Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2019

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☐ **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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

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**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $0.01 par value per share	102,142,228
(Class)	*Outstanding at May 6, 2019*

ASHFORD HOSPITALITY TRUST, INC
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2019
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (unaudited)

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

	March 31, 2019	December 31, 2018
ASSETS		
Investments in hotel properties, net	$ 4,309,127	$ 4,105,219
Cash and cash equivalents	242,561	319,210
Restricted cash	152,151	120,602
Marketable securities	11,550	21,816
Accounts receivable, net of allowance of $478 and $485, respectively	65,579	37,060
Inventories	4,514	4,224
Investment in unconsolidated entities	3,725	4,489
Deferred costs, net	3,369	3,449
Prepaid expenses	27,143	19,982
Derivative assets, net	2,196	2,396
Operating lease right-of-use assets	40,680	—
Other assets	15,411	15,923
Intangible assets, net	797	9,824
Due from related party, net	1,166	—
Due from third-party hotel managers	25,181	21,760
Total assets	$ 4,905,150	$ 4,685,954
LIABILITIES AND EQUITY		
Liabilities:		
Indebtedness, net	$ 4,157,767	$ 3,927,266
Accounts payable and accrued expenses	162,060	136,757
Dividends and distributions payable	27,552	26,794
Due to Ashford Inc., net	7,795	23,034
Due to related party, net	—	1,477
Due to third-party hotel managers	2,480	2,529
Intangible liabilities, net	2,418	15,483
Derivative liabilities, net	36	50
Operating lease liabilities	43,795	—
Other liabilities	26,619	18,716
Total liabilities	4,430,522	4,152,106
Commitments and contingencies (note 15)		
Redeemable noncontrolling interests in operating partnership	101,980	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 March 31, 2019 and December 31, 2018	24	24
Series F Cumulative Preferred Stock, 4,800,000 shares issued and outstanding at March 31, 2019 and December 31, 2018	48	48
Series G Cumulative Preferred Stock, 6,200,000 shares issued and outstanding at March 31, 2019 and December 31, 2018	62	62
Series H Cumulative Preferred Stock, 3,800,000 shares issued and outstanding at March 31, 2019 and December 31, 2018	38	38
Series I Cumulative Preferred Stock, 5,400,000 shares issued and outstanding at March 31, 2019 and December 31, 2018	54	54
Common stock, $0.01 par value, 400,000,000 shares authorized, 102,165,662 and 101,035,530 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	1,022	1,010
Additional paid-in capital	1,815,946	1,814,273
Accumulated deficit	(1,445,136)	(1,363,020)
Total stockholders' equity of the Company	372,058	452,489
Noncontrolling interests in consolidated entities	590	616
Total equity	372,648	453,105
Total liabilities and equity	$ 4,905,150	$ 4,685,954

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2019	**2018**
REVENUE		
Rooms	$ 280,381	$ 270,693
Food and beverage	61,061	55,044
Other hotel revenue	16,204	15,491
Total hotel revenue	357,646	341,228
Other	1,072	979
Total revenue	358,718	342,207
EXPENSES		
Hotel operating expenses:		
Rooms	60,647	59,086
Food and beverage	41,323	38,465
Other expenses	113,527	106,383
Management fees	12,989	12,737
Total hotel expenses	228,486	216,671
Property taxes, insurance, and other	20,397	18,359
Depreciation and amortization	67,178	63,047
Impairment charges	—	1,660
Transaction costs	—	2
Advisory services fee	16,304	17,077
Corporate general and administrative	2,601	2,129
Total expenses	334,966	318,945
Gain (loss) on sale of assets and hotel properties	233	(9)
OPERATING INCOME (LOSS)	23,985	23,253
Equity in earnings (loss) of unconsolidated entities	(1,063)	(588)
Interest income	781	746
Other income (expense)	(316)	76
Interest expense and amortization of premiums and loan costs	(66,166)	(54,743)
Write-off of premiums, loan costs and exit fees	(2,062)	(2,050)
Unrealized gain (loss) on marketable securities	808	(558)
Unrealized gain (loss) on derivatives	(2,994)	329
INCOME (LOSS) BEFORE INCOME TAXES	(47,027)	(33,535)
Income tax (expense) benefit	405	886
NET INCOME (LOSS)	(46,622)	(32,649)
(Income) loss from consolidated entities attributable to noncontrolling interest	26	38
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership	8,579	6,340
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	(38,017)	(26,271)
Preferred dividends	(10,644)	(10,644)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (48,661)	$ (36,915)
INCOME (LOSS) PER SHARE - BASIC AND DILUTED		
Basic:		
Net income (loss) attributable to common stockholders	$ (0.49)	$ (0.39)
Weighted average common shares outstanding – basic	99,407	95,367
Diluted:		
Net income (loss) attributable to common stockholders	$ (0.49)	$ (0.39)
Weighted average common shares outstanding – diluted	99,407	95,367

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2019	**2018**
Net income (loss)	$ (46,622)	$ (32,649)
Other comprehensive income (loss), net of tax:		
Total other comprehensive income (loss)	—	—
Comprehensive income (loss)	(46,622)	(32,649)
Less: Comprehensive (income) loss attributable to noncontrolling interest in consolidated entities	26	38
Less: Comprehensive (income) loss attributable to redeemable noncontrolling interests in operating partnership	8,579	6,340
Comprehensive income (loss) attributable to the Company	$ (38,017)	$ (26,271)

See Notes to Consolidated Financial Statements.

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

	Preferred Stock																
	Series D		Series F		Series G		Series H		Series I		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests In Consolidated Entities	Total	Redeemable Noncontrolling Interests in Operating Partnership
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 31, 2018	2,389	$ 24	4,800	$ 48	6,200	$ 62	3,800	$ 38	5,400	$ 54	101,036	$1,010	$1,814,273	$(1,363,020)	$ 616	$453,105	$ 80,743
Impact of adoption of new accounting standard [(1)]	—	—	—	—	—	—	—	—	—	—	—	—	—	1,755	—	1,755	—
Purchases of common stock	—	—	—	—	—	—	—	—	—	—	(187)	(1)	(902)	—	—	(903)	—
Equity-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	2,788	—	—	2,788	1,802
Forfeitures of restricted shares	—	—	—	—	—	—	—	—	—	—	(6)	—	—	—	—	—	—
Issuance of restricted shares/units	—	—	—	—	—	—	—	—	—	—	1,323	13	(13)	—	—	—	23
Issuance of units for hotel acquisition	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,854
Common stock offering costs	—	—	—	—	—	—	—	—	—	—	—	—	(200)	—	—	(200)	—
Dividends declared - common stock ($.12/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	(12,450)	—	(12,450)	—
Dividends declared - preferred stock - Series D ($.53/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,262)	—	(1,262)	—
Dividends declared – preferred stock - Series F ($.46/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,212)	—	(2,212)	—
Dividends declared – preferred stock - Series G ($.46/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,858)	—	(2,858)	—
Dividends declared – preferred stock - Series H ($.47/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,781)	—	(1,781)	—
Dividends declared – preferred stock - Series I ($.47/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,531)	—	(2,531)	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,623)
Redemption value adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	(22,760)	—	(22,760)	22,760
Net income (loss)	—	—	—	—	—	—	—	—	—	—	—	—	—	(38,017)	(26)	(38,043)	(8,579)
Balance at March 31, 2019	2,389	$ 24	4,800	$ 48	6,200	$ 62	3,800	$ 38	5,400	$ 54	102,166	$1,022	$1,815,946	$(1,445,136)	$ 590	$372,648	$ 101,980

[(1)] see note 17.

	Preferred Stock										Common Stock		Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests In Consolidated Entities	Total	Redeemable Noncontrolling Interests in Operating Partnership
	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, 2018	2,389	$ 24	4,800	$ 48	6,200	$ 62	3,800	$ 38	5,400	$ 54	97,409	$ 974	$1,784,997	$(1,153,697)	$ 646	$633,146	$ 116,122
Purchases of common stock	—	—	—	—	—	—	—	—	—	—	(228)	(2)	(1,460)	—	—	(1,462)	—
Equity-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	5,886	—	—	5,886	1,116
Forfeitures of restricted shares	—	—	—	—	—	—	—	—	—	—	(14)	—	—	—	—	—	—
Issuance of restricted shares/units	—	—	—	—	—	—	—	—	—	—	1,487	15	108	—	—	123	49
Preferred stock issuance costs	—	—	—	—	—	—	—	—	—	—	—	—	(30)	—	—	(30)	—
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends declared - common stock ($.12/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	(11,961)	—	(11,961)	—
Dividends declared - preferred stock - Series D ($.53/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,262)	—	(1,262)	—
Dividends declared – preferred stock - Series F ($.46/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,212)	—	(2,212)	—
Dividends declared – preferred stock - Series G ($.46/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,858)	—	(2,858)	—
Dividends declared – preferred stock - Series H ($.47/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,781)	—	(1,781)	—
Dividends declared – preferred stock - Series I ($.47/share)	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,531)	—	(2,531)	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,470)
Redemption value adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	(4,490)	—	(4,490)	4,490
Net income (loss)	—	—	—	—	—	—	—	—	—	—	—	—	—	(26,271)	(38)	(26,309)	(6,340)
Balance at March 31, 2018	2,389	$ 24	4,800	$ 48	6,200	$ 62	3,800	$ 38	5,400	$ 54	98,654	$ 987	$1,789,501	$(1,207,063)	$ 608	$584,259	$ 112,967

See Notes to Consolidated Financial Statements

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

	Three Months Ended March 31,	
	2019	**2018**
Cash Flows from Operating Activities		
Net income (loss)	$ (46,622)	$ (32,649)
Adjustments to reconcile net income (loss) to net cash flow from operating activities:		
Depreciation and amortization	67,178	63,047
Impairment charges	—	1,660
Amortization of intangibles	(59)	(59)
Recognition of deferred income	(222)	144
Bad debt expense	567	509
Deferred income tax expense (benefit)	(697)	(1,147)
Equity in (earnings) loss of unconsolidated entities	1,063	588
(Gain) loss on sale of assets and hotel properties	(233)	9
Realized and unrealized (gain) loss on marketable securities	(804)	448
Purchases of marketable securities	(1,325)	(10,773)
Sales of marketable securities	12,395	1,275
Net settlement of trading derivatives	(2,675)	180
Realized and unrealized (gain) loss on derivatives	3,157	(329)
Amortization of loan costs and premiums and write-off of premiums, loan costs and exit fees	9,255	4,434
Equity-based compensation	4,590	7,002
Changes in operating assets and liabilities, exclusive of the effect of acquisitions and dispositions of hotel properties:		
Accounts receivable and inventories	(29,314)	(11,389)
Prepaid expenses and other assets	(5,162)	(11,348)
Operating lease right-of-use asset	(1,863)	—
Operating lease liability	514	—
Accounts payable and accrued expenses	21,195	12,275
Due to/from related party	(2,327)	(3,821)
Due to/from third-party hotel managers	(3,470)	(2,424)
Due to/from Ashford Inc., net	861	(2,229)
Other liabilities	777	1,258
Net cash provided by (used in) operating activities	26,779	16,661
Cash Flows from Investing Activities		
Investment in unconsolidated entity	(299)	(667)
Proceeds from franchise agreement	4,000	—
Acquisition of hotel properties and assets, net of cash and restricted cash acquired	(212,791)	(110)
Improvements and additions to hotel properties	(37,982)	(64,006)
Net proceeds from sales of assets and hotel properties	5,000	10,535
Payments for initial franchise fees	(200)	(75)
Proceeds from property insurance	198	651
Net cash provided by (used in) investing activities	(242,074)	(53,672)
Cash Flows from Financing Activities		
Borrowings on indebtedness	385,000	401,528
Repayments of indebtedness	(179,554)	(394,704)
Payments for loan costs and exit fees	(8,916)	(1,997)
Payments for dividends and distributions	(24,959)	(23,173)
Purchases of common stock	(903)	(1,462)
Payments for derivatives	(296)	(229)
Common stock offering costs	(200)	—
Other	23	19
Net cash provided by (used in) financing activities	170,195	(20,018)
Net increase (decrease) in cash, cash equivalents and restricted cash	(45,100)	(57,029)
Cash, cash equivalents and restricted cash at beginning of period	439,812	472,072
Cash, cash equivalents and restricted cash and at end of period	$ 394,712	$ 415,043

	Three Months Ended March 31,	
	2019	2018
Supplemental Cash Flow Information		
Interest paid	$ 57,457	$ 52,168
Income taxes paid (refunded)	46	(255)
Supplemental Disclosure of Non-Cash Investing and Financing Activity		
Accrued but unpaid capital expenditures	$ 27,390	$ 18,705
Non-cash dividends paid	—	123
Issuance of units for hotel acquisition	7,854	—
Assumption of debt in hotel acquisition	24,922	—
Dividends and distributions declared but not paid	27,552	26,824
Supplemental Disclosure of Cash, Cash Equivalents and Restricted Cash		
Cash and cash equivalents at beginning of period	$ 319,210	$ 354,805
Cash and cash equivalents at beginning of period included in assets held for sale	—	78
Restricted cash at beginning of period	120,602	116,787
Restricted cash at beginning of period included in assets held for sale	—	402
Cash, cash equivalents and restricted cash at beginning of period	$ 439,812	$ 472,072
Cash and cash equivalents at end of period	$ 242,561	$ 277,686
Cash and cash equivalents at end of period included in assets held for sale	—	1
Restricted cash at end of period	152,151	137,145
Restricted cash at end of period included in assets held for sale	—	211
Cash, cash equivalents and restricted cash at end of period	$ 394,712	$ 415,043

See Notes to Consolidated Financial Statements.

1. Organization and Description of Business

Ashford Hospitality Trust, Inc., together with its subsidiaries ("Ashford Trust"), is a real estate investment trust ("REIT") focused on investing opportunistically in the hospitality industry with a focus predominantly on full-service upscale and upper upscale 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 March 31, 2019, we owned interests in the following assets:

- 121 consolidated hotel properties, including 119 directly owned and two owned through a majority-owned investment in a consolidated entity, which represent 25,579 total rooms (or 25,552 net rooms excluding those attributable to our partner);
- 90 hotel condominium units at WorldQuest Resort in Orlando, Florida ("WorldQuest");
- a 24.2% ownership in Ashford Inc. common stock with a carrying value of $949,000 and a fair value of $33.2 million; and
- a 16.6% ownership in OpenKey with a carrying value of $2.8 million.

For federal income tax purposes, we have elected to be treated as a REIT, which imposes limitations related to operating hotels. As of March 31, 2019, our 121 hotel properties were leased or owned by our wholly-owned or majority-owned subsidiaries that are treated as taxable REIT subsidiaries for 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. As of March 31, 2019, Remington Lodging & Hospitality, LLC, together with its affiliates ("Remington Lodging"), which is beneficially wholly owned by Mr. Monty J. Bennett, our Chairman, and his father Mr. Archie Bennett, Jr., our Chairman Emeritus, managed 83 of our 121 hotel properties and WorldQuest Resort. 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 project management services, mortgage placement services, audio visual services, real estate advisory services, investment management services and mobile key technology.

2. Significant Accounting Policies

Basis of Presentation—The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These 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. We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP in the accompanying unaudited consolidated financial statements. We believe the disclosures made herein are adequate to prevent the information presented from being misleading. However, the financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2018 Annual Report to Stockholders on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 1, 2019.

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.

Historical seasonality patterns at some of our hotel properties cause fluctuations in our overall operating results. Consequently, operating results for the three months ended March 31, 2019, are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

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

Hotel Property	Location	Type	Date
SpringHill Suites	Glen Allen, VA	Disposition	February 20, 2018
SpringHill Suites	Centreville, VA	Disposition	May 1, 2018
Residence Inn	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 Midtown Manhattan	New York, NY	Acquisition	January 22, 2019
Hilton Santa Cruz/Scotts Valley	Santa Cruz, CA	Acquisition	February 26, 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.

Restricted Cash—Restricted cash includes reserves for debt service, real estate taxes, and insurance, as well as excess cash flow deposits and reserves for furniture, fixtures, and equipment replacements of approximately 4% to 6% of property revenue for certain hotels, as required by certain management or mortgage debt agreement restrictions and provisions.

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. See note 6.

Investments in Unconsolidated Entities—Investments in entities in which we have ownership interests ranging from 16.6% to 24.2%, at March 31, 2019, are 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 investments in our unconsolidated entities 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) in unconsolidated entities. No such impairment was recorded for the three months ended March 31, 2019 and 2018.

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 should not be consolidated. In evaluating VIEs, our analysis involves considerable management judgment and assumptions.

Leases—We determine if an arrangement is a lease at the commencement date. Operating leases, as lessee, are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on our consolidated balance sheets. We currently do not have any finance leases.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and initial direct costs incurred and excludes lease incentives. The lease terms used to calculate our right-of-use asset may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, which under the elected practical expedients under ASC 842, we are not accounting for separately. For certain equipment leases, such as office equipment, we account for the lease and non-lease components as a single lease component.

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.

Recently Adopted Accounting Standards—In February 2016, the Financial Accounting Standards Board ("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. Leases will be 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 will allow 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, 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 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 5.

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. Early adoption is permitted for periods beginning after December 15, 2018. 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*. We are currently evaluating the impact that ASU 2016-13 will have on our consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). ASU 2018-13 modifies certain disclosure requirements related to fair value measurements including requiring disclosures on changes in unrealized gains and losses in other comprehensive income for recurring Level 3 fair value measurements and a requirement to disclose the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact that ASU 2018-13 will have on the consolidated financial statements.

3. Revenue

Rooms revenue represents revenue from the occupancy of our hotel rooms and 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 audio-visual 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, audio visual services. We evaluate each of these contracts to determine if the hotel is the principal or the agent in the transaction, and record the 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 consisting of leased retail outlets at our hotel properties. Attrition and cancellation fees are recognized from non-cancellable deposits when the customer provides notification of cancellation within established management policy time frames.

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

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

	Three Months Ended March 31, 2019					
Primary Geographical Market	**Number of Hotels**	**Rooms**	**Food and Beverage**	**Other Hotel**	**Other**	**Total**
Atlanta, GA Area	9	$ 20,276	$ 5,043	$ 1,195	$ —	$ 26,514
Boston, MA Area	3	9,470	1,601	812	—	11,883
Dallas / Ft. Worth Area	7	15,904	4,776	885	—	21,565
Houston, TX Area	3	6,641	2,561	199	—	9,401
Los Angeles, CA Metro Area	6	20,544	4,593	1,166	—	26,303
Miami, FL Metro Area	3	8,910	2,788	225	—	11,923
Minneapolis / St. Paul, MN / WI Area	4	6,369	1,622	793	—	8,784
Nashville, TN Area	1	12,082	5,198	697	—	17,977
New York / New Jersey Metro Area	7	18,877	4,706	766	—	24,349
Orlando, FL Area	3	8,986	536	460	—	9,982
Philadelphia, PA Area	3	4,667	793	156	—	5,616
San Diego, CA Area	2	4,329	402	219	—	4,950
San Francisco / Oakland, CA Metro Area	6	21,625	2,338	567	—	24,530
Tampa, FL Area	2	8,134	2,713	269	—	11,116
Washington D.C. / MD / VA Area	9	25,755	5,450	1,811	—	33,016
Other Areas	53	86,626	15,926	5,591	—	108,143
Orlando WorldQuest	—	1,186	15	393	—	1,594
Corporate	—	—	—	—	1,072	1,072
Total	121	$ 280,381	$ 61,061	$ 16,204	$ 1,072	$ 358,718

	Three Months Ended March 31, 2018					
Primary Geographical Market	**Number of Hotels**	**Rooms**	**Food and Beverage**	**Other Hotel**	**Other**	**Total**
Atlanta, GA Area	9	$ 17,259	$ 4,439	$ 1,343	$ —	$ 23,041
Boston, MA Area	3	9,166	1,402	776	—	11,344
Dallas / Ft. Worth Area	7	16,482	4,963	779	—	22,224
Houston, TX Area	3	6,972	2,642	215	—	9,829
Los Angeles, CA Metro Area	6	20,581	4,456	999	—	26,036
Miami, FL Metro Area	3	9,994	2,555	294	—	12,843
Minneapolis - St. Paul, MN - WI Area	4	8,844	2,261	1,120	—	12,225
Nashville, TN Area	1	10,978	2,320	472	—	13,770
New York / New Jersey Metro Area	6	16,323	4,923	744	—	21,990
Orlando, FL Area	3	8,341	371	196	—	8,908
Philadelphia, PA Area	3	4,907	1,030	189	—	6,126
San Diego, CA Area	2	4,173	240	221	—	4,634
San Francisco - Oakland, CA Metro Area	6	18,486	1,918	466	—	20,870
Tampa, FL Area	2	7,481	1,915	786	—	10,182
Washington D.C. - MD - VA Area	8	23,650	5,145	1,225	—	30,020
Other Areas	51	83,092	14,430	5,236	—	102,758
Orlando WorldQuest	—	1,391	33	338	—	1,762
Sold properties	3	2,573	1	92	—	2,666
Corporate	—	—	—	—	979	979
Total	120	$ 270,693	$ 55,044	$ 15,491	$ 979	$ 342,207

4. Investments in Hotel Properties, net

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

	March 31, 2019	December 31, 2018
Land	$ 791,075	$ 670,362
Buildings and improvements	4,193,548	4,062,810
Furniture, fixtures, and equipment	499,059	504,806
Construction in progress	34,753	37,394
Condominium properties	12,091	12,091
Total cost	5,530,526	5,287,463
Accumulated depreciation	(1,221,399)	(1,182,244)
Investments in hotel properties, net	$ 4,309,127	$ 4,105,219

Acquisitions

Embassy Suites New York Midtown Manhattan

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

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 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	$ 111,760
Buildings and improvements	79,906
Furniture, fixtures and equipment	8,626
	$ 200,292
Key money	(3,800)
	$ 196,492
Net other assets (liabilities)	$ 1,559

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 three months ended March 31, 2019 (in thousands):

	Three Months Ended March 31, 2019
Total revenue	$ 3,394
Net income (loss)	(2,371)

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, approximately 1.5 million common units in our operating partnership and the assumption of 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 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	$ 9,439
Buildings and improvements	34,203
Furniture, fixtures and equipment [1]	3,852
	$ 47,494
Debt discount	407
	$ 47,901
Net other assets (liabilities)	$ 320

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[1] Furniture, fixtures and equipment was sold to Ashford Inc. as a part of the $5.0 million ERFP for the Hilton Santa Cruz/Scotts Valley.

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 three months ended March 31, 2019 (in thousands):

	Three Months Ended March 31, 2019
Total revenue	$ 820
Net income (loss)	(237)

5. 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 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 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 condensed consolidated statements of operations and statements of cash flows.

The majority of our leases are operating ground leases. We also have operating equipment leases, such as copier and vehicle leases, at our hotel properties. Some leases include one or more options to renew, with renewal terms that can extend the lease term from one to 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 March 31, 2019.

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

	March 31, 2019
Assets	
Operating lease right-of-use assets	$ 40,680
Liabilities	
Operating lease liabilities	$ 43,795

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

	Classification	Three Months Ended March 31, 2019
Operating lease cost [1]	Hotel operating expenses - other	$ 831

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[1] Includes approximately $192,000 of variable lease cost associated with the ground leases and ($39,000) of net amortization costs related to the intangible assets and liabilities that was reclassified upon adoption of ASC 842. Short-term lease costs in aggregate are immaterial.

Other information related to leases is as follows:

	Three Months Ended March 31, 2019
Supplemental Cash Flows Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases (in thousands)	$ 728
Weighted Average Remaining Lease Term	
Operating leases [1]	71 years
Weighted Average Discount Rate	
Operating leases [1]	5.16%

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[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 March 31, 2019 were as follows (in thousands):

	Operating Leases
2019	$ 2,914
2020	2,791
2021	2,600
2022	2,483
2023	2,419
Thereafter	167,006
Total future minimum lease payments	180,213
Less: interest	(136,418)
Present value of lease liabilities	$ 43,795

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	$ 133,771

Enhanced Return Funding Program

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

6. Hotel Dispositions, Impairment Charges and Insurance Recoveries

Hotel Dispositions

On February 20, 2018, the Company sold the SpringHill Suites in Glen Allen, Virginia 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 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 in Centreville, Virginia (“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 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 in Tampa, Florida for approximately $24.0 million in cash. The sale resulted in a gain of approximately $400,000 for the year ended December 31, 2018, which was included in “gain (loss) on sale of 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.

We included the results of operations for these hotel properties through the date of disposition in net income (loss) as shown in the consolidated statements of operations for the three months ended March 31, 2018. The following table includes condensed financial information from these hotel properties in the consolidated statements of operations for the three months ended March 31, 2018 (in thousands):

	Three Months Ended March 31, 2018
Total hotel revenue	$ 2,666
Total hotel operating expenses	(1,645)
Gain (loss) on sale of hotel properties	(9)
Operating income (loss)	1,012
Property taxes, insurance and other	(150)
Depreciation and amortization	(309)
Impairment charges	(1,939)
Interest expense and amortization of loan costs	(480)
Write-off of loan costs and exit fees	(61)
Income (loss) before income taxes	(1,927)
(Income) loss before income taxes attributable to redeemable noncontrolling interests in operating partnership	282
Net income (loss) attributable to the Company	$ (1,645)

Impairment Charges and Insurance Recoveries

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.

For the three months ended March 31, 2019 and 2018, the Company recorded revenue from business interruption losses associated with lost profits from the hurricanes of $0 and $401,000, respectively, which is included in “other” hotel revenue in our consolidated statement of operations. We received additional proceeds of $36,000 and $500,000 associated with property damage from the hurricanes during the three months ended March 31, 2019 and 2018, respectively. 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.

For the three months ended March 31, 2018, we recorded a $2.0 million impairment charge at the SpringHill Suites Centreville. The SpringHill Suites Centreville was sold on May 1, 2018. We also recorded impairment adjustments of $35,000 and $302,000 for the three months ended March 31, 2019 and 2018, respectively, based on changes in estimates of property damages incurred from the hurricanes.

7. Investment in Unconsolidated Entities

Ashford Inc.

We hold approximately 598,000 shares of Ashford Inc. common stock, which represented approximately 24.2% of the outstanding common stock of Ashford Inc. as of March 31, 2019, with a carrying value of $949,000 and a fair value of $33.2 million.

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

Ashford Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	March 31, 2019	December 31, 2018
Total assets	$ 420,106	$ 379,005
Total liabilities	$ 144,363	$ 108,726
Series B cumulative convertible preferred stock	201,338	200,847
Redeemable noncontrolling interests	3,810	3,531
Total stockholders' equity of Ashford Inc.	69,968	65,443
Noncontrolling interests in consolidated entities	627	458
Total equity	70,595	65,901
Total liabilities and equity	$ 420,106	$ 379,005
Our ownership interest in Ashford Inc.	$ 949	$ 1,896

Ashford Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended March 31,	
	2019	2018
Total revenue	$ 63,320	$ 48,168
Total operating expenses	(60,778)	(53,204)
Operating income (loss)	2,542	(5,036)
Equity in earnings (loss) of unconsolidated entities	(275)	—
Interest expense and loan amortization costs	(366)	(166)
Other income (expense)	(33)	73
Income tax (expense) benefit	(1,300)	(706)
Net income (loss)	568	(5,835)
(Income) loss from consolidated entities attributable to noncontrolling interests	163	173
Net (income) loss attributable to redeemable noncontrolling interests	(21)	(61)
Net income (loss) attributable to Ashford Inc.	710	(5,723)
Preferred dividends	(2,791)	—
Amortization of preferred stock discount	(491)	—
Net income attributable to common shareholders	$ (2,572)	$ (5,723)
Our equity in earnings (loss) of Ashford Inc.	$ (947)	$ (437)

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OpenKey

OpenKey, which is controlled and consolidated by Ashford Inc., is a hospitality-focused mobile key platform that provides a universal smart phone app 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 March 31, 2019, the Company has made investments totaling $4.3 million. In 2019 and 2018, we made additional investments of $299,000 and $667,000, respectively.

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

	March 31, 2019	December 31, 2018
Carrying value of the investment in OpenKey (in thousands)	$ 2,776	$ 2,593
Ownership interest in OpenKey	16.6%	16.3%

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

	Three Months Ended March 31,	
Line Item	2019	2018
Equity in earnings (loss) in unconsolidated entity	$ (116)	$ (151)

8. Indebtedness

Indebtedness consisted of the following (in thousands):

Indebtedness	Collateral	Maturity	Interest Rate	March 31, 2019	December 31, 2018
Secured credit facility [3]	None	September 2019	Base Rate [2] + 1.65% or LIBOR [1] + 2.65%	$ —	$ —
Mortgage loan [4]	1 hotel	June 2019	LIBOR [1] + 5.10%	43,750	43,750
Mortgage loan	1 hotel	July 2019	4.00%	5,213	5,232
Mortgage loan [5]	1 hotel	July 2019	LIBOR [1] + 4.15%	35,200	35,200
Mortgage loan [5]	8 hotels	July 2019	LIBOR [1] + 4.09%	144,000	144,000
Mortgage loan [6]	1 hotel	August 2019	LIBOR [1] + 4.95%	7,778	7,778
Mortgage loan [7]	17 hotels	November 2019	LIBOR [1] + 3.00%	427,000	427,000
Mortgage loan [7]	8 hotels	February 2020	LIBOR [1] + 2.92%	395,000	395,000
Mortgage loan [7]	21 hotels	April 2020	LIBOR [1] + 3.20%	962,575	962,575
Mortgage loan [8]	1 hotel	May 2020	LIBOR [1] + 2.90%	16,100	16,100
Mortgage loan [7]	7 hotels	June 2020	LIBOR [1] + 3.65%	180,720	180,720
Mortgage loan [7]	7 hotels	June 2020	LIBOR [1] + 3.39%	174,400	174,400
Mortgage loan [7]	5 hotels	June 2020	LIBOR [1] + 3.73%	221,040	221,040
Mortgage loan [7]	5 hotels	June 2020	LIBOR [1] + 4.02%	262,640	262,640
Mortgage loan [7]	5 hotels	June 2020	LIBOR [1] + 2.73%	160,000	160,000
Mortgage loan [7]	5 hotels	June 2020	LIBOR [1] + 3.68%	215,120	215,120
Mortgage loan	1 hotel	November 2020	6.26%	92,951	93,433
Mortgage loan [9]	1 hotel	November 2020	LIBOR [1] + 2.55%	25,000	25,000
Mortgage loan [10]	2 hotels	March 2021	LIBOR [1] + 2.75%	240,000	—
Mortgage loan [8]	1 hotel	February 2022	LIBOR [1] + 3.90%	145,000	—
Mortgage loan [10]	2 hotels	June 2022	LIBOR [1] + 3.00%	—	178,099
Mortgage loan	1 hotel	November 2022	LIBOR [1] + 2.00%	97,000	97,000
Mortgage loan	1 hotel	May 2023	5.46%	52,588	52,843
Mortgage loan	1 hotel	June 2023	LIBOR [1] + 2.45%	73,450	73,450
Mortgage loan	1 hotel	January 2024	5.49%	6,852	6,883
Mortgage loan	1 hotel	January 2024	5.49%	9,999	10,045
Mortgage loan	1 hotel	May 2024	4.99%	6,383	6,414
Mortgage loan	3 hotels	August 2024	5.20%	65,056	65,242
Mortgage loan	2 hotels	August 2024	4.85%	12,013	12,048
Mortgage loan	3 hotels	August 2024	4.90%	24,015	24,086
Mortgage loan	2 hotels	February 2025	4.45%	19,765	19,835
Mortgage loan	3 hotels	February 2025	4.45%	51,124	51,304
Mortgage loan	1 hotel	March 2025	4.66%	25,280	—
				4,197,012	3,966,237
Premiums, net				821	1,293
Deferred loan costs, net				(40,066)	(40,264)
Indebtedness, net				$ 4,157,767	$ 3,927,266

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(1) LIBOR rates were 2.495% and 2.503% at March 31, 2019 and December 31, 2018, respectively.

(2) Base Rate, as defined in the secured credit facility agreement, is the greater of (i) the prime rate set by Bank of America, or (ii) federal funds rate + 0.5%, or (iii) LIBOR + 1.0%.

(3) The secured credit facility has borrowing capacity of up to $100.0 million.

(4) This mortgage loan has three one-year extension options, subject to satisfaction of certain conditions. The second one-year extension period began in June 2018.

(5) This mortgage loan has three one-year extension options, subject to satisfaction of certain conditions. The second one-year extension period began in July 2018.

(6) This mortgage loan has two one-year extension options subject to satisfaction of certain conditions. The first one-year extension period began in August 2018.

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

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

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

(10) 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%.

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 6.

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 6.

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 6.

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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

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[(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%.

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 Midtown Manhattan, 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 Midtown Manhattan.

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 is 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.

During the three months ended March 31, 2019 and 2018, we recognized net premium amortization as presented in the table below (in thousands):

	Three Months Ended March 31,	
Line Item	**2019**	**2018**
Interest expense and amortization of premium and loan costs	$ 65	$ 69

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 March 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.

9. 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.

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The following table reconciles the amounts used in calculating basic and diluted income (loss) per share (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2019	**2018**
Income (loss) allocated to common stockholders - basic and diluted:		
Income (loss) attributable to the Company	$ (38,017)	$ (26,271)
Less: Dividends on preferred stock	(10,644)	(10,644)
Less: Dividends on common stock	(11,979)	(11,613)
Less: Dividends on unvested performance stock units	(190)	(123)
Less: Dividends on unvested restricted shares	(281)	(225)
Undistributed income (loss)	(61,111)	(48,876)
Add back: Dividends on common stock	11,979	11,613
Distributed and undistributed income (loss) - basic and diluted	**$ (49,132)**	**$ (37,263)**
Weighted average shares outstanding:		
Weighted average common shares outstanding - basic and diluted	99,407	95,367
Basic income (loss) per share:		
Net income (loss) allocated to common stockholders per share	$ (0.49)	$ (0.39)
Diluted income (loss) per share:		
Net income (loss) allocated to common stockholders per share	$ (0.49)	$ (0.39)

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

	Three Months Ended March 31,	
	2019	**2018**
Income (loss) allocated to common stockholders is not adjusted for:		
Income (loss) allocated to unvested restricted shares	$ 281	$ 225
Income (loss) allocated to unvested performance stock units	190	123
Income (loss) attributable to noncontrolling interest in operating partnership units	(8,579)	(6,340)
Total	$ (8,108)	$ (5,992)
Weighted average diluted shares are not adjusted for:		
Effect of unvested restricted shares	235	181
Effect of unvested performance stock units	278	551
Effect of assumed conversion of operating partnership units	18,345	17,541
Effect of advisory services incentive fee shares	22	283
Total	18,880	18,556

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 the applicable periods:

	Three Months Ended March 31,	
	2019	2018
Interest rate caps:		
Notional amount (in thousands)	$ 385,000	$ 1,005,100
Strike rate low end of range	3.50%	2.50%
Strike rate high end of range	4.00%	4.00%
Effective date range	January 2019 - March 2019	January 2018 - March 2018
Termination date range	March 2021 - February 2022	January 2019 - February 2020
Total cost (in thousands)	$ 295	$ 229
Interest rate floors:		
Notional amount (in thousands)	$ 6,000,000	$ —
Strike rate low end of range	1.63%	—
Strike rate high end of range	1.63%	—
Effective date range	January 2019	n/a
Termination date range	March 2020	n/a
Total cost (in thousands)	$ 225	$ —

None of these instruments were designated as cash flow hedges.

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

	March 31, 2019	December 31, 2018
Interest rate caps:		
Notional amount (in thousands)	$ 4,046,918 [(1)]	$ 3,953,718 [(1)]
Strike rate low end of range	1.50 %	1.50 %
Strike rate high end of range	5.71 %	5.71 %
Termination date range	April 2019 - February 2022	January 2019 - November 2020
Aggregate principle balance on corresponding mortgage loans (in thousands)	$ 3,728,773	$ 3,521,872
Interest rate floors: [(2)]		
Notional amount (in thousands)	$ 30,775,000 [(1)]	$ 28,775,000 [(1)]
Strike rate low end of range	(0.25)%	(0.25)%
Strike rate high end of range	2.00 %	2.00 %
Termination date range	June 2019 - November 2021	March 2019 - November 2021

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(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 March 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 $4.9 million as of March 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.

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, flooridors 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 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 March 31, 2019, the LIBOR interest rate forward curve (Level 2 inputs) assumed a downtrend from 2.495% to 2.000% for the remaining term of our derivatives. Credit spreads (Level 3 inputs) used in determining the fair values of hedge and non-hedge designated derivatives assumed an uptrend in nonperformance risk for us and all of our counterparties through the maturity dates.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents our assets and liabilities measured at fair value on a recurring basis aggregated by the level within which measurements fall in the fair value hierarchy (in thousands):

	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting[1]	Total	
March 31, 2019:						
Assets						
Derivative assets:						
Interest rate derivatives - floors	$ —	$ 283	$ —	$ 384	$ 667	[2]
Interest rate derivatives - caps	—	255	—	—	255	[2]
Credit default swaps	—	(1,013)	—	2,287	1,274	[2]
	—	(475)	—	2,671	2,196	
Non-derivative assets:						
Equity securities	11,550	—	—	—	11,550	[3]
Total	$ 11,550	$ (475)	$ —	$ 2,671	$ 13,746	
Liabilities						
Derivative liabilities:						
Credit default swaps	$ —	$ (786)	$ —	$ 750	$ (36)	[4]
Net	$ 11,550	$ (1,261)	$ —	$ 3,421	$ 13,710	
December 31, 2018:						
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	$ 21,816	$ 1,376	$ —	$ 1,020	$ 24,212	
Liabilities						
Derivative liabilities:						
Credit default swaps	$ —	$ —	$ —	$ (50)	$ (50)	[4]
Net	$ 21,816	$ 1,376	$ —	$ 970	$ 24,162	

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(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.

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	
	Three Months Ended March 31,	
	2019	2018
Assets		
Derivative assets:		
Interest rate derivatives - floors	$ (196)	$ (91)
Interest rate derivatives - caps	(642)	134
Credit default swaps	(1,533) [4]	286 [4]
	(2,371)	329
Non-derivative assets:		
Equity	804	(448)
Total	(1,567)	(119)
Liabilities		
Derivative liabilities:		
Credit default swaps	(786) [4]	—
Net	$ (2,353)	$ (119)
Total combined		
Interest rate derivatives - floors	$ (33)	$ (91)
Interest rate derivatives - caps	(642)	134
Credit default swaps	(2,319)	286
Unrealized gain (loss) on derivatives	(2,994) [1]	329 [1]
Realized gain (loss) on interest rate floors	(163) [2]	—
Unrealized gain (loss) on marketable securities	808 [3]	(558) [3]
Realized gain (loss) on marketable securities	(4) [2]	110 [2]
Net	$ (2,353)	$ (119)

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[1] Reported as "unrealized gain (loss) on derivatives" in the consolidated statements of operations.

[2] Included in "other income (expense)" in the consolidated statements of operations.

[3] Reported as "unrealized gain (loss) on marketable securities" in the consolidated statements of operations.

[4] Excludes costs of $266 and $266 for the three months ended March 31, 2019 and 2018, respectively, included in "other income (expense)" associated with credit default swaps.

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):

	March 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	$ 11,550	$ 11,550	$ 21,816	$ 21,816
Derivative assets, net	2,196	2,196	2,396	2,396
Derivative liabilities, net	36	36	50	50
Financial assets not measured at fair value:				
Cash and cash equivalents	$ 242,561	$ 242,561	$ 319,210	$ 319,210
Restricted cash	152,151	152,151	120,602	120,602
Accounts receivable, net	65,579	65,579	37,060	37,060
Due from third-party hotel managers	25,181	25,181	21,760	21,760
Financial liabilities not measured at fair value:				
Indebtedness	$ 4,197,833	$3,950,831 to $4,366,709	$ 3,967,530	$3,773,343 to $4,170,538
Accounts payable and accrued expenses	162,060	162,060	136,757	136,757
Dividends and distributions payable	27,552	27,552	26,794	26,794
Due to Ashford Inc., net	7,795	7,795	23,034	23,034
Due to related party, net	—	—	1,477	1,477
Due to third-party hotel managers	2,480	2,480	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 party, 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.

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 note 11 for a complete description of the methodology and assumptions utilized in determining the fair values.

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 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 10 and 11 for a complete description of the methodology and assumptions utilized in determining 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 $4.2 billion at March 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.

13. 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 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 approves 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 and when 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 March 31, 2019, there were approximately 1.9 million Performance 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. Upon the adoption of ASU 2018-07, 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 March 31, 2019, we have issued a total of 11.8 million LTIP and Performance LTIP units, net of Performance LTIP cancellations. All LTIP and Performance LTIP units other than approximately 1.2 million units (215,000 of which are Performance LTIP units) have reached full economic parity with, and are convertible into, common units upon vesting.

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

		Three Months Ended March 31,	
Type	Line Item	2019	2018
Performance LTIP units	Advisory services fee	$ 852	$ 408
LTIP units	Advisory services fee	950	708
		$ 1,802	$ 1,116

The unamortized cost of the unvested Performance LTIP units, which was $5.2 million at March 31, 2019, will be expensed over a period of 2.8 years with a weighted average period of 1.5 years.

The unamortized cost of the unvested LTIP units, which was $5.0 million at March 31, 2019, will be expensed over a period of 2.9 years with a weighted average period of 1.8 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 three months ended March 31, 2019 and 2018, there were no common units redeemed.

The following table shows the redeemable noncontrolling interest in Ashford Trust (in thousands) and the corresponding approximate ownership percentage:

	March 31, 2019	December 31, 2018
Redeemable noncontrolling interests	$ 101,980	$ 80,743
Cumulative adjustments to redeemable noncontrolling interests (1)	168,850	146,091
Ownership percentage of operating partnership	14.99%	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):

	Three Months Ended March 31,	
	2019	2018
Allocated net (income) loss to the redeemable noncontrolling interests	$ 8,579	$ 6,340
Aggregate cash distributions to holders of common units and LTIP units	2,623	2,470

14. Equity and Equity-Based Compensation

Common Stock Dividends—For each of the 2019 and 2018 quarters, the board of directors declared quarterly dividends of $0.12 per outstanding share of common stock with an annualized target of $0.48 per share for 2019.

Restricted Stock Units—We incur stock-based compensation expense in connection with restricted stock units awarded to employees of Ashford LLC, which is included in “advisory services fee,” on our consolidated statements of operations, employees of Remington Lodging, which is included in “management fees” on our consolidated statements of operations and employees of Premier Project Management LLC (“Premier”), which is included in “corporate, general and administrative” expense on our consolidated statements of operations. We also issue common stock to certain of our independent directors, which immediately vests, and is included in “corporate, general and administrative” expense on our consolidated statements of operations.

At March 31, 2019, the unamortized cost of the unvested restricted stock units was $13.9 million, which will be amortized over a period of 2.9 years with a weighted average period of 2.2 years and had vesting dates between March 2019 and March 2021.

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

	Three Months Ended March 31,	
Line Item	2019	2018
Advisory services fee	$ 1,538	$ 2,297
Management fees	202	257
Corporate general and administrative - Premier	99	—
	$ 1,839	$ 2,554

During the three months ended March 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.

Performance Stock Units—The compensation committee of the board of directors of the Company approves the issuance of PSUs, which have a three-year cliff vesting, 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 and when 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. Upon the adoption of ASU 2018-07, 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):

	Three Months Ended March 31,	
Line Item	2019	2018
Advisory services fee	$ 949	$ 3,332

During the three months ended March 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 $10.7 million at March 31, 2019, will be expensed over a period of approximately 2.8 years with a weighted average period of 2.2 years.

Preferred Dividends—The board of directors declared quarterly dividends as presented below:

	Three Months Ended March 31,	
	2019	2018
8.45% Series D cumulative preferred stock	$ 0.5281	$ 0.5281
7.375% Series F cumulative preferred stock	0.4609	0.4609
7.375% Series G cumulative preferred stock	0.4609	0.4609
7.50% Series H cumulative preferred stock	0.4688	0.4688
7.50% Series I cumulative preferred stock	0.4688	0.4688

Common 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 having an aggregate value of up to $200 million. The board of directors' authorization replaced any previous repurchase authorizations. There were no repurchases under the Repurchase Program for the three months ended March 31, 2019 and 2018.

At-the-Market Equity Offering Program—On December 11, 2017, the 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. During the three months ended March 31, 2019 and 2018 no shares of its common stock were issued under this program. As of March 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.

Noncontrolling Interests in Consolidated Entities—Our noncontrolling entity partner had an ownership interest of 15% in two hotel properties and a total carrying value of $590,000 and $616,000 at March 31, 2019 and December 31, 2018, respectively. Our ownership interest is reported in equity in the consolidated balance sheets.

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

	Three Months Ended March 31,	
Line Item	2019	2018
(Income) loss allocated to noncontrolling interests in consolidated entities	$ 26	$ 38

15. Commitments and Contingencies

Restricted Cash—Under certain management and debt agreements for our hotel properties existing at March 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 March 31, 2019, we pay franchisor royalty fees between 3% and 6% of gross rooms revenue and, in some cases, 2% 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 2020 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 below table summarizes the franchise fees incurred (in thousands):

	Three Months Ended March 31,	
Line Item	2019	2018
Other hotel expenses	$ 17,748	$ 17,404

Management Fees—Under property management agreements for our hotel properties existing at March 31, 2019, we pay monthly property management fee 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 property management agreements expire from 2020 through 2039, with renewal options. If we terminate a property 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.

Income Taxes— We and our subsidiaries file income tax returns in the federal jurisdiction and various states. Tax years 2014 through 2018 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, a ruling that Remington Lodging's withdrawal of recognition was unlawful. The pension fund entered into a settlement agreement with Remington Lodging on November 1, 2011, providing that Remington Lodging will continue to make monthly pension fund payments pursuant to the collective bargaining agreement. As of March 31, 2019, Remington Lodging continues to comply with the settlement agreement by making the appropriate monthly pension fund payments. If Remington Lodging does not comply with the settlement agreement, we have agreed to indemnify Remington Lodging for the payment of the unfunded pension liability, if any, as set forth in the settlement agreement 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 would be the unfunded pension liability of $1.7 million minus $100,000 (or $1.6 million). This remaining unfunded pension liability would 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 a twenty-(20)-year capped period, unless Remington Lodging elects to pay the unfunded pension liability amount earlier.

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 March 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.

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, based on definitions within contingency accounting literature, ranges from remote to reasonably possible and to probable. 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 or results of operations. 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.

16. 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 March 31, 2019 and December 31, 2018, all of our hotel properties were domestically located.

17. Related Party Transactions

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 March 31, 2019, the quarterly 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 will 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.

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

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

	Three Months Ended March 31,	
	2019	2018
Advisory services fee		
Base advisory fee	$ 8,989	$ 8,615
Reimbursable expenses [(1)]	2,390	1,529
Equity-based compensation [(2)]	4,289	6,746
Incentive fee	636	187
Total advisory services fee	$ 16,304	$ 17,077

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(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.

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 hotel properties, provided such transactions are evaluated and approved by our independent directors. The following tables summarize the entities in which our advisor has an interest with which we or our hotel properties contracted for products and services, the amounts recorded by us for those services and the applicable classification on our consolidated financial statements (in thousands):

		Three Months Ended March 31, 2019						
Company	Product or Service	Total	Investments in Hotel Properties, net (1)	Indebtedness, net (2)	Other Hotel Revenue	Other Hotel Expenses	Advisory Services Fee	Corporate, General and Administrative
AIM	Cash management services	$ 358	$ —	$ —	$ —	$ —	$ —	$ 358
Ashford LLC	Insurance claims services	11	—	—	—	—	—	11
J&S Audio Visual	Audio visual commissions	1,703	—	—	1,703	—	—	—
Lismore Capital	Mortgage placement services	1,079	—	(1,079)	—	—	—	—
OpenKey	Mobile key app	31	3	—	—	28	—	—
Premier	Project management services	6,728	6,379	—	—	—	349	—
Pure Wellness	Hypoallergenic premium rooms	383	355	—	—	28	—	—

		Three Months Ended March 31, 2018						
Company	Product or Service	Total	Investments in Hotel Properties, net (1)	Indebtedness, net (2)	Other Hotel Revenue	Other Hotel Expenses	Advisory Services Fee	Corporate, General and Administrative
AIM	Cash management services	$ 181	$ —	$ —	$ —	$ —	$ —	$ 181
Ashford LLC	Insurance claims services	19	—	—	—	—	—	19
J&S Audio Visual	Audio visual commissions	273	—	—	273	—	—	—
Lismore Capital	Mortgage placement services	632	—	(632)	—	—	—	—
OpenKey	Mobile key app	25	—	—	—	25	—	—
Pure Wellness	Hypoallergenic premium rooms	338	338	—	—	—	—	—

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(1) Recorded in furniture, fixtures and equipment 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.

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

		Due to Ashford Inc.	
Company	**Product or Service**	**March 31, 2019**	**December 31, 2018**
Ashford LLC	Advisory services	$ 2,834	$ 2,362
Ashford LLC	Deposit on ERFP assets	—	16,100
Ashford LLC	Insurance claims services	11	23
AIM	Investment management services	139	99
J&S Audio Visual	Audio visual services	980	855
OpenKey	Mobile key app	6	1
Premier	Project management services	3,349	3,206
Pure Wellness	Hypoallergenic premium rooms	476	388
		$ 7,795	$ 23,034

In 2016, $4.0 million of key money consideration was invested in furniture, fixtures and equipment by Ashford Inc. 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.

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 furniture, fixture and equipment 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 furniture, fixtures, and equipment. As of December 31, 2018, the Company sold $16.1 million of hotel furniture, fixtures, and equipment from certain Ashford Trust hotel properties to Ashford LLC which were subsequently leased back to the Company rent free. Under the applicable accounting guidance in ASC 842, as the related party lease is provided rent free, the lease has no economic substance. As a result the Company has not recorded an operating lease right-of-use asset, an operating lease liability or lease expense. 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 furniture, fixtures, and equipment were 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 to retained earnings 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 Midtown Manhattan acquisitions in 2019, under the ERFP Agreement we were entitled to receive $5.0 million and $19.5 million from Ashford LLC, respectively, in the form of future purchases of hotel furniture, fixtures, and equipment. As of March 31, 2019, the Company sold $5.0 million of hotel furniture, fixtures, and equipment from certain Ashford Trust hotel properties to Ashford LLC which were subsequently leased back to the Company rent free. Under the applicable accounting guidance in ASC 842, as the related party lease is provided rent free, the lease has no economic substance. As a result the Company has not recorded an operating lease right-of-use asset, an operating lease liability or lease expense. As of March 31, 2019, Ashford LLC remitted payment of $5.0 million to the Company. In accordance with ASC 842 on January 1, 2019, the Company evaluated the transaction under the applicable accounting guidance and concluded that the transaction qualified as a sale. As a result, the Company recorded a $233,000 gain and, in conjunction with the sale, derecognized the assets.

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 Project Management LLC ("Premier"), pursuant to which Premier provides project management services to our hotels, including construction management, interior design, architectural services, and the purchasing, freight management, and supervision of installation of FF&E and related services. Pursuant to the project management agreement, we pay Premier: (a) project management fees of up to 4% of project costs; and (b) 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.

Remington Lodging

On August 8, 2018, Ashford Inc. completed the acquisition of Premier. As a result of Ashford Inc.'s acquisition, the project management services are no longer provided by Remington Lodging. Remington Lodging continues to provide property management services to the Company.

At March 31, 2019, Remington Lodging managed 83 of our 121 hotel properties and the WorldQuest condominium properties included in continuing operations and we incurred the following fees related to the management agreement with Remington Lodging (in thousands):

	Three Months Ended March 31,	
	2019	2018
Property management fees, including incentive property management fees	$ 6,809	$ 6,651
Market service and project management fees	—	4,366
Corporate general and administrative expenses	1,748	1,465
Total	$ 8,557	$ 12,482

Certain employees of Remington Lodging, who perform work on behalf of Ashford Trust, were granted shares of restricted stock under the Ashford Trust Stock Plan. These share grants are recorded as a component of "management fees" in our consolidated statements of operations. Expense of $202,000 and $257,000 was recognized for the three months ended March 31, 2019 and 2018, respectively. The unamortized cost of the unvested grants was $1.5 million as of March 31, 2019, which will be amortized over a period of 2.9 years.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the unaudited financial statements and notes thereto appearing elsewhere herein. This report contains forward-looking statements within the meaning of the federal securities laws. Ashford Hospitality Trust, Inc. (the "Company," "we," "our" or "us") cautions investors that any forward-looking statements presented herein, or which management may express orally or in writing from time to time, are based on management's beliefs and assumptions at that time.

Throughout this Form 10-Q, 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:

- our business and investment strategy, including our ability to complete proposed business transactions described herein or the expected benefit of any such transactions;
- anticipated or expected purchases or sales of assets;
- our projected operating results;
- completion of any pending transactions;
- our ability to obtain future financing arrangements;
- 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. Additionally, the following factors could cause actual results to vary from our forward-looking statements:

- factors discussed in our Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on March 1, 2019, including those set forth under the sections titled "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 Exchange Act;
- general and economic business conditions affecting the lodging and travel industry;
- general volatility of the capital markets and the market price of our common and preferred stock;
- 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 Braemar Hotels & Resorts, Ashford Inc., Ashford LLC, Remington Lodging & Hospitality, LLC, our executive officers and our non-independent directors;
- 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, and related rules, regulations and interpretations governing the taxation of REITs; and
- limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify as a REIT for federal income tax purposes.

Overview

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 upscale and upper upscale segments in domestic and international 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 board of directors may change our investment strategy at any time without stockholder approval or notice. We will continue to seek ways to benefit from the cyclical nature of the hotel industry.

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. As of March 31, 2019, Remington Lodging & Hospitality, LLC, together with its affiliates ("Remington Lodging"), which is beneficially wholly owned by Mr. Monty J. Bennett, our Chairman, and his father Mr. Archie Bennett, Jr., our Chairman Emeritus, managed 83 of our 121 hotel properties and WorldQuest Resort. 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 project management services, mortgage placement services, audio visual services, real estate advisory services, investment management services and mobile key technology. Mr. Monty J. Bennett is chairman and chief executive officer of Ashford Inc. and, together with Mr. Archie Bennett, Jr., as of March 31, 2019, owned approximately 313,850 shares of Ashford Inc. common stock, which represented an approximate 12.7% ownership interest in Ashford Inc., and owned 7,520,000 shares of Ashford Inc. Series B Cumulative Convertible Preferred Stock (the "Series B Convertible Preferred Stock"), which is exercisable (at an exercise price of $140 per share) into an additional approximate 1,342,857 shares of Ashford Inc. common stock, which if exercised as of March 31, 2019 would have increased the Bennett's ownership interest in Ashford Inc. to 43.4%.

Recent Developments

On January 22, 2019, the Company acquired a 100% interest in the 310-room Embassy Suites New York Midtown Manhattan for $195.0 million. 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 Midtown Manhattan. As a result of the acquisition, we are entitled to receive $19.5 million from Ashford LLC in the form of future purchases of hotel furniture, fixtures, and equipment at Ashford Trust properties that will be 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, we received $5.0 million from Ashford LLC in exchange for purchases of hotel furniture, fixtures, and equipment 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.

RESULTS OF OPERATIONS

Revenue per available room, or RevPAR, is a commonly used measure within the hotel industry to evaluate hotel operations. RevPAR is defined as the product of the ADR charged and the average daily occupancy achieved. RevPAR does not include revenues from food and beverage or parking, telephone, or other guest services 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 periods under comparison). 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.

The following table summarizes changes in key line items from our consolidated statements of operations (in thousands):

	Three Months Ended March 31,		Favorable/ (Unfavorable) Change
	2019	2018	
Total revenue	$ 358,718	$ 342,207	$ 16,511
Total hotel operating expenses	(228,486)	(216,671)	(11,815)
Property taxes, insurance and other	(20,397)	(18,359)	(2,038)
Depreciation and amortization	(67,178)	(63,047)	(4,131)
Impairment charges	—	(1,660)	1,660
Transaction costs	—	(2)	2
Advisory services fee	(16,304)	(17,077)	773
Corporate general and administrative	(2,601)	(2,129)	(472)
Gain (loss) on sale of assets and hotel properties	233	(9)	242
Operating income (loss)	23,985	23,253	732
Equity in earnings (loss) of unconsolidated entities	(1,063)	(588)	(475)
Interest income	781	746	35
Other income (expense)	(316)	76	(392)
Interest expense and amortization of loan costs	(66,166)	(54,743)	(11,423)
Write-off of premiums, loan costs and exit fees	(2,062)	(2,050)	(12)
Unrealized gain (loss) on marketable securities	808	(558)	1,366
Unrealized gain (loss) on derivatives	(2,994)	329	(3,323)
Income tax (expense) benefit	405	886	(481)
Net income (loss)	(46,622)	(32,649)	(13,973)
(Income) loss from consolidated entities attributable to noncontrolling interests	26	38	(12)
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership	8,579	6,340	2,239
Net income (loss) attributable to the Company	$ (38,017)	$ (26,271)	$ (11,746)

All hotel properties owned during the three months ended March 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 three months ended March 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 Property	Location	Type	Date
SpringHill Suites (1)	Glen Allen, VA	Disposition	February 20, 2018
SpringHill Suites (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 Midtown Manhattan (2)	New York, NY	Acquisition	January 22, 2019
Hilton Santa Cruz/Scotts Valley (2)	Santa Cruz, CA	Acquisition	February 26, 2019

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(1) Collectively referred to as "Hotel Dispositions"

(2) Collectively referred to as "Hotel Acquisitions"

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
RevPAR (revenue per available room)	$ 121.69	$ 119.33
Occupancy	72.85%	73.98%
ADR (average daily rate)	$ 167.05	$ 161.31

The following table illustrates the key performance indicators of the 117 comparable hotel properties and WorldQuest that were included for the full three months ended March 31, 2019 and 2018, respectively:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
RevPAR (revenue per available room)	$ 121.37	$ 119.72
Occupancy	72.80%	74.56%
ADR (average daily rate)	$ 166.73	$ 161.55

Comparison of the Three Months Ended March 31, 2019 and 2018

Net Income (Loss) Attributable to the Company. Net loss attributable to the Company increased $11.7 million, from $26.3 million for the three months ended March 31, 2018 (the "2018 quarter") to $38.0 million for the three months ended March 31, 2019 (the "2019 quarter") as a result of the factors discussed below.

Revenue. Rooms revenue from our hotel properties and WorldQuest increased $9.7 million, or 3.6%, to $280.4 million in the 2019 quarter compared to the 2018 quarter. This increase is attributable to higher rooms revenue of $8.5 million from our Hotel Acquisitions and $3.7 million at our comparable hotel properties and WorldQuest. These increases were partially offset by lower rooms revenue of $2.6 million from our Hotel Dispositions. Our comparable hotel properties experienced an increase of 3.2% in room rates and a decrease of 176 basis points in occupancy.

Food and beverage revenue increased $6.0 million, or 10.9%, to $61.1 million. This increase is attributable to higher food and beverage revenue of $4.1 million at our comparable hotel properties and WorldQuest and $1.9 million from our Hotel Acquisitions. The Hotel Dispositions did not generate food and beverage revenue in the 2018 quarter.

Other hotel revenue, which consists mainly of Internet access, parking, spa and business interruption revenue, increased $713,000, or 4.6%, to $16.2 million. This increase is attributable to higher other hotel revenue of $702,000 from our Hotel Acquisitions and $102,000 from our comparable hotel properties and WorldQuest. In the 2018 quarter we received $564,000 of business interruption income for the St. Petersburg Hilton 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 for income related to Hurricane Irma. These increases were partially offset by lower other hotel revenue of $91,000 from our Hotel Dispositions. Other non-hotel revenue increased $93,000, or 9.5%, to $1.1 million in the 2019 quarter as compared to the 2018 quarter.

Hotel Operating Expenses. Hotel operating expenses increased $11.8 million, or 5.5%, to $228.5 million. 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 $4.5 million in the 2019 quarter as compared to the 2018 quarter, which was comprised of an increase of $4.0 million from our Hotel Acquisitions and $1.2 million from our comparable hotel properties and WorldQuest, partially offset by a decrease of $689,000 from our Hotel Dispositions. Direct expenses were 29.7% of total hotel revenue for the 2019 quarter and 29.8% for the 2018 quarter. Indirect expenses and management fees increased $7.3 million in the 2019 quarter as compared to the 2018 quarter, which was comprised of an increase of $4.1 million from our comparable hotel properties and WorldQuest and $4.1 million from our Hotel Acquisitions, partially offset by a decrease of $967,000 from our Hotel Dispositions.

Gain (Loss) on Sale of Assets and Hotel Properties. Gain (loss) on sale of assets and hotel properties consisted of a gain of $233,000 and a loss of $9,000 in the 2019 and 2018 quarters, respectively. The gain in the 2019 quarter was primarily related to sales of assets at the Santa Fe La Posada and Hilton Santa Cruz/Scotts Valley related to ERFP. The loss in the 2018 quarter was related to the sale of SpringHill Suites Glen Allen.

Property Taxes, Insurance and Other. Property taxes, insurance and other increased $2.0 million, or 11.1%, to $20.4 million during the 2019 quarter compared to the 2018 quarter, which was primarily due to an increase of $1.1 million from our Hotel Acquisitions and $1.6 million at our comparable hotel properties and WorldQuest, partially offset by a property tax refund of $590,000 and a $150,000 decrease from our Hotel Dispositions.

Depreciation and Amortization. Depreciation and amortization increased $4.1 million, or 6.6%, to $67.2 million during the 2019 quarter compared to the 2018 quarter, which was primarily due to an increase of $2.5 million at our comparable hotel properties and WorldQuest and $1.9 million from our Hotel Acquisitions, partially offset by a decrease of $309,000 from our Hotel Dispositions.

Impairment Charges. We recorded impairment charges of $0 and $1.7 million in 2019 and 2018, respectively. We recorded an impairment charge of $1.7 million in the 2018 quarter which was comprised of a $2.0 million impairment charge at the SpringHill Suites Centerville, partially offset by impairment credits of $302,000 from changes in estimates of property damage incurred from Hurricanes Harvey and Irma.

Advisory Services Fee. Advisory services fee decreased $773,000, or 4.5%, to $16.3 million in the 2019 quarter compared to the 2018 quarter. The advisory services fee represents fees incurred in connection with the advisory agreement between Ashford Inc. and the Company. In the 2019 quarter, the advisory services fee was comprised of a base advisory fee of $9.0 million, equity-based compensation of $4.3 million associated with equity grants of our common stock and LTIP units awarded to the officers and employees of Ashford Inc., reimbursable expenses of $2.4 million and an incentive fee of $636,000. In the 2018 quarter, the advisory services fee was comprised of a base advisory fee of $8.6 million, equity-based compensation of $6.7 million associated with equity grants of our common stock and LTIP units awarded to the officers and employees of Ashford Inc., reimbursable expenses of $1.5 million and an incentive fee of $187,000. During the three months ended March 31, 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 expense increased $472,000, or 22.2%, to $2.6 million during the 2019 quarter compared to the 2018 quarter. The increase was primarily attributable to higher public company costs, office expenses, professional fees and other miscellaneous expenses of $366,000, higher equity-based compensation to Premier Project Management employees of $99,000, and higher transaction, acquisition and management conversion costs of $7,000 in the 2019 quarter compared to the 2018 quarter.

Equity in Earnings (Loss) of Unconsolidated Entities. Equity in loss of unconsolidated entities increased $475,000, or 80.8% to $1.1 million during the 2019 quarter compared to the 2018 quarter. The 2019 quarter included equity in loss of $947,000 from Ashford Inc. and $116,000 from OpenKey. The 2018 quarter included equity in loss of $437,000 from Ashford Inc. and $151,000 from OpenKey.

Interest Income. Interest income was $781,000 and $746,000 for the 2019 quarter and the 2018 quarter, respectively.

Other Income (Expense). Other income (expense) changed $392,000, from income of $76,000 in the 2018 quarter to expense of $316,000 in the 2019 quarter. In the 2019 quarter, we recorded other expense of $266,000 related to CMBX premiums and interest paid on collateral, a realized loss of $163,000 on interest rate floors, and a realized loss on marketable securities of $4,000.

These expenses were partially offset by dividend income of $47,000 and other income of $69,000. In the 2018 quarter, we recognized dividend income of $140,000, realized gain on marketable securities of $110,000 and other income of $92,000, partially offset by CMBX premiums and interest paid on collateral of $266,000.

Interest Expense and Amortization of Loan Costs. Interest expense and amortization of loan costs increased $11.4 million, or 20.9%, to $66.2 million during the 2019 quarter compared to the 2018 quarter. The increase is primarily due to higher interest expense and amortization of loan costs of $8.5 million due to higher LIBOR rates and higher amortization of loan costs from refinancing mortgage loans at our comparable hotel properties and $3.4 million as a result of our Hotel Acquisitions, partially offset by lower interest expense and amortization of loan costs of $480,000 from our Hotel Dispositions. The average LIBOR rates in the 2019 quarter and the 2018 quarter were 2.50% and 1.65%, respectively.

Write-off of Premiums, Loan Costs and Exit Fees. Write-off of premiums, loan costs and exit fees increased $12,000 to $2.1 million in the 2019 quarter compared to the 2018 quarter. In the 2019 quarter, we wrote off $2.1 million of loan costs related to the refinance of a mortgage loan. In the 2018 quarter, we incurred costs of $2.0 million related to the refinancing of a mortgage loan and a $61,000 write-off of loan costs related to the sale of the SpringHill Suites Glen Allen.

Unrealized Gain (Loss) on Marketable Securities. We recognized an $808,000 unrealized gain on marketable securities in the 2019 quarter and a $558,000 unrealized loss on marketable securities in the 2018 quarter, which are based on changes in closing market prices during the quarter.

Unrealized Gain (Loss) on Derivatives. Unrealized gain (loss) on derivatives changed $3.3 million, from a $329,000 gain in the 2018 quarter to a $3.0 million loss in the 2019 quarter. In the 2019 quarter, we recognized an unrealized loss of $2.3 million related to CMBX tranches, $642,000 associated with interest rate caps and $34,000 from interest rate floors. In the 2018 quarter, we recognized unrealized gains of $286,000 and $134,000 associated with CMBX tranches and interest rate caps, respectively, partially offset by an unrealized loss of $91,000 from interest rate floors. The fair value of interest rate floors and interest rate derivatives are primarily based on movements in the LIBOR forward curve and the passage of time. The fair value of options on futures contracts is determined based on the last reported settlement price as of the measurement date. The fair value of credit default swaps is based on the change in value of CMBX indices.

Income Tax (Expense) Benefit. Income tax benefit decreased $481,000, or 54.3% from $886,000 in the 2018 quarter to $405,000 in the 2019 quarter primarily due to normal changes period over period in the valuation allowance recorded on our TRS entities’ deferred tax assets.

(Income) Loss from Consolidated Entities Attributable to Noncontrolling Interests. Our noncontrolling interest partner in consolidated entities was allocated a loss of $26,000 and $38,000 for the 2019 quarter and the 2018 quarter, respectively.

Net (Income) Loss Attributable to Redeemable Noncontrolling Interests in Operating Partnership. Net loss attributable to redeemable noncontrolling interests in operating partnership increased $2.2 million, from $6.3 million in the 2018 quarter to $8.6 million in the 2019 quarter. Redeemable noncontrolling interests represented ownership interests of 14.99% and 14.66% in the operating partnership at March 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.

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.

These factors and others could affect our liquidity and our ability to make distributions to our stockholders.

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 (the "Common Stock") having an aggregate value of up to $200 million. The board of director's authorization replaced any previous repurchase authorizations. No shares were repurchased during the three months ended March 31, 2019 pursuant to the Repurchase Program.

On December 11, 2017, we entered into equity distribution agreements with UBS Securities LLC, Morgan Stanley & Co. LLC, B. Riley FBR, Inc., Robert W. Baird & Co. Incorporated, D.A. Davidson & Co., Deutsche Bank Securities Inc. and Janney Montgomery Scott LLC, each acting as a sales agent (the "Equity Distribution Agreements"). Pursuant to the Equity Distribution Agreements, we may sell from time to time through the sales agents shares of our common stock having an aggregate offering price of up to $100.0 million. Sales of shares of our common stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at-the-market" offerings as defined in Rule 415 of the Securities Act, including sales made directly on the New York Stock Exchange, 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 three months ended March 31, 2019.

On January 22, 2019, in connection with the acquisition of the Embassy Suites New York Midtown Manhattan, 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 Midtown Manhattan.

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.

Secured Credit Facility

We have a one-year, senior secured revolving credit facility in the amount of $100 million. We believe the secured credit facility will provide us with financial flexibility to fund future acquisitions.

The secured credit facility is provided by Bank of America, N.A. Ashford Hospitality Limited Partnership, as the borrower. We guarantee the secured credit facility, 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 were used to acquire. The proceeds of the secured revolving credit facility may be used for property acquisitions.

The secured credit facility also contains customary terms, covenants, negative covenants, events of default, limitations and other conditions for credit facilities of this type. Subject to certain exceptions, we are subject to restrictions on incurring additional indebtedness, mergers and fundamental changes, sales or other dispositions of property, changes in the nature of our business and investments.

We also are subject to certain financial covenants, as set forth below, which are tested by the borrower on a consolidated basis (net of the amounts attributable to the noncontrolling interest held by our partner in a majority-owned consolidated entity) and include, but are not limited to, the following:

- the ratio of total funded indebtedness (less unrestricted cash in excess of $15 million) to EBITDA shall not be greater than 9.75 to 1.0. Our ratio was 9.39 at March 31, 2019.
- the ratio of EBITDA to fixed charges for the previous 4 consecutive fiscal quarters shall not be less than 1.25 to 1.0. Our ratio was 1.50 at March 31, 2019.
- tangible net worth shall not at any time be less than 75% of the consolidated tangible net worth on the closing date of the secured credit facility plus 75% of the net proceeds of all new equity issuances of the consolidated group.

All financial covenants are tested and certified by the borrower on a quarterly basis. We were in compliance with all covenants at March 31, 2019.

The secured credit facility includes customary events of default and the occurrence of an event of default will permit the lenders to terminate commitments to lend under the secured revolving credit facility and accelerate payment of all amounts outstanding thereunder. If a default occurs and is continuing, we will be precluded from making distributions on our shares of common stock (other than those required to allow us to qualify and maintain our status as a REIT, so long as such default does not arise from a payment default or event of insolvency).

The interest rate associated with the borrowings under 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 + 1.00%.

The secured credit facility is a one-year interest-only facility with all outstanding principal being due at maturity on September 26, 2019. Borrowings must be repaid within 180 days.

We intend to repay any indebtedness incurred under our secured credit facility from time to time out of net cash provided by operations and from the net proceeds of issuances of additional equity and debt securities or sale of assets, as market conditions permit.

As of both May 8, 2019 and March 31, 2019, no amounts were outstanding under the secured credit facility.

Sources and Uses of Cash

Our principal sources of funds to meet our cash requirements include: cash on hand, 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 $26.8 million and $16.7 million for the three months ended March 31, 2019 and 2018, respectively. Cash flows from operations were impacted by changes in hotel operations, our hotel acquisitions in 2018 and 2019, our hotel dispositions in 2018 as well as the timing of collecting receivables from hotel guests, paying vendors, settling with derivative counterparties, settling with related parties and settling with hotel managers.

Net Cash Flows Provided by (Used in) Investing Activities. For the three months ended March 31, 2019, net cash flows used in investing activities were $242.1 million. Cash outflows primarily consisted of $38.0 million for capital improvements made to various hotel properties and $212.8 million for the purchase of the Hilton Santa Cruz/Scotts Valley and Embassy Suites Midtown Manhattan hotels. Cash outflows were partially offset by cash inflows of $5.0 million from proceeds received from the sale of furniture, fixtures and equipment for ERFP and $4.0 million of proceeds from a franchise agreement extension. For the three months ended March 31, 2018, net cash flows used in investing activities were $53.7 million. Cash outflows primarily consisted of $64.0 million for capital improvements made to various hotel properties and an additional $667,000 investment in OpenKey. Cash outflows were partially offset by $10.5 million of net cash proceeds from the sale of the SpringHill Suites Glen Allen and $651,000 from property insurance.

Net Cash Flows Provided by (Used in) Financing Activities. For the three months ended March 31, 2019, net cash flows provided by financing activities were $170.2 million. Cash inflows were of $385.0 million from borrowings on indebtedness. Cash inflows were partially offset by cash outflows of $179.6 million for repayments of indebtedness, $25.0 million for dividend payments to common and preferred stockholders and unitholders, $8.9 million for payments of loan costs and exit fees, and $903,000 for the repurchase of common stock. For the three months ended March 31, 2018, net cash flows used in financing activities were $20.0 million. Cash outflows primarily consisted of $394.7 million for repayments of indebtedness, $23.2 million for dividend payments to common and preferred stockholders and unitholders, $2.0 million for payments of loan costs and exit fees and $1.5 million for the repurchase of common stock. Cash outflows were partially offset by cash inflows of $401.5 million of borrowings on indebtedness.

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 March 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 as of March 31, 2019.

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 principal payments), working capital, and capital expenditures for the next 12 months and dividends required to maintain our status as a REIT for federal income tax purposes. With respect to upcoming maturities, we will continue to proactively address the refinancing or repayment of our 2019 and 2020 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. In addition, we may selectively pursue debt financing on individual properties.

We are committed to an investment strategy where we will opportunistically 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, 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 in its market area. Competition could also affect the quality and quantity of future investment opportunities.

Dividend Policy. During the three month periods ended March 31, 2019 and 2018, the board of directors declared quarterly dividends of $0.12 per share of outstanding common stock. In December 2018, the board of directors approved our 2019 dividend policy which anticipates a quarterly dividend payment of $0.12 per share for the remainder of 2019. However, the adoption of a dividend policy does not commit our board of directors to declare future dividends. The board of directors will continue to review our dividend policy on a quarterly basis. We may incur indebtedness to meet distribution requirements imposed on REITs under the Internal Revenue 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 federal income tax laws governing REIT distribution requirements. We may pay dividends in excess of our cash flow.

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 lease revenue under our percentage leases. 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 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

There have been no material changes since December 31, 2018, outside of the ordinary course of business, to contractual obligations specified in the table of contractual obligations included in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2018 Form 10-K.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting policies that are critical or most important to understanding our financial condition and results of operations and that require management to make the most difficult judgments are described in our 2018 Form 10-K. There have been no material changes in these critical accounting policies.

NON-GAAP FINANCIAL MEASURES

The following non-GAAP presentations of EBITDA, EBITDAre, Adjusted EBITDAre, Funds From Operations ("FFO") and Adjusted FFO are presented to help our investors evaluate our operating performance.

EBITDA is defined as net income (loss) before interest expense and amortization of premiums and loan costs, net, income taxes, depreciation and amortization, 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, gain/loss on sale of hotel properties and our portion of impairment charges on real estate and gain/loss on sale of hotel properties of unconsolidated entities to calculate EBITDAre, as defined by NAREIT.

We then further adjust EBITDAre to exclude certain additional items such as uninsured hurricane related costs, write-off of premiums, loan costs and exit fees, other income/expense, net, transaction, acquisition and management conversion costs, legal judgment and related legal costs, dead deal costs, advisory services incentive fee and non-cash items such as amortization of unfavorable contract liabilities, non-cash stock/unit-based compensation, unrealized gains/losses on marketable securities and derivative instruments, 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 EBITDAre provide a better understanding of the Company's leverage. This is also consistent with NAREIT's definition of EBITDAre. 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):

	Three Months Ended March 31,	
	2019	2018
Net income (loss)	$ (46,622)	$ (32,649)
Interest expense and amortization of premiums and loan costs, net	66,166	54,743
Depreciation and amortization	67,178	63,047
Income tax expense (benefit)	(405)	(886)
Equity in (earnings) loss of unconsolidated entities	1,063	588
Company’s portion of EBITDA of unconsolidated entities (Ashford Inc.)	1,874	(964)
Company’s portion of EBITDA of unconsolidated entities (OpenKey)	(115)	(139)
EBITDA	89,139	83,740
Impairment charges on real estate	—	1,660
(Gain) loss on sale of assets and hotel properties	(233)	9
EBITDAre	88,906	85,409
Amortization of unfavorable contract liabilities	(39)	(39)
Uninsured hurricane related costs	—	(211)
(Gain) loss on insurance settlements	(36)	—
Write-off of premiums, loan costs and exit fees	2,062	2,050
Other (income) expense, net	362	(76)
Transaction, acquisition and management conversion costs	446	84
Legal judgment and related legal costs	417	(419)
Unrealized (gain) loss on marketable securities	(808)	558
Unrealized (gain) loss on derivatives	2,994	(329)
Dead deal costs	32	—
Non-cash stock/unit-based compensation	4,590	7,002
Advisory services incentive fee	636	187
Company’s portion of adjustments to EBITDAre of unconsolidated entities (Ashford Inc.)	913	2,493
Company’s portion of adjustments to EBITDAre of unconsolidated entities (OpenKey)	21	5
Adjusted EBITDAre	$ 100,496	$ 96,714

We calculate FFO and Adjusted FFO in the following table. FFO is calculated on the basis defined by NAREIT, which is net income (loss) attributable to common stockholders, computed in accordance with GAAP, excluding gains or losses on properties, and extraordinary items as defined by GAAP, 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 Adjusted FFO excludes write-off of loan costs and exit fees, gain/loss on insurance settlements, uninsured hurricane related costs, other income/expense, net transaction, acquisition and management conversion costs, legal judgment and related legal costs, dead deal costs, advisory services incentive fee and non-cash items such as non-cash stock/unit-based compensation, amortization of loan costs, unrealized gains/losses on marketable securities, derivative instruments, as well as our portion of adjustments to FFO related to unconsolidated entities. We exclude items from Adjusted FFO 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 Adjusted FFO to be appropriate measures of our ongoing normalized operating performance as a REIT. We compute FFO in accordance with our interpretation of standards established by NAREIT, which may not be comparable to FFO reported by other REITs that either do not define the term in accordance with the current NAREIT definition or interpret the NAREIT definition differently than us. FFO and Adjusted FFO do not represent cash generated from operating activities as determined by GAAP and should not be considered as an alternative to 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 Adjusted FFO 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):

	Three Months Ended March 31,	
	2019	2018
Net income (loss)	$ (46,622)	$ (32,649)
(Income) loss from consolidated entities attributable to noncontrolling interest	26	38
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership	8,579	6,340
Preferred dividends	(10,644)	(10,644)
Net income (loss) attributable to common stockholders	(48,661)	(36,915)
Depreciation and amortization of real estate	67,121	62,989
(Gain) loss on sale of assets and hotel properties	(233)	9
Net income (loss) attributable to redeemable noncontrolling interests in operating partnership	(8,579)	(6,340)
Equity in (earnings) loss of unconsolidated entities	1,063	588
Impairment charges on real estate	—	1,660
Company’s portion of FFO of unconsolidated entities (Ashford Inc.)	(635)	(1,632)
Company’s portion of FFO of unconsolidated entities (OpenKey)	(100)	(141)
FFO available to common stockholders and OP unitholders	9,976	20,218
Write-off of premiums, loan costs and exit fees	2,062	2,050
(Gain) loss on insurance settlements	(36)	—
Uninsured hurricane related costs	—	(211)
Other (income) expense	362	(76)
Transaction, acquisition and management conversion costs	446	84
Legal judgment and related legal costs	417	(419)
Unrealized (gain) loss on marketable securities	(808)	558
Unrealized (gain) loss on derivatives	2,994	(329)
Dead deal costs	32	—
Non-cash stock/unit-based compensation	4,590	7,002
Amortization of loan costs	7,256	2,451
Advisory services incentive fee	636	187
Company’s portion of adjustments to FFO of unconsolidated entities (Ashford Inc.)	2,441	2,493
Company’s portion of adjustments to FFO of unconsolidated entities (OpenKey)	22	5
Adjusted FFO available to common stockholders and OP unitholders	$ 30,390	$ 34,013

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HOTEL PORTFOLIO

The following table presents certain information related to our hotel properties as of March 31, 2019:

Hotel Property	Location	Service Type	Total Rooms	% Owned	Owned Rooms
Fee Simple Properties					
Embassy Suites	Austin, TX	Full service	150	100	150
Embassy Suites	Dallas, TX	Full service	150	100	150
Embassy Suites	Herndon, VA	Full service	150	100	150
Embassy Suites	Las Vegas, NV	Full service	220	100	220
Embassy Suites	Flagstaff, AZ	Full service	119	100	119
Embassy Suites	Houston, TX	Full service	150	100	150
Embassy Suites	West Palm Beach, FL	Full service	160	100	160
Embassy Suites	Philadelphia, PA	Full service	263	100	263
Embassy Suites	Walnut Creek, CA	Full service	249	100	249
Embassy Suites	Arlington, VA	Full service	269	100	269
Embassy Suites	Portland, OR	Full service	276	100	276
Embassy Suites	Santa Clara, CA	Full service	258	100	258
Embassy Suites	Orlando, FL	Full service	174	100	174
Embassy Suites	New York, NY	Full service	310	100	310
Hilton Garden Inn	Jacksonville, FL	Select service	119	100	119
Hilton Garden Inn	Austin, TX	Select service	254	100	254
Hilton Garden Inn	Baltimore, MD	Select service	158	100	158
Hilton Garden Inn	Virginia Beach, VA	Select service	176	100	176
Hilton Garden Inn	Wisconsin Dells, WI	Select service	128	100	128
Hilton	Houston, TX	Full service	242	100	242
Hilton	St. Petersburg, FL	Full service	333	100	333
Hilton	Santa Fe, NM	Full service	158	100	158
Hilton	Bloomington, MN	Full service	300	100	300
Hilton	Costa Mesa, CA	Full service	486	100	486
Hilton	Boston, MA	Full service	390	100	390
Hilton	Parsippany, NJ	Full service	353	100	353
Hilton	Tampa, FL	Full service	238	100	238
Hilton	Alexandria, VA	Full service	252	100	252
Hilton	Santa Cruz, CA	Full service	178	100	178
Hampton Inn	Lawrenceville, GA	Select service	85	100	85
Hampton Inn	Evansville, IN	Select service	140	100	140
Hampton Inn	Parsippany, NJ	Select service	152	100	152
Hampton Inn	Buford, GA	Select service	92	100	92
Hampton Inn	Phoenix, AZ	Select service	106	100	106
Hampton Inn - Waterfront	Pittsburgh, PA	Select service	113	100	113
Hampton Inn - Washington	Pittsburgh, PA	Select service	103	100	103
Hampton Inn	Columbus, OH	Select service	145	100	145
Marriott	Beverly Hills, CA	Full service	260	100	260
Marriott	Durham, NC	Full service	225	100	225
Marriott	Arlington, VA	Full service	701	100	701
Marriott	Bridgewater, NJ	Full service	347	100	347
Marriott	Dallas, TX	Full service	265	100	265
Marriott	Fremont, CA	Full service	357	100	357
Marriott	Memphis, TN	Full service	232	100	232

Hotel Property	Location	Service Type	Total Rooms	% Owned	Owned Rooms
Marriott	Irving, TX	Full service	491	100	491
Marriott	Omaha, NE	Full service	300	100	300
Marriott	San Antonio, TX	Full service	251	100	251
Marriott	Sugarland, TX	Full service	300	100	300
SpringHill Suites by Marriott	Jacksonville, FL	Select service	102	100	102
SpringHill Suites by Marriott	Baltimore, MD	Select service	133	100	133
SpringHill Suites by Marriott	Kennesaw, GA	Select service	90	100	90
SpringHill Suites by Marriott	Buford, GA	Select service	97	100	97
SpringHill Suites by Marriott	Charlotte, NC	Select service	136	100	136
SpringHill Suites by Marriott	Durham, NC	Select service	120	100	120
SpringHill Suites by Marriott	Manhattan Beach, CA	Select service	164	100	164
SpringHill Suites by Marriott	Plymouth Meeting, PA	Select service	199	100	199
Fairfield Inn by Marriott	Kennesaw, GA	Select service	86	100	86
Courtyard by Marriott	Bloomington, IN	Select service	117	100	117
Courtyard by Marriott - Tremont	Boston, MA	Select service	315	100	315
Courtyard by Marriott	Columbus, IN	Select service	90	100	90
Courtyard by Marriott	Denver, CO	Select service	202	100	202
Courtyard by Marriott	Louisville, KY	Select service	150	100	150
Courtyard by Marriott	Gaithersburg, MD	Select service	210	100	210
Courtyard by Marriott	Crystal City, VA	Select service	272	100	272
Courtyard by Marriott	Ft. Lauderdale, FL	Select service	174	100	174
Courtyard by Marriott	Overland Park, KS	Select service	168	100	168
Courtyard by Marriott	Savannah, GA	Select service	156	100	156
Courtyard by Marriott	Foothill Ranch, CA	Select service	156	100	156
Courtyard by Marriott	Alpharetta, GA	Select service	154	100	154
Courtyard by Marriott	Oakland, CA	Select service	156	100	156
Courtyard by Marriott	Scottsdale, AZ	Select service	180	100	180
Courtyard by Marriott	Plano, TX	Select service	153	100	153
Courtyard by Marriott	Newark, CA	Select service	181	100	181
Courtyard by Marriott	Manchester, CT	Select service	90	85	77
Courtyard by Marriott	Basking Ridge, NJ	Select service	235	100	235
Courtyard by Marriott	Wichita, KS	Select service	128	100	128
Courtyard by Marriott - Billerica	Boston, MA	Select service	210	100	210
Homewood Suites	Pittsburgh, PA	Select service	148	100	148
Marriott Residence Inn	Lake Buena Vista, FL	Select service	210	100	210
Marriott Residence Inn	Evansville, IN	Select service	78	100	78
Marriott Residence Inn	Orlando, FL	Select service	350	100	350
Marriott Residence Inn	Falls Church, VA	Select service	159	100	159
Marriott Residence Inn	San Diego, CA	Select service	150	100	150
Marriott Residence Inn	Salt Lake City, UT	Select service	144	100	144
Marriott Residence Inn	Las Vegas, NV	Select service	256	100	256
Marriott Residence Inn	Phoenix, AZ	Select service	200	100	200
Marriott Residence Inn	Plano, TX	Select service	126	100	126
Marriott Residence Inn	Newark, CA	Select service	168	100	168
Marriott Residence Inn	Manchester, CT	Select service	96	85	82
Marriott Residence Inn	Jacksonville, FL	Select service	120	100	120
Marriott Residence Inn	Stillwater, OK	Select service	101	100	101
TownePlace Suites by Marriott	Manhattan Beach, CA	Select service	143	100	143
One Ocean	Atlantic Beach, FL	Full service	193	100	193

Hotel Property	Location	Service Type	Total Rooms	% Owned	Owned Rooms
Sheraton Hotel	Ann Arbor, MI	Full service	197	100	197
Sheraton Hotel	Langhorne, PA	Full service	186	100	186
Sheraton Hotel	Minneapolis, MN	Full service	220	100	220
Sheraton Hotel	Indianapolis, IN	Full service	378	100	378
Sheraton Hotel	Anchorage, AK	Full service	370	100	370
Sheraton Hotel	San Diego, CA	Full service	260	100	260
Hyatt Regency	Coral Gables, FL	Full service	254	100	254
Hyatt Regency	Hauppauge, NY	Full service	358	100	358
Hyatt Regency	Savannah, GA	Full service	351	100	351
Renaissance	Nashville, TN	Full service	673	100	673
Annapolis Historic Inn	Annapolis, MD	Full service	124	100	124
Lakeway Resort & Spa	Austin, TX	Full service	168	100	168
Silversmith	Chicago, IL	Full service	144	100	144
The Churchill	Washington, D.C.	Full service	173	100	173
The Melrose	Washington, D.C.	Full service	240	100	240
Le Pavillon	New Orleans, LA	Full service	226	100	226
The Ashton	Ft. Worth, TX	Full service	39	100	39
Westin	Princeton, NJ	Full service	296	100	296
W	Atlanta, GA	Full service	237	100	237
W	Minneapolis, MN	Full service	229	100	229
Le Meridien	Minneapolis, MN	Full service	60	100	60
Hotel Indigo	Atlanta, GA	Full service	141	100	141
Ritz-Carlton	Atlanta, GA	Full service	444	100	444
La Posada de Santa Fe	Santa Fe, NM	Full service	157	100	157
Ground Lease Properties					
Crowne Plaza (1)	Key West, FL	Full service	160	100	160
Crowne Plaza (2)	Annapolis, MD	Full service	196	100	196
Hilton (3)	Ft. Worth, TX	Full service	294	100	294
Renaissance (4)	Palm Springs, CA	Full service	410	100	410
Total			25,579		25,552

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(1) The ground lease expires in 2084.

(2) The ground lease expires in 2114.

(3) The ground lease expires in 2040.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE 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 March 31, 2019, our total indebtedness of $4.2 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 March 31, 2019 would be approximately $9.6 million annually. Interest rate changes have no impact on the remaining $371.2 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 March 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 $4.9 million at March 31, 2019.

We hold interest rate floors with notional amounts totaling $30.8 billion and strike rates ranging from (0.25)% to 2.0%. Our total exposure is capped at our initial upfront costs totaling $10.2 million. These instruments have termination dates ranging from June 2019 to November 2021.

ITEM 4. 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 Securities Exchange Act of 1934 (the “Exchange Act”)) as of March 31, 2019 (the “Evaluation Date”). Based upon that evaluation, our 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 Securities and Exchange Commission 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.

During the quarter ended March 31, 2019, we implemented controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new lease accounting standard on our financial statements to facilitate the adoption of the standard on January 1, 2019. Our property managers implemented software/tools to assist in calculating the right-of-use assets and lease liabilities to support the accounting at each property and we have implemented processes and controls to review the property level output on a quarterly basis. Additionally, we have implemented tools to calculate and controls to review our accounting for leases at the corporate level.

There have been no other changes in our internal controls over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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 March 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.

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, based on definitions within contingency accounting literature, ranges from remote to reasonably possible and to probable. 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 or results of operations. 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 1A. RISK FACTORS

The discussion of our business and operations should be read together with the risk factors contained in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the Securities and Exchange Commission, which describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies, or prospects in a material and adverse manner. At March 31, 2019, there have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer

The following table provides the information with respect to purchases and forfeitures of shares of our common stock during each of the months in the first 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:						
January 1 to January 31	1,759		$ —	(3)	—	$ 200,000,000
February 1 to February 28	31,953	(2)	5.48	(3)	—	200,000,000
March 1 to March 31	159,682	(2)	4.70	(3)	—	200,000,000
Total	193,394		$ 4.83		—	

____

(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, par value $0.01 per share (the "Common Stock") having an aggregate value of up to $200 million. The board of director's authorization replaced any previous repurchase authorizations.

(2) Includes 29,368 shares and 157,929 shares in February and March, respectively, that were purchased from employees of Ashford LLC to satisfy stock vesting tax withholdings.

(3) There is no cost associated with the forfeiture of 1,759, 2,585 and 1,753 restricted shares of our common stock in January, February and March, respectively.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit	Description
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 on May 15, 2015) (File No. 333-204235)
3.2	Amendment Number Two to Articles of Amendment and Restatement of Ashford Hospitality Trust, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K, filed on May 22, 2017)
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)
10.1*	Amended and Restated Employment Agreement, dated as of September 13, 2017, by and among Ashford Inc., Ashford Hospitality Advisors LLC and Mark Nunneley
31.1*	Certifications of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certifications of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The following materials from the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2019 are formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements Comprehensive Income (Loss); (iii) Consolidated Statement of Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to the Consolidated Financial Statements. In accordance with Rule 402 of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (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 or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

101.INS	XBRL Instance Document	*Submitted electronically with this report.*
101.SCH	XBRL Taxonomy Extension Schema Document	*Submitted electronically with this report.*
101.CAL	XBRL Taxonomy Calculation Linkbase Document	*Submitted electronically with this report.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	*Submitted electronically with this report.*
101.LAB	XBRL Taxonomy Label Linkbase Document.	*Submitted electronically with this report.*
101.PRE	XBRL Taxonomy Presentation Linkbase Document.	*Submitted electronically with this report.*

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ASHFORD HOSPITALITY TRUST, INC.

Date:	May 8, 2019	By:	/s/ DOUGLAS A. KESSLER
			Douglas A. Kessler
			President and Chief Executive Officer
Date:	May 8, 2019	By:	/s/ DERIC S. EUBANKS
			Deric S. Eubanks
			Chief Financial Officer

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Section 2: EX-10.1 (EXHIBIT 10.1)

EXHIBIT 10.1

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "*Agreement*"), is made on September 13, 2017 between Ashford Inc., a corporation organized under the laws of the State of Maryland and having its principal place of business at Dallas, Texas, ASHFORD HOSPITALITY ADVISORS, LLC, a Delaware limited liability company organized under the laws of the State of Delaware and having its principal place of business at Dallas, Texas (hereinafter, the "*Company*") and MARK NUNNELEY, an individual residing in Dallas, Texas (the "*Executive*").

RECITALS:

WHEREAS, the Company and the Executive are parties to a certain Employment Agreement (the "*Original Agreement*"), dated November 12, 2014;

WHEREAS, the parties desire to amend and restate the Original Agreement upon the terms and conditions specified herein.

NOW, THEREFORE, the Company and the Executive, in consideration of the respective covenants set out below, hereby agree as follows:

1. EMPLOYMENT.

(a) POSITIONS. During the Term (defined below), the Executive shall be employed by the Company to serve as Chief Accounting Officer of the Company, Ashford Inc., Ashford Hospitality Trust, Inc. ("*Ashford Trust*") and Ashford Hospitality Prime, Inc. ("*Ashford Prime*"). In addition to the foregoing, the Executive shall serve the subsidiaries and affiliates of the Company, Ashford Inc., Ashford Trust, Ashford Prime and any other entities advised by the Company in these or other offices and capacities, including as a consultant to such entities, in each case upon the reasonable request of the Company. If the Executive's service in one or more of such additional capacities is terminated, the Executive's compensation provided herein shall not be reduced for so long as the Executive otherwise remains employed by the Company under the terms of this Agreement.

(b) RESPONSIBILITIES. The Executive's principal employment duties and responsibilities shall be those duties and responsibilities customary for the positions of Chief Accounting Officer and such other executive duties and responsibilities as the Chief Executive Officer of the Company ("*AINC CEO*") or the Board of Directors of Ashford Inc. (the "*AINC Board*") shall from time to time reasonably assign to the Executive. With respect to Ashford Trust and Ashford Prime, the Executive shall be required to follow all directives of the AINC CEO relating to the performance of the Company's responsibilities pursuant to the applicable advisory agreements with each of Ashford Trust and Ashford Prime, as may be amended, unless doing so would conflict with his fiduciary duties to Ashford Trust or Ashford Prime, as applicable. The Executive shall report directly to the AINC CEO or such person(s) as the AINC CEO may designate from time to time.

(c) EXTENT OF SERVICES. Except for illnesses and vacation periods, the Executive shall devote substantially all of his working time and attention and his best efforts to the performance of his duties and responsibilities under this Agreement and shall not be otherwise employed. However, the Executive may (i) make any passive investments where he is not obligated or required to, and shall not in fact, devote material managerial efforts, (ii) participate in charitable, academic or community activities or in trade or professional organizations, (iii) hold directorships in charitable or non-profit organizations, or (iv) subject to AINC CEO and AINC Board approval (which approval shall not be unreasonably withheld or withdrawn), hold directorships in for profit companies, except only that the AINC CEO or the AINC Board shall have the right to limit such services as a director or such participation whenever the AINC CEO or the AINC Board shall reasonably believe that the time spent on such activities infringes in any material respect upon the time required by the Executive for the performance of his duties under this Agreement or is otherwise incompatible with those duties.

2. TERM. Upon the full execution and delivery hereof, this Agreement shall become effective and shall continue for a Term ending on December 31, 2017 (the "*Initial Termination Date*") unless it is sooner terminated pursuant to Section 6; provided, however, that this Agreement shall be automatically extended for one additional year on the Initial Termination Date and on each subsequent anniversary of the Initial Termination Date, unless either the Company or the Executive elect not to extend the Term of this Agreement by notifying the other party in writing of such election not less than one hundred twenty (120) days prior to the expiration of the then current Term. For purposes of this Agreement, "*Term*" shall mean the actual duration of the Executive's employment hereunder, taking into account any extension pursuant to this Section 2 or early termination of employment pursuant to Section 6.

3. SALARY. The Company shall pay the Executive a Base Salary which shall be payable in periodic installments, less statutory deductions and withholdings, according to the Company's normal payroll practices. Effective as of January 1, 2017, the Executive's base salary shall be THREE HUNDRED FIFTY THOUSAND DOLLARS ($350,000) per year. The AINC Board or a compensation committee duly appointed by the AINC Board (the "*Compensation Committee*") shall thereafter review the Executive's Base Salary annually to determine within its sole discretion whether and to what extent the Executive's salary may be increased, but in no event shall it be decreased (for the purposes of this Agreement, the term "*Base Salary*" shall mean the amount established and adjusted from time to time pursuant to this Section 3).

4. ANNUAL INCENTIVE AWARDS.

(a) INCENTIVE BONUS. The Executive shall be entitled to receive an annual cash incentive bonus (the "*Incentive Bonus*") for each calendar year during the Term of this Agreement based on the level of accomplishment of management and performance objectives as established by the AINC CEO, the AINC Board or the Compensation Committee. Except as otherwise provided in Section 7, if the Executive is not employed for the full calendar year, the Executive shall be paid a pro-rated Incentive Bonus in an amount equal to the product of (x) the amount of the Incentive Bonus for the calendar year to which the Executive would have been entitled if the Executive had remained employed for the entire calendar year and (y) a fraction, the numerator of which is the number of days in the applicable calendar year for which the Executive was employed through the last day of his employment and the denominator of which is the 365 days of the calendar year. The targeted Incentive Bonus for the Term commencing January 1, 2017, is 50% to 125% of Base Salary (as determined by the Compensation Committee), and in no event shall such targeted Incentive Bonus be decreased. The Incentive Bonus shall be paid as soon as reasonably practical following each calendar year but not later than June 1st of the following year.

(b) INCENTIVE, SAVINGS AND RETIREMENT PLANS. During the Term, the Executive shall be entitled to participate in all other short- and long-term incentive plans, stock and option plans, long term incentive partnership ("*LTIP*") plans, practices, policies and other programs, and all savings and retirement plans, practices, policies and programs, in each case that are applicable generally to senior executives of the Company or Ashford Inc., as may be adopted, or amended from time to time, by the Compensation Committee, including, without limitation, equity incentive programs of other companies advised by the Company.

5. BENEFITS.

(a) VACATION. The Executive will be entitled to paid vacation in conformance with the Company's vacation policy for senior executives but in no event less than four (4) weeks of paid vacation per calendar year. Vacation time not used within the calendar year will not carry forward. The Executive shall not be entitled to cash in lieu of any unused vacation time except as provided herein.

(b) SICK LEAVE. The Executive shall be entitled to paid sick leave in accordance with the sick leave policies of the Company in effect for other senior executive officers.

(c) EMPLOYEE BENEFITS. The Executive and his spouse and eligible dependents, if any, and their respective designated beneficiaries where applicable, will be eligible for and entitled to participate in other benefits maintained by the Company or Ashford Inc. for its senior executive officers, as such benefits may be modified from time to time and for all such employees, such as, without limitation, any medical, dental, vision, pension, 401(k), deferred compensation, accident, disability, and life insurance benefits, on a basis not less favorable than that applicable to other senior executives of the Company or Ashford Inc. The Executive will also be entitled to appropriate office space, administrative support, secretarial assistance, and such other facilities and services as are suitable to the Executive's positions and as required for the performance of the Executive's duties.

(d) EXPENSES. The Executive will be entitled to reimbursement of all reasonable expenses, in accordance with the Company's policy as in effect from time to time and on a basis not less favorable than that applicable to other senior executives of the Company or Ashford Inc., including, without limitation, telephone (including in-home, office and cellular telephone, DSL and/or wi-fi costs), travel and entertainment expenses incurred by the Executive in connection with the business of the Company, promptly upon the presentation by the Executive of supporting receipts or documentation.

(e) D&O INSURANCE COVERAGE. During and for a period three (3) years after the Term, the Executive shall be entitled to director and officer insurance coverage for his acts and omissions while an officer of the Company, Ashford Inc., Ashford Trust, Ashford Prime and other entities advised by the Company on a basis no less favorable to him than the coverage provided current officers or directors.

6. TERMINATION. The employment of the Executive by the Company and this Agreement (except as otherwise provided herein) shall terminate upon the occurrence of any of the following:

(a) DEATH OR DISABILITY. Immediately upon death or Disability of the Executive. As used in this Agreement, "*Disability*" shall mean an inability to perform the essential functions of his duties, with or without reasonable accommodation, for a period of 90 consecutive days or a total of 180 days, during any 365-day period, in either case as a result of incapacity due to mental or physical illness which is determined to be total and permanent. A determination of Disability shall be made by a physician satisfactory to both the Executive (or his guardian) and the Company, provided that if the Executive and the Company do not agree on a physician, the Executive (or his guardian) and the Company shall each select a physician and these two together shall select a third physician, whose determination as to Disability shall be binding on all parties. The appointment of one or more individuals to carry out the offices or duties of the Executive during a period of the Executive's inability to perform such duties and pending a determination of Disability shall not be considered a breach of this Agreement by the Company.

(b) FOR CAUSE. At the election of the Company, for Cause, immediately upon written notice by the Company to the Executive unless the Executive fully corrects the circumstances constituting Cause within the cure periods provided below, if applicable. For purposes of this Agreement, "*Cause*" for termination shall be deemed to exist solely in the event of the following:

(i) The conviction of the Executive of, or the entry of a plea of guilty or nolo contendere by the Executive to, a felony (exclusive of a conviction, plea of guilty or nolo contendere arising under a statutory provision imposing criminal liability upon the Executive on a PER SE basis due to any offices held by the Executive pursuant to the terms of this Agreement, so long as any act or omission of the Executive with respect to such matter was not taken or omitted in contravention of any applicable policy or directive of the AINC CEO or the AINC Board except as permitted in Section 1(b));

(ii) willful breach of duty of loyalty which is materially detrimental to the Company, Ashford Inc. or any entity advised by the Company, except as permitted in Section 1(b), which is not cured to the reasonable satisfaction of the AINC CEO or the AINC Board within thirty (30) days following written warning to the Executive from the AINC CEO or the AINC Board describing the alleged circumstances, provided that if there is an inconsistency in directives given by the AINC Board as compared to a directive from the AINC CEO, the AINC Board directives shall control;

(iii) willful failure to perform or adhere to explicitly stated duties or guidelines of employment or to follow the lawful directives of the AINC CEO or the AINC Board, except as permitted in Section 1(b), which continues for thirty (30) days after written warning to the Executive that it will be deemed a basis for a "*For Cause*" termination, provided that if there is an inconsistency in directives given by the AINC Board as compared to a directive from the AINC CEO, the AINC Board directives shall control;

(iv) gross negligence or willful misconduct in the performance of the Executive's duties (which is not cured by the Executive within 30 days after written warning from the AINC CEO);

(v) the Executive's willful commission of an act of dishonesty resulting in material economic or financial injury to the Company, Ashford Inc. or any entity advised by the Company or willful commission of fraud; or

(vi) the Executive's chronic absence from work for reasons other than illness which is not cured to the reasonable satisfaction of the AINC CEO within 30 days following written warning to the Executive from the AINC CEO describing the alleged circumstances.

For purposes of this Section, no act, or failure to act, on the Executive's part will be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without a reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company, Ashford Inc. or the entities advised by the Company, as applicable. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the AINC Board, a directive of the AINC CEO, or based upon the advice of outside counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company, Ashford Inc. or the entities advised by the Company, as applicable.

(c) WITHOUT CAUSE OR GOOD REASON. At the election of the Company, without Cause, and at the election of the Executive, without Good Reason, in either case upon sixty (60) days' prior written notice to the Executive or to the Company, as the case may be; provided, however, that if the Executive gives notice, without Good Reason, the Company may waive all or a portion of the sixty (60) days' written notice and accelerate the effective date of the termination.

(d) FOR GOOD REASON. At the election of the Executive, for Good Reason, which is not cured by the Company within thirty (30) days after written notice from the Executive to the Company setting forth a description of the circumstances constituting Good Reason. For purposes of this Agreement, "*Good Reason*" shall mean any of the following actions, omissions or events occurring without the Executive's prior written consent:

(i) the assignment to the Executive of any duties, responsibilities, or reporting requirements inconsistent with Section 1(b) or with his position as Chief Strategy Officer of the Company or Ashford Inc., or any material diminishment, on a cumulative basis, of the Executive's overall duties, responsibilities, or status, including failure of Ashford Inc. or the Company to recommend to the board of directors of each of Ashford Trust and Ashford Prime that the Executive serve as the Chief Strategy Officer of such entities without the Executive's prior written consent;

(ii) a reduction by the Company in the Executive's annual Base Salary or targeted Incentive Bonus;

(iii) the requirement by the Company that the principal place of business at which the Executive performs his duties be changed to a location outside the greater Dallas metropolitan area; or

(iv) any material breach by the Company of any provision of this Agreement.

(e) NOTICE OF TERMINATION. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other parties hereto given in accordance with Section 16(a) of this Agreement. For purposes of this Agreement, a "*Notice of Termination*" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (provided that the date specified shall not be more than thirty (30) days after the giving of the notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(f) DATE OF TERMINATION. "*Date of Termination*" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified in the notice (provided that the date specified shall not be more than thirty (30) days after the giving of the notice), as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination or such later date specified in such notice, (iii) if the Executive's employment is terminated by the Executive without Good Reason, the Date of Termination shall be the date on which the Executive notifies the Company of such termination or such later date specified in such notice, unless otherwise agreed by the Company and the Executive, and (iv) if the Executive's employment is terminated by reason of death or Disability or non-renewal of this Agreement, the Date of Termination shall be the date of death or Disability of the Executive or the Agreement's non-renewal date, as the case may be.

7. EFFECTS OF TERMINATION.

(a) TERMINATION BY THE COMPANY WITHOUT CAUSE; OR NON-RENEWAL BY THE COMPANY. If the employment of the Executive should terminate by reason of (i) termination by the Company for any reason (other than Cause) or (ii) the Company's failure to renew this Agreement, then all compensation and benefits for the Executive shall be as follows:

(i) The Executive shall be paid, in a single lump sum payment within thirty (30) days after the Date of Termination, the aggregate amount of (A) the Executive's earned but unpaid Base Salary and accrued but unpaid vacation through the Date of Termination, and any Incentive Bonus required to be paid to the Executive pursuant to Section 4(a) above for the prior calendar year to the extent not previously paid, and reimbursement of all expenses through the Date of Termination as required pursuant to Section 5(d) hereof (the "*Accrued Obligations*"), and (B) two (2) (the "*Severance Multiple*") times the sum of (x) the Base Salary in effect on the Termination Date plus (y) the average Incentive Bonus received by the Executive for the three complete calendar years or such lesser number of calendar years as the Executive has been employed by the Company) immediately prior to the Termination Date (the "*Severance Payment*").

(ii) At the time when incentive bonuses are paid to the Company's other senior executives for the calendar year of the Company in which the Date of Termination occurs, the Executive shall be paid a pro-rated Incentive Bonus in an amount equal to the product of (x) the amount of the Incentive Bonus to which the Executive would have been entitled if the Executive's employment had not been terminated, and (y) a fraction, the numerator of which is the number of days in the applicable calendar year for which the Executive was employed through the Date of Termination and the denominator of which is the 365 days of the calendar year (a "*Pro-Rated Bonus*").

(iii) The Company will allow the Executive and his dependents, at the Company's cost, to continue to participate for a period of twenty-four (24) months following the Date of Termination in the Company's medical, dental and vision plan in effect as of the Date of Termination. The Company's payment of this medical coverage will be made monthly during this period of coverage. To the extent such medical benefits are taxable to the Executive, such benefits will not affect benefits to be provided in any other taxable year, and such amounts are intended to meet the requirements of Treasury Regulation Section 1.409A-3(i)(1)(iv)(A) as "in-kind benefits". In addition, the Company will reimburse the Executive for a period of twenty-four (24) months following the Date of Termination for the cost of coverage for life insurance and long-term disability insurance, based upon the level of such benefits that were provided to the Executive under the Company's life insurance and long-term disability plans in effect as of the Date of Termination, which reimbursements will be paid within seven (7) days after the Executive pays any applicable premium. (The amount of any such reimbursements may not affect the expenses eligible for reimbursement in any other year. Such reimbursements are intended to meet the requirements of Treasury Regulation Section 1.409A-3(i)(1)(iv)(A).) (Collectively, these welfare benefits under (iii) are referred to as the "*Other Benefits*"). If the Executive engages in regular employment after his termination of employment with any organization, any employee welfare benefits received by the Executive in consideration of such employment which are similar in nature to the Other Benefits provided by the Company will relieve the Company of its obligation under this Section 7(a)(iii) to provide comparable benefits to the extent of the benefits so received, and such benefit hereunder shall be forfeited.

(iv) Any annual performance shares, restricted shares, LTIP units or options awarded under Section 4(b) hereof shall immediately vest. Without limiting the foregoing, it is agreed that if the Executive's employment is terminated pursuant to this Section 7 (a), all outstanding stock options, restricted stock, LTIP units, and other equity awards granted to the Executive under any of the Company's equity incentive plans (or awards substituted therefore covering the securities of a successor company) shall become immediately vested and exercisable in full. Likewise, all outstanding stock options, restricted stock, LTIP units and other equity awards granted to the Executive under any of the equity incentive plans of any entity advised by Ashford Inc. shall become immediately vested and exercisable in full to the extent provided in such plans and consistent with the vesting terms of such awards. Further, the Company agrees that upon a termination by the Company without cause or a non-renewal by the Company, to the extent any LTIP units held by Executive have yet to reach the economic equivalent of common units, the LTIP units shall be fully vested (as provided above) but shall continue to be subject to the earn-up provisions of the organizational documents of the issuer, and the Company shall take all reasonable efforts to cause such LTIP units to fully earn-up in accordance with such provisions.

(b) TERMINATION BY THE EXECUTIVE WITH GOOD REASON. In the event that the Executive's employment is terminated by the Executive with Good Reason, the Company will pay the Executive the same Accrued Obligations, Severance Payment, Pro-Rated Bonus, Other Benefits and accelerated vesting, all as provided in Sections 7(a)(i) (ii), (iii) and (iv) above at the times as provided in such sections. Without limiting the foregoing, it is agreed that if the Executive's employment is terminated pursuant to this Section 7(b), all outstanding stock options, restricted stock, LTIP units and other equity awards granted to the Executive under any of the Company's equity incentive plans (or awards substituted therefore covering the securities of a successor company) shall become immediately vested and exercisable in full. Likewise, all outstanding stock options, restricted stock, LTIP units and other equity awards granted to the Executive under any of the equity incentive plans of any entity advised by Ashford Inc. shall become immediately vested and exercisable in full to the extent provided in such plans and consistent with the vesting terms of such awards. Further, the Company agrees that upon a termination by the Executive with Good Reason, to the extent any LTIP units held by Executive have yet to reach the economic equivalent of common units, the LTIP units shall be fully vested (as provided above) but shall continue to be subject to the earn-up provisions of the organizational documents of the issuer, and the Company shall take all reasonable efforts to cause such LTIP units to fully earn-up in accordance with such provisions.

(c) TERMINATION BY EXECUTIVE WITHOUT GOOD REASON. If the Executive's employment is terminated by the Executive without Good Reason including a resignation by the Executive without Good Reason and including an election not to renew this Agreement by the Executive, the Company will pay the Executive the Accrued Obligations as provided in Section 7(a)(i) above but the Executive shall not be entitled to the Severance Payment, Pro-rated Bonus and accelerated vesting set forth in Sections 7(a)(i), (ii) and (iv) hereof; provided, however, the Company shall allow the Executive and his dependents, at the Company's cost, during the Non-Compete Period (hereinafter defined), to continue to participate in the Company's Other Benefits in effect as of the Date of Termination as provided and paid in the manner set forth in Section 7(a)(iii), but only through the expiration of the Non-Compete Period. If the Executive engages in regular employment after his Date of Termination with any organization, any employee welfare benefits received by the Executive in consideration of such employment which are similar in nature to the Other Benefits provided by the Company will relieve the Company of its obligation under this Section 7(c) to provide comparable benefits to the extent of the benefits so received, and such benefit hereunder shall be forfeited. In addition, subject to the Executive honoring the non-compete covenant in Section 10(a) hereof, the Company shall pay the Executive a non-compete payment (the "*Non-Compete Payment*") equal to the Severance Payment determined with a Severance Multiple equal to one (1). Subject to the Executive honoring the non-compete covenant in Section 10(a) hereof, the Non-Compete Payment shall be paid monthly over the one-year Non-Compete Period following the Date of Termination in equal monthly installments of one-twelfth (1/12th) of the Non-Compete Payment.

(d) TERMINATION BY THE COMPANY FOR CAUSE. If the Executive's employment is terminated by the Company for Cause, the Company will pay the Executive the Accrued Obligations as provided in Section 7(a)(i) above but the Executive shall not be entitled to the Severance Payment, Pro-Rated Bonus, the Other Benefits and accelerated vesting set forth in Sections 7(a)(i), (ii), (iii) and (iv) hereof.

(e) TERMINATION FOR DEATH OR DISABILITY. If the employment of the Executive should terminate by reason of death or Disability of the Executive, then, the Company will pay the Executive the same Accrued Obligations, Severance Payment, Pro-Rated Bonus, Other Benefits and accelerated vesting, all as provided in Sections 7(a)(i) (ii), (iii) and (iv) above at the times as provided in such sections; provided, however, the Severance Multiple for calculation of the Severance Payment shall be one (1). Without limiting the foregoing, it is agreed that if the Executive's employment is terminated pursuant to this Section 7(e), all outstanding stock options, restricted stock, LTIP units and other equity awards granted to the Executive under any of the Company's equity incentive plans (or awards substituted therefore covering the securities of a successor company) shall become immediately vested and exercisable in full. Likewise, all outstanding stock options, restricted stock, LTIP units and other equity awards granted to the Executive under any of the equity incentive plans of any entity advised by Ashford Inc. shall become immediately vested and exercisable in full to the extent provided in such plans and consistent with the vesting terms of such awards. Further, the Company agrees that upon a termination by reason of death or disability of the Executive, to the extent any LTIP units held by Executive have yet to reach the economic equivalent of common units, the LTIP units shall be fully vested (as provided above) but shall continue to be subject to the earn-up provisions of the organizational documents of the issuer, and the Company shall take all reasonable efforts to cause such LTIP units to fully earn-up in accordance with such provisions.

(f) TERMINATION OF AUTHORITY. Immediately upon the Date of Termination or upon the expiration of this Agreement, notwithstanding anything else to the contrary contained herein or otherwise, the Executive will stop serving the functions of his terminated or expired positions, and shall be without any of the authority or responsibility for such positions. On request of the AINC Board at any time following the termination of the Executive's employment by the Company for Cause or by the Executive without Good Reason (including Executive's termination of his employment after a Change in Control (as defined herein) or an election by the Executive not to renew this Agreement), the Executive agrees to resign immediately from the AINC Board, if then a member, and from the board of any other entity advised by the Company.

(g) RELEASE OF CLAIMS. As a condition of Executive's entitlement to the Severance Payment, Pro-Rated Bonus, Non-Compete Payment and Other Benefits provided by this Agreement, the Executive shall be required to execute the terms of a waiver and release of claims against the Company substantially in the form attached hereto as Exhibit "A" (as may be modified consistent with the purposes of such waiver and release to reflect changes in law following the date hereof) (the "*Release*") within the applicable time period provided in the Release (the "*Applicable Release Period*"); and shall forfeit all payments hereunder if it is not so timely executed; provided, however, that in any case where the first and last days of the Applicable Release Period are in two separate taxable years, any payments required to be made to Executive that are treated as deferred compensation for purposes of Code Section 409A shall be made in the later taxable year, promptly following the conclusion of the Applicable Release Period.

(h) CODE SECTION 409A AND TERMINATION PAYMENTS. All payments provided under this Agreement shall be subject to this Section 7(h). Notwithstanding anything herein to the contrary, to the extent that the AINC Board reasonably determines, in its sole discretion, that any payment or benefit to be provided under this Agreement to or for the benefit of Executive would be subject to the additional tax imposed under Section 409A(a)(1)(B) of the Code or a successor or comparable provision, the commencement of such payments and/or benefits shall be delayed until the earlier of (i) the date that is six months following the Date of Termination or (ii) the date of Executive's death (such date is referred to herein as the "*Distribution Date*"), provided, if at such time Executive is a "specified employee" of the Company (as defined in Treasury Regulation Section 1.409A-1(i)) and if amounts payable under this Agreement are on account of an "involuntary separation from service" (as defined in Treasury Regulation Section 1.409A-1(m)), Executive shall receive payments during the six-month period immediately following the Date of Termination equal to the lesser of (x) the amount payable under this Agreement, as the case may be, or (y) two times the compensation limit in effect under Code Section 401(a)(17) for the calendar year in which the Termination Date occurs (with any amounts that otherwise would have been payable under this Agreement during such six-month period being paid on the first regular payroll date following the six-month anniversary of the Date of Termination). In the event that the AINC Board determines that the commencement of any of the employee benefits to be provided under this Agreement are to be delayed pursuant to the preceding sentence, the Company shall require Executive to bear the full cost of such employee benefits until the Distribution Date at which time the Company shall reimburse Executive for all such costs. Finally, for the purposes of this Agreement, amounts payable under this Agreement shall be deemed not to be a "deferral of compensation" subject to Section 409A to the extent provided in the exceptions in Treasury Regulation Sections 1.409A-1(b)(4) (“short-term deferrals”) and (b)(9) (“separation pay plans,” including the exception under subparagraph (iii)) and other applicable provisions of Treasury Regulation Section 1.409A-1 through A-6.

8. CHANGE OF CONTROL.

(a) CHANGE OF CONTROL. For purposes of this Agreement, a “*Change of Contro*l” will be deemed to have taken place upon the occurrence of any of the following events:

(i) any “person” (as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and as modified in Section 12(d) and 14(d) of the Exchange Act) other than (A) Ashford Inc. or any of its subsidiaries or any of its officers or directors, (B) any employee benefit plan of Ashford Inc. or the Company or any of their subsidiaries, (C) any Remington Affiliate, (D) a company owned, directly or indirectly, by stockholders of Ashford Inc. in substantially the same proportions as their ownership of Ashford Inc., or (E) an underwriter temporarily holding securities pursuant to an offering of such securities, becomes the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of Ashford Inc. representing 30% or more of the shares of voting stock of Ashford Inc. then outstanding (for purposes hereof, “*Remington Affiliate*” shall mean Remington Holdings L.P., or any person or entity that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with Remington Holdings L.P.);

(ii) the consummation of any merger, reorganization, business combination or consolidation of the Company, Ashford Inc. or one of the subsidiaries of the Company or Ashford Inc. with or into any other company (other than a Remington Affiliate), other than a merger, reorganization, business combination or consolidation which would result in the holders of the voting securities of the Company or Ashford Inc., as applicable, outstanding immediately prior thereto holding securities which represent immediately after such merger, reorganization, business combination or consolidation more than 50% of the combined voting power of the voting securities of Ashford Inc. or the surviving company or the parent of such surviving company;

(iii) the consummation of the sale or disposition by Ashford Inc. of all or substantially all of Ashford Inc.’s assets, other than a sale or disposition if the holders of the voting securities of Ashford Inc. outstanding immediately prior thereto hold securities immediately thereafter which represent more than 50% of the combined voting power of the voting securities of the acquiror, or parent of the acquiror, of such assets; or the stockholders of Ashford Inc. approve a plan of complete liquidation or dissolution of Ashford Inc.; or

(iv) individuals who, as of the Effective Date, constitute the AINC Board (the “*Incumbent Board*”) cease for any reason to constitute at least a majority of the AINC Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election to the Board was approved or recommended to stockholders of Ashford Inc. by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an election contest with respect to the election or removal of directors or other solicitation of proxies or consents by or on behalf of a person other than the AINC Board.

(b) CERTAIN BENEFITS UPON A CHANGE OF CONTROL.

(i) If a Change of Control occurs during the Term and the Executive's employment is terminated by the Company without Cause (or not renewed by the Company) or by the Executive for Good Reason on or before the one (1) year anniversary of the effective date of the Change of Control, then the Executive shall be entitled to the Accrued Obligations, Pro-Rated Bonus, Other Benefits and accelerated vesting, all as provided in Sections 7(a)(i), (ii), (iii) and (iv) above at the times as provided in such sections. In addition, the Executive shall be entitled to a Severance Payment determined and paid in accordance with Section 7(a)(i) above. Without limiting the foregoing, it is agreed that if the Executive's employment is terminated pursuant to this Section 8(b)(i) by the Company without Cause (or not renewed by the Company) or by the Executive for Good Reason, all outstanding stock options, restricted stock, LTIP units and other equity awards granted to the Executive under any of the Company's equity incentive plans (or awards substituted therefore covering the securities of a successor company) shall become immediately vested and exercisable in full. Likewise, all outstanding stock options, restricted stock, LTIP units and other equity awards granted to the Executive under any of the equity incentive plans of any entity advised by Ashford Inc. shall become immediately vested and exercisable in full.

(i) If a Change of Control occurs during the Term and the Executive's employment is terminated by the Executive without Good Reason, on or before the one (1) year anniversary of the effective date of the Change of Control, then the Executive shall be entitled to the Accrued Obligations, Pro-Rated Bonus, Other Benefits and limited accelerated vesting as provided in Section 7(a)(i), (ii), (iii) and (iv) above at the times as provided in such sections; provided, however, only annual performance shares, restricted shares, LTIP units or options awarded prior to the date hereof, including such awards granted to the Executive prior to the date hereof under equity incentive plans of other companies advised by the Company, shall become immediately vested and exercisable in full. Any unvested portion of annual performance shares, restricted shares, LTIP units or options awarded on or after the date hereof (including such awards granted to the Executive on or after the date hereof under equity incentive plans of other companies advised by the Company) shall be forfeited by the Executive on the Date of Termination.

(ii) All payments under this Section 8(b) are subject to the restrictions set forth in Section 7(h) and may be delayed as set forth in Section 7(h) in order to satisfy the requirements of Section 409A of the Internal Revenue Code.

9. CONFIDENTIAL INFORMATION. The Executive recognizes and acknowledges that the Executive has and will have access to confidential and proprietary information of the Company, Ashford Inc. and any entity advised by the Company, which, in each case, constitute valuable, special, and unique assets of such entity. The term "*Confidential Information*" as used in this Agreement shall mean all proprietary information which is known only to the Executive, the Company, Ashford Inc., any entity advised by the Company, other employees of the Company, or others in a confidential relationship with the Company, Ashford Inc. or any entity advised by Ashford Inc., and relating to the business of the Company, Ashford Inc. or such other entity, as applicable (including, without limitation, information regarding clients, customers, pricing policies, methods of operation, proprietary company programs, sales, acquisitions, products, profits, costs, conditions (financial or other), cash flows, key personnel, formulae, product applications, technical processes, and trade secrets, as such information may exist from time to time), which the Executive acquired or obtained by virtue of work performed for the Company, or which the Executive may acquire or may have acquired knowledge of during the performance of said work.

The Executive acknowledges that the Company has put in place certain policies and practices to keep such Confidential Information secret, including disclosing the information only on a need-to-know basis. The Executive further acknowledges that the Confidential Information has been developed or acquired by the Company through the expenditure of substantial time, effort, and money and provides the Company with an advantage over competitors who do not know such Confidential Information. Finally, the Executive acknowledges that such Confidential Information, if revealed to or used for the benefit of the Company's competitors or in a manner contrary to the Company's interests, would cause extensive and immeasurable harm to the Company and to the Company's competitive position.

The Executive shall not, during the Term or at any time thereafter, use for personal gain or detrimentally to the Company all or any part of the Confidential Information, or disclose or make available all or any part of the Confidential Information to any person, firm, corporation, association, or any other entity for any reason or purpose whatsoever, directly or indirectly, except as may be required pursuant to his employment hereunder, unless and until such Confidential Information becomes publicly available other than as a consequence of the breach by the Executive of his confidentiality obligations hereunder. Notwithstanding the foregoing, Executive shall not be restricted from disclosing or using Confidential Information that: (i) is or becomes generally available to the public other than as a result of an unauthorized disclosure by Executive or his agent; (ii) becomes available to Executive in a manner that is not in contravention of applicable law from a source (other than the Company, Ashford Inc. or an entity advised by the Company or the affiliated entities of such entities or one of its or their officers, employees, agents or representatives) that is not known by Executive, after reasonable investigation, to be bound by a confidential relationship with the Company, Ashford Inc. or an entity advised by the Company or the affiliated entities of such entities or by a confidentiality or other similar agreement; or (iii) is required to be disclosed by law, court order or other legal process; provided, however, that in the event disclosure is required by law, court order or legal process, Executive shall provide the Company, if legally permissible, with prompt notice of such requirement as set forth below in this Section 9.

The Executive acknowledges that the Confidential Information shall remain at all times the exclusive property of the Company, and no license is granted. In the event of the termination of his employment, whether voluntary or involuntary and whether by the Company or the Executive, or within seven (7) business days of the Company's request under any other circumstances, the Executive shall deliver to the Company all Confidential Information, in any form whatsoever, including electronic formats, and shall not take with him any Confidential Information or any reproductions (in whole or in part) or extracts of any items relating to the Confidential Information. The Company acknowledges that prior to his employment with the Company, the Executive has lawfully acquired extensive knowledge of the industries in which the Company engages in business including, without limitation, markets, valuation methods and techniques, capital markets, investor relationships and similar items, and that the provisions of this Section 9 are not intended to restrict the Executive's use of such previously acquired knowledge.

In the event that the Executive receives a request or is required (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose all or any part of the Confidential Information, the Executive agrees, if legally permissible, to (a) promptly notify the Company of the existence, terms and circumstances surrounding such request or requirement, (b) consult with the Company on the advisability of taking legally available steps to resist or narrow such request or requirement and (c) assist the Company in seeking a protective order or other appropriate remedy; provided, however, that the Executive shall not be required to take any action in violation of applicable laws. In the event that such protective order or other remedy is not obtained or that the Company waives compliance with the provisions hereof, the Executive shall not be liable for such disclosure unless disclosure to any such tribunal was caused by or resulted from a previous disclosure by the Executive not permitted by this Agreement.

By this Agreement, the company is providing the Executive with rights that the Executive did not previously have. In exchange for the foregoing and the additional terms agreed to in this Agreement, the Executive agrees that: (i) he is being provided with access to Confidential Information to which he has not previously had access; and (ii) all goodwill developed with the Company's clients, customers and other business contacts by the Executive is the exclusive property of the Company. The Executive waives and releases any claim that he should be able to use, for the benefit of any competing person or entity, client and customer goodwill or Confidential Information that was previously received or developed by the Executive while working for the Company, Ashford Inc. or any entity advised by the Company.

10. NON-COMPETITION, NON-SOLICITATION AND NON-INTERFERENCE.

(a) NON-COMPETITION. During the Term and any Non-Compete Period (hereinafter defined), the Executive will not, directly or indirectly, either as a principal, agent, employee, employer, stockholder or partner engage in any "Competitive Business"; PROVIDED, HOWEVER, the foregoing shall not prohibit or limit the Executive's right to pursue and maintain passive investments allowed pursuant to Section 1 (c) hereof.

For purposes of this Section 10(a), "*Competitive Business*" means acquiring, investing in or with respect to, owning, leasing, managing or developing hotel properties in the United States or in any international market in which the Company or any clients it advises conduct such business or originating or acquiring loans in respect of hotel properties in the United States or in any international market in which the Company or any clients it advises conduct such business, in each case, where the Executive had duties or performed services for the Company, which the parties stipulate is a reasonable geographic area because of the scope of the Company's operations and the Executive's employment with the Company. The Executive may not avoid the purpose and intent of this restriction by engaging in conduct within the geographically limited area from a remote location through means such as telecommunications, written correspondence, computer generated or assisted communications, or other similar methods.

For purposes of this Section 10(a), the "*Non-Compete Period*" shall mean the period ending on the first anniversary of his Date of Termination.

The Executive acknowledges that the services provided by the Executive are of a special, unique, and extraordinary nature. The Executive further acknowledges that his work and experience with the Company will enhance his value to a Competitive Business, and that the nature of the Confidential Information to which the Executive has immediate access and will continue to have access during the course of his employment makes it difficult, if not impossible, for him to engage in any Competitive Business without disclosing or utilizing the Confidential Information. The Executive further acknowledges that his work and experience with the Company places him in a position of trust with the Company.

(b) NON-SOLICITATION OF EMPLOYEES. The Executive covenants and agrees that (i) during the Term, and (ii) during the period ending on the first anniversary of his Date of Termination, he shall not, without the prior written consent of the Company, directly or indirectly, whether for his own account or on behalf of any person, firm, corporation, partnership, association or other entity or enterprise, solicit, recruit, hire or cause to be hired any employees of the Company or any of its affiliates, or any person who was an employee of the Company during the six months preceding the Executive's Date of Termination, or solicit or encourage any employee of the Company or any of its affiliates to leave the employment of the Company or any of such affiliates, as applicable. The parties hereto agree that (i) the placement of general advertisements that may be targeted to a particular geographic or technical area but which are not targeted directly or indirectly towards any employees, officers, agents or representatives of the Company (or any successor entity) shall not be deemed a breach of this Section 10(b) and (ii) the employment or engagement of such persons by an entity that is not controlled by Executive and whom Executive did not encourage, solicit or induce or in any manner attempt to encourage, solicit or induce to terminate his or her employment with the Company shall not be deemed a breach of this Section 10 (b).

(c) NON-INTERFERENCE WITH COMPANY OPPORTUNITIES. The Executive understands and agrees that all business opportunities with which he is involved during his employment with the Company constitute valuable assets of the Company and its affiliated entities, and may not be converted to Executive's own use or converted by Executive for the use of any person, firm, corporation, partnership, association or other entity or enterprise. Accordingly, Executive agrees that during the Term, Executive shall not, directly or indirectly, whether for his own account or on behalf of any person, firm, corporation, partnership, association or other entity or enterprise, interfere with, solicit, pursue, or in any manner make use of any such business opportunities.

(d) REASONABLE RESTRAINTS. The Executive agrees that restraints imposed upon him pursuant to this Section are necessary for the reasonable and proper protection of the Company and its subsidiaries and affiliates, and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. The parties further agree that, in the event that any provision of this Section shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

11. NON-EXCLUSIVITY OF RIGHTS. Nothing in this Agreement shall prevent or limit the Executive’s continuing or future participation in any plan, program, policy or practice provided by the Company and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract agreement with the Company at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement. Notwithstanding anything in this Agreement or any such plan, policy, practice or program noted above to the contrary, the timing of all payments pursuant to this Agreement or any such plan, policy, practice or program shall be subject to the timing rules specified in Section 7(h) of this Agreement.

12. FULL SETTLEMENT. The Company’s obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as expressly provided, such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred (within 30 days following the Company’s receipt of an invoice from the Executive), to the full extent permitted by law, all reasonable legal fees and expenses which the Executive or his beneficiaries may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive or his beneficiaries about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(a) of the Code to the extent permitted by 409A. The preceding sentence shall not apply with respect to any such contest if the court having jurisdiction over such contest determines that the Executive’s claim in such contest is frivolous or maintained in bad faith. This reimbursement obligation shall remain in effect following the Executive’s termination of employment for the applicable statute of limitations period relating to any such claim, and the amount of reimbursements hereunder during any tax year shall not affect the expenses eligible for

reimbursement in any other tax year. Such reimbursements are intended to comply with Treasury Regulation Section 1.409A-3(i)(1)(iv)(A).

13. DISPUTES.

(a) EQUITABLE RELIEF. The Executive acknowledges and agrees that upon any breach by the Executive of his obligations under Sections 9 or 10 hereof, the Company will have no adequate remedy at law, and accordingly will be entitled to specific performance and other appropriate injunctive and equitable relief. In the event an enforcement remedy is sought under Section 10 hereof, the time periods provided for in that Section shall be extended by one day for each day the Executive failed to comply with the restriction at issue.

(b) ARBITRATION. Excluding only requests for equitable relief by the Company under Section 13(a) of this Agreement, in the event that there is any claim or dispute arising out of or relating to this Agreement, or the breach thereof, and the parties hereto shall not have resolved such claim or dispute within 60 days after written notice from one party to the other setting forth the nature of such claim or dispute, then such claim or dispute shall be settled exclusively by binding arbitration in Dallas, Texas in accordance with the Commercial Arbitration Rules of the American Arbitration Association by an arbitrator mutually agreed upon by the parties hereto or, in the absence of such agreement, by an arbitrator selected according to such Rules. Notwithstanding the foregoing, if either the Company or the Executive shall request, such arbitration shall be conducted by a panel of three arbitrators, one selected by the Company, one selected by the Executive and the third selected by agreement of the first two, or, in the absence of such agreement, in accordance with such Rules. Neither party shall have the right to claim or recover punitive damages. Judgment upon the award rendered by such arbitrator(s) shall be entered in any Court having jurisdiction thereof upon the application of either party.

14. INDEMNIFICATION. The Company will indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by the Executive, including the cost of legal counsel selected and retained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of the Executive being or having been an officer, director, or employee of the Company or any subsidiary or affiliate of the Company, any entity advised by the Company or any new platform or entity to be created by, or spun-off from, Ashford Inc., Ashford Prime or Ashford Trust. The Company's obligations under this Section 14 shall be in addition to any other indemnification rights to which the Executive may be entitled.

15. COOPERATION IN FUTURE MATTERS. The Executive hereby agrees that, for a period of one (1) year following his termination of employment, he shall cooperate with the Company's reasonable requests relating to matters that pertain to the Executive's employment by the Company, including, without limitation, providing information or limited consultation as to such matters, participating in legal proceedings, investigations or audits on behalf of the Company, or otherwise making himself reasonably available to the Company for other related purposes. Any such cooperation shall be performed at times scheduled taking into consideration the Executive's other commitments, including business and family matters, and the Executive shall be compensated at a reasonable hourly or PER DIEM rate to be agreed by the parties to the extent such cooperation

is required on more than an occasional and limited basis. The Executive shall not be required to perform such cooperation to the extent it conflicts with any requirements of exclusivity of services for another employer or otherwise, nor in any manner that in the good faith belief of the Executive would conflict with his rights under or ability to enforce this Agreement.

16. GENERAL.

(a) NOTICES. All notices and other communications hereunder shall be in writing or by written telecommunication, and shall be deemed to have been duly given if delivered personally or if sent by overnight courier or by certified mail, return receipt requested, postage prepaid or sent by written telecommunication or telecopy, to the relevant address set forth below, or to such other address as the recipient of such notice or communication shall have specified to the other party hereto in accordance with this Section 16(a).

If to the Company, to: Ashford Hospitality Advisors, LLC
14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
Attn: Chief Executive Officer

with a copy to: Ashford Inc.
14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
Attn: General Counsel

and

Ashford Inc.
14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
Attn: Lead Director

If to the Executive, at his last residence shown on the records of the Company,

with a copy to: ________________________________
____
____
____

Any such notice shall be effective (i) if delivered personally, when received, (ii) if sent by overnight courier, when receipted for, and (iii) if mailed, two (2) days after being mailed as described above.

(b) SEVERABILITY. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

(c) WAIVERS. No delay or omission by either party hereto in exercising any right, power or privilege hereunder shall impair such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege.

(d) COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

(e) ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Company's successors and the Executive's personal or legal representatives, executors, administrators, heirs, distributees, devisees and legatees. This Agreement shall not be assignable by the Executive, it being understood and agreed that this is a contract for the Executive's personal services. This Agreement shall not be assignable by the Company except in connection with a transaction involving the succession by a third party to all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise), in which case such successor shall assume this Agreement and expressly agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of a succession. For all purposes under this Agreement, the term "*Company*" shall include any successor to the Company's business and/or assets that executes and delivers the assumption agreement described in the immediately preceding sentence or that becomes bound by this Agreement by operation of law.

(f) ENTIRE AGREEMENT. This Agreement contains the entire understanding of the parties, supersedes all prior agreements and understandings, including the Original Agreement, whether written or oral, relating to the subject matter hereof, and may not be amended except by a written instrument hereafter signed by the Executive and the Company.

(g) GOVERNING LAW. This Agreement and the performance hereof shall be construed and governed in accordance with the laws of the State of Texas, without giving effect to principles of conflicts of law. Jurisdiction and venue shall be solely in the federal or state courts of Dallas County, Texas. This provision should not be read as a waiver of any right to removal to federal court in Dallas County.

(h) CONSTRUCTION. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party. The headings of sections of this Agreement are for convenience of reference only and shall not affect its meaning or construction.

(i) PAYMENTS AND EXERCISE OF RIGHTS AFTER DEATH. Any amounts due hereunder after the Executive's death shall be paid to the Executive's designated beneficiary or beneficiaries, whether received as a designated beneficiary or by will or the laws of descent and distribution. The Executive may designate a beneficiary or beneficiaries for all purposes of this Agreement, and may change at any time such designation, by notice to the Company making specific reference to this Agreement. If no designated beneficiary survives the Executive or the Executive fails to designate a beneficiary for purposes of this Agreement prior to his death, all amounts thereafter due hereunder shall be paid, as and when payable, to his spouse, if she survives the Executive, and otherwise to his estate.

(j) CONSULTATION WITH COUNSEL. The Executive acknowledges that he has had a full and complete opportunity to consult with counsel or other advisers of his own choosing concerning the terms, enforceability and implications of this Agreement, and that the Company has not made any representations or warranties to the Executive concerning the terms, enforceability and implications of this Agreement other than as are reflected in this Agreement.

(k) WITHHOLDING. Any payments provided for in this Agreement shall be paid net of any applicable tax withholding required under federal, state or local law.

(l) NON-DISPARAGEMENT. The Executive agrees that, during the Term and thereafter including following Executive’s termination of employment for any reason) he will not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage the Company or its affiliates or their respective officers, directors, employees, advisors, businesses or reputations. The Company agrees that, during the Term and thereafter (including following Executive’s termination of employment for any reason), the Company’s directors, officers or other employees will not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may directly or indirectly, disparage Executive or his family or his business or reputation; provided, however, the Company shall have no liability for any communication by its employees (other than its officers) that violates this non-disparagement clause, unless an officer of the Company is made aware of such communication and fails to take appropriate action to enforce this non-disparagement clause on behalf of the Company. Notwithstanding the foregoing, nothing in this Agreement shall preclude either Executive or the Company from making truthful statements or disclosures that are required by applicable law, regulation, or legal process. Notwithstanding the foregoing, nothing in this Agreement prohibits Executive from reporting possible violations of federal law or regulation to any government agency or entity or making the other disclosure protected under whistleblower provisions of law. Executive does not need prior authorization to make such reports or disclosures and is not required to notify the Company that he has made any such report or disclosure.

(m) CODE SECTION 409A. It is the intention of the parties to this Agreement that no payment or entitlement pursuant to this Agreement will give rise to any adverse tax consequences to the Executive under Section 409A of the Code. The Agreement shall be interpreted to that end and, consistent with that objective and notwithstanding any provision herein to the contrary, the Company may unilaterally take any action it deems necessary or desirable to amend any provision herein to avoid the application of or excise tax under Section 409A. Further, no effect shall be given to any provision herein in a manner that reasonably could be expected to give rise to adverse tax consequences under that provision.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto have caused this Agreement to be duly executed under seal as of the date first above written.

ASHFORD HOSPITALITY ADVISORS, LLC

By: /s/ DAVID A. BROOKS
Name: David A. Brooks
Title: Vice President
Dated: September 13, 2017

ASHFORD INC.

By: /s/ DAVID A. BROOKS
Name: David A. Brooks
Title: Chief Operating Officer
Dated: September 13, 2017

EXECUTIVE:

/s/ MARK NUNNELEY
MARK NUNNELEY

Dated: September13, 2017

EXHIBIT “A”

RELEASE AND WAIVER

THIS RELEASE AND WAIVER (the “*Termination Release*”) is made as of the ___ day of ___, 200___ by «NAME» (the “*Executive*”).

WHEREAS, the Executive, and the Company have entered into an Employment Agreement (the “Agreement”) dated as of [_______], effective as of [_________] and providing certain compensation and severance amounts upon the Executive’s termination of employment; and

WHEREAS, the Executive has agreed, pursuant to the terms of the Agreement, to execute a release and waiver in the form set forth in this Termination Release in consideration of the Company’s agreement to provide the compensation and severance amounts upon the Executive’s termination of employment set out in the Agreement; and

WHEREAS, the Company and the Executive desire to settle all rights, duties and obligations between them, including without limitation all such rights, duties, and obligations arising under the Agreement or otherwise out of the Executive’s employment by the Company;

NOW THEREFORE, intending to be legally bound and for good and valid consideration the sufficiency of which is hereby acknowledged, the Executive agrees as follows:

1. QUALIFYING TERMINATION PAYMENTS AND CONDITIONS. The Executive and the Company acknowledge and agree that the Date of Termination is _______________, 20__. Payment of the compensation and severance amounts contained in the Agreement is subject to Executive’s execution and non-revocation of the Termination Release and is due pursuant to the terms described in the Agreement. Consistent with the revocation period described below, no such payment will be due sooner than eight days following the date that Executive executes the Termination Release.

2. GENERAL RELEASE BY EXECUTIVE.

(a) The Executive knowingly and voluntarily releases, acquits, covenants not to sue and forever discharges the Company, and its respective owners, parents, stockholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives, divisions and subsidiaries (collectively, the “Releasees”) from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, damages, causes of action, suits, rights, costs, losses, debts and expenses of any nature whatsoever, known or unknown, suspected or unsuspected, foreseen or unforeseen, matured or unmatured (collectively, the “Claims”), against them which the Executive or any of his heirs, executors, administrators, successors and assigns ever had, now has or at any time hereafter may have, own or hold by reason of any matter, fact, or cause whatsoever from the beginning of time up to and including the date of this Termination Release, including without limitation all claims arising under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, the Employee Retirement Income Security Act of 1974, Texas Labor Code Section 21.001, et seq. (Texas Employment

Discrimination); Texas Labor Code Section 61.001, et seq. (Texas Pay Day Act); Texas Labor Code Section 62.002, et seq. (Texas Minimum Wage Act); Texas Labor Code Section 201.001, et seq. (Texas Unemployment Compensation Act); Texas Labor Code Section 401.001, et seq., specifically Section 451.001 formerly codified as Article 8307c of the Revised Civil Statutes (Texas Workers' Compensation Act and Discrimination Issues); and Texas Genetic Information and Testing Law, each as amended, or any other federal, state or local laws, rules, regulations, judicial decisions or public policies now or hereafter recognized. Expressly excluded from this General Release are Claims which cannot be waived by law.

(b) The Executive represents that he has not filed or permitted to be filed against any of the Releasees, any complaints, charges or lawsuits and covenants and agrees that he will not seek or be entitled to any personal recovery in any court or before any governmental agency, arbitrator or self-regulatory body against any of the Releasees arising out of any matters set forth in Section 1(a) hereof. Nothing herein shall prevent the Executive from seeking to enforce his rights under the Agreement. The Executive does not hereby waive or release his rights to any benefits under the Company's employee benefit plans to which he is or will be entitled pursuant to the terms of such plans in the ordinary course.

3. ADEA RELEASE BY EXECUTIVE. The Executive hereby completely and forever releases and irrevocably discharges the Releasees, from any and all Claims arising under the Age Discrimination in Employment Act ("ADEA") on or before the date the Executive signs this Termination Release (the "ADEA Release"), and hereby acknowledges and agrees that: (i) this Termination Release, including the ADEA Release, was negotiated at arm's length; (ii) this Termination Release, including the ADEA Release, is worded in a manner that the Executive fully understands; (iii) the Executive specifically waives any rights or claims under the ADEA; (iv) the Executive knowingly and voluntarily agrees to all of the terms set forth in this Termination Release, including the ADEA Release; (v) the Executive acknowledges and understands that any claims under the ADEA that may arise after the date of this Termination Release are not waived; and (vi) the rights and claims waived in this Termination Release, including the ADEA Release, are in exchange for consideration over and above anything to which the Executive was already entitled.

4. GENERAL RELEASE BY COMPANY. The Company and its affiliates each does hereby fully, finally and completely release Executive from any and all Claims of any kind or nature arising out of the Executive's employment with the Company arising from, relating to, or in any way connected with any facts or events occurring on or before the date of the Termination Release, provided, however, that the Executive is not released or discharged from his continuing obligations contained in the Termination Release, the Agreement, or in any other agreement with the Company.

5. NON-DISPARAGEMENT. The Executive covenants and agrees he will not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage the Company or its affiliates or their respective officers, directors, employees, advisors, businesses or reputations. Notwithstanding the foregoing, nothing herein or in the Agreement shall preclude the Executive from making truthful statements or disclosures that are required by applicable law, regulation or legal process. The Company covenants and agrees its directors, officers and other employees will

not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage Executive or his family or his business or reputation; provided, however, the Company shall have no liability for any communication by its employees (other than its officers) that violates this non-disparagement clause, unless an officer of the Company is made aware of such communication and fails to take appropriate action to enforce this non-disparagement clause on behalf of the Company. Notwithstanding the foregoing, nothing herein or in the Agreement shall preclude the Executive or the Company's officers and directors from making truthful statements or disclosures that are required by applicable law, regulation, or legal process.

6. REAFFIRMATION OF CONTINUING OBLIGATIONS. Nothing in this Termination Release shall be deemed to affect or relieve the Executive from any continuing obligation contained in any other agreement with the Company or the Company's rights with respect thereto. The Executive specifically acknowledges and reaffirms his continuing non-competition and non-solicitation obligations to the Company under the Agreement. The Executive further acknowledges that this reaffirmation is material to this Termination Release, and the Executive acknowledges and agrees that his continuing non-competition and non-solicitation obligations under the Agreement are reasonable and enforceable and that he will not challenge or violate these covenants.

7. MODIFICATION; WAIVER. No modification or addition hereto or waiver or cancellation of any provision hereof shall be valid except by a writing signed by the party to be charged therewith. No delay on the part of any party to this Termination Release in exercising any right or privilege provided hereunder or by law shall impair, prejudice or constitute a waiver of such right or privilege.

8. SEVERABILITY. If any provision contained in this Termination Release is determined to be void, illegal or unenforceable, in whole or in part, then the other provisions contained herein shall remain in full force and effect as if the provision which was determined to be void, illegal or unenforceable had not been contained herein.

9. COSTS. The parties hereto agree that each party shall pay its respective costs, including attorney's fees, if any, associated with this Termination Release.

10. FULLY UNDERSTOOD; PAYMENTS RECEIVED. By signing this Termination Release, the Executive acknowledges and affirms that he has read and understands the foregoing Termination Release, agreed to the terms of the Release Agreement, and acknowledges receipt of a copy of the Termination Release. The Executive also hereby acknowledges and affirms the sufficiency of the compensation and severance amounts recited herein. The Executive further acknowledges that upon receipt of the compensation and severance amounts recited herein, he shall not be entitled to any further payment, compensation or remuneration of any kind from the Company, with respect to the Executive's employment with the Company or otherwise.

11. ENTIRE AGREEMENT. This Termination Release contains the entire agreement between the Executive and the Company and supersedes any and all prior understandings or agreements with respect to the subject matter hereof, whether written or oral, except as set forth

herein and with respect to any of the Executive's continuing obligations contained elsewhere (including those contained in the Agreement), which shall continue and remain in full force and effect per the terms of those covenants.

ACKNOWLEDGMENT. The Company has advised the Executive to consult with an attorney of his choosing prior to signing this Termination Release and the Executive hereby represents to the Company that he has been offered an opportunity to consult with an attorney prior to signing this Termination Release. The Company has also advised the Executive that Executive has up to twenty-one days to consider and sign the Termination Release and up to seven days after signing in which to revoke acceptance by giving notice to ____________________________________ at _________________________________ by personal delivery or by mail postmarked no later than the seventh day after the Executive signs the Termination Release. The Executive acknowledges and agrees that any changes in the terms of this Termination Release, whether material or immaterial, after the date upon which the Executive first received this Termination Release shall not affect or restart the above-referenced twenty-one day consideration period.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto has executed this Termination Release under seal as of the day and year first above written.

ASHFORD HOSPITALITY ADVISORS, LLC

By:
Name:
Title:
Dated:

EXECUTIVE:

MARK NUNNELEY

Dated:

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Section 3: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATION

I, Douglas A. Kessler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ashford Hospitality Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 8, 2019

/s/ DOUGLAS A. KESSLER
Douglas A. Kessler
President and Chief Executive Officer

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Section 4: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION

I, Deric S. Eubanks, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ashford Hospitality Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 8, 2019

/s/ DERIC S. EUBANKS
Deric S. Eubanks
Chief Financial Officer

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Section 5: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ashford Hospitality Trust, Inc. (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Douglas A. Kessler, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2019

/s/ DOUGLAS A. KESSLER
Douglas A. Kessler
President and Chief Executive Officer

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Section 6: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ashford Hospitality Trust, Inc. (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Deric S. Eubanks, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2019

/s/ DERIC S. EUBANKS
Deric S. Eubanks
Chief Financial Officer

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