership

Redeemable noncontrolling interests in the operating partnership represents 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 unit holders 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 the units issued under our Long-Term Incentive Plan (the "LTIP units") that are vested. Each common unit may be redeemed 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, have vesting periods ranging from three years to five 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 the 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 the operating partnership or (ii) the hypothetical sale of such assets, which results from a capital account revaluation, as defined in the partnership agreement, for the 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 Ashford Trust OP, if, when and to the extent the applicable vesting criteria have been achieved following the end of the performance and service period. The number of Performance LTIP units actually earned may range from 0% to 200% of target based on achievement of specified absolute and relative total stockholder returns based on the formulas determined by the Company's Compensation Committee on the grant date. As of December 31, 2019, there were approximately 1.9 million Performance-based LTIP units, representing 200% of the target number granted, outstanding. The performance criteria for the Performance LTIP units are based on market conditions under the relevant literature, and the Performance LTIP units were granted to non-employees. During the year ended December 31, 2018, approximately 739,000 performance-based LTIP units were canceled due to the market condition criteria not being met. Following the adoption of ASU 2018-07 in the third quarter of 2018, 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 as opposed to being accounted for at fair value based on the market price of the shares at each quarterly measurement date.

As of December 31, 2019, we have issued a total of 11.9 million LTIP and Performance LTIP units, net of Performance LTIP cancellations. All LTIP and Performance LTIP units other than approximately 769,000 units (none of which are Performance LTIP units) have reached full economic parity with, and are convertible into, common units upon vesting.

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We recorded compensation expense for Performance LTIP units and LTIP units as presented in the table below (in thousands):

Type	Line Item	Year Ended December 31,		
		2019	2018	2017
Performance LTIP units	Advisory services fee	\$ 3,594	\$ 6,797	\$ 1,785
LTIP units.....	Advisory services fee	3,264	3,508	2,800
LTIP units - independent directors.....	Corporate, general and administrative	446	536	475
		<u>\$ 7,304</u>	<u>\$ 10,841</u>	<u>\$ 5,060</u>

The unamortized cost of the unvested Performance LTIP units, which was \$2.4 million at December 31, 2019, will be expensed over a period of 2.0 years with a weighted average period of 0.7 years. The unamortized cost of the unvested LTIP units, which was \$2.7 million at December 31, 2019, will be expensed over a period of 2.2 years with a weighted average period of 1.3 years.

On February 26, 2019, we issued 1.5 million common units in our operating partnership in conjunction with the acquisition of the Hilton Santa Cruz/Scotts Valley. See note 4.

During the years ended December 31, 2019 and 2018, there were no common units redeemed.

During the year ended December 31, 2017, 21,000 common units with an aggregate fair value of \$161,000 were redeemed by the holder and, at our election, we issued shares of our common stock to satisfy the redemption price.

The following table presents the redeemable noncontrolling interest in Ashford Trust and the corresponding approximate ownership percentage:

	December 31, 2019	December 31, 2018
Redeemable noncontrolling interests (in thousands)	\$ 69,870	\$ 80,743
Cumulative adjustments to redeemable noncontrolling interests ⁽¹⁾ (in thousands).....	155,536	146,091
Ownership percentage of operating partnership	15.92%	14.64%

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

We allocated net income (loss) to the redeemable noncontrolling interests and declared aggregate cash distributions to holders of common units and holders of LTIP units, as presented in the table below (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Allocated net (income) loss to the redeemable noncontrolling interests	\$ 28,932	\$ 29,313	\$ 21,642
Aggregate cash distributions to holders of common units and LTIP units	6,572	8,789	10,007

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

	Year Ended December 31,		
	2019	2018	2017
Outstanding at beginning of year	19,921	19,602	19,443
LTIP units issued.....	338	476	701
Performance LTIP units issued	215	582	1,179
Performance LTIP units canceled	—	(739)	—
Common units issued for hotel acquisition.....	1,468	—	—
Common units converted to common stock.....	—	—	(21)
Conversion factor adjustment	—	—	(1,700)
Outstanding at end of year	<u>21,942</u>	<u>19,921</u>	<u>19,602</u>
Common units convertible/redeemable at end of year	<u>18,571</u>	<u>16,645</u>	<u>16,320</u>

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15. Equity

Common Stock and Preferred Stock Repurchases—On December 5, 2017, the board of directors reapproved a stock repurchase program (the “Repurchase Program”) pursuant to which the board of directors granted a repurchase authorization to acquire shares of the Company’s common stock, par value \$0.01 per share and preferred stock having an aggregate value of up to \$200 million. The board of directors’ authorization replaced any previous repurchase authorizations. For the years ended December 31, 2019, 2018 and 2017, no shares of our common stock or preferred stock have been repurchased under the Repurchase Program.

In addition, we acquired 210,700, 248,562 and 203,299 shares of our common stock in 2019, 2018 and 2017, 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 Equity Offering Program—On December 11, 2017, Company established an “at-the-market” equity offering program pursuant to which it may, from time to time, sell shares of its common stock having an aggregate offering price of up to \$100 million. The issuance activity is summarized below (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Common shares issued	—	2,434	—
Gross proceed received	\$ —	\$ 15,522	\$ —
Commissions and other expenses	—	194	—
Net proceeds	<u>\$ —</u>	<u>\$ 15,328</u>	<u>\$ —</u>

Preferred Stock—In accordance with Ashford Trust’s charter, we are authorized to issue 50 million shares of preferred stock, which currently includes Series D Cumulative Preferred Stock, Series F Cumulative Preferred Stock, Series G Cumulative Preferred Stock, Series H Cumulative Preferred Stock and Series I Cumulative Preferred Stock.

8.55% Series A Cumulative Preferred Stock. On September 18, 2017, the Company redeemed its Series A Cumulative Preferred Stock at a redemption price of \$25.00 per share, plus accrued and unpaid dividends through the redemption date, in an amount equal to \$0.4631 per share, for a total redemption price of \$25.4631 per share.

8.45% Series D Cumulative Preferred Stock. At December 31, 2019 and 2018, there were 2.4 million shares of 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, Series F Cumulative Preferred Stock (noted below), Series G Cumulative Preferred Stock (noted below), Series H Cumulative Preferred Stock (noted below) and Series I Cumulative Preferred Stock (noted 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. 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, 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 quarterly dividends are set at the rate of 8.45% per annum of the \$25.00 liquidation preference (equivalent to an annual dividend rate of \$2.1124 per share). The dividend rate increases to 9.45% per annum if these shares are no longer traded on a major stock exchange. In general, Series D Cumulative Preferred Stock holders have no voting rights. On September 18, 2017, the Company redeemed approximately 1.6 million shares of its Series D Cumulative Preferred Stock at a redemption price of \$25.00 per share, plus accrued and unpaid dividends through the redemption date, in an amount equal to \$0.4577 per share, for a total redemption price of \$25.4577 per share. On October 4, 2017, the Company redeemed 379,036 shares of Series D cumulative preferred shares at a redemption price of \$25.00 per share, plus accrued and unpaid dividends through the redemption date, in an amount equal to \$0.5516 per share, for a total redemption price of \$25.5516 per share. On December 8, 2017, the Company redeemed approximately 5.1 million shares of its Series D Cumulative Preferred Stock at a redemption price of \$25.00 per share, plus accrued and unpaid dividends through the redemption date, in an amount equal to \$0.3990 per share, for a total redemption price of \$25.3990 per share.

7.375% Series F Cumulative Preferred Stock. At December 31, 2019 and 2018 there were 4.8 million shares of 7.375% Series F Cumulative Preferred Stock outstanding. The Series F 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, Series D Cumulative Preferred Stock, Series G Cumulative Preferred Stock (noted below), Series H Cumulative Preferred Stock

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(noted below) and Series I Cumulative Preferred Stock (noted 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. Series F Cumulative Preferred Stock has no maturity date, and we are not required to redeem the shares at any time. Series F Cumulative Preferred Stock is redeemable at our option for cash (on or after July 15, 2021), 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 F 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 F Cumulative Preferred Stock is convertible into a maximum 9.68992 shares of our common stock. The actual number is based on a formula as defined in the Series F Cumulative Preferred Stock agreement (unless the Company exercises its right to redeem the Series F cumulative preferred shares for cash, for a limited period upon a change in control). The necessary conditions to convert the Series F Cumulative Preferred Stock to common stock have not been met as of period end. Therefore, Series F Cumulative Preferred Stock will not impact our earnings per share calculations. Series F Cumulative Preferred Stock quarterly dividends are set at the rate of 7.375% of the \$25.00 liquidation preference (equivalent to an annual dividend rate of \$1.8436 per share). In general, Series F Cumulative Preferred Stock holders have no voting rights.

7.375% Series G Cumulative Preferred Stock. At December 31, 2019 and 2018 there were 6.2 million shares of 7.375% Series G Cumulative Preferred Stock outstanding. The 6.2 million of Series G 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, Series D Cumulative Preferred Stock, Series F Cumulative Preferred Stock, Series H Cumulative Preferred Stock (noted below) and Series I Cumulative Preferred Stock (noted 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. Series G Cumulative Preferred Stock has no maturity date, and we are not required to redeem the shares at any time. Series G Cumulative Preferred Stock is redeemable at our option for cash (on or after October 18, 2021), 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 G 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 G Cumulative Preferred Stock is convertible into a maximum 8.33333 shares of our common stock. The actual number is based on a formula as defined in the Series G Cumulative Preferred Stock agreement (unless the Company exercises its right to redeem the Series G cumulative preferred shares for cash, for a limited period upon a change in control). The necessary conditions to convert the Series G Cumulative Preferred Stock to common stock have not been met as of period end. Therefore, Series G Cumulative Preferred Stock will not impact our earnings per share calculations. Series G Cumulative Preferred Stock quarterly dividends are set at the rate of 7.375% of the \$25.00 liquidation preference (equivalent to an annual dividend rate of \$1.8436 per share). In general, Series G Cumulative Preferred Stock holders have no voting rights.

7.50% Series H Cumulative Preferred Stock. At December 31, 2019 and 2018 there were 3.8 million shares of 7.50% Series H Cumulative Preferred Stock outstanding. The Series H 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, Series D Cumulative Preferred Stock, Series F Cumulative Preferred Stock, Series G Cumulative Preferred Stock and Series I Cumulative Preferred Stock (discussed 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. Series H Cumulative Preferred Stock has no maturity date, and we are not required to redeem the shares at any time. Series H Cumulative Preferred Stock is redeemable at our option for cash (on or after August 25, 2022), 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 H 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 H Cumulative Preferred Stock is convertible into a maximum 8.25083 shares of our common stock. The actual number is based on a formula as defined in the Series H Cumulative Preferred Stock agreement (unless the Company exercises its right to redeem the Series H cumulative preferred shares for cash, for a limited period upon a change in control). The necessary conditions to convert the Series H Cumulative Preferred Stock to common stock have not been met as of period end. Therefore, Series H Cumulative Preferred Stock will not impact our earnings per share. Series H Cumulative Preferred Stock quarterly dividends are set at the rate of 7.50% of the \$25.00 liquidation preference (equivalent to an annual dividend rate of \$1.8750 per share). In general, Series H Cumulative Preferred Stock holders have no voting rights.

7.50% Series I Cumulative Preferred Stock. At December 31, 2019 and 2018 there were 5.4 million shares of 7.50% Series I Cumulative Preferred Stock outstanding. The Series I 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 D Cumulative Preferred Stock, Series F Cumulative Preferred Stock, Series G Cumulative Preferred Stock and Series H Cumulative Preferred Stock) and with any future parity securities and junior to future senior securities and to all of the Company's

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 I Cumulative Preferred Stock has no maturity date, and we are not required to redeem the shares at any time. Series I Cumulative Preferred Stock is redeemable at our option for cash (on or after November 17, 2022), 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 I 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 I Cumulative Preferred Stock is convertible into a maximum 8.06452 shares of our common stock. The actual number is based on a formula as defined in the Series I Cumulative Preferred Stock agreement (unless the Company exercises its right to redeem the Series I cumulative preferred shares for cash, for a limited period upon a change in control). The necessary conditions to convert the Series I Cumulative Preferred Stock to common stock have not been met as of period end. Therefore, Series I Cumulative Preferred Stock will not impact our earnings per share. Series I Cumulative Preferred Stock quarterly dividends are set at the rate of 7.50% of the \$25.00 liquidation preference (equivalent to an annual dividend rate of \$1.8750 per share). In general, Series I Cumulative Preferred Stock holders have no voting rights.

Dividends—A summary of dividends declared is as follows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Common stock	\$ 31,116	\$ 47,951	\$ 47,104
Preferred stocks:			
Series A Cumulative Preferred Stock	—	—	2,539
Series D Cumulative Preferred Stock	5,048	5,047	18,211
Series F Cumulative Preferred Stock	8,849	8,849	8,849
Series G Cumulative Preferred Stock	11,430	11,431	11,430
Series H Cumulative Preferred Stock	7,125	7,125	2,494
Series I Cumulative Preferred Stock	10,125	10,125	1,238
Total dividends declared	<u>\$ 73,693</u>	<u>\$ 90,528</u>	<u>\$ 91,865</u>

Noncontrolling Interests in Consolidated Entities—Our noncontrolling entity partner had an ownership interest of 15% in two hotel properties. The below table summarized the total carrying value (in thousands), which is reported in equity in the consolidated balance sheets:

	December 31,	
	2019	2018
Carrying value of noncontrolling interests	\$ 504	\$ 616

The below table summarizes the (income) loss allocated to noncontrolling interests in consolidating entities (in thousands):

Line Item	Year Ended December 31,		
	2019	2018	2017
(Income) loss allocated to noncontrolling interests in consolidated entities	\$ 112	\$ 30	\$ 110

16. Stock-Based Compensation

Under the Amended and Restated 2011 Stock Incentive Plan approved by stockholders, we are authorized to grant 17.3 million restricted stock units and performance stock units of our common stock as incentive stock awards. At December 31, 2019, 1.9 million shares were available for future issuance under the Amended and Restated 2011 Stock Incentive Plan.

Restricted Stock Units—We incur stock-based compensation expense in connection with restricted stock units awarded to certain employees of Ashford LLC and its affiliates. We also issue common stock to certain of our independent directors, which vests immediately upon issuance.

At December 31, 2019, the unamortized cost of the unvested restricted stock units was \$7.9 million which will be amortized over a period of 2.2 years with a weighted average period of 1.6 years.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Line Item	Year Ended December 31,		
	2019	2018	2017
Advisory services fee	\$ 6,268	\$ 6,698	\$ 4,774
Management fees	768	1,159	645
Corporate, general and administrative - Premier	350	—	—
Corporate, general and administrative - independent directors	90	—	90
	<u>\$ 7,476</u>	<u>\$ 7,857</u>	<u>\$ 5,509</u>

During the year ended December 31, 2018, approximately \$1.5 million of the compensation expense was related to the accelerated vesting of equity awards granted to one of our executive officers upon his death, in accordance with the terms of the awards.

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

	Year Ended December 31,					
	2019		2018		2017	
	Units	Weighted Average Price at Grant	Units	Weighted Average Price at Grant	Units	Weighted Average Price at Grant
Outstanding at beginning of year	1,713	\$ 6.56	2,085	\$ 7.03	1,627	\$ 8.30
Restricted shares granted.....	1,340	5.36	907	6.64	1,272	6.46
Restricted shares vested	(863)	6.50	(1,230)	7.41	(759)	8.82
Restricted shares forfeited.....	(62)	5.82	(49)	6.41	(55)	6.73
Outstanding at end of year	<u>2,128</u>	<u>\$ 5.86</u>	<u>1,713</u>	<u>\$ 6.56</u>	<u>2,085</u>	<u>\$ 7.03</u>

Performance Stock Units—The compensation committee of the board of directors of the Company may authorize the issuance of PSUs, which have a cliff vesting period of three years, 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. The number of PSUs actually earned may range from 0% to 200% of target based on achievement of specified absolute and relative total stockholder returns based on the formulas determined by the Company's Compensation Committee on the grant date. The performance criteria for the PSUs are based on market conditions under the relevant literature, and the PSUs were granted to non-employees. During the year ended December 31, 2018, 248,000 PSUs were canceled due to the market condition criteria not being met. Upon the adoption of ASU 2018-07, in the third quarter of 2018, 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 as opposed to being accounted for at fair value based on the market price of the shares at each quarterly measurement date.

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

Line Item	Year Ended December 31,		
	2019	2018	2017
Advisory services fee	\$ 4,937	\$ 8,241	\$ 1,718

During the year ended December 31, 2018, approximately \$3.0 million of the compensation expense was related to the accelerated vesting of PSUs granted to one of our executive officers upon his death, in accordance with the terms of the awards.

The unamortized cost of PSUs, which was \$6.7 million at December 31, 2019, will be expensed over a period of approximately 2.0 years with a weighted average period of 1.4 years.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Year Ended December 31,					
	2019		2018		2017	
	Units	Weighted Average Price at Grant	Units	Weighted Average Price at Grant	Units	Weighted Average Price at Grant
Outstanding at beginning of year	775	\$ 6.31	820	\$ 6.07	336	\$ 6.38
PSUs granted.....	809	5.36	526	6.64	484	5.85
PSUs vested	—	—	(323)	6.19	—	—
PSUs canceled.....	—	—	(248)	6.38	—	—
Outstanding at end of year	<u>1,584</u>	\$ 5.82	<u>775</u>	\$ 6.31	<u>820</u>	\$ 6.07

17. Related Party Transactions

Remington Lodging (prior to Ashford Inc. acquisitions)

Remington Lodging was a property and project management company, wholly owned by our chairman, Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. who is our chairman emeritus. We had master property and project management agreements and property and project management mutual exclusivity agreements with Remington Lodging.

On August 8, 2018, Ashford Inc. completed the acquisition of Remington Lodging's project management business, Premier. As a result of Ashford Inc.'s acquisition, the project management services are no longer provided by Remington Lodging and are now provided by Premier, a subsidiary of Ashford Inc. under the respective project management agreement with each customer, including Ashford Trust and Braemar.

On November 6, 2019, Ashford Inc. completed the acquisition of Remington Lodging's hotel management business. As a result of the acquisition, hotel management services that were previously provided by Remington Lodging are now be provided by Remington Hotels, a subsidiary of Ashford Inc. under the respective hotel management agreement with each customer, including Ashford Trust and Braemar under the Remington Hotels name.

Prior to August 8, 2018, we paid Remington Lodging: (a) monthly hotel management fees equal to the greater of \$14,000 (increased annually based on consumer price index adjustments) or 3% of gross revenues as well as annual incentive management fees, if certain operational criteria are met; (b) project management fees of up to 4% of project costs; (c) market service fees including purchasing, design and construction management not to exceed 16.5% of project budget cumulatively, including project management fees; and (d) other general and administrative expense reimbursements primarily related to accounting services. This related party allocates such charges to us based on various methodologies, including headcount and actual amounts incurred.

Between August 8, 2018 and November 5, 2019, we paid Remington Lodging monthly hotel management fees equal to the greater of \$14,000 (increased annually based on consumer price index adjustments) or 3% of gross revenues as well as annual incentive management fees, if certain operational criteria were met and other general and administrative expense reimbursements primarily related to accounting services.

The following table presents the fees related to our property and project management agreements with Remington Lodging prior to its transactions with Ashford Inc. (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Hotel management fees, including incentive hotel management fees	\$ 27,205	\$ 30,890	\$ 30,629
Market service and project management fees	—	11,148	21,315
Corporate general and administrative	6,014	5,872	5,652
Total	<u>\$ 33,219</u>	<u>\$ 47,910</u>	<u>\$ 57,596</u>

As of December 31, 2018, the due to related parties, net of \$1.5 million represented accrued base and incentive management fees.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Ashford Inc.

Advisory Agreement

Ashford LLC, a subsidiary of Ashford Inc., acts as our advisor. Our chairman, Mr. Monty J. 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 are required to pay Ashford LLC a monthly base fee that is a percentage of our total market capitalization on a declining sliding scale plus the Net Asset Fee Adjustment, as defined in the advisory agreement, subject to a minimum monthly base fee, as payment for managing our day-to-day operations in accordance with our investment guidelines. Total market capitalization includes 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). The range of base fees on the scale is between 0.70% and 0.50% per annum for total market capitalization that ranges from less than \$6.0 billion to greater than \$10.0 billion. At December 31, 2019, the monthly base fee was 0.70% based on our current market capitalization. We are also required to pay Ashford LLC an incentive fee that is measured annually (or 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 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 record equity-based compensation expense for equity grants of common stock and LTIP units awarded to our officers and employees of Ashford LLC in connection with providing advisory services equal to the fair value of the award in proportion to the requisite service period satisfied during the period.

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

	Year Ended December 31,		
	2019	2018	2017
Advisory services fee			
Base advisory fee	\$ 36,269	\$ 35,526	\$ 34,650
Reimbursable expenses ⁽¹⁾	9,300	8,351	7,472
Equity-based compensation ⁽²⁾	18,063	25,245	11,077
Total advisory services fee	<u>\$ 63,632</u>	<u>\$ 69,122</u>	<u>\$ 53,199</u>

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

⁽²⁾ Equity-based compensation is associated with equity grants of Ashford Trust's common stock, LTIP units and Performance LTIP units awarded to officers and employees of Ashford LLC.

Due from related parties, net includes a \$1.2 million security deposit paid to Remington Hotel Corporation, an entity indirectly owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr., for office space allocated to us under our advisory agreement. It will be held as security for the payment of our allocated share of office space rental. If unused it will be returned to us upon lease expiration or earlier termination.

Pursuant to the Company's hotel management agreements with each hotel management company, the Company bears the economic burden for casualty insurance coverage. Under the advisory agreement, Ashford Inc. secures casualty insurance policies to cover Ashford Trust, Braemar, their hotel managers, as needed, and Ashford Inc. The total loss estimates included in such policies are based on the collective pool of risk exposures from each party. Ashford Inc.'s risk management department manages the casualty insurance program. At the beginning of each year, Ashford Inc.'s risk management department collects funds from Ashford Trust, Braemar and their respective hotel management companies, to fund the casualty insurance program as needed, on an allocated basis.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Ashford Securities

On September 25, 2019, Ashford Inc. announced the formation of Ashford Securities to raise retail capital in order to grow its existing and future platforms. In conjunction with the formation of Ashford Securities, Ashford Trust has entered into a contribution agreement with Ashford Inc. pursuant to which Ashford Trust has agreed to contribute, with Braemar, up to \$15 million to fund the operations of Ashford Securities. As of December 31, 2019, Ashford Trust has funded approximately \$2.5 million, of which \$1.6 million was included in “other assets” of our consolidated balance sheet.

Costs for all operating expenses of Ashford Securities that are contributed by Ashford Trust and Braemar will be expensed as incurred. These costs will be allocated initially to Ashford Trust and Braemar based on an allocation percentage of 75% to Ashford Trust and 25% to Braemar. Upon reaching the earlier of \$400 million in aggregate non-listed preferred equity offerings raised or June 10, 2023, there will be a true up (the “True-up Date”) between Ashford Trust and Braemar whereby the actual capital contributions contributed by each company will be based on the actual amount of capital raised by Ashford Trust and Braemar, respectively. After the True-up Date, the capital contributions will be allocated between Ashford Trust and Braemar quarterly based on the actual capital raised through Ashford Securities. Funding advances will be expensed as the expenses are incurred by Ashford Securities. For the year ended December 31, 2019, Ashford Trust has expensed \$896,000 of reimbursed operating expenses of Ashford Securities, which is included in “corporate, general, and administrative” in the consolidated statement of operations.

Enhanced Return Funding Program

On June 26, 2018, Ashford Trust entered into the Enhanced Return Funding Program Agreement and Amendment No. 1 to the Amended and Restated Advisory Agreement (the “ERFP Agreement”) with Ashford Inc. The Amended and Restated Advisory Agreement was also amended to name Ashford Inc. and its subsidiaries as the Company’s sole and exclusive provider of asset management, project management and other services offered by Ashford Inc. or any of its subsidiaries and to revise the payment terms such that the base fee and reimbursable expenses will be paid monthly. The independent members of the board of directors of each of Ashford Inc. and Ashford Trust, with the assistance of separate and independent legal counsel, engaged to negotiate the ERFP Agreement on behalf of Ashford Inc. and Ashford Trust, respectively.

The ERFP Agreement generally provides that Ashford LLC will make investments to facilitate the acquisition of properties by Ashford Trust 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). The investments 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 in the following two years, in exchange for hotel FF&E for use at the acquired property or any other property owned by Ashford Trust OP.

The initial term of the ERFP Agreement is two years (the “Initial Term”), unless earlier terminated pursuant to the terms of the ERFP Agreement. At the end of the Initial Term, the ERFP Agreement shall automatically renew for successive one year periods (each such period a “Renewal Term”) unless either Ashford Inc. or Ashford Trust provides written notice to the other at least sixty days in advance of the expiration of the Initial Term or Renewal Term, as applicable, that such notifying party intends not to renew the ERFP Agreement.

As a result of the Hilton Alexandria Old Town and La Posada de Santa Fe acquisitions in 2018, under the ERFP Agreement we were entitled to receive \$11.1 million and \$5.0 million from Ashford LLC, respectively, in the form of future purchases of hotel FF&E. As of December 31, 2018, the Company sold \$16.1 million of hotel FF&E from certain Ashford Trust hotel properties to Ashford LLC which were subsequently leased back to the Company rent free. As a result, the Company has not recorded an operating lease right-of-use asset, an operating lease liability or lease expense for rents. As of December 31, 2018, Ashford LLC remitted payment of \$16.1 million to the Company. Under the relevant accounting guidance related to sales-leaseback transactions, the transaction was not accounted for as a sale under Topic 606. As a result, the applicable hotel FF&E was not derecognized at December 31, 2018 and the Company recorded a \$16.1 million liability to Ashford LLC. Upon adoption of Topic 842 on January 1, 2019, the Company reevaluated the transaction under the applicable accounting guidance and concluded that the transaction qualified as a sale. As a result, the Company recorded a \$1.8 million gain directly to accumulated deficit and, in conjunction with the sale, derecognized the assets and removed the liability to Ashford LLC.

As a result of the Hilton Santa Cruz/Scotts Valley and Embassy Suites New York Manhattan Times Square acquisitions in 2019, under the ERFP Agreement we are entitled to receive \$5.0 million and \$19.5 million from Ashford LLC, respectively, in the form of future purchases of hotel FF&E.

In the first quarter of 2019 in connection with the Hilton Santa Cruz/Scotts Valley acquisition, the Company sold \$5.0 million of hotel FF&E from certain Ashford Trust hotel properties to Ashford LLC which was subsequently leased back to the Company rent free. In accordance with ASC 842, the Company evaluated the transactions and concluded that each transaction qualified as

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

a sale. As a result, the Company recorded a gain of \$233,000 for the year ended December 31, 2019, in conjunction with the sale and derecognized the assets. The gain is included in “gain (loss) on sale of assets and hotel properties” in our consolidated statements of operations.

In the second quarter of 2019, in connection with the Embassy Suites New York Manhattan Times Square acquisition, the Company sold \$8.1 million of hotel FF&E from certain Ashford Trust hotel properties to Ashford LLC which was subsequently leased back to the Company rent free. In accordance with ASC 842, the Company evaluated the transactions and concluded that each transaction qualified as a sale. As a result, the Company recorded a gain of \$326,000 for the year ended December 31, 2019, in conjunction with the sale and derecognized the assets. The gain is included in “gain (loss) on sale of assets and hotel properties” in our consolidated statements of operations.

Additionally, under the applicable accounting guidance in ASC 842, the Company has not recorded an operating lease right-of-use asset, an operating lease liability or lease expense for rents as the related party lease has no economic substance because the related party lease is provided rent free.

In 2016, prior to the ERFP agreement, \$4.0 million of key money consideration was invested in FF&E by Ashford LLC to be used by Ashford Trust, which represented all of the key money consideration for the Le Pavillon Hotel. Upon adoption of ASC 842, we evaluated this arrangement, which is accounted for as a lease that will expire in 2021. Under the applicable accounting guidance in ASC 842, as the related party lease is provided rent-free, there is no economic substance related to the lease which results in not recording an operating lease right-of-use asset, an operating lease liability or lease expense.

Project Management Agreement

In connection with Ashford Inc.’s August 8, 2018 acquisition of Remington Lodging’s project management business, we entered into a project management agreement with Ashford Inc.’s indirect subsidiary, Premier, pursuant to which Premier provides project management services to our hotels, including construction management, interior design, architectural services, and the purchasing, freight management, and supervision of installation of FF&E and related services. Pursuant to the project management agreement, we pay Premier: (a) project management fees of up to 4% of project costs; and (b) market service fees at current market rates with respect to construction management, interior design, FF&E purchasing, FF&E expediting/freight management, FF&E warehousing and FF&E installation and supervision.

Hotel Management Agreement

On November 6, 2019, Ashford Inc. completed the acquisition of Remington Lodging’s hotel management business. As a result of the acquisition, hotel management services are provided by Remington Hotels, a subsidiary of Ashford Inc., under the respective hotel management agreement with each customer, including Ashford Trust and Braemar.

At December 31, 2019, Remington Hotels managed 80 of our 117 hotel properties and the WorldQuest condominium properties.

We pay monthly hotel management fees equal to the greater of \$14,000 (increased annually based on consumer price index adjustments) or 3% of gross revenues as well as annual incentive management fees, if certain operational criteria were met and other general and administrative expense reimbursements primarily related to accounting services.

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 the related party’s prior performance, it is believed that another manager could perform the management or other duties materially better.

ASHFORD HOSPITALITY TRUST, 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, have a right to provide products or services to our hotels, 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, 2019					
Company	Product or Service	Total	Investments in Hotel Properties, net ⁽¹⁾	Indebtedness, net ⁽²⁾	Other Hotel Revenue	Other Hotel Expenses	Management Fees
AIM	Cash management services	\$ 1,206	\$ —	\$ —	\$ —	\$ —	\$ —
Ashford LLC	Insurance claims services	75	—	—	—	—	—
Ashford Securities....	Broker/Dealer	896	—	—	—	—	—
J&S Audio Visual.....	Audio visual commissions	7,365	—	—	7,365	—	—
J&S Audio Visual.....	Equipment	24	24	—	—	—	—
Lismore Capital.....	Debt placement services	1,294	—	(1,215)	—	—	—
Lismore Capital.....	Broker services	427	—	—	—	—	—
OpenKey	Mobile key app	112	3	—	—	109	—
Premier	Project management services	20,004	18,281	—	—	—	—
Pure Wellness	Hypoallergenic premium rooms	1,021	599	—	—	422	—
Remington Hotels.....	Hotel management services ⁽³⁾	9,152	—	—	—	5,356	3,796

		Year Ended December 31, 2019					
Company	Product or Service	Total	Property Taxes, Insurance and Other	Advisory Services Fee	Corporate, General and Administrative	Gain (Loss) on Sale of Assets and Hotel Properties	Write-off of Premiums, Loan Costs and Exit Fees
AIM	Cash management services	\$ 1,206	\$ —	\$ —	\$ 1,206	\$ —	\$ —
Ashford LLC	Insurance claims services	75	75	—	—	—	—
Ashford Securities....	Broker/Dealer	896	—	—	896	—	—
J&S Audio Visual.....	Audio visual commissions	7,365	—	—	—	—	—
J&S Audio Visual.....	Equipment	24	—	—	—	—	—
Lismore Capital.....	Debt placement services	1,294	—	—	—	—	79
Lismore Capital.....	Broker services	427	—	—	—	427	—
OpenKey	Mobile key app	112	—	—	—	—	—
Premier	Project management services	20,004	—	1,723	—	—	—
Pure Wellness	Hypoallergenic premium rooms	1,021	—	—	—	—	—
Remington Hotels.....	Hotel management services	9,152	—	—	—	—	—

		Year Ended December 31, 2018					
Company	Product or Service	Total	Investments in Hotel Properties, net ⁽¹⁾	Indebtedness, net ⁽²⁾	Other Revenue	Other Hotel Expenses	Corporate, General and Administrative
AIM	Cash management services	\$ 1,156	\$ —	\$ —	\$ —	\$ —	\$ 1,156
Ashford LLC	Insurance claims services	76	—	—	—	—	76
J&S Audio Visual.....	Audio visual commissions	3,569	—	—	3,569	—	—
J&S Audio Visual.....	Equipment	925	925	—	—	—	—
Lismore Capital.....	Debt placement services	5,094	—	(5,094)	—	—	—
OpenKey	Mobile key app	105	3	—	—	102	—
Premier	Project management services	7,677	7,677	—	—	—	—
Pure Wellness	Hypoallergenic premium rooms	2,436	2,412	—	—	24	—

		Year Ended December 31, 2017					
Company	Product or Service	Total	Investments in Hotel Properties, net ⁽¹⁾	Indebtedness, net ⁽²⁾	Other Revenue	Other Hotel Expenses	Corporate, General and Administrative
AIM	Cash management services	\$ 1,976	\$ —	\$ —	\$ —	\$ —	\$ 1,976
J&S Audio Visual.....	Audio visual commissions	66	—	—	66	—	—
Lismore Capital.....	Debt placement services	913	—	(913)	—	—	—
OpenKey	Mobile key app	60	—	—	—	60	—
Pure Wellness	Hypoallergenic premium rooms	1,309	1,309	—	—	—	—

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (1) Recorded in FF&E and depreciated over the estimated useful life.
- (2) Recorded as deferred loan costs, which are included in “indebtedness, net” on our consolidated balance sheets and amortized over the initial term of the applicable loan agreement.
- (3) Other hotel expenses include incentive hotel management fees and other hotel management costs.

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

Company	Product or Service	Due to Ashford Inc.	
		December 31, 2019	December 31, 2018
Ashford LLC.....	Advisory services	\$ 1,133	\$ 2,362
Ashford LLC.....	Deposit on ERFP assets	—	16,100
Ashford LLC.....	Insurance claims services	18	23
AIM.....	Cash management services	82	99
J&S Audio Visual.....	Audio visual commissions	1,009	855
OpenKey	Mobile key app	2	1
Premier.....	Project management services	4,028	3,206
Pure Wellness.....	Hypoallergenic premium rooms	298	388
		<u>\$ 6,570</u>	<u>\$ 23,034</u>

As of December 31, 2019, due from related parties, net included a net receivable from Remington Hotels in the amount of \$1.8 million primarily related to advances made by Ashford Trust and accrued base and incentive management fees.

18. Commitments and Contingencies

Restricted Cash—Under certain management and debt agreements for our hotel properties existing at December 31, 2019, 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 6% of gross revenues for capital improvements.

Franchise Fees—Under franchise agreements for our hotel properties existing at December 31, 2019, we pay franchisor royalty fees between 3% and 6% of gross rooms revenue and, in some cases, 1% to 3% of food and beverage revenues. Additionally, we pay fees for marketing, reservations, and other related activities aggregating between 1% and 4% of gross rooms revenue and, in some cases, food and beverage revenues. These franchise agreements expire on varying dates between 2021 and 2047. When a franchise term expires, the franchisor has no obligation to renew the franchise. A franchise termination could have a material adverse effect on the operations or the underlying value of the affected hotel due to loss of associated name recognition, marketing support, and centralized reservation systems provided by the franchisor. A franchise termination could also have a material adverse effect on cash available for distribution to stockholders. In addition, if we breach the franchise agreement and the franchisor terminates a franchise prior to its expiration date, we may be liable for up to three times the average annual fees incurred for that property.

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

Line Item	Year Ended December 31,		
	2019	2018	2017
Other hotel expenses	\$ 76,707	\$ 72,095	\$ 69,300

Management Fees—Under hotel management agreements for our hotel properties existing at December 31, 2019, we pay monthly hotel management fees equal to the greater of approximately \$14,000 (increased annually based on consumer price index adjustments) or 3% of gross revenues, or in some cases 1% to 7% of gross revenues, as well as annual incentive management fees, if applicable. These hotel management agreements expire from 2020 through 2038, with renewal options. If we terminate a hotel management agreement prior to its expiration, we may be liable for estimated management fees through the remaining term and liquidated damages or, in certain circumstances, we may substitute a new management agreement.

Additionally, we pay: (a) project management fees of up to 4% of project costs; (b) market service fees including purchasing, design and construction management not to exceed 16.5% of project management budget cumulatively, including project management fees; and (c) other general fees at current market rates as approved by our independent directors, if required. Prior to August 8, 2018, these fees were paid to Remington Lodging. In connection with Ashford Inc.’s August 8, 2018 acquisition of

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Remington Lodging's project management business, we entered into a project management agreement with Premier, a subsidiary of Ashford Inc. From and after August 8, 2018, we paid the aforementioned fees to Premier. See note 17.

Leases—We lease land and facilities under non-cancelable operating leases, which expire between 2040 and 2114, including four ground leases related to our hotel properties. Two of these ground leases are subject to base rent plus contingent rent based on each hotel property's financial results and escalation clauses. Additionally, other leases have certain contingent rentals included. For the years ended December 31, 2018, and 2017, we recognized rent expense of \$4.0 million and \$4.3 million, respectively, which included contingent rent of \$837,000 and \$1.1 million, respectively. Rent expense is included in "other" hotel expenses in the consolidated statements of operations.

On January 1, 2019, we adopted ASC 842 on a modified retrospective basis. The adoption of this standard has resulted in the recognition of operating lease ROU assets and lease liabilities primarily related to our ground lease arrangements. See note 6 for operating lease cost, including variable lease cost associated with the ground leases as well as future minimum lease payments due under non-cancellable leases.

Capital Commitments—At December 31, 2019, we had capital commitments of \$50.5 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.

Litigation—*Palm Beach Florida Hotel and Office Building Limited Partnership, et al. v. Nantucket Enterprises, Inc.* This litigation involves a landlord tenant dispute from 2008 in which the landlord, Palm Beach Florida Hotel and Office Building Limited Partnership, a subsidiary of the Company, claimed that the tenant had violated various lease provisions of the lease agreement and was therefore in default. The tenant counterclaimed and asserted multiple claims including that it had been wrongfully evicted. The litigation was instituted by the plaintiff in November 2008 in the Circuit Court of the Fifteenth Judicial Circuit, in and for Palm Beach County, Florida and proceeded to a jury trial on June 30, 2014. The jury entered its verdict awarding the tenant total claims of \$10.8 million and ruling against the landlord on its claim of breach of contract. In 2016, the Court of Appeals reduced the original \$10.8 million judgment to \$8.8 million and added pre-judgment interest on the wrongful eviction judgment. The case was further appealed to the Florida Supreme Court. On May 23, 2017, the trial court issued an order compelling the company that issued the supersedeas bond, RLI Insurance Company ("RLI"), to pay approximately \$10.0 million. On June 1, 2017, RLI paid Nantucket this amount and sought reimbursement from the Company, and on June 7, 2017, the Company paid \$2.5 million of the judgement. On June 27, 2017, the Florida Supreme Court denied the Company's petition for review. As a result, all of the appeals were exhausted and the judgment was final with the determination and reimbursement of attorney's fees being the only remaining dispute. On June 29, 2017, the balance of the judgment of \$3.9 million was paid to Nantucket by the Company. On July 26, 2018, we paid \$544,000 as part of a settlement on certain legal fees. The negotiations relating to the potential payment of the remaining attorney's fees are still ongoing. As of December 31, 2019, we have accrued approximately \$504,000 in legal fees, which represents the Company's estimate of the amount of potential remaining legal fees that could be owed.

On December 4, 2015, Pedro Membrives filed a class action lawsuit against HHC TRS FP Portfolio LLC, Remington Lodging & Hospitality, LLC, Remington Holdings LLC, Mark A. Sharkey, Archie Bennett, Jr., Monty J. Bennett, Christopher Peckham, and any other related entities in the Supreme Court of New York, Nassau County, Commercial Division. On August 30, 2016, the complaint was amended to add Michele Spero as a Plaintiff and Remington Long Island Employers, LLC as a defendant. The lawsuit is captioned *Pedro Membrives and Michele Spero, individually and on behalf of others similarly situated v. HHC TRS FP Portfolio LLC, Remington Lodging & Hospitality, LLC, Remington Holdings LLC, Remington Long Island Employers, LLC, et al., Index No. 607828/2015 (Sup. Ct. Nassau Cty.)*. The plaintiffs allege that the owner and management company of the Hyatt Regency Long Island hotel violated New York law by improperly retaining service charges rather than distributing them to employees. In 2017, the class was certified. On July 24, 2018, the trial court granted the plaintiffs' motion for summary judgment on liability. The defendants appealed the summary judgment and that appeal is still pending. Notwithstanding the pending appeal on the summary judgment issue, the trial court continued the litigation with respect to the plaintiffs' alleged damages. The plaintiffs filed an application for damages on August 28, 2019. The defendants filed their opposition to the plaintiffs' application for damages on October 11, 2019. The plaintiffs filed their reply on October 25, 2019. The defendants intend to vigorously defend against the plaintiffs' claims and the Company does not believe that an unfavorable outcome is probable. If the plaintiffs' motion for summary judgment on liability is upheld and the Company is unsuccessful in any further appeals, the Company estimates that damages could range between approximately \$5.8 million and \$11.9 million plus attorneys' fees. As of December 31, 2019, no amounts have been accrued.

We are engaged in other various legal proceedings which have arisen but have not been fully adjudicated. The likelihood of loss from these legal proceedings is based on the definitions within contingency accounting literature. Based on estimates of the range of potential losses associated with these matters, management does not believe the ultimate resolution of these proceedings,

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

either individually or in the aggregate, will have a material adverse effect on our consolidated financial position, results of operations or cash flow. However, the final results of legal proceedings cannot be predicted with certainty and if we fail to 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 or results of operations could be materially adversely affected in future periods.

Income Taxes—We and our subsidiaries file income tax returns in the federal jurisdiction and various states. Tax years 2015 through 2019 remain subject to potential examination by certain federal and state taxing authorities.

Potential Pension Liabilities—Upon our 2006 acquisition of a hotel property, certain employees of such hotel were unionized and covered by a multi-employer defined benefit pension plan. At that time, no unfunded pension liabilities existed. Subsequent to our acquisition, a majority of employees, who are employees of the hotel manager, Remington Lodging, petitioned the employer to withdraw recognition of the union. As a result of the decertification petition, Remington Lodging withdrew recognition of the union. At the time of the withdrawal, the National Retirement Fund, the union's pension fund, indicated unfunded pension liabilities existed. The National Labor Relations Board ("NLRB") filed a complaint against Remington Lodging seeking, among other things, that Remington Lodging's withdrawal of recognition was unlawful. Pending the final determination of the NLRB complaint, including appeals, the pension fund entered into a settlement agreement with Remington Lodging on November 1, 2011, providing that (a) Remington Lodging will continue to make monthly pension fund payments pursuant to the collective bargaining agreement, and (b) if the withdrawal of recognition is ultimately deemed lawful, Remington Lodging will have an unfunded pension liability equal to \$1.7 million, minus the monthly pension payments made by Remington Lodging since the settlement agreement. To illustrate, if Remington Lodging - as of the date a final determination occurs - has made monthly pension payments equaling \$100,000, Remington Lodging's remaining withdrawal liability shall be the unfunded pension liability of \$1.7 million, minus \$100,000 (or \$1.6 million). This remaining unfunded pension liability shall be paid to the pension fund in annual installments of \$84,000 (but may be made monthly or quarterly, at Remington Lodging's election), which shall continue for the remainder of the twenty years year capped period, unless Remington Lodging elects to pay the unfunded pension liability amount earlier. As previously discussed, on November 6, 2019, Ashford Inc. completed its acquisition of Remington Lodging's hotel management business, which is a subsidiary of Ashford Inc. and referred to as Remington Hotels. We agreed to indemnify Remington Hotels for the payment of the unfunded pension liability, if any, as set forth in the settlement agreement.

19. Income Taxes

For U.S. federal income tax purposes, we elected to be treated 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 prior to December 31, 2017) and may not qualify as a REIT for four years that are subsequently taxable. 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, 2019, all of our 117 hotel properties were leased or owned by Ashford TRS (our taxable REIT subsidiaries). Ashford TRS recognized net book income of \$7.3 million, \$21.1 million and \$4.2 million for the years ended December 31, 2019, 2018 and 2017, respectively.

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

	Year Ended December 31,		
	2019	2018	2017
Income tax (expense) benefit at federal statutory income tax rate of 21% in 2019 and 2018 and 35% in 2017	\$ (1,539)	\$ (4,435)	\$ (1,478)
State income tax (expense) benefit, net of U.S. federal income tax benefit.....	(475)	(698)	160
Permanent differences.....	(310)	(128)	(338)
Revaluation of deferred tax assets and liabilities related to the 2017 Tax Act ⁽¹⁾	—	—	(5,242)
Provision to return adjustment entirely offset by change in valuation allowance.....	(325)	(230)	957
Gross receipts and margin taxes	(923)	(950)	(913)
Interest and penalties	32	(11)	(49)
Valuation allowance.....	2,322	3,670	9,121
Total income tax (expense) benefit.....	<u>\$ (1,218)</u>	<u>\$ (2,782)</u>	<u>\$ 2,218</u>

⁽¹⁾ Partially offset within change in valuation allowance.

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

	Year Ended December 31,		
	2019	2018	2017
Current:			
Federal.....	\$ (48)	\$ (1,195)	\$ 5,264
State.....	(1,329)	(1,452)	(722)
Total current income tax (expense) benefit.....	<u>(1,377)</u>	<u>(2,647)</u>	<u>4,542</u>
Deferred:			
Federal.....	126	(39)	(2,192)
State.....	33	(96)	(132)
Total deferred income tax (expense) benefit.....	<u>159</u>	<u>(135)</u>	<u>(2,324)</u>
Total income tax (expense) benefit.....	<u>\$ (1,218)</u>	<u>\$ (2,782)</u>	<u>\$ 2,218</u>

For the years ended December 31, 2019, 2018 and 2017 income tax expense includes interest and penalties paid to taxing authorities of \$56,000, \$11,000 and \$49,000, respectively. Additionally, in 2019 we received interest income of \$88,000 included in income tax expense. At December 31, 2019 and 2018, we determined that there were no amounts to accrue for interest and penalties due to taxing authorities.

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

At December 31, 2019 and 2018, our deferred tax asset (liability) and related valuation allowance consisted of the following (in thousands):

	December 31,	
	2019	2018
Allowance for doubtful accounts.....	\$ 150	\$ 114
Unearned income	2,525	1,801
Federal and state net operating losses.....	2,458	2,342
Capital loss carryforward.....	5,436	—
Accrued expenses	1,723	1,710
Prepaid expenses.....	(4,823)	(4,848)
Tax property basis less than book basis.....	(3,355)	(1,840)
Tax derivatives basis greater than book basis.....	2,281	1,612
Investment in Ashford, Inc.	—	7,197
Other	194	664
Deferred tax asset (liability)	6,589	8,752
Valuation allowance.....	(7,712)	(10,034)
Net deferred tax asset (liability)	<u>\$ (1,123)</u>	<u>\$ (1,282)</u>

At December 31, 2019, we had net operating loss carryforwards for U.S. federal income tax purposes of \$11.7 million, which begin to expire in 2020. The majority of the \$11.7 million net operating loss carryforwards are attributable to acquired subsidiaries and subject to substantial limitation on their use. At December 31, 2019, Ashford Hospitality Trust, Inc., our REIT, had net operating loss carryforwards for U.S. federal income tax purposes of \$562.0 million, based on the latest filed tax return, which begin to expire in 2024, and are available to offset future taxable income, if any, through 2037.

At December 31, 2019 and 2018, we maintained a valuation allowance of \$7.7 million and \$10.0 million, respectively. At December 31, 2019 and 2018, we have reserved certain deferred tax assets of our TRS entities as we believe it is more likely than not that these deferred tax assets will not be realized. We considered all available evidence, both positive and negative. We concluded that the objectively verifiable negative evidence of a history of consolidated losses and the limitations imposed by the Code on the utilization of net operating losses of acquired subsidiaries outweigh the positive evidence. We believe this treatment is appropriate considering the nature of the intercompany transactions and leases between the REIT and its subsidiaries and that the current level of taxable income at the TRS is primarily attributable to our current transfer pricing arrangements. The transfer pricing arrangements are renewed upon expiration. A significant number of leases were renewed in 2017 and 2018. The intercompany rents are determined in accordance with the arms' length transfer pricing standard, taking into account the cost of ownership to the REIT among other factors. 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,		
	2019	2018	2017
Balance at beginning of year	\$ 10,034	\$ 6,232	\$ 15,353
Additions.....	—	4,766	2,053
Deductions	(2,322)	(964)	(11,174)
Balance at end of year.....	<u>\$ 7,712</u>	<u>\$ 10,034</u>	<u>\$ 6,232</u>

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act ("Tax Reform") into legislation. Under ASC 740, the effects of changes in tax rates and laws are recognized in the period in which the new legislation is enacted. In the case of U.S. federal income taxes, the enactment date is the date the bill becomes law (i.e., upon presidential signature). With respect to this legislation, in December of 2017 we recorded a one-time tax benefit of approximately \$1.1 million, due to a re-measurement of deferred tax assets and liabilities resulting from the decrease in the corporate U.S. federal income tax rate from 35% to 21% as well as the refund of existing credits against Alternative Minimum Tax. Additionally on December 22, 2017, the SEC staff issued

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Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. The Company recognized the estimated tax impacts related to the revaluation of deferred tax assets and liabilities as well as tax refunds and included these amounts in its consolidated financial statements for the year ended December 31, 2017. We finalized our accounting for Tax Reform as of December 31, 2018 with no material adjustments.

20. Deferred Costs, net

Deferred costs, net consist of the following (in thousands):

	December 31,	
	2019	2018
Deferred franchise fees	\$ 4,811	\$ 4,571
Deferred loan costs.....	—	816
Total costs	4,811	5,387
Accumulated amortization	(1,914)	(1,938)
Deferred costs, net	<u>\$ 2,897</u>	<u>\$ 3,449</u>

21. Intangible Assets, net and Intangible Liabilities, net

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

	Intangible Assets, net		Intangible Liabilities, net	
	December 31,		December 31,	
	2019	2018	2019	2018
Cost.....	\$ 797	\$ 10,276	\$ 2,723	\$ 16,846
Accumulated amortization	—	(452)	(386)	(1,363)
	<u>\$ 797</u>	<u>\$ 9,824</u>	<u>\$ 2,337</u>	<u>\$ 15,483</u>

Prior to January 1, 2019, the intangible assets and intangible liabilities included the above-market rate leases (liability) and below-market rate leases (asset) that were determined based on the comparison of rent due under the ground lease contracts assumed in the acquisitions to market rates for the remaining duration of the lease contracts and are amortized over their respective ground lease terms with expiration dates ranging from 2024 to 2114. For the years ended December 31, 2019, 2018 and 2017 we recorded \$81,000, \$82,000, and \$82,000 of other revenue related to leases where we are the lessor. For the years ended December 31, 2018 and 2017, net amortization related to intangibles resulted in a reduction in lease expense of \$155,000 and \$156,000, respectively, related to leases where we are the lessee.

Following the adoption of ASU 2016-02 on January 1, 2019, we derecognized the intangible assets and intangible liabilities associated with above/below market-rate leases where we are the lessee in the amount of \$9.0 million and \$13.0 million, respectively. The carrying amount of the ROU assets was then adjusted by the corresponding amount. See note 6.

As of December 31, 2019, intangible assets represents the acquisition of the permanent exclusive docking easement for riverfront land located in front of the Hyatt Savannah hotel in Savannah, Georgia. This intangible asset is not subject to amortization and has a carrying value of \$797,000 as of December 31, 2019.

As of December 31, 2019, intangible liabilities, net represents below market rate leases where the Company is the lessor.

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Estimated future amortization for intangible liabilities for each of the next five years and thereafter is as follows (in thousands):

2020.....	\$	80
2021.....		80
2022.....		80
2023.....		80
2024.....		36
Thereafter		1,981
Total	\$	<u>2,337</u>

22. Concentration of Risk

Our investments are primarily concentrated within the hotel industry. Our investment strategy is predominantly focused on investing in upper upscale full-service hotels in the U.S that have RevPAR generally less than twice the national average. During 2019, approximately 11% of our total hotel revenue was generated from nine hotel properties located in the Washington D.C. area. In addition, all hotel properties securing our mortgage loans are located domestically at December 31, 2019. Accordingly, adverse conditions in the hotel industry will have a material adverse effect on our operating and investment revenues and cash available for distribution to stockholders.

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, U.S. government treasury bill holdings and amounts due or payable under our derivative contracts. At December 31, 2019, we have exposure risk related to our derivative contracts. Our counterparties are investment grade financial institutions.

23. 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. As of December 31, 2019 and 2018, all of our hotel properties were domestically located.

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24. Selected Quarterly Financial Data (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2019 and 2018 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2019					
Total revenue.....	\$ 358,718	\$ 415,148	\$ 374,237	\$ 354,656	\$ 1,502,759
Total operating expenses.....	334,966	366,699	347,161	365,330	1,414,156
Gain (loss) on sale of assets and hotel properties	233	328	2,362	23,203	26,126
Operating income (loss)	\$ 23,985	\$ 48,777	\$ 29,438	\$ 12,529	\$ 114,729
Net income (loss)	\$ (46,622)	\$ (21,352)	\$ (39,086)	\$ (35,619)	\$ (142,679)
Net income (loss) attributable to the Company	\$ (38,017)	\$ (16,282)	\$ (31,177)	\$ (28,159)	\$ (113,635)
Net income (loss) attributable to common stockholders...	\$ (48,661)	\$ (26,926)	\$ (41,822)	\$ (38,803)	\$ (156,212)
Diluted income (loss) attributable to common stockholders per share	\$ (0.49)	\$ (0.27)	\$ (0.42)	\$ (0.39)	\$ (1.58) ⁽¹⁾
Weighted average diluted common shares.....	99,407	99,942	99,971	99,968	99,837
2018					
Total revenue.....	\$ 342,207	\$ 389,164	\$ 355,930	\$ 343,488	\$ 1,430,789
Total operating expenses.....	318,945	346,129	326,601	349,175	1,340,850
Gain (loss) on sale of assets and hotel properties	(9)	\$ 412	\$ (9)	\$ 81	\$ 475
Operating income (loss)	\$ 23,253	\$ 43,447	\$ 29,320	\$ (5,606)	\$ 90,414
Net income (loss)	\$ (32,649)	\$ (23,351)	\$ (34,261)	\$ (66,048)	\$ (156,309)
Net income (loss) attributable to the Company	\$ (26,271)	\$ (18,306)	\$ (27,589)	\$ (54,800)	\$ (126,966)
Net income (loss) attributable to common stockholders...	\$ (36,915)	\$ (28,950)	\$ (38,234)	\$ (65,444)	\$ (169,543)
Diluted income (loss) attributable to common stockholders per share	\$ (0.39)	\$ (0.30)	\$ (0.40)	\$ (0.66)	\$ (1.75) ⁽¹⁾
Weighted average diluted common shares.....	95,367	96,889	97,467	99,324	97,282

⁽¹⁾ The sum of the diluted income (loss) attributable to common stockholders per share for the four quarters in 2019 and 2018 differs from the annual diluted income (loss) attributable to common stockholders per share due to the required method of computing the weighted average diluted common shares in the respective periods.

25. Subsequent Events

On January 9, 2020, we refinanced our \$43.8 million mortgage loan, secured by the Le Pavillon in New Orleans, Louisiana. In connection with the refinance we repaid \$6.8 million on the existing loan. The new mortgage loan totals \$37.0 million. The new mortgage loan is interest only and provides for an interest rate of LIBOR + 3.4%. The stated maturity is January 2023 with two one-year extension options, subject to the satisfaction of certain conditions. The mortgage loan is secured by the Le Pavillon.

On March 9, 2020, the Company completed the sale of the Crowne Plaza in Annapolis, Maryland for approximately \$5.1 million. As of December 31, 2019, the carrying value of the building and FF&E was approximately \$5.3 million at December 31, 2019. This hotel property is subject to a ground lease with a below-market component with a carrying value of \$(3.2) million at December 31, 2019. The combined carrying value of the hotel property at December 31, 2019 was approximately \$2.2 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, 2019 (“Evaluation Date”). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective (i) to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms; and (ii) to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of our internal control over financial reporting. The internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and our expenditures are being made only in accordance with authorizations of management and our directors and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making the assessment of the effectiveness of our internal control over financial reporting, management has utilized the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, (2013 framework) (“COSO”).

Based on management’s assessment of these criteria, we concluded that, as of December 31, 2019, our internal control over financial reporting was effective. The effectiveness of our internal control over financial reporting as of December 31, 2019 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 that occurred during the fiscal quarter ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Ashford Hospitality Trust, Inc.
Dallas, Texas

Opinion on Internal Control over Financial Reporting

We have audited Ashford Hospitality Trust Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2019, 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 maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

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, 2019 and 2018, 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, 2019, and the related notes and schedule and our report dated March 12, 2020 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.

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 12, 2020

Item 9B. Other Information

None.

PART III**Item 10. Directors, Executive Officers and Corporate Governance**

The required information is incorporated by reference from the Proxy Statement pertaining to our 2020 Annual Meeting of Stockholders, 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 required information is incorporated by reference from the Proxy Statement pertaining to our 2020 Annual Meeting of Stockholders, 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 required information is incorporated by reference from the Proxy Statement pertaining to our 2020 Annual Meeting of Stockholders, 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 required information is incorporated by reference from the Proxy Statement pertaining to our 2020 Annual Meeting of Stockholders, 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 required information is incorporated by reference from the Proxy Statement pertaining to our 2020 Annual Meeting of Stockholders, 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 67 through 123 hereof, for our consolidated financial statements and report of independent registered public accounting firm.

The following financial statement schedule is included herein on pages 133 through 136 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	Description
2.1	Separation and Distribution Agreement, dated October 31, 2014, by and between Ashford Hospitality Trust, Inc., Ashford OP Limited Partner LLC, Ashford Hospitality Limited Partnership, Ashford Inc. and Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 2.1 to Form 8-K, filed on November 6, 2014, for the event dated October 31, 2014) (File No. 001-31775)
3.1	Articles of Amendment and Restatement, as amended by Amendment Number One to Articles of Amendment and Restatement (incorporated by reference to Exhibit 4.6 to Registration Statement on Form S-3 filed May 15, 2015)
3.2	Amendment Number Two to Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K, filed on May 22, 2017) (File No. 00131775)
3.3	Second Amended and Restated Bylaws, as amended by Amendment No. 1 on October 26, 2014, by Amendment No. 2 on October 19, 2015 and by Amendment No. 3 on August 2, 2016 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K, filed on August 8, 2016) (File No. 001-31775)
4.1	Form of Certificate for Common Stock (incorporated by reference to Exhibit 4.1 of Form S-11/A, filed on August 20, 2003) (File No. 001-31775)
4.1.1	Articles Supplementary for Series A Cumulative Preferred Stock, dated September 15, 2004 (incorporated by reference to Exhibit 4.1.1 of Form 10-K, filed on February 28, 2012) (File No. 001-31775)
4.1.2	Form of Certificate of Series A Cumulative Preferred Stock (incorporated by reference to Exhibit 4.1.2 of Form 10-K, filed on February 28, 2012) (File No. 001-31775)
4.2.1	Articles Supplementary for Series D Cumulative Preferred Stock, dated July 17, 2007 (incorporated by reference to Exhibit 3.5 to the Registrant's Form 8-A, filed July 17, 2007)
4.2.2	Form of Certificate of Series D Cumulative Preferred Stock (incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-A, filed July 17, 2007)
4.3.1	Articles Supplementary for Series E Cumulative Preferred Stock, dated April 15, 2011 (incorporated by reference to Exhibit 3.6 to the Registrant's Form 8-A, filed April 18, 2011)
4.3.2	Form of Certificate of Series E Cumulative Preferred Stock (incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-A, filed April 18, 2011)
4.4	Articles Supplementary for Series F Cumulative Preferred Stock, accepted for record and certified by the Maryland State Department of Assessments and Taxation on July 11, 2016 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K, filed July 12, 2016) (File No. 001-31775)
4.5	Articles Supplementary for Series G Cumulative Preferred Stock, accepted for record and certified by the Maryland State Department of Assessments and Taxation on October 17, 2016 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K, filed on October 18, 2016) (File No. 001-31775)
4.6	Articles Supplementary for Series H Cumulative Preferred Stock, accepted for record and certified by the Maryland State Department of Assessments and Taxation on August 18, 2017 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K, filed on August 22, 2017) (File No. 001-31775)
4.7	Articles Supplementary for Series I Cumulative Preferred Stock, accepted for record and certified by the Maryland State Department of Assessments and Taxation on November 14, 2017 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K, filed on November 14, 2017) (File No. 001-31775)
4.8 *	Description of Securities
10.1	Seventh Amended and Restated Agreement of Limited Partnership of Ashford Hospitality Limited Partnership (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, filed on April 15, 2016) (File No. 001-31775)
10.1.2	Amendment No. 1 to Seventh Amended and Restated Agreement of Limited Partnership of Ashford Hospitality Limited Partnership, dated July 12, 2016 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, filed on July 12, 2016) (File No. 001-31775)
10.1.3	Amendment No. 2 to Seventh Amended and Restated Agreement of Limited Partnership of Ashford Hospitality Limited Partnership, dated October 18, 2016 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, filed on October 18, 2016) (File No. 001-31775)
10.1.4	Amendment No. 3 to Seventh Amended and Restated Agreement of Limited Partnership of Ashford Hospitality Limited Partnership, dated August 25, 2017 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, filed on August 25, 2017) (File No. 001-31775)
10.1.5	Amendment No. 4 to Seventh Amended and Restated Agreement of Limited Partnership of Ashford Hospitality Limited Partnership, dated November 17, 2017 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, filed on November 17, 2017) (File No. 001-31775)
10.1.6	Amendment No. 5 to Seventh Amended and Restated Agreement of Limited Partnership of Ashford Hospitality Limited Partnership, dated December 13, 2017 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, filed on December 14, 2017) (File No. 001-31775)

Exhibit	Description
10.2	Registration Rights Agreement among Ashford Hospitality Trust, Inc. and the persons named therein (incorporated by reference to Exhibit 10.2 of Form S-11/A, filed on July 31, 2003) (File No. 001-31775)
10.3.1†	2011 Stock Incentive Plan of Ashford Hospitality Trust, Inc. dated May 17, 2011 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, filed on May 20, 2011, for the event dated May 17, 2011) (File No. 001-31775)
10.3.1.1†	Amendment No. 1 to 2011 Incentive Stock Plan of Ashford Hospitality Trust, Inc., dated May 13, 2014 (incorporated by reference to Exhibit 10.2 of Form 8-K, filed on May 19, 2014) (File No. 001-31775)
10.3.1.2†	Amendment No. 3 to 2011 Incentive Stock Plan of Ashford Hospitality Trust, Inc., dated May 16, 2017 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, filed May 22, 2017) (File No. 001-31775)
10.3.2†	Form of LTIP Unit Award Agreement, dated March 21, 2008 (incorporated by reference to Exhibit 10.3.3 of Form 10-K, filed on March 3, 2014) (File No. 001-31775)
10.3.3†	Form of Performance LTIP Unit Award Agreement (incorporated by reference to Exhibit 99.1 to the Registrant's Form 8-K, filed on April 7, 2016) (File No. 001-31775)
10.3.4†	Form of Performance Stock Unit Award Agreement (incorporated by reference to Exhibit 99.2 to the Registrant's Form 8-K, filed on April 7, 2016) (File No. 001-31775)
10.3.5†	Amended and Restated Form of Performance Stock Unit Award Agreement (incorporated by reference to Exhibit 10.3.6 of Form 10-K, filed on March 16, 2017) (File No. 001-31775)
10.3.6†	Amended and Restated Form of Performance LTIP Unit Award Agreement (incorporated by reference to Exhibit 10.3.7 of Form 10-K, filed on March 16, 2017) (File No. 001-31775)
10.3.7†*	Form of LTIP Unit Award Agreement
10.3.8†*	Form of Performance LTIP Unit Award Agreement
10.3.9†*	Form of Performance Stock Unit Award Agreement
10.4	Non-Compete/Services Agreement, dated as of March 21, 2008, between Ashford Hospitality Trust, Inc. and Archie Bennett, Jr. (incorporated by reference to Exhibit 10.4 of Form 10-K, filed on March 3, 2014) (File No. 001-31775)
10.5	Chairman Emeritus Agreement, dated January 7, 2013, between Ashford Hospitality Trust, Inc. Ashford Hospitality Limited Partnership, and Archie Bennett, Jr. (incorporated by reference to Exhibit 10.1 of Form 8-K filed on January 9, 2013) (File No. 001-31775)
10.6.1	Form of Management Agreement between Remington Lodging and Ashford TRS Corporation (incorporated by reference to Exhibit 10.10 of Form S-11/A, filed on July 31, 2003) (File No. 001-31775)
10.6.2	Hotel Management Agreement between Remington Management, L.P. and Ashford TRS companies (incorporated by reference to Exhibit 10.6.1 of Form 10-K, filed on February 28, 2012) (File No. 001-31775)
10.6.3	Hotel Master Management Agreement between Remington Lodging & Hospitality, LLC and PHH TRS Corporation (incorporated by reference to Exhibit 10.6.2 of Form 10-K, filed on February 28, 2012) (File No. 001-31775)
10.6.4	First Amendment to Hotel Master Management Agreement between Remington Lodging & Hospitality, LLC and Ashford TRS Corporation dated August 29, 2003, effective November 19, 2013 (incorporated by reference to Exhibit 10.2 of Form 8-K, filed on November 25, 2013, for the event dated November 19, 2013) (File No. 001-31775)
10.6.5	First Amendment to Hotel Master Management Agreement between Remington Lodging & Hospitality, LLC and Ashford TRS Corporation dated September 29, 2006, effective November 19, 2013 (incorporated by reference to Exhibit 10.3 of Form 8-K, filed on November 25, 2013, for the event dated November 19, 2013) (File No. 001-31775)
10.7	Form of Lease Agreement between Ashford Hospitality Limited Partnership and Ashford TRS Corporation (incorporated by reference to Exhibit 10.11 of Form S-11/A, filed on July 31, 2003) (File No. 001-31775)
10.8	Contribution and Purchase and Sale Agreement, dated December 27, 2004, between the Registrant and FGSB Master Corp. (incorporated by reference to Exhibit 10.12 of Form 10-K, filed on March 1, 2013) (File No. 001-31775)
10.9	Release and Waiver Agreement, Dated March 31, 2011, by and between Ashford Hospitality Trust, Inc. and Mr. Alan Tallis, former Executive Vice President of Ashford Hospitality Trust, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, filed on April 6, 2011, for the event dated April 11, 2011) (File No. 001-31775)
10.10	Indemnity Agreement dated March 10, 2011, between the Registrant and Remington Lodging & Hospitality, LLC (incorporated by reference to Exhibit 10.31 to the Registrant's Form 10-Q, filed on May 10, 2011) (File No. 001-31775)
10.11	Right of First Offer Agreement between Ashford Hospitality Trust, Inc. and Ashford Hospitality Prime, Inc., dated November 19, 2013 (incorporated by reference to Exhibit 10.6 of Form 8-K, filed on November 25, 2013, for the event dated November 19, 2013) (File No. 001-31775)
10.12	Option Agreement Pier House Resort 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 10.7 of Form 8-K, filed on November 25, 2013, for the event dated November 19, 2013) (File No. 001-31775)

Exhibit	Description
10.13	Option Agreement Crystal Gateway Marriott 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 10.8 of Form 8-K, filed on November 25, 2013, for the event dated November 19, 2013) (File No. 001-31775)
10.14	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 10.9 of Form 8-K, filed on November 25, 2013, for the event dated November 19, 2013) (File No. 001-31775)
10.15	Assignment, Assumption and Admission Agreement, dated as of September 10, 2014, by and between Ashford Hospitality Advisors LLC and Monty Bennett, regarding the sale of Class B company interests of AIM Management Holdco, LLC (incorporated by reference to Exhibit 10.3 of Form 8-K, filed on September 10, 2014, for the event dated September 10, 2014) (File No. 001-31775)
10.16	Assignment, Assumption and Admission Agreement, dated as of September 10, 2014, by and between Ashford Hospitality Advisors LLC and Rob Hays, regarding the sale of Class B company interests of AIM Management Holdco, LLC (incorporated by reference to Exhibit 10.4 of Form 8-K, filed on September 10, 2014, for the event dated September 10, 2014) (File No. 001-31775)
10.17	Assignment, Assumption and Admission Agreement, dated as of September 10, 2014, by and between Ashford Hospitality Advisors LLC and Monty Bennett, regarding the sale of Class B limited partnership interests of AIM Performance Holdco, LP (incorporated by reference to Exhibit 10.5 of Form 8-K, filed on September 10, 2014, for the event dated September 10, 2014) (File No. 001-31775)
10.18	Assignment, Assumption and Admission Agreement, dated as of September 10, 2014, by and between Ashford Hospitality Advisors LLC and Rob Hays, regarding the sale of Class B limited partnership interests of AIM Performance Holdco, LP (incorporated by reference to Exhibit 10.6 of Form 8-K, filed on September 10, 2014, for the event dated September 10, 2014) (File No. 001-31775)
10.19	Amended and Restated Limited Liability Company Agreement of Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 10.1 of Form 8-K, filed on October 15, 2014) (File No. 001-31775)
10.20	Third Amended and Restated Limited Partnership Agreement of AIM Performance Holdco, LP (incorporated by reference to Exhibit 10.1 of Form 8-K, filed on November 6, 2014, for the event dated November 5, 2014) (File No. 001-31775)
10.21	Second Amended and Restated Limited Liability Company Operating Agreement of AIM Management Holdco, LLC (incorporated by reference to Exhibit 10.2 of Form 8-K, filed on November 6, 2014, for the event dated November 5, 2014) (File No. 001-31775)
10.22	Tax Matters Agreement, dated October 31, 2014, between Ashford Inc., Ashford Hospitality Advisors LLC, Ashford Hospitality Trust, Inc. and Ashford Hospitality Limited Partnership (incorporated by reference to Exhibit 10.1 to Form 8-K, filed on November 6, 2014, for the event dated October 31, 2014) (File No. 001-31775)
10.23.1	Amended and Restated Advisory Agreement, dated as of June 10, 2015, by and between Ashford Hospitality Trust, Inc., Ashford Hospitality Limited Partnership, Ashford TRS Corporation, Ashford Inc. and Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 10.1 of Form 8-K, filed on June 12, 2015) (File No. 001-31775)
10.23.2	Enhanced Return Funding Program Agreement and Amendment No. 1 to the Amended and Restated Advisory Agreement, dated June 26, 2018, among Ashford Hospitality Trust, Inc., Ashford Hospitality Limited Partnership, Ashford TRS Corporation, Ashford Inc. and Ashford Hospitality Advisors LLC, dated June, 26, 2018, incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on June 26, 2018 (File No. 001-31775)
10.24	Assignment and Assumption Agreement, dated as of November 12, 2014 by and between Ashford Hospitality Trust, Inc., Ashford Hospitality Limited Partnership and Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 10.2 to Form 8-K, filed on November 18, 2014, for the event dated November 12, 2014) (File No. 001-31775)
10.25	Licensing Agreement, dated as of November 12, 2014 by and between Ashford Hospitality Advisors LLC, Ashford Hospitality Trust, Inc. and Ashford Hospitality Limited Partnership (incorporated by reference to Exhibit 10.3 to Form 8-K, filed on November 18, 2014, for the event dated November 12, 2014) (File No. 001-31775)
10.26	Letter Agreement dated December 14, 2014, between PRISA III Investments, LLC, a Delaware limited liability company and Ashford Hospitality Limited Partnership, a Delaware limited partnership (incorporated by reference to Exhibit 10.1 to Form 8-K, filed on December 19, 2014) (File No. 001-31775)
10.27	Letter Agreement, dated September 17, 2015, by and between Ashford Hospitality Trust, Inc., and Ashford Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on September 18, 2015) (File No. 001-31775)
10.28	Restricted Stock Award Agreement, dated February 20, 2017, by and between Ashford Hospitality Trust, Inc. and Douglas A. Kessler (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on February 21, 2017) (File No. 001-31775).
10.29	Amended and Restated Employment Agreement, dated as of February 20, 2017, by and among Ashford Inc., Ashford Hospitality Advisors LLC and Douglas A. Kessler (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on February 21, 2017) (File No. 001-31775).

Exhibit	Description
10.30	Indemnification Agreement, dated as of February 20, 2017, by and between Ashford Hospitality Trust, Inc. and Douglas A. Kessler (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on February 21, 2017) (File No. 001-31775).
10.31	Loan Agreement, dated as of June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Bank, N.A., as lenders, and Ashford Tipton Lakes LP, Ashford Scottsdale LP, Ashford Phoenix Airport LP, Ashford Hawthorne LP, Ashford San Jose LP, Ashford LV Hughes Center LP and Ashford Plymouth Meeting LP, as borrowers (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.32	Senior Mezzanine Loan Agreement, dated June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Mortgage Capital Holdings LLC, as lenders, and Ashford Senior A LLC, as borrower (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.33	Loan Agreement, dated June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Bank, N.A., as lenders, and Ashford Newark LP, Ashford BWI Airport LP, Ashford Oakland LP, Ashford Plano-C LP, Ashford Plano-R LP, Ashford Manhattan Beach LP and Ashford Basking Ridge LP as borrowers (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.34	Senior Mezzanine Loan Agreement, dated June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Mortgage Capital Holdings LLC, as lenders, and Ashford Senior B LLC, as borrower (incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.35	Loan Agreement, dated as of June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Bank, N.A., as lenders, and Ashford MV San Diego LP, Ashford Bucks County LLC, New Fort Tower I Hotel Limited Partnership, Ashford Coral Gables LP and Ashford Minneapolis Airport LP, as borrowers (incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.36	Senior Mezzanine Loan Agreement, dated June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Mortgage Capital Holdings LLC, as lenders, and Ashford Senior C LLC, as borrower (incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.37	Junior Mezzanine Loan Agreement, dated June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Mortgage Capital Holdings LLC, as lenders, and Ashford Junior C LLC, as borrower (incorporated by reference to Exhibit 10.7 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.38	Loan Agreement, dated as of June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Bank, N.A., as lenders, and Ashford Dulles LP, Ashford Santa Fe LP, Ashford Market Center LP, New Beverly Hills Hotel Limited Partnership and Ashford Atlantic Beach LP, as borrowers (incorporated by reference to Exhibit 10.8 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.39	Senior Mezzanine Loan Agreement, dated June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Mortgage Capital Holdings LLC, as lenders, and Ashford Senior D LLC, as borrower (incorporated by reference to Exhibit 10.9 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.40	Junior Mezzanine Loan Agreement, dated June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Mortgage Capital Holdings LLC, as lenders, and Ashford Junior D LLC, as borrower (incorporated by reference to Exhibit 10.10 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.41	Loan Agreement, dated as of June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Bank, N.A., as lenders, and Ashford Memphis LP, Ashford Philly LP, Ashford Anchorage LP, Ashford Lakeway LP and Ashford Fremont LP, as borrowers (incorporated by reference to Exhibit 10.11 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.42	Senior Mezzanine Loan Agreement, dated June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Mortgage Capital Holdings LLC, as lenders, and Ashford Senior E LLC, as borrower (incorporated by reference to Exhibit 10.12 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.43	Junior Mezzanine Loan Agreement, dated June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Mortgage Capital Holdings LLC, as lenders, and Ashford Junior E LLC, as borrower (incorporated by reference to Exhibit 10.13 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.44	Loan Agreement, dated as of June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Bank, N.A., as lenders, and Ashford Downtown Atlanta LP, Ashford Flagstaff LP, Ashford Walnut Creek LP, Ashford Bridgewater Hotel Partnership, LP and Ashford Durham I LLC, as borrowers (incorporated by reference to Exhibit 10.14 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.45	Senior Mezzanine Loan Agreement, dated June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Mortgage Capital Holdings LLC, as lenders, and Ashford Senior F LLC, as borrower (incorporated by reference to Exhibit 10.15 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.46	Junior Mezzanine Loan Agreement, dated June 13, 2018, between Bank of America, N.A., Barclays Bank PLC and Morgan Stanley Mortgage Capital Holdings LLC, as lenders, and Ashford Junior F LLC, as borrower (incorporated by reference to Exhibit 10.16 to the Registrant's Form 8-K filed on June 19, 2018) (File No. 001-31775)
10.47	Consolidated, Amended and Restated Hotel Master Management Agreement, dated August 8, 2018, by and among Ashford TRS Corporation, RI Manchester Tenant Corporation, CY Manchester Tenant Corporation and Remington Lodging & Hospitality, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on August 14, 2018) (File No. 001-31775)

Exhibit	Description
10.48	Master Project Management Agreement, dated August 8, 2018, by and among Ashford TRS Corporation, RI Manchester Tenant Corporation, CY Manchester Tenant Corporation, Project Management LLC and Ashford Hospitality Limited Partnership (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on August 14, 2018) (File No. 001-31775)
10.49	Amended and Restated Mutual Exclusivity Agreement, dated August 8, 2018, by and among Ashford Hospitality Limited Partnership, Ashford Hospitality Trust, Inc. and Remington Lodging & Hospitality, LLC, as consented to by Monty J. Bennett (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on August 14, 2018) (File No. 001-31775)
10.50	Mutual Exclusivity Agreement, dated August 8, 2018, dated August 8, 2018, by and among Ashford Hospitality Limited Partnership, Ashford Hospitality Trust, Inc. and Project Management LLC (incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K filed on August 14, 2018) (File No. 001-31775)
21.1*	Registrant's Subsidiaries Listing as of December 31, 2019
21.2*	Registrant's Special-Purpose Entities Listing as of December 31, 2019
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.)

The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2019 are formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income (Loss); (iii) Consolidated Statements of Equity;(iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements. In accordance with Rule 402 of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (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)	<i>Submitted electronically with this report.</i>

* Filed herewith.

† Management contract or compensatory plan or arrangement.

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 12, 2020.

ASHFORD HOSPITALITY TRUST, INC.

By: /s/ DOUGLAS A. KESSLER

Douglas A. Kessler

President and Chief Executive Officer

Pursuant to the requirements 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 12, 2020
<u>/s/ DOUGLAS A. KESSLER</u> Douglas A. Kessler	President and Chief Executive Officer (Principal Executive Officer)	March 12, 2020
<u>/s/ DERIC S. EUBANKS</u> Deric S. Eubanks	Chief Financial Officer (Principal Financial Officer)	March 12, 2020
<u>/s/ MARK L. NUNNELEY</u> Mark L. Nunneley	Chief Accounting Officer (Principal Accounting Officer)	March 12, 2020
<u>/s/ BENJAMIN J. ANSELL, M.D.</u> Benjamin J. Ansell, M.D.	Director	March 12, 2020
<u>/s/ FREDERICK J. KLEISNER</u> Frederick J. Kleisner	Director	March 12, 2020
<u>/s/ AMISH GUPTA</u> Amish Gupta	Director	March 12, 2020
<u>/s/ KAMAL JAFARNIA</u> Kamal Jafarnia	Director	March 12, 2020
<u>/s/ SHERI L. PANTERMUEHL</u> Sheri L. Pantermuehl	Director	March 12, 2020
<u>/s/ ALAN L. TALLIS</u> Alan L. Tallis	Director	March 12, 2020

SCHEDULE III
ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2019
(dollars in thousands)

Column A		Column B		Column C		Column D		Column E			Column F	Column G	Column H	Column I
Hotel Property	Location	Encumbrances	Initial Cost		Costs Capitalized Since Acquisition		Gross Carrying Amount At Close of Period			Accumulated Depreciation	Construction Date	Acquisition Date	Income Statement	
			Land	FF&E, Buildings and Improvements	Land	FF&E, Buildings and Improvements	Land	FF&E, Buildings and Improvements	Total					
Embassy Suites	Austin, TX	\$ 23,364	\$ 1,204	\$ 9,388	\$ 193	\$ 6,806	\$ 1,397	\$ 16,194	\$ 17,591	\$ 9,052	08/1998		(1),(2),(3)	
Embassy Suites	Dallas, TX	15,465	1,878	8,907	238	6,703	2,116	15,610	17,726	8,618	12/1998		(1),(2),(3)	
Embassy Suites	Herndon, VA	25,120	1,303	9,836	277	8,928	1,580	18,764	20,344	10,400	12/1998		(1),(2),(3)	
Embassy Suites	Las Vegas, NV	30,282	3,307	16,952	397	15,008	3,704	31,960	35,664	17,928	05/1999		(1),(2),(3)	
Embassy Suites	Flagstaff, AZ	18,400	1,267	4,278	—	3,406	1,267	7,684	8,951	3,912	10/2003		(1),(2),(3)	
Embassy Suites	Houston, TX	17,810	1,799	10,404	—	7,312	1,799	17,716	19,515	8,212	03/2005		(1),(2),(3)	
Embassy Suites	West Palm Beach, FL	19,802	3,277	13,949	—	8,877	3,277	22,826	26,103	11,348	03/2005		(1),(2),(3)	
Embassy Suites	Philadelphia, PA	28,698	5,791	34,819	—	17,421	5,791	52,240	58,031	21,982	12/2006		(1),(2),(3)	
Embassy Suites	Walnut Creek, CA	49,920	7,452	25,334	—	22,758	7,452	48,092	55,544	19,170	12/2006		(1),(2),(3)	
Embassy Suites	Arlington, VA	46,355	36,065	41,588	—	18,327	36,065	59,915	95,980	20,197	04/2007		(1),(2),(3)	
Embassy Suites	Portland, OR	88,435	11,110	60,048	—	7,258	11,110	67,306	78,416	23,487	04/2007		(1),(2),(3)	
Embassy Suites	Santa Clara, CA	67,440	8,948	46,239	—	16,209	8,948	62,448	71,396	22,282	04/2007		(1),(2),(3)	
Embassy Suites	Orlando, FL	22,526	5,674	21,593	—	11,586	5,674	33,179	38,853	13,174	04/2007		(1),(2),(3)	
Embassy Suites	New York, NY	145,000	111,619	88,673	—	(8,336)	111,619	80,337	191,956	1,974	01/2019		(1),(2),(3)	
Hilton Garden Inn	Jacksonville, FL	11,756	1,751	9,164	—	5,752	1,751	14,916	16,667	6,521	11/2003		(1),(2),(3)	
Hilton Garden Inn	Austin, TX	66,257	7,605	48,725	—	5,158	7,605	53,883	61,488	10,694	03/2015		(1),(2),(3)	
Hilton Garden Inn	Baltimore, MD	16,218	4,027	20,199	—	6,171	4,027	26,370	30,397	4,210	03/2015		(1),(2),(3)	
Hilton Garden Inn	Virginia Beach, VA	32,140	4,101	26,329	—	415	4,101	26,744	30,845	3,827	03/2015		(1),(2),(3)	
Hilton	Ft. Worth, TX	62,000	4,538	13,922	1	23,803	4,539	37,725	42,264	16,894	03/2005		(1),(2),(3)	
Hilton	Houston, TX	19,949	2,200	13,247	—	9,936	2,200	23,183	25,383	10,421	03/2005		(1),(2),(3)	
Hilton	St. Petersburg, FL	48,730	2,991	13,907	(1,130)	19,489	1,861	33,396	35,257	16,729	03/2005		(1),(2),(3)	
Hilton	Santa Fe, NM	26,400	7,004	10,689	—	7,814	7,004	18,503	25,507	9,380	12/2006		(1),(2),(3)	
Hilton	Bloomington, MN	46,800	5,685	59,139	—	9,596	5,685	68,735	74,420	25,820	04/2007		(1),(2),(3)	
Hilton	Costa Mesa, CA	65,671	12,917	91,791	—	14,922	12,917	106,713	119,630	38,522	04/2007		(1),(2),(3)	
Hilton	Boston, MA	97,000	62,555	134,407	—	14,341	62,555	148,748	211,303	24,903	03/2015		(1),(2),(3)	
Hilton	Parsippany, NJ	38,073	7,293	58,098	—	6,883	7,293	64,981	72,274	14,790	03/2015		(1),(2),(3)	
Hilton	Tampa, FL	27,442	5,206	21,186	—	12,355	5,206	33,541	38,747	9,437	03/2015		(1),(2),(3)	
Hilton	Alexandria, VA	73,450	14,459	96,602	—	45	14,459	96,647	111,106	3,894	06/2018		(1),(2),(3)	
Hilton	Santa Cruz, CA	24,919	9,399	38,129	—	(3,066)	9,399	35,063	44,462	885	02/2019		(1),(2),(3)	
Hampton Inn	Lawrenceville, GA	5,447	697	3,808	—	3,179	697	6,987	7,684	3,465	11/2003		(1),(2),(3)	
Hampton Inn	Evansville, IN	11,118	1,301	5,034	—	2,619	1,301	7,653	8,954	3,800	09/2004		(1),(2),(3)	
Hampton Inn	Parsippany, NJ	18,641	3,268	24,306	—	2,500	3,268	26,806	30,074	5,172	03/2015		(1),(2),(3)	
Hampton Inn	Buford, GA	8,675	1,168	5,338	—	4,622	1,168	9,960	11,128	3,274	07/2004		(1),(2),(3)	
Hampton Inn	Phoenix, AZ	11,267	853	10,145	—	5,002	853	15,147	16,000	2,865	06/2015		(1),(2),(3)	

Column A		Column B		Column C		Column D		Column E		Column F	Column G	Column H	Column I
Hotel Property	Location	Encumbrances	Initial Cost		Costs Capitalized Since Acquisition		Gross Carrying Amount At Close of Period		Accumulated Depreciation	Construction Date	Acquisition Date	Income Statement	
			Land	FF&E, Buildings and Improvements	Land	FF&E, Buildings and Improvements	Land	FF&E, Buildings and Improvements					Total
Hampton Inn - Waterfront	Pittsburgh, PA	12,786	2,335	18,663	(1,213)	(10,652)	1,122	8,011	226		06/2015	(1)(2)(3)(4)	
Hampton Inn - Washington	Pittsburgh, PA	17,341	2,760	19,739	(1,491)	(11,327)	1,269	8,412	594		06/2015	(1)(2)(3)(4)	
Hampton Inn	Columbus, OH	21,017	1,789	27,210	1	3,691	1,790	30,901	5,000		06/2015	(1)(2)(3)	
Marriott	Beverly Hills, CA	123,120	6,510	22,061	—	23,809	6,510	45,870	24,959		03/2005	(1)(2)(3)	
Marriott	Durham, NC	26,800	1,794	25,056	—	18,478	1,794	43,534	16,077		02/2006	(1)(2)(3)	
Marriott	Arlington, VA	91,542	20,637	101,376	—	58,860	20,637	160,236	68,106		07/2006	(1)(2)(3)	
Marriott	Bridgewater, NJ	71,200	5,059	89,268	—	13,231	5,059	102,499	32,852		04/2007	(1)(2)(3)	
Marriott	Dallas, TX	30,400	2,701	30,893	—	14,196	2,701	45,089	18,711		04/2007	(1)(2)(3)	
Marriott	Fremont, CA	58,402	5,800	44,200	—	2,172	5,800	46,372	6,674		08/2014	(1)(2)(3)	
Marriott	Memphis, TN	27,041	6,210	37,284	—	1,589	6,210	38,873	9,264		02/2015	(1)(2)(3)	
Marriott	Irving, TX	66,653	8,330	82,272	—	35,370	8,330	117,642	19,426		03/2015	(1)(2)(3)	
Marriott	Omaha, NE	15,847	6,641	49,887	—	12,516	6,641	62,403	13,505		03/2015	(1)(2)(3)	
Marriott	Sugarland, TX	62,301	9,047	84,043	—	(723)	9,047	83,320	11,282		03/2015	(1)(2)(3)	
SpringHill Suites by Marriott	Baltimore, MD	13,600	2,502	13,206	—	4,161	2,502	17,367	19,869		05/2004	(1)(2)(3)	
SpringHill Suites by Marriott	Kennesaw, GA	6,638	1,106	5,021	—	3,656	1,106	8,677	9,783		07/2004	(1)(2)(3)	
SpringHill Suites by Marriott	Buford, GA	9,561	1,132	6,089	—	831	1,132	6,920	8,052		07/2004	(1)(2)(3)	
SpringHill Suites by Marriott	Charlotte, NC	12,775	1,235	6,818	—	1,002	1,235	7,820	9,055		06/2005	(1)(2)(3)	
SpringHill Suites by Marriott	Durham, NC	6,663	1,090	3,991	—	1,276	1,090	5,267	6,357		06/2005	(1)(2)(3)	
SpringHill Suites by Marriott	Manhattan Beach, CA	28,560	5,726	21,187	—	1,307	5,726	22,494	28,220		04/2007	(1)(2)(3)	
SpringHill Suites by Marriott	Plymouth Meeting, PA	20,800	3,210	24,578	—	1,473	3,210	26,051	29,261		04/2007	(1)(2)(3)	
Fairfield Inn by Marriott	Kennesaw, GA	5,207	840	4,359	—	2,567	840	6,926	7,766		07/2004	(1)(2)(3)	
Courtyard by Marriott	Bloomington, IN	14,248	900	10,741	—	3,817	900	14,558	15,458		09/2004	(1)(2)(3)	
Courtyard by Marriott - Tremont	Boston, MA	102,451	24,494	85,246	—	11,340	24,494	96,586	121,080		03/2015	(1)(2)(3)	
Courtyard by Marriott	Columbus, IN	8,160	673	4,804	—	3,435	673	8,239	8,912		09/2004	(1)(2)(3)	
Courtyard by Marriott	Denver, CO	33,376	9,342	29,656	—	3,677	9,342	33,333	42,675		03/2015	(1)(2)(3)	
Courtyard by Marriott	Louisville, KY	18,261	1,352	12,266	—	4,673	1,352	16,939	18,291		09/2004	(1)(2)(3)	
Courtyard by Marriott	Gaithersburg, MD	28,580	5,128	30,522	—	4,372	5,128	34,894	40,022		03/2015	(1)(2)(3)	
Courtyard by Marriott	Crystal City, VA	42,538	5,411	38,610	—	14,073	5,411	52,683	58,094		06/2005	(1)(2)(3)	
Courtyard by Marriott	Ft. Lauderdale, FL	20,617	2,244	18,520	—	6,454	2,244	24,974	27,218		06/2005	(1)(2)(3)	
Courtyard by Marriott	Overland Park, KS	8,794	1,868	14,030	—	4,559	1,868	18,589	20,457		06/2005	(1)(2)(3)	
Courtyard by Marriott	Foothill Ranch, CA	21,735	2,447	16,005	—	3,648	2,447	19,653	22,100		06/2005	(1)(2)(3)	
Courtyard by Marriott	Alpharetta, GA	19,665	2,244	12,345	—	3,590	2,244	15,935	18,179		06/2005	(1)(2)(3)	
Courtyard by Marriott	Oakland, CA	28,240	5,112	19,429	—	4,099	5,112	23,528	28,640		04/2007	(1)(2)(3)	
Courtyard by Marriott	Scottsdale, AZ	23,600	3,700	22,134	—	4,884	3,700	27,018	30,718		04/2007	(1)(2)(3)	
Courtyard by Marriott	Plano, TX	18,160	2,115	22,360	—	1,994	2,115	24,354	26,469		04/2007	(1)(2)(3)	
Courtyard by Marriott	Newark, CA	34,960	2,863	10,723	—	1,678	2,863	12,401	15,264		04/2007	(1)(2)(3)	
Courtyard by Marriott	Manchester, CT	6,292	1,301	7,430	—	1,931	1,301	9,361	10,662		04/2007	(1)(2)(3)	
Courtyard by Marriott	Basking Ridge, NJ	41,600	5,419	45,304	—	6,482	5,419	51,786	18,549		04/2007	(1)(2)(3)	
Courtyard by Marriott	Wichita, KS	18,380	291	23,090	—	(1,108)	291	21,982	22,273		06/2015	(1)(2)(3)	

Column A		Column B		Column C		Column D		Column E			Column F	Column G	Column H	Column I
Hotel Property	Location	Encumbrances	Initial Cost		Costs Capitalized Since Acquisition		Gross Carrying Amount At Close of Period			Accumulated Depreciation	Construction Date	Acquisition Date	Income Statement	
			Land	FF&E, Buildings and Improvements	Land	FF&E, Buildings and Improvements	Land	FF&E, Buildings and Improvements	Total					
Courtyard by Marriott - Billerica	Boston, MA	29,807	3,528	29,352	—	1,410	3,528	30,762	34,290	6,099		06/2015	(1),(2),(3)	
Homewood Suites.....	Pittsburgh, PA	25,492	1,906	28,093	—	2,781	1,906	30,874	32,780	5,132		06/2015	(1),(2),(3)	
Marriott Residence Inn.....	Lake Buena Vista, FL	25,330	2,555	20,367	—	10,717	2,555	31,084	33,639	13,809		03/2004	(1),(2),(3)	
Marriott Residence Inn.....	Evansville, IN	7,830	961	5,972	(1)	2,939	960	8,911	9,871	4,419		09/2004	(1),(2),(3)	
Marriott Residence Inn.....	Orlando, FL	25,687	6,554	40,539	—	19,672	6,554	60,211	66,765	22,529		06/2005	(1),(2),(3)	
Marriott Residence Inn.....	Falls Church, VA	26,151	2,752	34,979	—	7,376	2,752	42,355	45,107	17,299		06/2005	(1),(2),(3)	
Marriott Residence Inn.....	San Diego, CA	29,281	3,156	29,514	—	3,810	3,156	33,324	36,480	13,267		06/2005	(1),(2),(3)	
Marriott Residence Inn.....	Salt Lake City, UT	15,798	1,897	16,357	—	3,489	1,897	19,846	21,743	7,819		06/2005	(1),(2),(3)	
Marriott Residence Inn.....	Las Vegas, NV	38,160	18,177	39,568	(6,184)	(12,854)	11,993	26,714	38,707	7,465		04/2007	(1),(2),(3),(4)	
Marriott Residence Inn.....	Phoenix, AZ	23,680	4,100	23,187	—	2,655	4,100	25,842	29,942	9,014		04/2007	(1),(2),(3)	
Marriott Residence Inn.....	Plano, TX	14,160	2,045	16,869	—	2,116	2,045	18,985	21,030	6,774		04/2007	(1),(2),(3)	
Marriott Residence Inn.....	Newark, CA	37,760	3,272	11,706	—	2,586	3,272	14,292	17,564	5,272		04/2007	(1),(2),(3)	
Marriott Residence Inn.....	Manchester, CT	6,759	1,462	8,306	—	3,798	1,462	12,104	13,566	5,454		04/2007	(1),(2),(3)	
Marriott Residence Inn.....	Jacksonville, FL	9,865	1,997	16,084	—	10,214	1,997	26,298	28,295	9,129		05/2007	(1),(2),(3)	
Marriott Residence Inn.....	Stillwater, OK	7,911	930	15,070	(524)	(7,185)	406	7,885	8,291	1,377		06/2015	(1),(2),(3),(4)	
Tribute Portfolio.....	Santa Fe, NM	25,000	8,094	42,058	—	1,049	8,094	43,107	51,201	1,453		10/2018	(1),(2),(3)	
TownePlace Suites by Marriott	Manhattan Beach, CA	23,680	4,805	17,543	—	4,937	4,805	22,480	27,285	8,843		04/2007	(1),(2),(3)	
Ritz-Carlton.....	Atlanta, GA	97,902	2,477	80,139	—	31,229	2,477	111,368	113,845	21,266		03/2015	(1),(2),(3)	
One Ocean.....	Atlantic Beach, FL	57,600	5,815	14,817	—	28,226	5,815	43,043	48,858	25,727		04/2004	(1),(2),(3)	
Renaissance.....	Nashville, TN	207,000	20,671	158,260	—	33,589	20,671	191,849	212,520	32,689		03/2015	(1),(2),(3)	
Renaissance.....	Palm Springs, CA	51,522	—	74,112	—	15,176	—	89,288	89,288	17,719		03/2015	(1),(2),(3)	
Sheraton Hotel.....	Ann Arbor, MI	35,200	4,158	35,042	—	4,570	4,158	39,612	43,770	5,387		06/2015	(1),(2),(3)	
Sheraton Hotel.....	Langhorne, PA	12,880	2,037	12,424	—	9,270	2,037	21,694	23,731	10,860		07/2004	(1),(2),(3)	
Sheraton Hotel.....	Minneapolis, MN	20,933	2,953	14,280	—	5,909	2,953	20,189	23,142	9,417		03/2005	(1),(2),(3)	
Sheraton Hotel.....	Indianapolis, IN	59,278	3,100	22,041	—	22,381	3,100	44,422	47,522	21,532		03/2005	(1),(2),(3)	
Sheraton Hotel.....	Anchorage, AK	26,331	4,023	39,363	—	19,502	4,023	58,865	62,888	23,437		12/2006	(1),(2),(3)	
Sheraton Hotel.....	San Diego, CA	36,160	7,294	36,382	—	7,893	7,294	44,275	51,569	17,483		12/2006	(1),(2),(3)	
Hyatt Regency.....	Coral Gables, FL	63,200	4,805	50,820	—	27,599	4,805	78,419	83,224	28,276		04/2007	(1),(2),(3)	
Hyatt Regency.....	Hauppauge, NY	36,095	6,284	35,669	—	(1,085)	6,284	34,584	40,868	6,512		03/2015	(1),(2),(3)	
Hyatt Regency.....	Savannah, GA	69,224	14,041	72,721	—	13,781	14,041	86,502	100,543	17,958		03/2015	(1),(2),(3)	
Crown Plaza.....	Key West, FL	64,980	—	27,514	—	11,167	—	38,681	38,681	17,619		03/2005	(1),(2),(3)	
Crown Plaza.....	Annapolis, MD	—	—	9,903	—	119	—	10,022	10,022	4,658		03/2015	(1),(2),(3)	
Annapolis Historic Inn.....	Annapolis, MD	18,658	3,028	7,833	—	8,387	3,028	16,220	19,248	8,962		03/2005	(1),(2),(3),(4)	
Lakeway Resort & Spa.....	Austin, TX	19,527	4,541	28,940	—	7,716	4,541	36,656	41,197	12,160		02/2015	(1),(2),(3)	
Silversmith.....	Chicago, IL	27,739	4,782	22,398	—	(1,871)	4,782	20,527	25,309	3,507		03/2015	(1),(2),(3)	
The Churchill.....	Washington, D.C.	41,114	25,898	32,304	—	14,778	25,898	47,082	72,980	12,525		03/2015	(1),(2),(3)	
The Melrose.....	Washington, D.C.	75,454	29,277	62,507	—	(43)	29,277	62,464	91,741	8,804		03/2015	(1),(2),(3)	
Le Pavillon.....	New Orleans, LA	43,750	10,933	51,549	(2,601)	11,760	8,332	63,309	71,641	11,450		06/2015	(1),(2),(3)	
The Ashton.....	Ft. Worth, TX	8,881	800	7,187	—	1,712	800	8,899	9,699	2,283		07/2014	(1),(2),(3)	

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I				
Hotel Property	Location	Encumbrances	Initial Cost		Costs Capitalized Since Acquisition		Gross Carrying Amount At Close of Period		Accumulated Depreciation	Construction Date	Acquisition Date	Income Statement
			Land	FF&E, Buildings and Improvements	Land	FF&E, Buildings and Improvements	Land	FF&E, Buildings and Improvements				
Westin	Princeton, NJ	33,000	6,475	52,195	—	8,035	6,475	60,230	66,705	10,831	03/2015	(1),(2),(3)
W.....	Atlanta, GA	48,800	2,353	54,383	—	4,542	2,353	58,925	61,278	8,589	07/2015	(1),(2),(3)
W.....	Minneapolis, MN	51,843	8,430	79,713	—	5,008	8,430	84,721	93,151	9,327	11/2015	(1),(2),(3)
Le Meridien	Minneapolis, MN	—	2,752	12,248	—	2,578	2,752	14,826	17,578	2,561	07/2015	(1),(2),(3)
Hotel Indigo	Atlanta, GA	16,100	3,230	23,713	—	4,546	3,230	28,259	31,489	3,991	10/2015	(1),(2),(3)
WorldQuest	Orlando, FL	—	1,432	9,870	(40)	2,142	1,392	12,012	13,404	3,077	03/2011	(1),(2),(3)
Total		\$ 4,124,003	\$ 782,850	\$ 3,760,480	\$ (12,077)	\$ 913,006	\$ 770,773	\$ 4,673,486	\$ 5,444,259	\$ 1,335,816		

- (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) Amounts include impairment charges.

	Year Ended December 31,		
	2019	2018	2017
Investment in Real Estate:			
Beginning balance	\$ 5,287,463	\$ 5,064,294	\$ 5,054,564
Additions	409,603	374,223	225,461
Impairment/write-offs	(136,658)	(125,964)	(111,820)
Sales/disposals	(116,149)	(25,090)	(85,709)
Assets held for sale	—	—	(18,202)
Ending balance	\$ 5,444,259	\$ 5,287,463	\$ 5,064,294
Accumulated Depreciation:			
Beginning balance	1,182,244	1,028,379	894,001
Depreciation expense	269,664	258,441	247,220
Impairment/write-offs	(103,038)	(102,410)	(101,008)
Sales/disposals	(13,054)	(2,166)	(11,364)
Assets held for sale	—	—	(470)
Ending balance	\$ 1,335,816	\$ 1,182,244	\$ 1,028,379
Investment in Real Estate, net	\$ 4,108,443	\$ 4,105,219	\$ 4,035,915

Officers and Directors

OFFICERS

Douglas A. Kessler

Chief Executive Officer
& President

Deric S. Eubanks

Chief Financial Officer and Treasurer

Mark L. Nunneley

Chief Accounting Officer

J. Robison Hays III

Chief Strategy Officer

Jeremy J. Welter

Chief Operating Officer

Robert G. Haiman

Executive Vice President,
General Counsel & Secretary

BOARD OF DIRECTORS

Monty J. Bennett

Chairman of the Board

Benjamin J. Ansell, M.D.

Founder, Director and Chairman of
the Board UCLA Executive
Health Program

Amish Gupta

Chief Operating Officer / Partner
RETC, LP

Kamal Jafarnia

General Counsel and CCO
Artivist

Frederick J. Kleisner

Hotelier, CEO (Ret.)Wyndham Int'l.

Alan L. Tallis

Principal
Alan L. Tallis & Associates

Sheri L. Pantermuehl

Chief Financial Officer
Alan Ritchey, Inc

CHAIRMAN EMERITUS

Archie Bennett, Jr.

Corporate Information

Corporate Office

Ashford Hospitality Trust, Inc.
14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
Telephone: (972) 490-9600
www.ahtreit.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 Ashford Hospitality Trust Annual Report on Form 10-K for fiscal 2019, was filed with the Securities and Exchange Commission on March 12, 2020 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. Ashford Hospitality Trust, Inc. (the "Company" or "we" or "our") cautions investors that any forward-looking statements presented herein, or which management may make orally or in writing from time to time, are based on management's beliefs and assumptions at that time. Throughout this report, words such as "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "result," and other similar expressions, which do not relate solely to historical matters, are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution investors that while forward-looking statements reflect our good faith beliefs at the time they are made, such statements are not guarantees of future performance and are impacted by actual events that occur after such statements are made. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends. Some of the risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, those discussed in our Annual Report on Form 10-K under the heading "Risk Factors." These risks and uncertainties continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment where new risk factors emerge from time to time. It is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Annual Meeting

The annual meeting of shareholders will be held on May 14, 2020, at 9:30 a.m. CT at Ashford Hospitality Trust, Inc., 14185 Dallas Parkway, Suite 1200, Dallas, Texas 75254. Shareholders of record as of the close of business on March 16, 2020 will be entitled to vote at this meeting.



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