
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period ended _____ to _____

Commission file number 001-36594

Xenia Hotels & Resorts, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State of Incorporation)

20-0141677
(I.R.S. Employer Identification No.)

**200 S. Orange Avenue
Suite 2700, Orlando, Florida**
(Address of Principal Executive Offices)

32801
(Zip Code)

(407) 246-8100

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	XHR	New York Stock Exchange

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, smaller reporting company, or an emerging growth company. See definition 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

As of November 1, 2021, there were 114,209,134 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

XENIA HOTELS & RESORTS, INC.
Condensed Consolidated Balance Sheets
As of September 30, 2021 and December 31, 2020
(Dollar amounts in thousands, except per share data)

	September 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Assets		
Investment properties:		
Land	\$ 446,510	\$ 446,855
Buildings and other improvements	2,925,556	2,949,114
Total	\$ 3,372,066	\$ 3,395,969
Less: accumulated depreciation	(905,463)	(827,501)
Net investment properties	\$ 2,466,603	\$ 2,568,468
Cash and cash equivalents	517,464	389,823
Restricted cash and escrows	34,500	38,963
Accounts and rents receivable, net of allowance for doubtful accounts	23,833	8,966
Intangible assets, net of accumulated amortization of \$3,939 and \$3,183, respectively	5,699	6,456
Other assets	61,119	66,927
Assets held for sale (Note 4)	7,695	—
Total assets	\$ 3,116,913	\$ 3,079,603
Liabilities		
Debt, net of loan premiums, discounts and unamortized deferred financing costs (Note 5)	\$ 1,494,287	\$ 1,374,480
Accounts payable and accrued expenses	89,634	62,676
Other liabilities	73,400	75,584
Liabilities associated with assets held for sale (Note 4)	2,829	—
Total liabilities	\$ 1,660,150	\$ 1,512,740
Commitments and Contingencies (Note 12)		
Stockholders' equity		
Common stock, \$0.01 par value, 500,000,000 shares authorized, 114,209,134 and 113,755,513 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	\$ 1,142	\$ 1,138
Additional paid in capital	2,090,329	2,080,364
Accumulated other comprehensive loss	(6,243)	(14,425)
Accumulated distributions in excess of net earnings	(633,584)	(513,002)
Total Company stockholders' equity	\$ 1,451,644	\$ 1,554,075
Non-controlling interests	5,119	12,788
Total equity	\$ 1,456,763	\$ 1,566,863
Total liabilities and equity	\$ 3,116,913	\$ 3,079,603

See accompanying notes to the condensed consolidated financial statements.

XENIA HOTELS & RESORTS, INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss
For the Three and Nine Months Ended September 30, 2021 and 2020
(Unaudited)
(Dollar amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues:				
Rooms revenues	\$ 109,753	\$ 41,081	\$ 260,594	\$ 172,550
Food and beverage revenues	44,004	11,762	105,739	87,587
Other revenues	19,027	11,111	46,277	33,992
Total revenues	<u>\$ 172,784</u>	<u>\$ 63,954</u>	<u>\$ 412,610</u>	<u>\$ 294,129</u>
Expenses:				
Rooms expenses	27,099	14,267	65,024	56,458
Food and beverage expenses	33,764	14,730	80,534	75,451
Other direct expenses	5,059	2,863	12,993	9,763
Other indirect expenses	50,902	33,490	132,276	130,297
Management and franchise fees	6,025	2,043	15,009	9,212
Total hotel operating expenses	<u>\$ 122,849</u>	<u>\$ 67,393</u>	<u>\$ 305,836</u>	<u>\$ 281,181</u>
Depreciation and amortization	32,076	37,307	98,281	111,660
Real estate taxes, personal property taxes and insurance	9,731	13,028	31,268	39,800
Ground lease expense	405	478	1,187	1,604
General and administrative expenses	7,466	6,676	22,484	24,656
Gain on business interruption insurance	—	—	(1,116)	—
Acquisition, terminated transaction and pre-opening expenses	—	146	—	994
Impairment and other losses	1,759	8,942	14,072	29,044
Total expenses	<u>\$ 174,286</u>	<u>\$ 133,970</u>	<u>\$ 472,012</u>	<u>\$ 488,939</u>
Operating loss	<u>\$ (1,502)</u>	<u>\$ (70,016)</u>	<u>\$ (59,402)</u>	<u>\$ (194,810)</u>
Other income (expense)	186	26,965	(2,503)	29,335
Interest expense	(21,358)	(17,006)	(59,799)	(43,601)
Loss on extinguishment of debt	—	—	(1,356)	—
Net loss before income taxes	<u>\$ (22,674)</u>	<u>\$ (60,057)</u>	<u>\$ (123,060)</u>	<u>\$ (209,076)</u>
Income tax (expense) benefit	(43)	6,448	(377)	16,849
Net loss	<u>\$ (22,717)</u>	<u>\$ (53,609)</u>	<u>\$ (123,437)</u>	<u>\$ (192,227)</u>
Net loss attributable to non-controlling interests (Note 1)	524	1,265	2,855	4,619
Net loss attributable to common stockholders	<u><u>\$ (22,193)</u></u>	<u><u>\$ (52,344)</u></u>	<u><u>\$ (120,582)</u></u>	<u><u>\$ (187,608)</u></u>

XENIA HOTELS & RESORTS, INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss, Continued
For the Three and Nine Months Ended September 30, 2021 and 2020
(Unaudited)
(Dollar amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Basic and diluted loss per share				
Net loss per share available to common stockholders - basic and diluted	\$ (0.20)	\$ (0.46)	\$ (1.06)	\$ (1.66)
Weighted-average number of common shares (basic and diluted)	113,809,212	113,730,716	113,798,761	113,407,217
Comprehensive Loss:				
Net loss	\$ (22,717)	\$ (53,609)	\$ (123,437)	\$ (192,227)
Other comprehensive income (loss):				
Unrealized (loss) gain on interest rate derivative instruments	(163)	264	2,389	(18,535)
Reclassification adjustment for amounts recognized in net loss (interest expense)	1,598	2,840	5,999	5,511
	\$ (21,282)	\$ (50,505)	\$ (115,049)	\$ (205,251)
Comprehensive loss attributable to non-controlling interests (Note 1)	490	1,191	2,649	5,015
Comprehensive loss attributable to the Company	\$ (20,792)	\$ (49,314)	\$ (112,400)	\$ (200,236)

See accompanying notes to the condensed consolidated financial statements.

XENIA HOTELS & RESORTS, INC.
Condensed Consolidated Statements of Changes in Equity
For the Three Months Ended September 30, 2021 and 2020
(Unaudited)
(Dollar amounts in thousands, except per share data)

	<u>Common Stock</u>		<u>Additional paid in capital</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Distributions in excess of retained earnings</u>	<u>Non-controlling interests of Operating Partnership</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>					
Balance at June 30, 2021	114,209,134	\$ 1,142	\$ 2,089,550	\$ (7,644)	\$ (611,391)	\$ 3,437	\$ 1,475,094
Net loss	—	—	—	—	(22,193)	(524)	(22,717)
Share-based compensation	—	—	779	—	—	2,172	2,951
Other comprehensive loss:							
Unrealized loss on interest rate derivative instruments	—	—	—	(160)	—	(3)	(163)
Reclassification adjustment for amounts recognized in net loss	—	—	—	1,561	—	37	1,598
Balance at September 30, 2021	<u>114,209,134</u>	<u>\$ 1,142</u>	<u>\$ 2,090,329</u>	<u>\$ (6,243)</u>	<u>\$ (633,584)</u>	<u>\$ 5,119</u>	<u>\$ 1,456,763</u>
Balance at June 30, 2020	113,730,716	\$ 1,138	\$ 2,079,281	\$ (20,254)	\$ (484,995)	\$ 9,054	\$ 1,584,224
Net loss	—	—	—	—	(52,344)	(1,265)	(53,609)
Share-based compensation	—	—	597	—	—	1,899	2,496
Other comprehensive loss:							
Unrealized gain on interest rate derivative instruments	—	—	—	258	—	6	264
Reclassification adjustment for amounts recognized in net loss	—	—	—	2,772	—	68	2,840
Balance at September 30, 2020	<u>113,730,716</u>	<u>\$ 1,138</u>	<u>\$ 2,079,878</u>	<u>\$ (17,224)</u>	<u>\$ (537,339)</u>	<u>\$ 9,762</u>	<u>\$ 1,536,215</u>

See accompanying notes to the condensed consolidated financial statements.

XENIA HOTELS & RESORTS, INC.
Condensed Consolidated Statements of Changes in Equity
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)
(Dollar amounts in thousands, except per share data)

	Common Stock							
	Shares	Amount	Additional paid in capital	Accumulated other comprehensive income (loss)	Distributions in excess of retained earnings	Non-controlling Interests of Operating Partnership	Total	
Balance at December 31, 2020	113,755,513	\$ 1,138	\$ 2,080,364	\$ (14,425)	\$ (513,002)	\$ 12,788	\$ 1,566,863	
Net loss	—	—	—	—	(120,582)	(2,855)	(123,437)	
Share-based compensation	72,692	—	2,694	—	—	6,661	9,355	
Shares redeemed to satisfy tax withholding on vested share-based compensation	(18,993)	—	(318)	—	—	—	(318)	
Redemption of Operating Partnership Units	399,922	4	7,589	—	—	(11,681)	(4,088)	
Other comprehensive income:								
Unrealized gain on interest rate derivative instruments	—	—	—	2,334	—	55	2,389	
Reclassification adjustment for amounts recognized in net loss	—	—	—	5,848	—	151	5,999	
Balance at September 30, 2021	114,209,134	\$ 1,142	\$ 2,090,329	\$ (6,243)	\$ (633,584)	\$ 5,119	\$ 1,456,763	
Balance at December 31, 2019	112,670,757	\$ 1,127	\$ 2,060,924	\$ (4,596)	\$ (318,434)	\$ 36,137	\$ 1,775,158	
Net loss	—	—	—	—	(187,608)	(4,619)	(192,227)	
Repurchase of common shares, net	(165,516)	(2)	(2,262)	—	—	—	(2,264)	
Dividends, common shares / units (\$0.275)	—	—	—	—	(31,297)	(323)	(31,620)	
Share-based compensation	141,553	1	2,638	—	—	6,741	9,380	
Shares redeemed to satisfy tax withholding on vested share-based compensation	(38,610)	—	(565)	—	—	—	(565)	
Redemption of Operating Partnership Units	1,122,532	12	19,143	—	—	(27,778)	(8,623)	
Other comprehensive loss:								
Unrealized loss on interest rate derivative instruments	—	—	—	(18,005)	—	(530)	(18,535)	
Reclassification adjustment for amounts recognized in net loss	—	—	—	5,377	—	134	5,511	
Balance at September 30, 2020	113,730,716	\$ 1,138	\$ 2,079,878	\$ (17,224)	\$ (537,339)	\$ 9,762	\$ 1,536,215	

See accompanying notes to the condensed consolidated financial statements.

XENIA HOTELS & RESORTS, INC.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)
(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (123,437)	\$ (192,227)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	97,478	109,732
Non-cash ground rent and amortization of other intangibles	803	1,988
Amortization of debt premiums, discounts, and financing costs	4,615	2,205
Loss on extinguishment of debt	1,356	—
Impairment and other losses	13,072	29,044
Share-based compensation expense	8,813	8,574
Deferred interest expense	—	1,746
Other non-cash adjustments	—	508
Changes in assets and liabilities:		
Accounts and rents receivable	(15,683)	26,775
Other assets	1,343	(15,474)
Accounts payable and accrued expenses	28,742	(12,958)
Other liabilities	12,251	(3,624)
Net cash provided by (used in) operating activities	\$ 29,353	\$ (43,711)
Cash flows from investing activities:		
Capital expenditures	(19,150)	(58,157)
Performance guaranty payments	2,524	2,863
Net cash used in investing activities	\$ (16,626)	\$ (55,294)
Cash flows from financing activities:		
Payoffs of mortgage debt	(56,750)	—
Principal payments of mortgage debt	(4,888)	(1,533)
Principal payments on Corporate Credit Facility Term Loans	(150,000)	(87,600)
Proceeds from draws on the Revolving Credit Facility	—	340,000
Payments on the Revolving Credit Facility	(163,093)	(193,800)
Proceeds from Senior Notes	500,000	300,000
Payment of loan fees and issuance costs	(10,233)	(10,828)
Redemption of Operating Partnership Units	(4,088)	(8,623)
Repurchase of common shares	—	(2,264)
Shares redeemed to satisfy tax withholding on vested share-based compensation	(443)	(783)
Dividends and dividend equivalents	(54)	(63,162)
Net cash provided by financing activities	\$ 110,451	\$ 271,407
Net increase in cash and cash equivalents and restricted cash	123,178	172,402
Cash and cash equivalents and restricted cash, at beginning of period	428,786	194,946
Cash and cash equivalents and restricted cash, at end of period	\$ 551,964	\$ 367,348

XENIA HOTELS & RESORTS, INC.
Condensed Consolidated Statements of Cash Flows, Continued
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)
(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2021	2020
Supplemental disclosure of cash flow information:		
The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the amount shown in the condensed consolidated statements of cash flows:		
Cash and cash equivalents	\$ 517,464	\$ 321,051
Restricted cash	34,500	46,297
Total cash and cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	<u>\$ 551,964</u>	<u>\$ 367,348</u>
The following represent cash paid during the periods presented for the following:		
Cash paid for interest, net of capitalized interest	\$ 55,427	\$ 35,651
Cash paid for taxes	163	3,300
Supplemental schedule of non-cash investing and financing activities:		
Accrued capital expenditures	\$ 206	\$ 2,506
Deferred interest added to mortgage principal balance	—	1,746

See accompanying notes to the condensed consolidated financial statements.

XENIA HOTELS & RESORTS, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2021

1. Organization

Xenia Hotels & Resorts, Inc. (the "Company" or "Xenia") is a Maryland corporation that invests in uniquely positioned luxury and upper upscale hotels and resorts with a focus on the top 25 U.S. lodging markets as well as key leisure destinations in the United States.

Substantially all of the Company's assets are held by, and all the operations are conducted through, XHR LP (the "Operating Partnership"). XHR GP, Inc. is the sole general partner of XHR LP and is wholly-owned by the Company. As of September 30, 2021, the Company collectively owned 97.7% of the common limited partnership units issued by the Operating Partnership ("Operating Partnership Units"). The remaining 2.3% of the Operating Partnership Units are owned by the other limited partners comprised of certain of our current executive officers and members of our Board of Directors and includes vested and unvested long-term incentive plan ("LTIP") partnership units. LTIP partnership units may or may not vest based on the passage of time and whether certain market-based performance objectives are met.

Xenia operates as a real estate investment trust ("REIT"). To qualify as a REIT the Company cannot operate or manage its hotels. Therefore, the Operating Partnership and its subsidiaries lease the hotel properties to XHR Holding, Inc. and its subsidiaries (collectively with its subsidiaries, "XHR Holding"), the Company's taxable REIT subsidiary ("TRS"), which engages third-party eligible independent contractors to manage the hotels.

As of September 30, 2021 and 2020, the Company owned 35 and 39 lodging properties, respectively.

Impact of COVID-19

In January 2020, confirmed cases of novel coronavirus and related respiratory disease ("COVID-19") started appearing in the United States ("U.S."). By March 2020, COVID-19 was deemed a global pandemic by the World Health Organization. This led federal, state and local governments in the United States to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, school closures, quarantines, shelter-in-place orders and social distancing requirements, and also to implement phased, multi-step policies governing re-opening regions of the country. The effects of the COVID-19 pandemic on the hotel industry have been significant and unprecedented with global demand for lodging drastically reduced and occupancy levels reaching historic lows in 2020. As a result of the COVID-19 pandemic, the majority of the Company's hotels and resorts temporarily suspended operations for certain periods of time during 2020. All of the Company's lodging properties had resumed operations as of May 2021.

Leisure demand gradually improved during the second half of 2020, a trend that accelerated during the first seven months of 2021 and the Company also began to see increasing levels of demand for both business transient and group business during the second quarter and into July 2021. In August and September 2021, however, the Company began to experience a softening in demand due to the impact of the Delta variant, a seasonal decline in leisure demand and a shift in the timing of the Jewish holidays. Additionally, many companies delayed their office re-openings and return to work timelines and we began to experience group business cancellations for meetings being held in 2021 and the first quarter of 2022. As of September 30, 2021, COVID-19 case counts, positivity ratios and hospitalizations had begun to decline in many parts of the U.S. Despite this relative improvement, there remains significant uncertainty regarding the pace of recovery and the length of time it will take for business travel and larger group meetings to return to pre-pandemic levels. The Company may be impacted by, among other things, the distribution and acceptance of COVID-19 vaccines, breakthrough cases, and resurgences of COVID-19, including the Delta variant or other variants, which continue to result in indoor mask mandates and other restrictions. As the recovery continues, we expect that the pace will vary from market to market and may be uneven in nature.

2. Summary of Significant Accounting Policies

The unaudited interim condensed consolidated financial statements and related notes have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP" or "GAAP") and in conformity with the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to financial information. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the SEC. The unaudited condensed consolidated financial statements include normal recurring adjustments, which management considers necessary for the fair presentation of the condensed consolidated balance sheets, condensed consolidated statements of operations and

comprehensive loss, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the periods presented. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of and for the year ended December 31, 2020, included in the Company's Annual Report on Form 10-K filed with the SEC on March 1, 2021. Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of actual operating results for the entire year.

Basis of Presentation

The condensed consolidated financial statements include the accounts of the Company, the Operating Partnership, and XHR Holding. The Company's subsidiaries generally consist of limited liability companies, limited partnerships and the TRS. The effects of all inter-company transactions have been eliminated.

Reclassifications

Certain prior year amounts in these condensed consolidated financial statements have been reclassified to conform to the presentation as of and for the three and nine months ended September 30, 2021.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past, current and expected future economic conditions. Actual results could differ from these estimates.

Risks and Uncertainties

As a result of the COVID-19 pandemic, the majority of the Company's hotels and resorts temporarily suspended operations for certain periods of time during 2020. All of the Company's hotels had resumed operations by May 2021. The Company's portfolio consists of luxury and upper upscale hotels and resorts, which generally offer restaurant and bar venues, large meeting facilities and event space, and amenities, including spas and golf courses, some of which may have limited operations or may not be able to operate during the recovery in order to comply with implemented safety measures, ongoing or reimplemented restrictions and to accommodate reduced levels of demand. The Company continues to monitor the evolving situation and guidance from federal, state and local governmental and public health authorities and additional actions may be taken or required based on their recommendations and regulations in place. Under these circumstances, there may be developments that require further adjustments to operations.

The Company cannot predict with certainty when business levels will return to normalized levels after the effects of the pandemic subside or whether hotels that have recommenced operations will be forced to suspend operations or impose additional restrictions due to resurgences of COVID-19 cases, including the Delta variant or other variants. The Company expects that recovery in the lodging industry, particularly with respect to business transient and group business, will continue to lag behind the recovery of other industries and factors such as public health (including a significant increase in new variant strains of COVID-19 cases), availability and effectiveness of COVID-19 vaccines and therapeutics, the level of acceptance of the vaccine by the general population, waning immunity and the economic and geopolitical environments may impact the timing, extent and pace of such recovery. Additionally, the effects of the pandemic could materially and adversely affect the Company's ability to consummate acquisitions and dispositions of hotel properties in the near term as well as cause scale backs or delays in planned renovations and other projects.

The Company cannot predict with certainty the full extent and duration of the effects of the COVID-19 pandemic on its business, operating margins, results of operations, cash flows, financial condition, the market price of its common stock, its ability to make distributions to its shareholders, its access to equity and credit markets or its ability to service its indebtedness. Further, we continue to monitor and evaluate the challenges associated with the evolving workforce landscape, particularly related to achieving the appropriate balance between hotel staffing levels and demand as well as ongoing supply chain issues which may impact the hotels' ability to source operating supplies and other materials.

For the nine months ended September 30, 2021, the Company had a geographical concentration of revenues generated from hotels in the Orlando, Florida, Phoenix, Arizona, San Diego, California, and Houston, Texas markets that exceeded 10% of total revenues for the period then ended. For the nine months ended September 30, 2020, the Company had a geographical concentration of revenues generated from hotels in the Orlando, Florida and Phoenix, Arizona markets that exceeded 10% of

total revenues for the period then ended. To the extent adverse changes continue in these markets, or the industry sectors that operate in these markets, our business and operating results could continue to be negatively impacted.

Consolidation

The Company evaluates its investments in partially owned entities to determine whether such entities may be a variable interest entity ("VIE") or voting interest entity. If the entity is a VIE, the determination of whether the Company is the primary beneficiary must be made. The primary beneficiary determination is based on a qualitative assessment as to whether the entity has (i) power to direct significant activities of the VIE and (ii) an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The Company will consolidate a VIE if it is deemed to be the primary beneficiary. The equity method of accounting is applied to entities in which the Company is not the primary beneficiary, or the entity is not a VIE and over which the Company does not have effective control but can exercise influence over the entity with respect to its operations and major decisions.

The Operating Partnership is a VIE. The Company's significant asset is its investment in the Operating Partnership, as described in Note 1, and consequently, substantially all of the Company's assets and liabilities represent those assets and liabilities of the Operating Partnership.

Cash and Cash Equivalents

The Company considers all demand deposits, money market accounts and investments in certificates of deposit and repurchase agreements purchased, and similar accounts with a maturity of three months or less, at the date of purchase, to be cash equivalents. The Company maintains its cash and cash equivalents at various financial institutions. The combined account balances at one or more institutions generally exceed the Federal Depositary Insurance Corporation ("FDIC") insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. The Company believes that the risk is not significant as the Company does not anticipate non-performance by the financial institutions.

Restricted Cash and Escrows

Restricted cash primarily relates to furniture, fixtures and equipment replacement reserves as required per the terms of the Company's management and franchise agreements, cash held in restricted escrows for real estate taxes and insurance, capital spending reserves and, at times, disposition-related holdback escrows.

As a result of the material adverse impact on the results of operations attributed to the COVID-19 pandemic, the Company's third-party managers temporarily suspended required contributions to the furniture, fixture and equipment replacement reserves. In addition, in certain cases, the Company has the ability to utilize a portion of these cash balances for hotel operating expenses. The usage of such replacement reserves may be subject to lender approval for hotels encumbered by mortgage loans and is generally required to be replenished.

Impairment

Long-lived assets and intangibles

The Company assesses the carrying values of the respective long-lived assets, whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Events or circumstances that may cause a review include, but are not limited to, when (1) a hotel property experiences a significant decrease in the market price of the long-lived asset, (2) a hotel property experiences a current or projected loss from operations combined with a history of operating or cash flow losses, (3) it becomes more likely than not that a hotel property will be sold before the end of its useful life, (4) an accumulation of costs is significantly in excess of the amount originally expected for the acquisition, construction or renovation of a long-lived asset, (5) adverse changes in demand occur for lodging at a specific property due to declining national or local economic conditions and/or new hotel construction in markets where the hotel is located, (6) there is a significant adverse change in legal factors or in the business climate that could affect the value of the long-lived asset and/or (7) there is a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition. If it is determined that the carrying value is not recoverable because the undiscounted cash flows do not exceed carrying value, the Company records an impairment charge to the extent that the carrying value exceeds fair value.

In June 2021, the Company concluded that it intended to sell the 352-room Marriott Charleston Town Center, in Charleston, West Virginia and began marketing the property. As a result of multiple bids from qualified buyers and ongoing price

discussions, management determined, based on a probability weighted-average undiscounted cash flow analysis, that the hotel was impaired as the estimated undiscounted cash flows were less than the carrying value of the hotel as of June 30, 2021. Management determined the impairment loss as the excess of carrying value over the estimated fair value. As a result, for the three and six months ended June 30, 2021, the Company recorded an impairment loss of approximately \$12.3 million. In August 2021, the Company entered into an agreement to sell the property for a sale price of \$5.0 million and the buyer funded an at-risk deposit. Upon meeting held for sale criteria, the Company recorded an additional impairment loss of \$0.3 million for the three and nine months ended September 30, 2021 related to estimated closing costs. The sale of the hotel is subject to customary closing conditions and certain third-party approvals. These impairment losses are included in impairment and other losses on the condensed consolidated statements of operations and comprehensive loss for the periods then ended.

In September 2020, the Company entered into an agreement to sell the 492-room Renaissance Austin Hotel, in Austin, Texas for a sale price of \$70 million and, in October 2020, the buyer funded an at-risk deposit. In accordance with the Company's impairment policy, management estimated the undiscounted cash flows for the scenario of a shortened hold period and for holding the asset long-term. Based on the results of the probability weighted-average undiscounted cash flow analysis, management determined the hotel was impaired as the estimated undiscounted cash flows were less than the carrying value of the hotel as of September 30, 2020. Management determined the impairment loss as the excess of carrying value over the estimated fair value. As a result, for the three and nine months ended September 30, 2020, the Company recorded an impairment loss of approximately \$8.9 million, which is included in impairment and other losses on the condensed consolidated statement of operations and comprehensive loss for the periods then ended. The sale closed in the fourth quarter of 2020.

Involuntary Conversion

In August 2021, Hurricane Ida impacted one of the Company's lodging properties, Loews New Orleans Hotel located in New Orleans, Louisiana. As a result, the Company recorded an impairment loss of \$0.5 million for the three and nine months ended September 30, 2021, which represents the write off of the estimated historical cost, net of accumulated depreciation, of property damaged during the hurricane. Additionally, the Company expensed \$1.0 million of hurricane-related repair and cleanup costs for the three and nine months ended September 30, 2021, which is included in impairment and other losses on the condensed consolidated statement of operations and comprehensive loss for the periods then ended. The Company expects the property damage claim will exceed the \$4.4 million insurance deductible. The Company also has various other ongoing claims for damage due to winter storms in Texas in early 2021. Any insurance proceeds received in excess of insurance deductibles will be treated as a gain and will not be recorded until contingencies are resolved.

The Company is currently seeking business interruption proceeds related to properties impacted by storms under the Company's various insurance policies, however, it will not record an insurance recovery receivable until a final settlement has been reached with the insurance company. Any insurance proceeds received in excess of insurance deductibles will be accounted for as a gain. No business interruption insurance recovery receivables were accrued as of September 30, 2021.

Goodwill

The excess of the cost of an acquired entity (i.e. those that met the definition of an acquired business) over the net of the fair values assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. Goodwill was recognized and allocated to certain of the Company's properties at the time they were acquired. The Company tests goodwill for impairment annually or more frequently if events or changes in circumstances indicate impairment.

The Company has the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The optional qualitative assessment determines whether it is more likely than not that the fair value of the specific goodwill is less than its carrying amount. If it is determined that it is more likely than not that the goodwill is impaired, the Company performs a single-step analysis to identify and measure impairment. The fair value of goodwill is based on either the direct capitalization method or the discounted cash flow method. The direct capitalization method is based on a capitalization rate, which is generally observable (a Level 2 input, but at times could be unobservable, which is a Level 3 input), applied to the underlying hotel's most recent stabilized trailing twelve month net operating income at the time of the fair value analysis. The discounted cash flow method is based on estimated future cash flow projections that utilize discount rates, terminal capitalization rates, and planned capital expenditures, which are generally unobservable in the market place (Level 3 inputs). These estimates approximate the inputs the Company believes would be utilized by market participants in assessing fair value. The estimates of future cash flows are based on a number of factors, including historical operating results, estimated growth rates, known trends, and market/economic conditions. If the carrying amount of the property's assets, including goodwill, exceeds its estimated fair value an impairment charge is recorded in an amount equal to that excess but only to the extent the value of goodwill is reduced to zero.

As of September 30, 2021 and December 31, 2020, the Company had goodwill of \$4.9 million associated with one property, which is included in intangible assets, net of accumulated amortization on the condensed consolidated balance sheets for the periods then ended. During the three and nine months ended September 30, 2021, no impairment of goodwill was recorded. During the nine months ended September 30, 2020, the Company determined the carrying value of goodwill related to Andaz Savannah and Bohemian Hotel Savannah Riverfront, Autograph Collection, were in excess of their fair values and therefore recorded an impairment of \$20.1 million. Refer to Note 7 for further information.

Impairment estimates

The use of projected future cash flows, both undiscounted and discounted, and estimated hold periods are based on assumptions that are consistent with the estimates of future expectations and the strategic plan the Company uses to manage its underlying business. These assumptions and estimates about future cash flows, including the uncertainty regarding the extent and duration of the effects of the COVID-19 pandemic on our operations, along with the capitalization and discount rates used to determine these estimates are complex and subjective. The determination of fair value and possible subsequent impairment of long-lived investment properties and/or goodwill is a significant estimate that can and does change based on the Company's continuous process of analyzing each property and reviewing assumptions about uncertain inherent factors, as well as the economic condition of the property at a particular point in time. Changes in economic and operating conditions and the Company's ultimate investment intent that occur subsequent to the impairment analyses could impact these assumptions and result in future impairment charges of the real estate properties

Insurance Recoveries

At times, the Company may be entitled to business interruption proceeds for losses occurring at certain properties; however, an insurance recovery receivable will not be recorded until a final settlement has been reached with the insurance company. Any insurance proceeds received in excess of insurance deductibles will be accounted for as gain. During the nine months ended September 30, 2021, the Company recognized \$1.1 million in business interruption insurance proceeds for a portion of lost revenues associated with cancellations occurring in 2020 related to the COVID-19 pandemic. These amounts are included in gain on business interruption insurance on the condensed consolidated statement of operations and comprehensive loss for the period then ended.

Derivatives and Hedging Activities

In the normal course of business, the Company is exposed to the effects of interest rate changes. The Company limits the risks associated with interest rate changes by following established risk management policies and procedures which may include the use of derivative instruments. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Company assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract and are recorded on the condensed consolidated balance sheet at fair value, with offsetting changes recorded to other comprehensive income or loss. The Company nets assets and liabilities when the right of offset exists. Ineffective portions of changes in the fair value of a cash flow hedge are recognized as interest expense. The Company incorporates credit valuation adjustments to reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Any future defaults by the Company under the terms of its hedges, including those which may arise from cross default provisions with loan agreements, could result in the Company being immediately liable for the fair market value liability of the defaulted hedges.

Revenues

Revenues consist of amounts derived from hotel operations, including the sale of rooms for lodging accommodations, food and beverage, and other ancillary revenue generated by hotel amenities including spa, parking, golf, resort fees and other services.

Revenues are generated from various distribution channels including but not limited to direct bookings, global distribution systems and Internet travel sites. Room transaction prices are based on an individual hotel's location, room type and the bundle of services included in the reservation and are set by the hotel daily. Any discounts, including advance purchase, loyalty point redemptions or promotions are recognized at the discounted rate whereas rebates and incentives are recorded as a reduction in rooms revenues when earned. Revenues from online channels are generally recognized net of commission fees, unless the end price paid by the guest is known. Rooms revenue is recognized over the length of stay that the hotel room is occupied by the guest. Cash received from a guest prior to check-in is recorded as an advance deposit and is generally recognized as rooms

revenue at the time the room reservation has become non-cancellable, upon occupancy or upon expiration of the re-booking date. Advance deposits are included in other liabilities on the condensed consolidated balance sheets. Payment of any remaining balance is typically due from the guest upon check-out. Sales, use, occupancy, and similar taxes are collected and presented on a net basis (excluded from revenues).

Food and beverage transaction prices are based on the stated price for the specific food or beverage and varies depending on type, venue and hotel location. Service charges are typically a percentage of food and beverage prices and meeting space rental. Food and beverage revenue is recognized at the point in time in which the goods and/or services are rendered to the guest. Cash received in advance of an event is recorded as either a security or advance deposit. Security and advance deposits are recognized as revenue when it becomes non-cancellable or at the time the food and beverage goods and services are rendered to the guest. Payment for the remaining balance of food and beverage goods and services is due upon delivery and completion of such goods and services.

Parking and audio visual fees are recognized at the time services are provided to the guest at the stated price for the service or goods. In parking and audio visual contracts in which we have control over the services provided, we are considered the principal in the agreement and recognize the related revenues gross of associated costs. If we do not have control over the services in the contract, we are considered the agent and record the related revenues net of associated costs.

Resort and amenity fees, spa, golf and other ancillary amenity revenues are recognized at the point in time the goods or services have been rendered to the guest at the stated price for the service or amenity.

Share-Based Compensation

The Company maintains a share-based incentive plan that provides for the grant of stock options, stock awards, restricted stock units, LTIP units and other equity-based awards. Share-based compensation is measured at the estimated fair value of the award on the date of grant, adjusted for forfeitures as they occur, and recognized as an expense on a straight-line basis over the longest vesting period for each grant for the entire award. The determination of fair value of these awards is subjective and involves significant estimates and assumptions including expected volatility of the Company's share price, expected dividend yield, expected term and assumptions of whether certain of these awards will achieve performance thresholds. Share-based compensation is included in general and administrative expenses in the condensed consolidated statements of operations and comprehensive loss and capitalized in buildings and other improvements in the condensed consolidated balance sheets for certain employees that manage property developments, renovations and capital improvements.

Deferred Financing Costs

Financing costs related to the revolving credit facility and long-term debt are recorded at cost and are amortized as interest expense on a straight-line basis, which approximates the effective interest method, over the life of the related debt instrument unless there is a significant modification to the debt instrument. Financing costs related to the Senior Notes are amortized using the effective interest method. The balance of unamortized deferred financing costs related to the revolving credit facility is included in other assets and unamortized deferred financing costs related to all other debt are presented as a reduction in debt, net of loan premiums, discounts and unamortized deferred financing costs on the consolidated balance sheet.

Deferred financing costs related to the revolving credit facility were \$7.8 million and \$7.2 million at September 30, 2021 and December 31, 2020, respectively, offset by accumulated amortization of \$5.0 million and \$3.2 million, respectively. Deferred financing costs related to all other debt were \$27.6 million and \$21.0 million at September 30, 2021 and December 31, 2020, respectively, offset by accumulated amortization of \$6.2 million and \$5.1 million, respectively.

Recently Issued Accounting Standards

In March 2020, the Financial Accounting Standards Board issued Accounting Standard Update 2020-04, Reference Rate Reform (Topic 848) ("ASU 2020-04"). ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. As of March 31, 2020, the Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. In July 2021, the Company amended agreements on two mortgage loans replacing LIBOR with the Secured Overnight Financing Rate ("SOFR") effective September 1, 2021. In connection with these amendments, the Company elected not to reassess previous accounting determinations or

dedesignate the existing hedging relationships related to the associated swaps. The Company continues to evaluate the impact of the guidance and does not expect it to have a material impact on its consolidated financial statements.

3. Revenues

The following represents total revenues disaggregated by primary geographical markets (as defined by STR, Inc. ("STR")) for the three and nine months ended September 30, 2021 and 2020 (in thousands):

Primary Markets	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Orlando, FL	\$ 19,269	\$ 52,231
Phoenix, AZ	12,901	45,327
San Diego, CA	23,073	42,947
Houston, TX	15,117	42,639
Denver, CO	11,762	26,902
Atlanta, GA	10,868	24,861
Dallas, TX	9,284	20,726
Florida Keys	5,202	18,339
Washington, DC-MD-VA	7,672	17,081
Savannah, GA	5,832	15,525
Other	51,804	106,032
Total	<u>\$ 172,784</u>	<u>\$ 412,610</u>

Primary Markets	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Orlando, FL	\$ 5,860	\$ 36,724
Phoenix, AZ	5,918	33,013
Houston, TX	4,100	26,202
Atlanta, GA	3,990	18,558
Dallas, TX	1,436	17,231
San Francisco/San Mateo, CA	3,029	17,019
San Diego, CA	4,261	16,085
Denver, CO	3,890	13,839
Washington, DC-MD-VA	4,135	11,686
California North	4,661	11,643
Other	22,674	92,129
Total	<u>\$ 63,954</u>	<u>\$ 294,129</u>

4. Investment Properties

From time to time, the Company evaluates acquisition opportunities based on our investment criteria and/or the opportunistic disposition of our hotels in order to take advantage of market conditions or in situations where the hotels no longer fit within our strategic objectives.

In August 2021, the Company entered into an agreement to sell the 352-room Marriott Charleston Town Center, in Charleston, West Virginia for a sale price of \$5.0 million. The buyer funded an at-risk deposit and the sale is subject to customary closing conditions and certain third-party approvals. As of September 30, 2021, the hotel's assets and liabilities were classified as held for sale on the condensed balance sheet for the period the ended.

Held for Sale

The following represents the major classes of assets and liabilities associated with assets held for sale as of September 30, 2021 (in thousands):

	September 30, 2021
Building and other improvements	\$ 23,867
Less accumulated depreciation	(19,216)
Net investment properties	\$ 4,651
Accounts and rents receivable, net of allowance for doubtful accounts	815
Other assets	2,229
Total assets held for sale	\$ 7,695
Accounts payable and accrued expenses	552
Other liabilities	2,277
Total liabilities associated with assets held for sale	\$ 2,829

The operating results of the hotel that was held for sale as of September 30, 2021 are included in the Company's condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2021 and 2020, respectively.

5. Debt

Debt as of September 30, 2021 and December 31, 2020 consisted of the following (dollar amounts in thousands):

				Balance Outstanding as of	
	Rate Type	Rate⁽¹⁾	Maturity Date	September 30, 2021	December 31, 2020
Mortgage Loans					
Kimpton Hotel Palomar Philadelphia	Fixed ⁽²⁾	4.14 %	1/13/2023	\$ — ⁽³⁾	\$ 57,660
Renaissance Atlanta Waverly Hotel & Convention Center	Fixed ⁽⁴⁾	4.45 %	8/14/2024	100,000	100,000
Andaz Napa	Fixed ⁽⁵⁾	2.76 %	9/13/2024	56,000	56,000
The Ritz-Carlton, Pentagon City	Fixed ⁽⁶⁾	5.47 %	1/31/2025	65,000	65,000
Grand Bohemian Hotel Orlando, Autograph Collection	Fixed	4.53 %	3/1/2026	57,066	57,857
Marriott San Francisco Airport Waterfront	Fixed	4.63 %	5/1/2027	112,576	115,762
Total Mortgage Loans		4.44 % ⁽⁷⁾		\$ 390,642	\$ 452,279
Corporate Credit Facilities					
Corporate Credit Facility Term Loan \$150M	Fixed ⁽⁸⁾	3.77 %	8/21/2023	\$ — ⁽³⁾	\$ 150,000
Corporate Credit Facility Term Loan \$125M	Fixed ⁽⁹⁾	3.92 %	9/13/2024	125,000	125,000
Revolving Credit Facility ⁽¹⁰⁾	Variable	2.93 %	2/28/2024	— ⁽³⁾	163,093
Total Corporate Credit Facilities				\$ 125,000	\$ 438,093
2020 Senior Notes \$500M	Fixed	6.38 %	8/15/2025	500,000	500,000
2021 Senior Notes \$500M	Fixed	4.88 %	6/1/2029	500,000	—
Loan premiums, discounts and unamortized deferred financing costs, net ⁽¹¹⁾				(21,355)	(15,892)
Total Debt, net of loan premiums, discounts and unamortized deferred financing costs		5.18 % ⁽⁷⁾		\$ 1,494,287	\$ 1,374,480

(1) The rates shown represent the annual interest rates as of September 30, 2021. The variable index for one mortgage loan is one-month LIBOR and for two mortgage loans is daily SOFR. The variable index for the corporate credit facilities reflects a 25 basis point LIBOR floor which is applicable for the value of all corporate credit facilities not subject to an interest rate hedge.

- (2) The Company entered into an interest rate swap agreement to fix the interest rate of this variable rate mortgage loan for the entire term of the loan. This mortgage loan was repaid in May 2021. The interest rate swap associated with this loan was terminated in connection with the repayment.
- (3) In May 2021, the Company repaid the outstanding balance of the respective mortgage loan, the corporate credit facility term loan due to mature in August 2023 and the revolving credit facility with cash on hand and proceeds from the 2021 Senior Notes.
- (4) A variable interest loan for which the interest rate has been fixed through October 2022, after which the rate reverts to variable.
- (5) A variable interest loan for which the interest rate has been fixed on \$25 million of the balance through October 2022, after which the rate reverts to variable.
- (6) A variable interest loan for which the interest rate has been fixed through January 2023.
- (7) Represents the weighted-average interest rate as of September 30, 2021.
- (8) A variable interest loan for which LIBOR was previously fixed for \$125 million of the balance through October 2022. The spread to LIBOR varied, as it was determined by the Company's leverage ratio.
- (9) A variable interest loan for which LIBOR has been fixed through September 2022. The spread to LIBOR may vary, as it is determined by the Company's leverage ratio. The applicable interest rate has been set to the highest level of grid-based pricing during the covenant waiver period.
- (10) Commitments under the revolving credit facility total \$523 million through February 2022, after which the total commitments will decrease to \$450 million through maturity in February 2024.
- (11) Includes loan premiums, discounts and deferred financing costs, net of accumulated amortization.

Mortgage Loans

Of the total outstanding debt at September 30, 2021, none of the mortgage loans were recourse to the Company. As of September 30, 2021, the Company was not in compliance with its debt covenants on two mortgage loans which did not result in events of default but allows the respective lenders the option to institute a cash sweep until covenant compliance is achieved for a period of time specified in the respective loan agreements. The cash sweeps permit the lenders to withdraw excess cash generated by the property into a separate bank account that they control, which may be used to reduce the outstanding loan balance.

As of June 30, 2021, the Company was not in compliance with its debt covenants for three of its mortgage loans, which resulted in an event of default for each mortgage loan. In July 2021, the Company amended the terms of these mortgage loans to waive each event of default as of June 30, 2021 and to adjust covenant calculations for five quarters following the waiver. As a result, the Company was in compliance with each of these three loans as of September 30, 2021.

The mortgage loan agreements require contributions to be made to furniture, fixtures and equipment replacement reserves, however, this requirement was temporarily waived and the Company has the ability to utilize existing furniture, fixtures and equipment replacement reserve funds for operating expenses, subject to certain restrictions and a requirement to replenish any funds used.

Corporate Credit Facilities

Certain financial covenants related to our amended corporate credit facilities have been suspended until the date that financial statements are required to be delivered thereunder for the fiscal quarter ending June 30, 2022 (such period, unless earlier terminated by the Operating Partnership in accordance with the terms of the corporate credit facilities, the "covenant waiver period") and once quarterly testing resumes, certain financial covenants have been modified through the first quarter in 2023. In addition, the amended corporate credit facilities have certain restrictions and covenants which are applicable during the covenant waiver period, including (i) mandatory prepayment requirements, (ii) affirmative covenants related to the pledge of equity of certain subsidiaries and (iii) negative covenants restricting certain acquisitions, investments, capital expenditures, ground leases, and distributions. A minimum liquidity covenant also applies during the covenant waiver period.

In May 2021, in connection with the closing of the 2021 Senior Notes, the Company effectuated additional amendments to our revolving credit facility and our one remaining corporate credit facility term loan. These additional amendments, among other things, (i) extended the covenant waiver period under the corporate credit facilities as provided above, (ii) increased the minimum liquidity covenant during the covenant waiver period from \$100 million to \$150 million and eliminated the minimum liquidity covenant after the covenant waiver period ends, (iii) adjusted the mandatory prepayment requirements under the corporate credit facilities to limit the requirement to repay loans using net proceeds of certain asset sales and debt or equity issuances solely to the Operating Partnership's revolving credit facility and (iv) increased the ability for the Operating

Partnership to acquire properties and increased capacity for capital expenditures during the covenant waiver period under the corporate credit facilities.

As of September 30, 2021, there was no outstanding balance on the revolving credit facility. During the three and nine months ended September 30, 2021, the Company incurred unused commitment fees of approximately \$0.4 million and \$1.0 million, respectively, and interest expense of \$1.9 million for the nine months ended September 30, 2021. During the three and nine months ended September 30, 2020, the Company incurred unused commitment fees of approximately \$48 thousand and \$0.3 million, respectively, and interest expense of \$2.6 million and \$7.0 million, respectively.

Senior Notes

The Operating Partnership issued \$500 million of 6.375% Senior Notes (the "2020 Senior Notes") during the year ended December 31, 2020. The 2020 Senior Notes contain customary covenants that limit the Operating Partnership's ability and, in certain circumstances, the ability of its subsidiaries, to borrow money, create liens on assets, make distributions and pay dividends on or redeem or repurchase stock, make certain types of investments, sell stock in certain subsidiaries, enter into agreements that restrict dividends or other payments from subsidiaries, enter into transactions with affiliates, issue guarantees of indebtedness, and sell assets or merge with other companies. These limitations are subject to a number of important exceptions and qualifications set forth in the indenture. In addition, the 2020 Senior Notes indenture requires the Operating Partnership to maintain total unencumbered assets as of each fiscal quarter of at least 150% of total unsecured indebtedness, in each case calculated on a consolidated basis.

In May 2021, the Operating Partnership issued \$500 million of 4.875% Senior Notes due in 2029 at a price equal to 100% of face value (the "2021 Senior Notes") and used the net proceeds to repay in full the borrowings under the revolving credit facility and prepay in full the corporate credit facility term loan maturing in August 2023. The Company intends to use the remaining net proceeds from the offering of the 2021 Senior Notes for general corporate purposes.

Similar to the 2020 Senior Notes, the 2021 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by the Company and certain of its subsidiaries that incur or guarantee any indebtedness under the Company's corporate credit facilities, any additional first lien obligations, certain other bank indebtedness or any other material capital markets indebtedness (each, a "subsidiary guarantor" and together with the Company, the "guarantors"). The 2021 Senior Notes are initially secured, subject to certain permitted liens, by a first priority security interest in all of the equity interests (the "collateral") of a material portion of the Operating Partnership's subsidiaries, and any proceeds of such equity interests, which collateral also secures obligations under the corporate credit facilities on a first priority basis. The collateral securing the 2021 Senior Notes will be released in full if the Operating Partnership achieves compliance with certain financial covenant requirements under the corporate credit facilities, after which the 2021 Senior Notes will be unsecured, which is expected to occur prior to the maturity of the 2021 Senior Notes.

The 2021 Senior Notes contain customary covenants that limit the Operating Partnership's ability and, in certain instances, the ability of its subsidiaries, to borrow money, create liens on assets, make distributions and pay dividends on or redeem or repurchase stock, make certain types of investments, sell stock in certain subsidiaries, enter into agreements that restrict dividends or other payments from subsidiaries, enter into transactions with affiliates, issue guarantees of indebtedness, and sell assets or merge with other companies. These limitations are subject to a number of important exceptions and qualifications set forth in the indenture. In addition, the 2021 Senior Notes indenture requires the Operating Partnership to maintain total unencumbered assets as of each fiscal quarter of at least 150% of total unsecured indebtedness, in each case calculated on a consolidated basis.

The Operating Partnership may redeem the 2021 Senior Notes at any time prior to June 1, 2024, in whole or in part, at a redemption price equal to 100% of the accrued principal amount thereof plus unpaid interest, if any, to, but excluding, the redemption date, plus a make-whole premium. The Operating Partnership may redeem the 2021 Senior Notes at any time on or after June 1, 2024, in whole or in part, at a redemption price equal to (i) 102.438% of the principal amount thereof, should such redemption occur before June 1, 2025, (ii) 101.219% of the principal amount thereof, should such redemption occur before June 1, 2026, and (iii) 100.000% of the principal amount thereof, should such redemption occur on or after June 1, 2026, in each case plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

In addition, at any time prior to June 1, 2024, the Operating Partnership may redeem up to 40% of the original principal amount of the 2021 Senior Notes with the net cash proceeds from certain equity offerings at a redemption price of 104.875% of the principal amount redeemed plus accrued and unpaid interest, if any, to, but excluding, the redemption date, so long as at least 60% of the aggregate principal amount of the 2021 Senior Notes remains outstanding immediately after the occurrence of such

redemption. Under certain circumstances, until 120 days after the issue date, the Operating Partnership may redeem in the aggregate up to 35% of the original aggregate principal amount of the 2021 Senior Notes with the net cash proceeds of certain support received by the Operating Partnership or any of its subsidiaries from a government authority in connection with the COVID-19 global pandemic at a redemption price of 102.4375% of the principal amount redeemed plus accrued and unpaid interest, if any, to, but excluding, the redemption date, so long as at least 65% of the aggregate principal amount of the 2021 Senior Notes remain outstanding immediately after such redemption.

Debt Outstanding

Total debt outstanding as of September 30, 2021 and December 31, 2020 was \$1,516 million and \$1,390 million, respectively, and had a weighted-average interest rate of 5.18% and 4.78% per annum, respectively. The following table shows scheduled principal payments and debt maturities for the next five years and thereafter (in thousands):

	As of September 30, 2021	Weighted- average interest rate
2021	\$ 1,015	4.36%
2022	4,653	4.38%
2023	5,537	4.39%
2024	280,160	3.88%
2025	568,512	6.26%
Thereafter	655,765	4.81%
Total Debt	\$ 1,515,642	5.18%
Revolving Credit Facility (matures in 2024)	—	2.93%
Loan premiums, discounts and unamortized deferred financing costs, net	(21,355)	—
Debt, net of loan premiums, discounts and unamortized deferred financing costs	<u><u>\$ 1,494,287</u></u>	<u><u>5.18%</u></u>

As a result of the loan amendments and issuance of the 2021 Senior Notes during the three and nine months ended September 30, 2021, the Company capitalized \$0.1 million and \$10.2 million, respectively, of deferred financing costs.

In connection with the repayment of one mortgage loan and the corporate credit facility term loan maturing August 2023 during the nine months ended September 30, 2021, the Company wrote off the related unamortized deferred financing costs of \$1.4 million, which is included in loss on extinguishment of debt on the condensed consolidated statements of operations and comprehensive loss for the period then ended.

6. Derivatives

The Company primarily uses interest rate swaps as part of its interest rate risk management strategy for variable rate debt. As of September 30, 2021, all interest rate swaps were designated as cash flow hedges and involve the receipt of variable rate payments from a counterparty in exchange for making fixed rate payments over the life of the agreements without exchange of the underlying notional amount. Unrealized gains and losses of hedging instruments are reported in other comprehensive income or loss on the condensed consolidated statements of operations and comprehensive loss. Amounts reported in accumulated other comprehensive loss related to currently outstanding derivatives are recognized as an adjustment to income or loss through interest expense as interest payments are made on the Company's variable rate debt. During the nine months ended September 30, 2021, the Company terminated four interest rate swaps prior to their maturity and incurred swap termination costs of \$2.8 million which is included in other income (expense) on the condensed consolidated statements of operations and comprehensive loss for the period then ended.

Derivative instruments held by the Company with the right of offset in a net liability position were included in other liabilities on the condensed consolidated balance sheets.

The following table summarizes the terms of the derivative financial instruments held by the Company as of September 30, 2021 and December 31, 2020, respectively (in thousands):

Hedged Debt	Type	Fixed Rate	Index	Effective Date	Maturity	September 30, 2021		December 31, 2020	
						Notional Amounts	Estimated Fair Value	Notional Amounts	Estimated Fair Value
Mortgage Debt	Swap	1.83%	1-Month LIBOR	1/15/2016	10/22/2022	\$ 50,000	\$ (905)	\$ 50,000	\$ (1,521)
Mortgage Debt	Swap	1.83%	1-Month LIBOR	1/15/2016	10/22/2022	25,000	(452)	25,000	(761)
Mortgage Debt	Swap	1.84%	1-Month LIBOR	1/15/2016	10/22/2022	25,000	(454)	25,000	(764)
Mortgage Debt	Swap	1.83%	1-Month LIBOR	1/15/2016	10/22/2022	25,000	(453)	25,000	(762)
Mortgage Debt ⁽¹⁾	Swap	1.54%	1-Month LIBOR	1/13/2016	1/13/2023	—	—	57,000	(1,569)
Mortgage Debt ⁽¹⁾	Swap	1.80%	1-Month LIBOR	3/1/2017	1/3/2022	—	—	51,000	(859)
Mortgage Debt ⁽¹⁾	Swap	1.80%	1-Month LIBOR	3/1/2017	1/3/2022	—	—	45,000	(758)
Mortgage Debt ⁽¹⁾	Swap	1.81%	1-Month LIBOR	3/1/2017	1/3/2022	—	—	45,000	(765)
\$125M Term Loan	Swap	1.91%	1-Month LIBOR	10/13/2017	9/13/2022	40,000	(685)	40,000	(1,201)
\$125M Term Loan	Swap	1.92%	1-Month LIBOR	10/13/2017	9/13/2022	40,000	(686)	40,000	(1,202)
\$125M Term Loan	Swap	1.92%	1-Month LIBOR	10/13/2017	9/13/2022	25,000	(430)	25,000	(753)
\$125M Term Loan	Swap	1.92%	1-Month LIBOR	10/13/2017	9/13/2022	20,000	(343)	20,000	(601)
Mortgage Debt	Swap	2.80%	1-Month LIBOR	6/1/2018	2/1/2023	24,000	(839)	24,000	(1,302)
Mortgage Debt	Swap	2.89%	1-Month LIBOR	1/17/2019	2/1/2023	41,000	(1,484)	41,000	(2,301)
						<u>\$ 315,000</u>	<u>\$ (6,731)</u>	<u>\$ 513,000</u>	<u>\$ (15,119)</u>

(1) In May 2021, the associated interest rate swaps were terminated in connection with the full repayment of one mortgage loan and the \$150 million corporate credit facility term loan.

The table below details the location in the condensed consolidated financial statements of the gains and losses recognized on derivative financial instruments designated as cash flow hedges for the three and nine months ended September 30, 2021 and 2020 (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
<i>Effect of derivative instruments:</i>	<i>Location in Statements of Operations and Comprehensive Loss:</i>				
(Loss) gain recognized in other comprehensive loss	Unrealized (loss) gain on interest rate derivative instruments	\$ (163)	\$ 264	\$ 2,389	\$ (18,535)
Gain reclassified from accumulated other comprehensive loss to net loss	Reclassification adjustment for amounts recognized in net loss (interest expense)	\$ 1,598	\$ 2,840	\$ 5,999	\$ 5,511
Total interest expense in which effects of cash flow hedges are recorded	Interest expense	\$ 21,358	\$ 17,006	\$ 59,799	\$ 43,601
Realized loss on termination of derivative instruments	Other income (expense)	\$ —	\$ —	\$ (2,779)	\$ —

The Company expects approximately \$6.1 million will be reclassified from accumulated other comprehensive loss as an increase to interest expense in the next 12 months.

7. Fair Value Measurements

The Company defines fair value based on the price that would be received upon sale of an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value. The fair value hierarchy consists of three broad levels, which are described below:

- Level 1 - Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2 - Observable inputs, other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company has estimated the fair value of its financial and non-financial instruments using available market information and valuation methodologies it believes to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts that would be realized upon disposition.

For assets and liabilities measured at fair value on a recurring basis and non-recurring basis, quantitative disclosure of their fair values are included in the condensed consolidated balance sheets as of as of September 30, 2021 and December 31, 2020 (in thousands):

Location on Condensed Consolidated Balance Sheets/Description of Instrument	Fair Value Measurement Date			
	September 30, 2021		December 31, 2020	
	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring measurements				
<i>Liabilities</i>				
Interest rate swap liabilities ⁽¹⁾	\$ (6,731)	\$ —	\$ (15,119)	\$ —
Nonrecurring measurements				
<i>Net investment properties</i>				
Marriott Charleston Town Center	\$ 4,650	\$ —	\$ —	\$ —

(1) Interest rate swap fair values are netted as applicable per the terms of the respective master netting agreements.

Recurring Measurements

The fair value of each derivative instrument is based on a discounted cash flow analysis of the expected cash flows under each arrangement. This analysis reflects the contractual terms of the derivative instrument, including the period to maturity, and utilizes observable market-based inputs, including interest rate curves and implied volatilities, which are classified within Level 2 of the fair value hierarchy. The Company also incorporates credit value adjustments to appropriately reflect each parties' nonperformance risk in the fair value measurement, which utilizes Level 3 inputs such as estimates of current credit spreads. However, the Company has assessed that the credit valuation adjustments are not significant to the overall valuation of the derivatives and, as a result, its derivative valuations in their entirety are classified within Level 2 of the fair value hierarchy.

Non-Recurring Measurements

Investment Properties

In June 2021, the Company concluded that it intended to sell the 352-room Marriott Charleston Town Center, in Charleston, West Virginia and began marketing the property. As a result of multiple bids from qualified buyers and ongoing price discussions, management determined, based on a probability weighted-average undiscounted cash flow analysis, that the hotel was impaired as the estimated undiscounted cash flows were less than the carrying value of the hotel as of June 30, 2021. Management determined the impairment loss as the excess of carrying value over the estimated fair value. As a result, for the three and six months ended June 30, 2021, the Company recorded an impairment loss of approximately \$12.3 million. In August 2021, the Company entered into an agreement to sell the property for a sale price of \$5.0 million and the buyer funded an at-risk deposit. Upon meeting held for sale criteria, the Company recorded an additional impairment loss of \$0.3 million for the three and nine months ended September 30, 2021 related to estimated closing costs. The sale of the hotel is subject to customary closing conditions and certain third-party approvals. These impairment losses are included in impairment and other losses on the condensed consolidated statements of operations and comprehensive loss for the periods then ended.

In September 2020, the Company entered into an agreement to sell the 492-room Renaissance Austin Hotel, in Austin, Texas for a sale price of \$70 million and, in October 2020, the buyer funded an at-risk deposit. In accordance with the Company's impairment policy, management estimated the undiscounted cash flows for the scenario of a shortened hold period and for holding the asset long-term. Based on the results of the probability weighted-average undiscounted cash flow analysis, management determined the hotel was impaired as the estimated undiscounted cash flows were less than the carrying value of the hotel as of September 30, 2020. Management determined the impairment loss as the excess of carrying value over the estimated fair value. As a result, for the three and nine months ended September 30, 2020, the Company recorded an impairment loss of approximately \$8.9 million, which is included in impairment and other losses on the condensed consolidated statement of operations and comprehensive loss for the periods then ended. The sale closed in the fourth quarter of 2020.

Goodwill

The below table shows the goodwill balances as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
Goodwill	\$ 34,352	\$ 34,352
Cumulative goodwill impairment losses	(29,502)	(29,502)
Carrying value of goodwill	<u>\$ 4,850</u>	<u>\$ 4,850</u>

As of March 31, 2020, as a result of the existing market weakness due to new supply in Savannah, Georgia and the material adverse impact the COVID-19 pandemic had on the lodging industry and on our portfolio, the Company performed a single-step analysis to identify and measure impairment for three of our hotels with goodwill, including Andaz Napa, Andaz Savannah and Bohemian Hotel Savannah Riverfront, Autograph Collection. Management determined the fair value of the hotels and related goodwill using Level 3 assumptions, which included discounted cash flows based on projected operating income, timing and amount of planned capital expenditures, a terminal capitalization rate, and an applied discount rate. Based on the fair value determinations made by management, the Company identified and recorded goodwill impairments of \$6.1 million related to Andaz Savannah and \$10.3 million related to Bohemian Hotel Savannah Riverfront, Autograph Collection.

At June 30, 2020, the Company identified additional goodwill impairment related to Bohemian Hotel Savannah Riverfront, Autograph Collection, attributed to the ongoing effect of the pandemic coupled with changes in the supply and demand dynamics in the Savannah, Georgia market since the acquisition of the hotel in 2012. As a result, the Company impaired the remaining \$3.7 million of goodwill related to this hotel.

The goodwill impairment charges for the nine months ended September 30, 2020 totaled \$20.1 million, which is included in impairment and other losses on the condensed consolidated statements of operations and comprehensive loss for the period then ended.

Financial Instruments Not Measured at Fair Value

The table below represents the fair value of financial instruments presented at carrying values in the condensed consolidated

balance sheets as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021		December 31, 2020	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Total Mortgage and Corporate Credit Facility Term Loans	\$ 515,642	\$ 505,506	\$ 727,279	\$ 706,453
Senior Notes	1,000,000	1,060,594	500,000	539,901
Revolving Credit Facility	—	—	163,093	161,339
Total	\$ 1,515,642	\$ 1,566,100	\$ 1,390,372	\$ 1,407,693

The Company estimated the fair value of its total debt, net of discounts, using a weighted-average effective interest rate of 5.11% and 4.80% per annum as of September 30, 2021 and December 31, 2020, respectively. The assumptions reflect the terms currently available to borrowers with credit profiles similar to the Company's. The Company has determined that its debt instrument valuations are classified in Level 2 of the fair value hierarchy.

8. Income Taxes

The Company estimated the TRS income tax expense for the three and nine months ended September 30, 2021 using an estimated federal and state combined effective tax rate of 3.00% and recognized an income tax expense of \$43 thousand and \$0.4 million, respectively. The income tax expense for the three and nine months ended September 30, 2021 was primarily attributed to state taxes levied on gross receipts.

The Company estimated the TRS income tax benefit for the three and nine months ended September 30, 2020 using an estimated federal and state combined effective tax rate of 19.37% and recognized an income tax benefit of \$6.4 million and \$16.8 million, respectively. The income tax benefit for three and nine months ended September 30, 2020 was primarily attributed to the net operating loss carryback opportunity allowed for under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into U.S. law in March 2020.

9. Stockholders' Equity

Common Stock

The Company maintains an "At-the-Market" ("ATM") program pursuant to an Equity Distribution Agreement ("ATM Agreement") with Wells Fargo Securities, LLC, Robert W. Baird & Co. Incorporated, Jefferies LLC, KeyBanc Capital Markets Inc., and Raymond James & Associates, Inc. In accordance with the terms of the ATM Agreement, the Company may from time to time offer and sell shares of its common stock having an aggregate offering price of up to \$200 million. No shares were sold under the ATM Agreement during the three and nine months ended September 30, 2021 and 2020.

In May 2021, the Company amended the ATM Agreement to increase its size. As a result, the Company had \$200 million available for sale under the ATM Agreement as of September 30, 2021. The terms of the amended revolving credit facility impose restrictions on the use of proceeds raised from equity issuances.

The Board of Directors has authorized a stock repurchase program pursuant to which the Company is authorized to purchase up to \$175 million of the Company's outstanding common stock in the open market, in privately negotiated transactions or otherwise, including pursuant to Rule 10b5-1 plans (the "Repurchase Program"). The Repurchase Program does not have an expiration date. This Repurchase Program may be suspended or discontinued at any time and does not obligate the Company to acquire any particular amount of shares.

No shares were purchased as part of the Repurchase Program during the nine months ended September 30, 2021. During the nine months ended September 30, 2020, 165,516 shares were repurchased under the Repurchase Program at a weighted-average price of \$13.68 per share for an aggregate purchase price of \$2.3 million. As of September 30, 2021, the Company had approximately \$94.7 million remaining under its share repurchase authorization. We are prohibited under the terms of the amended corporate credit facilities from making repurchases of our common stock until we achieve compliance with applicable debt covenants and our covenant waiver period ends.

Distributions

The Company has suspended its quarterly dividend in order to preserve liquidity and did not declare any dividends during the nine months ended September 30, 2021. Our ability to make distributions is currently limited by the provisions of our amended corporate credit facilities. The Company will evaluate if and when to resume paying dividends in the future based on business and economic conditions and the requirement to distribute 90% of REIT taxable income in order to remain qualified as a REIT.

The Company declared the following dividend during the nine months ended September 30, 2020:

Dividend per Share/Unit	For the Quarter Ended	Record Date	Payable Date
\$0.275	March 31, 2020	March 31, 2020	April 15, 2020

Non-Controlling Interest of Common Units in Operating Partnership

During the nine months ended September 30, 2021, 615,266 vested LTIP Units were converted into common limited partnership units in the Operating Partnership ("Common Units") on a one-for-one basis and subsequently all 615,266 Common Units were tendered to the Operating Partnership for redemption. At the Company's election, 399,922 Common Units were redeemed for common stock and 215,344 Common Units were redeemed for cash totaling \$4.1 million.

During the nine months ended September 30, 2020, 1,579,549 vested LTIP Units were converted into common limited partnership units in the Operating Partnership on a one-for-one basis and subsequently all 1,579,549 Common Units were tendered to the Operating Partnership for redemption. At the Company's election, 1,122,532 Common Units were redeemed for common stock and 457,017 Common Units were redeemed for cash totaling \$8.6 million.

As of September 30, 2021, the Operating Partnership had 2,713,209 LTIP Units outstanding, representing a 2.3% partnership interest held by the limited partners. Of the 2,713,209 LTIP Units outstanding at September 30, 2021, 507,761 units had vested and had yet to be converted or redeemed. Only vested LTIP Units may be converted to common units of the Operating Partnership, which in turn can be tendered for redemption per the terms of the LTIP Unit award agreements.

10. Earnings Per Share

Basic earnings per common share is calculated by dividing net income or loss available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is calculated by dividing net income or loss available to common stockholders by the weighted-average number of common shares outstanding during the period plus any shares that could potentially be outstanding during the period. Any anti-dilutive shares have been excluded from the diluted earnings per share calculation.

Unvested share-based awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share pursuant to the two-class method. Accordingly, distributed and undistributed earnings attributable to unvested share-based compensation (participating securities) have been excluded, as applicable, from net income or loss available to common stockholders used in the basic and diluted earnings per share calculations.

Income or loss allocated to non-controlling interests in the Operating Partnership has been excluded from the numerator and Operating Partnership Units and LTIP Units in the Operating Partnership have been omitted from the denominator for the purpose of computing diluted earnings per share since including these amounts in the numerator and denominator would have no impact.

The following table reconciles net loss attributable to common stockholders to basic and diluted earnings per share (in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net loss attributable to common stockholders	\$ (22,193)	\$ (52,344)	\$ (120,582)	\$ (187,608)
Dividends paid on unvested share-based compensation	—	—	—	(150)
Net loss available to common stockholders	<u>\$ (22,193)</u>	<u>\$ (52,344)</u>	<u>\$ (120,582)</u>	<u>\$ (187,758)</u>
Denominator:				
Weighted-average shares outstanding - Basic	113,809,212	113,730,716	113,798,761	113,407,217
Effect of dilutive share-based compensation ⁽¹⁾	—	—	—	—
Weighted-average shares outstanding - Diluted	<u>113,809,212</u>	<u>113,730,716</u>	<u>113,798,761</u>	<u>113,407,217</u>
Basic and diluted loss per share:				
Net loss per share available to common stockholders - basic and diluted	<u>\$ (0.20)</u>	<u>\$ (0.46)</u>	<u>\$ (1.06)</u>	<u>\$ (1.66)</u>

(1) During the three and nine months ended September 30, 2021, the Company excluded 580,479 and 563,820 anti-dilutive shares from its calculation of diluted earnings per share, respectively. During the three and nine months ended September 30, 2020, the Company excluded 263,383 and 260,270 anti-dilutive shares from its calculation of diluted earnings per share, respectively.

11. Share-Based Compensation

2015 Incentive Award Plan

Restricted Stock Unit Grants

The Compensation Committee of the Board of Directors approved the following grants of restricted stock units to certain Company employees:

Grant Date	Grant Description	Time-Based Grants	Performance-Based Grants	Weighted-Average Grant Date Fair Value
March 2021	2021 Restricted Stock Units	64,542	37,067	\$ 16.66

Each award of time-based Restricted Stock Units will vest as follows, subject to continued employment with the Company or its affiliates through each applicable vesting date: 33% on the first anniversary of the vesting commencement date, 33% on the second anniversary of the vesting commencement date, and 34% on the third anniversary of the vesting commencement date.

The performance-based Restricted Stock Units are designated twenty-five percent (25%) as absolute total stockholder return ("TSR") units (the "Absolute TSR Share Units") and seventy-five percent (75%) as relative TSR share units (the "Relative TSR Share Units"). The Absolute TSR Share Units vest based on achievement of varying levels of the Company's TSR over the three-year performance period. The Relative TSR Share Units vest based on the ranking of the Company's TSR as compared to a defined peer group over the three-year performance period. Vesting of performance-based Restricted Stock Units is also subject to continued employment with the Company or its affiliates through the applicable vesting date.

In May 2021, with the addition of one non-employee director to the Company's Board of Directors, and pursuant to the Company's Director Compensation Program, 5,138 fully vested shares of common stock were granted which had a grant date fair value of \$19.09 per share.

LTIP Unit Grants

The Compensation Committee of the Board of Directors approved the issuance of the following awards under the 2015 Incentive Award Plan:

Grant Date	Grant Description	Time-Based LTIP Units	Performance-Based Class A LTIP Units	Weighted-Average Grant Date Fair Value
March 2021	2021 LTIP Units	88,076	708,991	\$ 11.87

Each award of time-based LTIP Units will vest as follows, subject to continued employment with the Company or its affiliates through each applicable vesting date: 33% on the first anniversary of the vesting commencement date, 33% on the second anniversary of the vesting commencement date, and 34% on the third anniversary of the vesting commencement date.

A portion of each award of Class A LTIP Units are designated as a number of "base units". The base units are designated twenty-five percent (25%) as absolute TSR base units, and vest based on achievement of varying levels of the Company's TSR over the three-year performance period. The other seventy-five percent (75%) of the base units are designated as relative TSR base units and vest based on the ranking of the Company's TSR as compared to a defined peer group over the three-year performance period. Vesting of Class A LTIP Units is also subject to continued employment with the Company or its affiliates through the vesting date.

LTIP Units (other than unvested Class A LTIP Units), whether vested or unvested, receive the same quarterly per-unit distributions as common units in the Operating Partnership, which equal the per-share distributions on the common stock of the Company. Class A LTIP Units that have not vested receive a quarterly per-unit distribution equal to 10% of the distribution paid on common units in the Operating Partnership.

In May 2021, pursuant to the Company's Director Compensation Program, the Company approved the issuance of 36,848 fully vested LTIP Units to seven of its non-employee directors which had a grant date fair value of \$19.00 per unit.

The following is a summary of the unvested incentive awards under the 2015 Incentive Award Plan as of September 30, 2021:

	2015 Incentive Award Plan Restricted Stock Units	2015 Incentive Award Plan LTIP Units ⁽¹⁾	Total
Unvested as of December 31, 2020	387,739	1,494,458	1,882,197
Granted	106,747	833,915	940,662
Vested ⁽²⁾	(72,692)	(122,925)	(195,617)
Forfeited	(4,291)	—	(4,291)
Unvested as of September 30, 2021	417,503	2,205,448	2,622,951
Weighted-average fair value of unvested shares/units	\$ 14.49	\$ 11.00	\$ 11.56

(1) Includes time-based LTIP Units and performance-based Class A LTIP Units.

(2) During the nine months ended September 30, 2021, 18,993 shares of common stock were withheld by the Company upon the settlement of the applicable awards in order to satisfy minimum tax withholding requirements with respect to Restricted Stock Units granted under the 2015 Incentive Award Plan.

The grant date fair values of the vested common stock, time-based Restricted Stock Units, time-based LTIP Units and vested LTIP Units were determined based on the closing price of the Company's common stock on the grant date and compensation expense is recognized on a straight-line basis over the vesting period. The grant date fair values of performance-based awards are determined based on a Monte Carlo simulation method with the following assumptions and compensation expense is recognized on a straight-line basis over the performance period:

		Grant Date Fair Value by Component			
Performance Award Grant Date	Percentage of Total Award	(in dollars)	Volatility	Interest Rate	Dividend Yield
March 1, 2021					
Absolute TSR Restricted Stock Units	25%	\$12.63	59.84%	0.01% - 0.31%	—%
Relative TSR Restricted Stock Units	75%	\$13.06	59.84%	0.01% - 0.31%	—%
Absolute TSR Class A LTIP Units	25%	\$12.57	59.84%	0.01% - 0.31%	—%
Relative TSR Class A LTIP Units	75%	\$12.69	59.84%	0.01% - 0.31%	—%

The absolute and relative total stockholder returns are market conditions as defined by Accounting Standard Codification ("ASC") 718, Compensation - Stock Compensation. Market conditions include provisions wherein the vesting condition is met through the achievement of a specific value of the Company's common stock, which is total stockholder return in this case. Market conditions differ from other performance awards under ASC 718 in that the probability of attaining the condition (and thus vesting of the units or shares) is reflected in the initial grant date fair value of the award.

Accordingly, it is not appropriate to reconsider the probability of vesting in the award subsequent to the initial measurement of the award, nor is it appropriate to reverse any of the expense if the condition is not met. As such, once the expense for these awards is measured, the expense must be recognized over the vesting period regardless of whether the target is met, or at what level the target is met. Expense may only be reversed if the holder of the instrument forfeits the award as a result of the holder's termination of service to the Company prior to vesting.

For the three and nine months ended September 30, 2021, the Company recognized approximately \$2.9 million and \$8.0 million, respectively, of share-based compensation expense (net of forfeitures) related to Restricted Stock Units and LTIP Units provided to certain of its executive officers and other members of management. In addition, for the nine months ended September 30, 2021, the Company recognized \$0.8 million of share-based compensation expense related to the non-employee Board of Directors and for the three and nine months ended September 30, 2021 capitalized approximately \$0.1 million and \$0.5 million, respectively, related to Restricted Stock Units provided to certain members of management who oversee development and capital projects on behalf of the Company. As of September 30, 2021, there was \$14.3 million of total unrecognized compensation costs related to unvested Restricted Stock Units, Class A LTIP Units and Time-Based LTIP Units issued under the 2015 Incentive Award Plan, which are expected to be recognized over a remaining weighted-average period of 1.81 additional years.

For the three and nine months ended September 30, 2020, the Company recognized approximately \$2.3 million and \$7.9 million, respectively, of share-based compensation expense (net of forfeitures) related to Restricted Stock Units and LTIP Units provided to certain of its executive officers and other members of management. In addition, for the nine months ended September 30, 2020, the Company recognized \$0.7 million of share-based compensation expense related to grants to the Board of Directors and for the three and nine months ended September 30, 2020 capitalized approximately \$0.2 million and \$0.8 million, respectively, related to Restricted Stock Units provided to certain members of management who oversee development and capital projects on behalf of the Company. In addition, share-based compensation for the nine months ended September 30, 2020 included \$1.9 million of accelerated share-based compensation associated with reductions in corporate personnel as a result of the impact of the COVID-19 pandemic.

12. Commitments and Contingencies

Leases

The Company is a lessee to long-term ground, parking, and its corporate office leases, which are accounted for as operating leases. The following is a summary of the Company's leases as of and for the nine months ended September 30, 2021 (dollar amounts in thousands):

	September 30, 2021
Weighted-average remaining lease term, including reasonably certain extension options ⁽¹⁾	23 years
Weighted-average discount rate	5.79%
ROU asset ⁽²⁾	\$ 21,954
Lease liability ⁽³⁾	\$ 23,286
Operating lease rent expense	\$ 1,659
Variable lease costs	2,198
Total rent and variable lease costs	<u>\$ 3,857</u>

(1) The weighted-average remaining lease term including all available extension options is approximately 59 years.

(2) The ROU asset is included in other assets and assets held for sale on the condensed consolidated balance sheet as of September 30, 2021.

(3) The lease liability is included in other liabilities and liabilities associated with assets held for sale on the condensed consolidated balance sheet as of September 30, 2021.

The following table shows the remaining lease payments, which includes reasonably certain extension options, for the next five years and thereafter reconciled to the lease liability as of September 30, 2021 (in thousands):

	Year Ending December 31, 2021
2021 (excluding the nine months ended September 30, 2021)	\$ 565
2022	2,273
2023	2,287
2024	2,302
2025	2,317
Thereafter	34,926
Total undiscounted lease payments	\$ 44,670
Less imputed interest	(21,384)
Lease liability ⁽¹⁾	<u>\$ 23,286</u>

(1) The lease liability is included in other liabilities on the condensed consolidated balance sheet as of September 30, 2021.

Management and Franchise Agreements

In order to maintain its qualification as a REIT, the Company cannot directly or indirectly operate any of its hotels. The Company leases each hotel to TRS lessees, which in turn engage property managers to manage the hotels. Each hotel is operated pursuant to a hotel management agreement with an independent third-party hotel management company.

Pursuant to the hotel management agreements, the management company controls the day-to-day operation of each hotel, and the Company is granted limited approval rights with respect to certain of the management company's actions. The hotel management agreements typically contain a two-tiered fee structure, wherein the management company receives a base management fee and, if certain financial thresholds are met or exceeded, an incentive management fee. Many hotel

management agreements also require the maintenance of a capital reserve fund based on a percentage of hotel revenues to be used for capital expenditures to maintain the quality of the hotels.

As a result of the material adverse impact on the results of operations attributed to the COVID-19 pandemic, the Company's third-party managers temporarily suspended required contributions to the furniture, fixture and equipment replacement reserves. In addition, in certain cases, the Company has the ability to utilize a portion of these cash balances for hotel operating expenses. The usage of such replacement reserves may be subject to lender approval for hotels encumbered by mortgage loans and is generally required to be replenished.

Management agreements for brand-managed hotels have terms generally ranging from 10 to 30 years and allow for one or more renewal periods at the option of the hotel manager. Assuming all renewal periods are exercised, the average remaining term is 25 years. Management agreements for franchised hotels generally contain initial terms between 10 and 15 years with an average remaining initial term of approximately three years.

The Company is generally limited in its ability to sell, lease or otherwise transfer hotels unless the transferee assumes the related hotel management agreement. However, most agreements include owner rights to terminate the agreements on the basis of the manager's failure to meet certain performance-based metrics. Typically, these criteria are subject to the manager's ability to 'cure' and avoid termination by payment to the Company of specified deficiency amounts (or, in some instances, waiver of the right to receive specified future management fees).

Franchise agreements contain initial terms of 15 to 20 years, with an average remaining initial term of approximately seven years. The franchise agreements require royalty fees based on a percentage of gross rooms revenue and, for certain hotels, an additional fee based on a percentage of gross food and beverage revenue. In addition, franchise agreements require fees for marketing, reservation or other program fees based on a percentage of gross rooms revenue. Many franchise agreements also require the maintenance of a capital reserve fund based on a percentage of hotel revenues to be used for capital expenditures to maintain the quality of the hotels.

For the three and nine months ended September 30, 2021, the Company incurred management and franchise fee expenses of \$6.0 million and \$15.0 million, respectively, and for the three and nine months ended September 30, 2020 incurred expenses of \$2.0 million and \$9.2 million, respectively, which are included on the condensed consolidated statements of operations and comprehensive loss for the periods then ended.

Reserve Requirements

Certain franchise and management agreements require the Company to reserve funds relating to replacements and renewals of the hotels' furniture, fixtures and equipment. As of September 30, 2021 and December 31, 2020, the Company had a balance of \$25.8 million and \$25.9 million, respectively, in reserves for such future improvements. This amount is included in restricted cash and escrows on the condensed consolidated balance sheets as of September 30, 2021 and December 31, 2020, respectively.

As a result of the material adverse impact on the results of operations attributed to the COVID-19 pandemic, the Company's third-party managers temporarily suspended required contributions to the furniture, fixture and equipment replacement reserves. In addition, in certain cases, the Company has the ability to utilize a portion of these cash balances for hotel operating expenses. The usage of such replacement reserves may be subject to lender approval for hotels encumbered by mortgage loans and is generally required to be replenished. As of September 30, 2021, the Company had used \$14.7 million of the furniture, fixture and equipment replacement reserves for working capital purposes, of which \$4.8 million remains subject to replenishment requirements.

Renovation and Construction Commitments

As of September 30, 2021, the Company had various contracts outstanding with third-parties in connection with the renovation of certain of its hotel properties. The remaining commitments under these contracts as of September 30, 2021 totaled \$5.2 million.

Legal

The Company is subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of these matters cannot be predicted with certainty, management believes, based on currently available information, that the final outcome of such matters will not have a material adverse effect on the financial condition of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this Quarterly Report on Form 10-Q, other than purely historical information, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements include statements about Xenia's plans, objectives, strategies, financial performance and outlook, trends, the amount and timing of future cash distributions, anticipated timing to close a pending transaction, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, our actual financial results, performance, achievements or prospects may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "guidance," "predict," "potential," "continue," "likely," "will," "would," "illustrative" and variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by Xenia and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are not guarantees of future performance, and stockholders should not place undue reliance on forward-looking statements. Forward-looking statements in this Form 10-Q include, among others, statements about our plans, strategies and the effects of the COVID-19 pandemic, including on the demand for travel (including leisure travel and transient and group business travel), capital expenditures and the timing of renovations, status of transactions and escrow deposits, and derivations thereof, financial performance, prospects or future events. There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Such risks, uncertainties and other important factors include, among others: the factors set forth under "Part I-Item 1A. Risk Factors" and "Part II-Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") on March 1, 2021, as may be updated elsewhere in this report; and the information set forth in other Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that we have filed or will file with the SEC; the short- and longer-term effects of the COVID-19 pandemic, including on the demand for travel (including leisure travel and transient and group business travel), and levels of consumer confidence; actions that governments, businesses, and individuals take in response to the COVID-19 pandemic or any resurgence of the disease or its variants, including limiting or banning travel and implementation of social distancing requirements; the impact of the COVID-19 pandemic, and actions taken in response to the COVID-19 pandemic or any resurgence of the disease or its variants, on global and regional economies, travel, and economic activity, including the duration and magnitude of its impact on unemployment rates, impacts to supply chains, and consumer discretionary spending; the broad distribution of COVID-19 vaccines and wide acceptance by the general population of such vaccines and boosters; the effectiveness of the vaccines; the ability of third-party managers or other partners to successfully navigate the impacts of the COVID-19 pandemic including labor shortages; the pace of recovery following the COVID-19 pandemic or any resurgence of the disease or its variants; COVID-19 may cause us to incur additional expenses (for example, depending on the length of furloughs for employees at our hotels, we may be required to make severance payments to some of the hotels furloughed employees); our ability to successfully negotiate amendments and covenant waivers under our indebtedness; our ability to comply with covenants; business, financial and operating risks inherent to real estate investments and the lodging industry; seasonal and cyclical volatility in the lodging industry; adverse changes in specialized industries, such as the technology and/or tourism industries that result in a sustained downturn of related businesses and corporate spending that may negatively impact our revenues and results of operations; difficulties in procuring required products caused by supply chain disruptions; macroeconomic and other factors beyond our control that can adversely affect and reduce demand for hotel rooms, food and beverage services, and/or meeting facilities, including inflation; contraction in the global economy or low levels of economic growth; levels of spending in business and leisure segments as well as consumer confidence; declines in occupancy and average daily rate; fluctuations in the supply, due to hotel construction and/or renovation and expansion of existing hotels, and demand for hotel rooms; changes in the competitive environment in the lodging industry, including due to consolidation of management companies, franchisors and online travel agencies, and changes in the markets where we own hotels; events beyond our control, such as war, terrorist or cyber-attacks, mass casualty events, government shutdowns and closures, travel-related health concerns, and natural disasters; cyber incidents and information technology failures, including unauthorized access to our computer systems and/or vendors' computer systems, and our third-party management companies' or franchisors' computer systems and/or their vendors' computer systems; our inability to directly operate our properties and reliance on third-party hotel management companies to operate and manage our hotels; our ability to maintain good relationships with our third-party hotel management companies and franchisors; our failure to maintain brand operating standards; our ability to maintain our brand licenses at our hotels; relationships with labor unions and changes in labor laws; loss of our senior management team or key personnel; our ability to identify and consummate acquisitions and dispositions of hotels; our ability to integrate and successfully operate any hotel properties acquired in the future and the risks associated with these hotel properties; the impact of hotel renovations, repositioning, redevelopments and re-branding activities; our ability to access capital for renovations and acquisitions on terms and at times that are acceptable to us; the fixed cost nature of hotel ownership; our ability to service, restructure or refinance our debt; changes in interest rates and operating costs, including labor and service related costs; compliance with

regulatory regimes and local laws; uninsured or under insured losses, including those relating to natural disasters, terrorism or cyber-attacks; changes in distribution channels, such as through internet travel intermediaries or websites that facilitate short-term rental of homes and apartments from owners; the amount of debt that we currently have or may incur in the future; provisions in our debt agreements that may restrict the operation of our business; our organizational and governance structure; our status as a real estate investment trust ("REIT"); our taxable REIT subsidiary ("TRS") lessee structure; the cost of compliance with and liabilities under environmental, health and safety laws; adverse litigation judgments or settlements; changes in real estate and zoning laws and increases in real property tax valuations or rates; changes in federal, state or local tax law, including legislative, administrative, regulatory or other actions affecting REITs; changes in governmental regulations or interpretations thereof; and estimates relating to our ability to make distributions to our stockholders in the future.

These factors are not necessarily all of the important factors that could cause our actual financial results, performance, achievements or prospects to differ materially from those expressed in or implied by any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date they are made, and we do not undertake or assume any obligation to update publicly any of these forward-looking statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

The following discussion and analysis should be read in conjunction with the Company's Unaudited Condensed Consolidated Financial Statements and accompanying notes, which appear elsewhere in this Quarterly Report on Form 10-Q.

Overview

Xenia Hotels & Resorts, Inc. ("we", "us", "our", "Xenia" or the "Company") is a self-advised and self-administered REIT that invests in uniquely positioned luxury and upper upscale hotels and resorts with a focus on top 25 U.S. lodging markets as well as key leisure destinations in the United States. As of September 30, 2021, we owned 35 hotels, comprising 10,011 rooms, across 15 states. Our hotels are operated and/or licensed by industry leaders such as Marriott, Hyatt, Kimpton, Fairmont, Loews, Hilton, and The Kessler Collection.

Impact of COVID-19 on our Business

In January 2020, confirmed cases of novel coronavirus and related respiratory disease ("COVID-19") started appearing in the United States ("U.S."). By March 2020, COVID-19 was deemed a global pandemic by the World Health Organization. This led federal, state and local governments in the United States to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, school closures, quarantines, shelter-in-place orders and social distancing requirements, and also to implement phased, multi-step policies governing re-opening regions of the country. The effects of the COVID-19 pandemic on the hotel industry have been significant and unprecedented with global demand for lodging drastically reduced and occupancy levels reaching historic lows in 2020. As a result of the COVID-19 pandemic, the majority of the Company's hotels and resorts temporarily suspended operations for certain periods of time during 2020. All of the Company's lodging properties had resumed operations as of May 2021.

Leisure demand gradually improved during the second half of 2020, a trend that accelerated during the first seven months of 2021 and the Company also began to see increasing levels of demand for both business transient and group business during the second quarter and into July 2021. In August and September 2021, however, the Company began to experience a softening in demand due to the impact of the Delta variant, a seasonal decline in leisure demand and a shift in the timing of the Jewish holidays. Additionally, many companies delayed their office re-openings and return to work timelines and we began to experience group business cancellations for meetings being held in 2021 and the first quarter of 2022. As of September 30, 2021, COVID-19 case counts, positivity ratios and hospitalizations had begun to decline in many parts of the U.S. Despite this relative improvement, there remains significant uncertainty regarding the pace of recovery and how long it will take for business travel and larger group meetings to return to pre-pandemic levels. The Company may be impacted by, among other things, the distribution and acceptance of COVID-19 vaccines, breakthrough cases, and resurgences of COVID-19, including the Delta variant or other variants, which continue to result in indoor mask mandates and other restrictions. As the recovery continues, we expect that the pace will vary from market to market and may be uneven in nature.

Our portfolio consists of luxury and upper upscale hotels and resorts, which generally offer restaurant and bar venues, large meeting facilities and event space, and amenities, including spas and golf courses, the majority of which have resumed operations in accordance with state and local ordinances. However, these amenities could be impacted again in the future in order to comply with state and local ordinances, restrictions and safety measures to address resurgences of the pandemic and/or to accommodate reduced levels of demand. We currently expect that the recovery in lodging, particularly with respect to

business transient and group business, will be gradual, likely inconsistent, and may lag behind the recovery of other industries. Factors such as public health (including a significant increase in new and variant strains of COVID-19 cases), availability and effectiveness of COVID-19 vaccines and therapeutics, the level of acceptance of the vaccine by the general population, waning immunity and the economic and geopolitical environments may impact the timing, extent and pace of such recovery.

We cannot predict with certainty when business levels will return to normalized levels after the effects of the pandemic subside or whether hotels that have recommenced operations will be forced to shut down operations or impose additional restrictions due to a resurgence of COVID-19 cases, including the Delta variant and other variants of the virus. Additionally, the effects of the pandemic could materially and adversely affect our ability to consummate acquisitions and dispositions of hotel properties in the near term as well as to cause us to scale back or delay planned renovations and other projects. We cannot predict the full extent and duration of the effects of the COVID-19 pandemic on our business, operating margins, results of operations, cash flows, financial condition, the market price of our common stock, our ability to make distributions to our shareholders, our access to equity and credit markets and our ability to service our indebtedness.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company, the Operating Partnership, and XHR Holding. The Company's subsidiaries generally consist of limited liability companies, limited partnerships and the TRS. The effects of all inter-company transactions have been eliminated. Corporate costs directly associated with our principal executive offices, personnel and other administrative costs are reflected as general and administrative expenses on the condensed consolidated statements of operations and comprehensive loss.

Our Revenues and Expenses

Our revenue is primarily derived from hotel operations, including rooms revenue, food and beverage revenue and other revenue, which consists of parking, spa, resort fees, other guest services, and tenant leases, among other items.

Our operating costs and expenses consist of the costs to provide hotel services, including rooms expense, food and beverage expense, other direct and indirect operating expenses, and management and franchise fees. Rooms expense includes housekeeping wages and associated payroll taxes, room supplies, laundry services and front desk costs. Food and beverage expense primarily includes the cost of food, beverages and associated labor. Other direct and indirect hotel expenses include labor and other costs associated with the other operating department revenue, as well as labor and other costs associated with general and administrative departments, sales and marketing, information technology and telecommunications, repairs and maintenance and utility costs. We enter into management agreements with independent third-party management companies to operate our hotels. The management companies typically earn base and incentive management fees based on the levels of revenues and profitability of each individual hotel.

Key Indicators of Operating Performance

We measure hotel results of operations and the operating performance of our business by evaluating financial and nonfinancial metrics such as Revenue Per Available Room ("RevPAR"); average daily rate ("ADR"); occupancy rate ("occupancy"); earnings before interest, income taxes, depreciation and amortization for real estate ("EBITDAre") and Adjusted EBITDAre; and funds from operations ("FFO") and Adjusted FFO. We evaluate individual hotel and company-wide performance with comparisons to budgets, prior periods and competing properties. RevPar, ADR, and occupancy may be impacted by macroeconomic factors as well as regional and local economies and events. See "Non-GAAP Financial Measures" for further discussion of the Company's use, definitions and limitations of EBITDAre, Adjusted EBITDAre, FFO and Adjusted FFO and the reasons management believes these financial measures are useful to investors.

Results of Operations

Lodging Industry Overview

The impact of COVID-19 on the global and U.S. economy and the travel industry in particular has been significant and unprecedented, causing a severe impact to our operations beginning late in the first quarter of 2020 and continuing through the third quarter of 2021. The improvements in occupancy and revenues experienced by the industry during the first quarter of 2021 accelerated through July 2021 largely driven by leisure transient demand along with an uptick in business transient and group demand, however, in August and September 2021, the industry was impacted by a surge in COVID-19 case counts, positivity ratios and hospitalizations as a result of the Delta variant, which negatively impacted demand and occupancy rates and resulted in group cancellations in 2021 and first quarter of 2022. As of September 30, 2021, COVID-19 case counts, positivity ratios and hospitalizations had begun to decline in many parts of the U.S. and occupancy rebounded in October 2021. Despite this relative improvement, there is still significant uncertainty regarding the pace of recovery and the length of time it will take for business travel and larger group meetings to return to pre-pandemic levels.

The U.S. lodging industry has historically exhibited a strong correlation to U.S. GDP, which increased at an estimated annual rate of approximately 2.0% during the third quarter of 2021, according to the U.S. Department of Commerce, slowing from the annual rate growth trend from the first and second quarters of 2021 of 6.3% and 6.7%, respectively. The increase during the third quarter reflected increases in private inventory investment, personal consumption expenditures, state and local government spending, and nonresidential fixed investment that were partially offset by decreases in residential fixed investment, federal government spending, and exports. In addition, the unemployment rate fell to 4.8% in September from 5.9% in June 2021 and from 6.0% in March 2021. The unemployment rate has declined considerably from the April 2020 high of 14.7% but remains well above the 3.5% rate in February 2020 prior to the pandemic.

The U.S. lodging industry has been more acutely impacted by the COVID-19 pandemic than the overall U.S. economy and other industries and has not experienced the same level of recovery as the U.S. economy which is largely due to the persistence of the COVID-19 pandemic, recent increases in cases of the Delta variant, continued and reinstated governmental restrictions on travel and large gatherings, and sentiment towards business and leisure travel as a result of the pandemic. Additionally, we expect it will take longer for the lodging industry to return to pre-pandemic levels than it will for the broader economy and many other industries. Further, we continue to monitor and evaluate the challenges associated with the evolving workforce landscape, particularly related to achieving the appropriate balance between hotel staffing levels and demand as business at our hotels increases as well as ongoing supply chain issues which may impact the hotels' ability to source operating supplies and other materials.

Demand increased 42.9% and 35.6%, respectively, during the three and nine months ended September 30, 2021. New hotel supply increased by 5.9% and 5.5%, respectively, during the three and nine months ended September 30, 2021. The significant increase in demand led to increases in industry RevPAR of 83.8% and 47.3% for the three and nine months ended September 30, 2021 compared to 2020, which was driven by an increase in occupancy of 34.9% and 28.6% coupled with a 36.2% and 14.6% increase in ADR, respectively. All U.S. data for the three and nine months ended September 30, 2021 are per industry reports.

Third Quarter 2021 Overview

Our total portfolio RevPAR, which includes the results of hotels sold or acquired for the period of ownership by the Company, increased 200.1% and 70.3% to \$119.17 and \$95.35 for the three and nine months ended September 30, 2021, respectively, from \$39.71 and \$56.00 for the three and nine months ended September 30, 2020, respectively, driven by a significant increase in leisure transient business and improving business transient and corporate group demand beginning late in the first quarter and accelerating into July 2021. In August and September 2021, however, the Company began to experience a softening in demand due to the impact of the Delta variant, a seasonal decline in leisure demand and a shift in the timing of the Jewish holidays. The increase in total portfolio RevPAR for the three and nine months ended September 30, 2021 over the same period in 2020 was driven by increases in occupancy from 23.4% to 53.7% and 27.4% to 45.2%, respectively, and increases in ADR of 30.7% and 3.4%, respectively.

The following table sets forth certain operating information for the three and nine months ended September 30, 2021:

Total Portfolio Statistics	January 2021	February 2021	March 2021	Three Months Ended March 31, 2021
Occupancy ⁽¹⁾	23.1 %	32.4 %	42.7 %	32.7 %
Average Daily Rate ⁽¹⁾	\$ 170.41	\$ 183.57	\$ 202.07	\$ 188.68
RevPAR ⁽¹⁾	\$ 39.32	\$ 59.56	\$ 86.19	\$ 61.76

Total Portfolio Statistics	April 2021	May 2021	June 2021	Three Months Ended June 30, 2021
Occupancy ⁽¹⁾	46.0 %	47.1 %	53.5 %	48.8 %
Average Daily Rate ⁽¹⁾	\$ 216.03	\$ 215.49	\$ 210.98	\$ 214.03
RevPAR ⁽¹⁾	\$ 99.33	\$ 101.43	\$ 112.82	\$ 104.50

Total Portfolio Statistics	July 2021	August 2021	September 2021	Three Months Ended September 30, 2021
Occupancy	57.3 %	51.5 %	52.2 %	53.7 %
Average Daily Rate	\$ 221.69	\$ 214.95	\$ 229.24	\$ 221.91
RevPAR	\$ 127.13	\$ 110.61	\$ 119.78	\$ 119.17

(1) Includes Hyatt Regency Portland at the Oregon Convention Center which recommenced operations in May 2021 after temporarily suspending operations in March 2020.

Net loss decreased 57.6% for the three months ended September 30, 2021 compared to 2020, which was primarily attributed to an increase in operating income of \$57.8 million from our current portfolio of 35 hotels as a result of a recovery from the COVID-19 pandemic, a \$4.4 million reduction in operating loss attributed to four hotels sold during the fourth quarter of 2020 and a \$7.2 million reduction in impairment loss. These increases were offset by a \$26.8 million reduction in other income attributed to the recognition of deposits for terminated transactions in 2020, a \$6.5 million reduction in income tax benefit, a \$4.4 million increase in interest expense attributed to a higher weighted-average interest rate offset by a reduction in weighted-average debt outstanding and a \$0.8 million increase in corporate general and administrative expenses.

Net loss decreased 35.8% for the nine months ended September 30, 2021 compared to 2020, which was primarily attributed to an increase in operating income of \$99.8 million from our current portfolio of 35 hotels as a result of a recovery from the COVID-19 pandemic, a \$17.3 million reduction in operating loss attributed to four hotels sold during the fourth quarter of 2020, a \$15.0 million reduction in impairment loss, a \$2.2 million reduction in corporate general and administrative expenses attributed to reductions in corporate personnel and legal fees related to loan amendments and a \$1.1 million increase attributed to business interruption proceeds. These increases were offset by a \$31.8 million reduction in other income attributed to the recognition of deposits for terminated transactions in 2020, a \$17.2 million reduction in income tax benefit, a \$16.2 million increase in interest expense attributed to a higher weighted-average interest rate and an increase in weighted-average debt outstanding and a \$1.4 million increase in loss on extinguishment of debt attributed to the write off of unamortized debt issuance costs associated with the repayment of debt.

Adjusted EBITDA and Adjusted FFO attributable to common stock and unit holders for the three and nine months ended September 30, 2021 increased 267.6% and 242.0%, and 150.0% and 105.4%, respectively, compared to 2020, which was attributable to the extent and timing of the impact of the COVID-19 pandemic on our results of operations. Refer to "Non-GAAP Financial Measures" for the definition of these financial measures, a description of the reasons we believe they are useful to investors as key supplemental measures of our operating performance and the reconciliation of these non-GAAP financial measures to net loss attributable to common stock and unit holders.

Operating Information Comparison

The following table sets forth certain operating information for the three and nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,			Change
	2021	2020		
Number of properties at September 30	35	39		(4)
Number of rooms at September 30	10,011	11,245		(1,234)
Number of hotels open at September 30	35	37		(2)
Number of rooms in hotels open at September 30	10,011	10,176		(165)
Number of hotels with temporarily suspended operations at September 30	—	2		(2)
Number of rooms in hotels with temporarily suspended operations at September 30	—	1,069		(1,069)

	Three Months Ended September 30,			Change	Nine Months Ended September 30,			Change
	2021	2020			2021	2020		
Total Portfolio Statistics:								
Occupancy ⁽¹⁾	53.7 %	23.4 %	3,030 bps		45.2 %	27.4 %	1,780 bps	
ADR ⁽¹⁾	\$ 221.91	\$ 169.76	30.7 %	\$	211.13	\$ 204.19	3.4 %	\$
RevPAR ⁽¹⁾	\$ 119.17	\$ 39.71	200.1 %	\$	95.35	\$ 56.00	70.3 %	\$

(1) For hotels disposed of during the period, operating results and statistics are only included through the date of respective disposition. During the three and nine months ended September 30, 2021 and 2020 includes hotels that had suspended operations for a portion of or all of the periods presented.

Revenues

Revenues consists of rooms, food and beverage, and other revenues from our hotels, as follows (in thousands):

	Three Months Ended September 30,		Increase	% Change	Nine Months Ended September 30,		Increase	% Change
	2021	2020			2021	2020		
Revenues:								
Rooms revenues	\$ 109,753	\$ 41,081	\$ 68,672	167.2 %	\$ 260,594	\$ 172,550	\$ 88,044	51.0 %
Food and beverage revenues	44,004	11,762	32,242	274.1 %	105,739	87,587	18,152	20.7 %
Other revenues	19,027	11,111	7,916	71.2 %	46,277	33,992	12,285	36.1 %
Total revenues	\$ 172,784	\$ 63,954	\$ 108,830	170.2 %	\$ 412,610	\$ 294,129	\$ 118,481	40.3 %

Rooms revenues

Rooms revenues increased by \$68.7 million, or 167.2%, to \$109.8 million for the three months ended September 30, 2021 from \$41.1 million for the three months ended September 30, 2020 primarily due to a recovery from the COVID-19 pandemic which gained momentum starting late in the first quarter and accelerated into July 2021. This increase is net of a reduction of \$4.6 million attributed to the sale of Marriott Napa Valley Hotel & Spa and Residence Inn Boston Cambridge in October 2020 and Hotel Commonwealth and Renaissance Austin Hotel in November 2020 (collectively, "the four hotels sold in the fourth quarter of 2020").

Rooms revenues increased by \$88.0 million, or 51.0%, to \$260.6 million for the nine months ended September 30, 2021 from \$172.6 million for the nine months ended September 30, 2020 primarily due to a recovery from the COVID-19 pandemic. This increase is net of a reduction of \$16.7 million attributed to the four hotels sold in the fourth quarter of 2020.

Food and beverage revenues

Food and beverage revenues increased by \$32.2 million, or 274.1%, to \$44.0 million for the three months ended September 30, 2021 from \$11.8 million for the three months ended September 30, 2020 primarily due to a recovery from the COVID-19 pandemic. The increase in food and beverage revenues was not materially impacted by the four hotels sold in the fourth quarter of 2020.

Food and beverage revenues increased by \$18.2 million, or 20.7%, to \$105.7 million for the nine months ended September 30, 2021 from \$87.6 million for the nine months ended September 30, 2020 primarily due to the extent and timing of the impact of the COVID-19 pandemic. This increase is net of a reduction of \$5.0 million in food and beverage revenues attributed to the four hotels sold in the fourth quarter of 2020.

Other revenues

Other revenues increased by \$7.9 million, or 71.2%, to \$19.0 million for the three months ended September 30, 2021 from \$11.1 million for the three months ended September 30, 2020 primarily due to a recovery from the COVID-19 pandemic. This increase includes \$1.1 million in revenues from cancellations and attrition and is net of a reduction of \$1.2 million attributed to the four hotels sold in the fourth quarter of 2020.

Other revenues increased by \$12.3 million, or 36.1%, to \$46.3 million for the nine months ended September 30, 2021 from \$34.0 million for the nine months ended September 30, 2020 primarily due to a recovery from the COVID-19 pandemic. This increase is net of reductions of \$3.5 million in revenues from cancellations and attrition and \$2.3 million attributed to the four hotels sold in the fourth quarter of 2020.

Hotel Operating Expenses

Hotel operating expenses consist of the following (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	Increase	% Change	2021	2020	Increase	% Change
Hotel operating expenses:								
Rooms expenses	\$ 27,099	\$ 14,267	\$ 12,832	89.9 %	\$ 65,024	\$ 56,458	\$ 8,566	15.2 %
Food and beverage expenses	33,764	14,730	19,034	129.2 %	80,534	75,451	5,083	6.7 %
Other direct expenses	5,059	2,863	2,196	76.7 %	12,993	9,763	3,230	33.1 %
Other indirect expenses	50,902	33,490	17,412	52.0 %	132,276	130,297	1,979	1.5 %
Management and franchise fees	6,025	2,043	3,982	194.9 %	15,009	9,212	5,797	62.9 %
Total hotel operating expenses	\$ 122,849	\$ 67,393	\$ 55,456	82.3 %	\$ 305,836	\$ 281,181	\$ 24,655	8.8 %

Total hotel operating expenses

In general, hotel operating costs fluctuate based on various factors, including occupancy, labor costs, utilities and insurance costs. Luxury and upper upscale hotels generally have higher fixed costs than other types of hotels due to the level of services and amenities provided to guests.

Total hotel operating expenses increased \$55.5 million, or 82.3%, to \$122.8 million for the three months ended September 30, 2021 from \$67.4 million for the three months ended September 30, 2020 primarily due to increases in labor costs resulting from increased staffing as business returns to our hotels and due to the extent and timing of the impact of COVID-19. This increase is net of a reduction of \$5.1 million in hotel operating expenses attributed to the four hotels sold in the fourth quarter of 2020.

Total hotel operating expenses increased \$24.7 million, or 8.8%, to \$305.8 million for the nine months ended September 30, 2021 from \$281.2 million for the nine months ended September 30, 2020 primarily due to the extent and timing of the impact of COVID-19. This increase is net of a reduction of \$23.3 million in hotel operating expenses attributed to four hotels sold in the fourth quarter of 2020.

Corporate and Other Expenses

Corporate and other expenses consist of the following (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	% Change	Nine Months Ended September 30,		Decrease	% Change
	2021	2020			2021	2020		
Depreciation and amortization	\$ 32,076	\$ 37,307	\$ (5,231)	(14.0)%	\$ 98,281	\$ 111,660	\$ (13,379)	(12.0)%
Real estate taxes, personal property taxes and insurance	9,731	13,028	(3,297)	(25.3)%	31,268	39,800	(8,532)	(21.4)%
Ground lease expense	\$ 405	\$ 478	\$ (73)	(15.3)%	\$ 1,187	\$ 1,604	\$ (417)	(26.0)%
General and administrative expenses	7,466	6,676	790	11.8 %	22,484	24,656	(2,172)	(8.8)%
Gain on business interruption insurance	—	—	—	— %	(1,116)	—	(1,116)	— %
Acquisition, terminated transaction and pre-opening expenses	—	146	(146)	(100.0)%	—	994	(994)	(100.0)%
Impairment and other losses	1,759	8,942	(7,183)	(80.3)%	14,072	29,044	(14,972)	(51.5)%
Total corporate and other expenses	\$ 51,437	\$ 66,577	\$ (15,140)	(22.7)%	\$ 166,176	\$ 207,758	\$ (41,582)	(20.0)%

Depreciation and amortization

Depreciation and amortization expense decreased \$5.2 million, or 14.0%, and \$13.4 million, or 12.0%, to \$32.1 million and \$98.3 million for the three and nine months ended September 30, 2021 from \$37.3 million and \$111.7 million for the three and nine months ended September 30, 2020, respectively. These decreases were primarily attributed to a reduction in depreciation expense related to the four hotels sold in the fourth quarter of 2020 and due to the timing of fully depreciated assets during the comparable periods.

Real estate taxes, personal property taxes and insurance

Real estate taxes, personal property taxes and insurance expense decreased \$3.3 million, or 25.3%, and \$8.5 million, or 21.4%, to \$9.7 million and \$31.3 million for the three and nine months ended September 30, 2021 from \$13.0 million and \$39.8 million for the three and nine months ended September 30, 2020, respectively. These decreases were primarily attributed a reduction in expenses related to the four hotels sold in the fourth quarter of 2020. The decrease for the nine months ended September 30, 2021 includes a \$1.5 million property tax refund for a property sold in the fourth quarter of 2020.

Ground lease expense

Ground lease expense decreased \$0.1 million, or 15.3%, and \$0.4 million, or 26.0%, to \$0.4 million and \$1.2 million from \$0.5 million and \$1.6 million for the three and nine months ended September 30, 2021, respectively. The decreases were primarily attributable to the sale of the Hotel Commonwealth in November 2020. The decrease for the nine months ended September 30, 2021 includes a reduction in percentage rent for a property undergoing renovation.

General and administrative expenses

General and administrative expenses increased \$0.8 million, or 11.8%, to \$7.5 million for the three months ended September 30, 2021 from \$6.7 million for the three months ended September 30, 2020 primarily due to increases in employee compensation costs partially offset by a reduction in corporate related expenses.

General and administrative expenses decreased \$2.2 million, or 8.8%, to \$22.5 million for the nine months ended September 30,

2021 from \$24.7 million for the nine months ended September 30, 2020 primarily due to reductions in corporate personnel, legal fees related to loan amendments and employee retention credits.

Gain on business interruption insurance

Gain on business interruption insurance was \$1.1 million for the nine months ended September 30, 2021, which was attributed to insurance proceeds for a portion of lost revenue associated with cancellations in 2020 related to the COVID-19 pandemic.

Impairment and other losses

In June 2021, the Company concluded that it intended to sell the 352-room Marriott Charleston Town Center, in Charleston, West Virginia and began marketing the property. As a result of multiple bids from qualified buyers and ongoing price discussions, management determined, based on a probability weighted-average undiscounted cash flow analysis, that the hotel was impaired as the estimated undiscounted cash flows were less than the carrying value of the hotel as of June 30, 2021. Management determined the impairment loss as the excess of carrying value over the estimated fair value. As a result, for the three and six months ended June 30, 2021, the Company recorded an impairment loss of approximately \$12.3 million. In August 2021, the Company entered into an agreement to sell the property for a sale price of \$5.0 million and the buyer funded an at-risk deposit. Upon meeting held for sale criteria, the Company recorded an additional impairment loss of \$0.3 million for the three and nine months ended September 30, 2021 related to estimated closing costs. In addition, during the three and nine months ended September 30, 2021, the Company recorded an impairment loss of \$0.5 million related to Loews New Orleans Hotel which sustained damage from Hurricane Ida and expensed \$1.0 million of hurricane-related repair and cleanup costs.

During the three months ended September 30, 2020, the Company entered into an agreement to sell the 492-room Renaissance Austin Hotel, in Austin, Texas for a sale price of \$70 million and, in October 2020, the buyer funded an at-risk deposit. Based on the results of our probability weighted-average undiscounted cash flow analysis, management determined the hotel was impaired as the estimated undiscounted cash flows were less than the carrying value of the hotel as of September 30, 2020. Management determined the impairment loss as the excess of carrying value over the estimated fair value. As a result, for the three and nine months ended September 30, 2020, the Company recorded an impairment loss of approximately \$8.9 million.

During the nine months ended September 30, 2020, the Company determined the carrying values of goodwill related to Andaz Savannah and Bohemian Hotel Savannah Riverfront, Autograph Collection, were in excess of their respective fair values and therefore recorded a total impairment charge of \$20.1 million. The goodwill impairments were directly attributed to existing market weakness due to new supply in the Savannah, Georgia market and the material adverse impact that the COVID-19 pandemic had on the results of operations at each hotel. The fair value was estimated using a ten-year discounted cash flows approach.

Refer to Notes 2 and 7 in the accompanying condensed consolidated financial statements for further discussion.

Non-Operating Income and Expenses

Non-operating income and expenses consist of the following (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	% Change	Nine Months Ended September 30,		Increase / (Decrease)	% Change
	2021	2020			2021	2020		
Non-operating income and expenses:								
Other income (expense)	186	26,965	(26,779)	(99.3)%	(2,503)	29,335	(31,838)	(108.5)%
Interest expense	(21,358)	(17,006)	4,352	25.6 %	(59,799)	(43,601)	16,198	37.2 %
Loss on extinguishment of debt	—	—	—	— %	(1,356)	—	1,356	— %
Income tax (expense) benefit	(43)	6,448	(6,491)	(100.7)%	(377)	16,849	(17,226)	102.2 %

Other income (expense)

Other income decreased \$26.8 million, or 99.3%, and \$31.8 million, or 108.5%, to income of \$0.2 million and an expense of \$2.5 million, for the three and nine months ended September 30, 2021 from income of \$27.0 million and \$29.3 million for the three and nine months ended September 30, 2020, respectively. The decrease was primarily attributed to recognizing \$26.8 million and \$28.8 million during the three and nine months ended September 30, 2020, respectively, in forfeited deposits that for terminated transactions during the periods then ended. Additionally, the decrease for the nine months ended September 30,

2021 includes the recognition of \$2.8 million of costs associated with the termination of four interest rate hedges.

Interest expense

Interest expense increased \$4.4 million, or 25.6%, and \$16.2 million, or 37.2%, to \$21.4 million and \$59.8 million for the three and nine months ended September 30, 2021 from \$17.0 million and \$43.6 million for the three and nine months ended September 30, 2020, respectively. The increase is primarily due to an increase in the weighted-average interest rate offset by a decrease in the outstanding debt as of September 30, 2021 compared to 2020. Refer to Note 5 in the accompanying condensed consolidated financial statements for further discussion.

Loss on extinguishment of debt

The loss on extinguishment of debt of \$1.4 million for the nine months ended September 30, 2021 was attributable to the write off of unamortized debt issuance costs upon the early repayment of the corporate credit facility term loan due to mature in August 2023 and one mortgage loan. No loans were repaid during the nine months ended September 30, 2020.

Income tax (expense) benefit

Income tax benefit decreased \$6.5 million, or 100.7%, and \$17.2 million, or 102.2%, to an expense of \$43 thousand and \$0.4 million for the three and nine months ended September 30, 2021 from an income tax benefit of \$6.4 million and \$16.8 million for the three and nine months ended September 30, 2020, respectively. The income tax benefit during the three and nine months ended September 30, 2020 was primarily attributed to the net operating loss carryback allowed for under the CARES Act.

Liquidity and Capital Resources

We expect to meet our short-term liquidity requirements from cash on hand, cash flow from hotel operations, use of our unencumbered asset base, asset dispositions, borrowings under our revolving credit facility, and proceeds from various capital market transactions, including issuances of debt and equity securities. The objectives of our cash management policy are to maintain the availability of liquidity and minimize operational costs.

On a long-term basis, our objectives are to maximize revenue and profits generated by our existing properties and acquired hotels, to further enhance the value of our portfolio and produce an attractive current yield, as well as to generate sustainable and predictable cash flow from our operations to distribute to our common stock and unit holders. We believe successful improvements to the performance of our portfolio will result in increased operating cash flows over time. Additionally, we may meet our long-term liquidity requirements through additional borrowings, the issuance of equity and debt securities, which may not be available on advantageous terms or at all, and/or proceeds from the sales of hotels.

Liquidity

As of September 30, 2021, we had \$517.5 million of consolidated cash and cash equivalents and \$34.5 million of restricted cash and escrows. The restricted cash as of September 30, 2021 primarily consisted of \$25.8 million related to furniture, fixtures and equipment replacement reserves as required per the terms of our management and franchise agreements, cash held in restricted escrows of \$7.0 million primarily for real estate taxes and mortgage escrows and \$1.7 million in deposits made for capital projects.

As of September 30, 2021, there was no outstanding balance on our revolving credit facility and the full \$523 million is available to be borrowed. Proceeds from future borrowings may be used for working capital, general corporate or other purposes permitted by the revolving credit agreement (subject to certain additional restrictions during the covenant waiver period).

As a result of the material adverse impact on the results of operations attributed to the COVID-19 pandemic, the Company's third-party managers temporarily suspended required contributions to the furniture, fixture and equipment replacement reserves. In addition, in certain cases, the Company has the ability to utilize a portion of these cash balances for hotel operating expenses. The usage of such replacement reserves may be subject to lender approval for hotels encumbered by mortgage loans and is generally required to be replenished. As of September 30, 2021, the Company had used \$14.7 million of the furniture, fixture and equipment replacement reserves for working capital purposes, of which \$4.8 million remains subject to replenishment requirements.

In May 2021, the Company amended the ATM Agreement to increase its size. As a result, the Company had \$200 million available for sale under the ATM Agreement as of September 30, 2021. The terms of the amended revolving credit facility impose restrictions on the use of proceeds raised from equity issuances.

We remain committed to increasing total shareholder returns through the following priorities: (1) maximize revenue and profits generated by our existing properties and acquired hotels, including the continued focused management of expenses, (2) further enhance the value of our portfolio and produce an attractive current yield and (3) generate sustainable and predictable cash flow from our operations to distribute to our common stock and unit holders. Future determinations regarding the declaration and payment of dividends will be at the discretion of our Board of Directors and will depend on then-existing conditions, including our results of operations, payout ratio, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payment of dividends present in our current and future debt agreements, maintaining our REIT status and other factors that our Board of Directors may deem relevant.

Debt and Loan Covenants

As of September 30, 2021, our outstanding total debt was \$1.5 billion and had a weighted-average interest rate of 5.18%.

Mortgage Loans

Our mortgage loan agreements require contributions to be made to furniture, fixtures and equipment replacement reserves, however, this requirement was temporarily waived and we have the ability to utilize existing furniture, fixtures and equipment replacement reserve funds for operating expenses, subject to certain restrictions and a requirement to replenish any funds used. In addition, certain quarterly financial covenants have been waived for a period of time specified in the respective amended loan agreements and certain financial covenants have been adjusted following the waiver periods.

Corporate Credit Facilities

Certain financial covenants related to our amended corporate credit facilities have been suspended until the date that financial statements are required to be delivered thereunder for the fiscal quarter ending June 30, 2022 (such period, unless earlier terminated by the Operating Partnership in accordance with the terms of the corporate credit facilities, the "covenant waiver period") and, once quarterly testing resumes, certain financial covenants have been modified through the first quarter in 2023. In addition, the amended corporate credit facilities have certain restrictions and covenants which are applicable during the covenant waiver period, including (i) mandatory prepayment requirements, (ii) affirmative covenants related to the pledge of equity of certain subsidiaries and (iii) negative covenants restricting certain acquisitions, investments, capital expenditures, ground leases, and distributions. A minimum liquidity covenant also applies during the covenant waiver period.

In May 2021, in connection with the closing of the 2021 Senior Notes, the Company effectuated additional amendments to our revolving credit facility and our one remaining corporate credit facility term loan. These additional amendments, among other things, (i) extended the covenant waiver period under the corporate credit facilities as provided above, (ii) increased the minimum liquidity covenant during the covenant waiver period from \$100 million to \$150 million and eliminated the minimum liquidity covenant after the covenant waiver period ends, (iii) adjusted the mandatory prepayment requirements under the corporate credit facilities to limit the requirement to repay loans using net proceeds of certain asset sales and debt or equity issuances solely to the Operating Partnership's revolving credit facility and (iv) increased the ability for the Operating Partnership to acquire properties and increased capacity for capital expenditures during the covenant waiver period under the corporate credit facilities.

Senior Notes

The Operating Partnership issued \$500 million of 6.375% Senior Notes (the "2020 Senior Notes") during the year ended December 31, 2020. The 2020 Senior Notes contain customary covenants that limit the Operating Partnership's ability and, in certain circumstances, the ability of its subsidiaries, to borrow money, create liens on assets, make distributions and pay dividends on or redeem or repurchase stock, make certain types of investments, sell stock in certain subsidiaries, enter into agreements that restrict dividends or other payments from subsidiaries, enter into transactions with affiliates, issue guarantees of indebtedness, and sell assets or merge with other companies. These limitations are subject to a number of important exceptions and qualifications set forth in the indenture. In addition, the 2020 Senior Notes indenture requires the Operating Partnership to maintain total unencumbered assets as of each fiscal quarter of at least 150% of total unsecured indebtedness, in each case calculated on a consolidated basis.

In May 2021, the Operating Partnership issued \$500 million of 4.875% Senior Notes due in 2029 at a price equal to 100% of face value (the "2021 Senior Notes") and used the net proceeds to repay in full the borrowings under our revolving credit facility and prepay in full our corporate credit facility term loan maturing in August 2023. The Company intends to use the remaining net proceeds from the offering of the 2021 Senior Notes for general corporate purposes.

Similar to the 2020 Senior Notes, the 2021 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by the Company and certain of its subsidiaries that incur or guarantee any indebtedness under the Company's corporate credit facilities, any additional first lien obligations, certain other bank indebtedness or any other material capital markets indebtedness (each, a "subsidiary guarantor" and together with the Company, the "guarantors"). The 2021 Senior Notes are initially secured, subject to certain permitted liens, by a first priority security interest in all of the equity interests (the "collateral") of a material portion of the Operating Partnership's subsidiaries, and any proceeds of such equity interests, which collateral also secures obligations under the amended corporate credit facilities on a first priority basis. The collateral securing the 2021 Senior Notes will be released in full if the Operating Partnership achieves compliance with certain financial covenant requirements under the corporate credit facilities, after which the 2021 Senior Notes will be unsecured, which is expected to occur prior to the maturity of the 2021 Senior Notes.

The 2021 Senior Notes contain customary covenants that limit the Operating Partnership's ability and, in certain instances, the ability of its subsidiaries, to borrow money, create liens on assets, make distributions and pay dividends on or redeem or repurchase stock, make certain types of investments, sell stock in certain subsidiaries, enter into agreements that restrict dividends or other payments from subsidiaries, enter into transactions with affiliates, issue guarantees of indebtedness, and sell assets or merge with other companies. These limitations are subject to a number of important exceptions and qualifications set forth in the indenture. In addition, the 2021 Senior Notes indenture requires the Operating Partnership to maintain total unencumbered assets as of each fiscal quarter of at least 150% of total unsecured indebtedness, in each case calculated on a consolidated basis.

The Operating Partnership may redeem the 2021 Senior Notes at any time prior to June 1, 2024, in whole or in part, at a redemption price equal to 100% of the accrued principal amount thereof plus unpaid interest, if any, to, but excluding, the redemption date, plus a make-whole premium. The Operating Partnership may redeem the 2021 Senior Notes at any time on or after June 1, 2024, in whole or in part, at a redemption price equal to (i) 102.438% of the principal amount thereof, should such redemption occur before June 1, 2025, (ii) 101.219% of the principal amount thereof, should such redemption occur before June 1, 2026, and (iii) 100.000% of the principal amount thereof, should such redemption occur on or after June 1, 2026, in each case plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

In addition, at any time prior to June 1, 2024, the Operating Partnership may redeem up to 40% of the original principal amount of the 2021 Senior Notes with the net cash proceeds from certain equity offerings at a redemption price of 104.875% of the principal amount redeemed plus accrued and unpaid interest, if any, to, but excluding, the redemption date, so long as at least 60% of the aggregate principal amount of the 2021 Senior Notes remains outstanding immediately after the occurrence of such redemption. Under certain circumstances, until 120 days after the issue date, the Operating Partnership may redeem in the aggregate up to 35% of the original aggregate principal amount of the 2021 Senior Notes with the net cash proceeds of certain support received by the Operating Partnership or any of its subsidiaries from a government authority in connection with the COVID-19 global pandemic at a redemption price of 102.4375% of the principal amount redeemed plus accrued and unpaid interest, if any, to, but excluding, the redemption date, so long as at least 65% of the aggregate principal amount of the 2021 Senior Notes remain outstanding immediately after such redemption.

Debt Covenants

As of September 30, 2021, the Company was not in compliance with its debt covenants on two mortgage loans which did not result in events of default but allows the respective lenders the option to institute a cash sweep until covenant compliance is achieved for a period of time specified in the respective loan agreements. The cash sweeps permit the lenders to withdraw excess cash generated by the property into a separate bank account that they control, which may be used to reduce the outstanding loan balance.

As of June 30, 2021, the Company was not in compliance with its debt covenants for three of its mortgage loans, which resulted in an event of default for each mortgage loan. In July 2021, the Company amended the terms of these mortgage loans to waive each event of default as of June 30, 2021 and to adjust covenant calculations for five quarters following the waiver. As a result, the Company was in compliance with each of these three loans as of September 30, 2021.

Derivatives

As of September 30, 2021, we had various interest rate swaps with an aggregate notional amount of \$315.0 million. These swaps fix a portion of the variable interest rate on three of our mortgage loans for a portion of or the entire term of the mortgage loan and fix LIBOR for a portion of or the entire term of our one outstanding corporate credit facility term loan agent by KeyBank National Association. The corporate credit facility term loan spread may vary, as it is determined by the Company's leverage ratio. The applicable interest rate for the corporate credit facility term loan has been set to the highest level of grid-based pricing during the covenant waiver period. In addition, four interest rate swaps were terminated in May 2021 in connection with the repayment of a \$56.8 million mortgage loan, the \$150 million corporate credit facility term loan agent by PNC Bank, National Association and the \$163.1 million outstanding balance on the revolving credit facility.

Our ability to apply hedge accounting in the future could be impacted to the extent that the payment terms of our loans change. The discontinuation of hedge accounting could result in future changes in the fair market values of hedges and/or a portion or all of the \$6.2 million balance of accumulated other comprehensive loss as of September 30, 2021 to be recognized on the condensed consolidated statements of operations and comprehensive loss through net loss. Any future defaults by the Company under the terms of its hedges, including those which may arise from cross default provisions with loan agreements, could result in the Company being immediately liable for the fair market value liability of the defaulted hedges.

On March 5, 2021, the Financial Conduct Authority ("FCA") announced that USD LIBOR will no longer be published after June 30, 2023. This announcement has several implications, including setting the spread that may be used to automatically convert contracts from LIBOR to the Secured Overnight Financing Rate ("SOFR"). Additionally, banking regulators are encouraging banks to discontinue new LIBOR debt issuance by December 31, 2021. Any changes adopted by the FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, our interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in its current form.

As of September 30, 2021, we have various interest rate swaps with notional amounts that have maturity dates ranging from 2022 to 2023 and that are indexed to LIBOR. All of our contracts mature prior to June 30, 2023. While we expect LIBOR to be available in substantially its current form through June 30, 2023, it is possible that LIBOR will become unavailable prior to that date. This could result, for example, if sufficient banks decline to make submissions to the LIBOR administrator. In that case, the risks associated with the transition to an alternative reference rate will be accelerated and magnified. The introduction of an alternative rate also may create additional basis risk and increased volatility as alternative rates are phased in and utilized in parallel with LIBOR. In September 2021, two mortgage loans converted from LIBOR-based interest rates to daily SOFR interest rates. These changes did not have a significant impact on the Company's interest expense or on hedge accounting.

Capital Markets

We maintain an established "At-the-Market" ("ATM") program pursuant to an Equity Distribution Agreement ("ATM Agreement") with Wells Fargo Securities, LLC, Robert W. Baird & Co. Incorporated, Jefferies LLC, KeyBanc Capital Markets Inc. and Raymond James & Associates, Inc. In accordance with the terms of the ATM Agreement, we may from time to time offer and sell shares of common stock having an aggregate offering price of up to \$200 million. No shares were sold under the ATM Agreement during the three and nine months ended September 30, 2021 and 2020.

Our Board of Directors has authorized a stock repurchase program pursuant to which we are authorized to purchase up to \$175 million of our outstanding common stock in the open market, in privately negotiated transactions or otherwise, including pursuant to Rule 10b5-1 plans (the "Repurchase Program"). Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The Repurchase Program does not have an expiration date. This Repurchase Program may be suspended or discontinued at any time and does not obligate us to acquire any particular amount of shares.

No shares were purchased as part of the Repurchase Program during the three and nine months ended September 30, 2021. During the nine months ended September 30, 2020, 165,516 shares were repurchased under the Repurchase Program at a weighted-average price of \$13.68 per share for an aggregate purchase price of \$2.3 million. As of September 30, 2021, we had approximately \$94.7 million remaining under our share repurchase authorization. The terms of our amended corporate credit facilities currently prohibit us from making repurchases of our common stock until we achieve compliance with applicable debt covenants and our covenant waiver period ends.

Capital Expenditures and Reserve Funds

We maintain each of our properties in good repair and condition and in conformity with applicable laws and regulations, franchise agreements and management agreements. Routine capital expenditures are administered by the hotel management companies. However, we have approval rights over the capital expenditures as part of the annual budget process for each of our properties. From time to time, certain of our hotels may undergo renovations as a result of our decision to expand or upgrade portions of the hotels, such as guest rooms, public space, meeting space and/or restaurants, in order to better compete with other hotels in our markets. In addition, upon the acquisition of a hotel we may be required to complete a property improvement plan in order to bring the hotel into compliance with the respective brand standards. If permitted by the terms of the management agreement, funding for a renovation will first come from the furniture, fixtures and equipment replacement reserves. We are obligated to maintain reserve funds with respect to certain agreements with our hotel management companies, franchisors and lenders to provide funds, generally 3% to 5% of hotel revenues, sufficient to cover the cost of certain capital improvements to the hotels and to periodically replace and update furniture, fixtures and equipment. Certain of the agreements require that we reserve this cash in separate accounts. To the extent that the furniture, fixtures and equipment replacement reserves are not available or adequate to cover the cost of the renovation, we may fund a portion of the renovation with cash on hand,

borrowings from our revolving credit facility and/or other sources of available liquidity. We have been, and will continue to be, prudent with respect to our capital spending, taking into account our cash flows from operations.

As of September 30, 2021 and December 31, 2020, we had a total of \$25.8 million and \$25.9 million, respectively, of furniture, fixtures and equipment replacement reserves. During the three and nine months ended September 30, 2021 and 2020, we made total capital expenditures of \$7.3 million and \$19.2 million, and \$17.6 million and \$58.2 million, respectively.

As a result of the material adverse impact on the results of operations attributed to the COVID-19 pandemic, the Company's third-party managers temporarily suspended required contributions to the furniture, fixture and equipment replacement reserves. In addition, in certain cases, the Company has the ability to utilize a portion of these cash balances for hotel operating expenses. The usage of such replacement reserves may be subject to lender approval for hotels encumbered by mortgage loans and is generally required to be replenished. As of September 30, 2021, the Company had used \$14.7 million of the furniture, fixture and equipment replacement reserves for working capital purposes, of which \$4.8 million remains subject to replenishment requirements.

Off-Balance Sheet Arrangements

As of September 30, 2021, we had various contracts outstanding with third-parties in connection with the renovation of certain of our hotel properties. The remaining commitments under these contracts as of September 30, 2021 totaled \$5.2 million.

Sources and Uses of Cash

Our principal sources of cash are cash flows from operations, borrowing under debt financings, including draws on our revolving credit facility, and from various types of equity offerings or the sale of our hotels. As a result of the impact the COVID-19 pandemic has had on our business, certain sources of capital may not be as readily available to us as they have been historically. Our principal uses of cash are asset acquisitions, capital investments, routine debt service and debt repayments, operating costs, corporate expenses and dividends. We may also elect to use cash to buy back our common stock in the future under the Repurchase Program. We are prohibited under the terms of the amended corporate credit facilities from making repurchases of our common stock until we achieve compliance with applicable debt covenants for a period of time and our covenant waiver period ends.

Comparison of the Nine Months Ended September 30, 2021 to the Nine Months Ended September 30, 2020

The table below presents summary cash flow information for the condensed consolidated statements of cash flows (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Net cash provided by (used in) operating activities	29,353	(43,711)
Net cash used in investing activities	(16,626)	(55,294)
Net cash provided by financing activities	110,451	271,407
Net increase in cash and cash equivalents and restricted cash	123,178	172,402
Cash and cash equivalents and restricted cash, at beginning of period	428,786	194,946
Cash and cash equivalents and restricted cash, at end of period	551,964	367,348

Operating

- Cash provided by operating activities was \$29.4 million and cash used in operating activities was \$43.7 million for the nine months ended September 30, 2021 and 2020, respectively. Cash flows from operating activities generally consist of the net cash generated by our hotel operations, partially offset by the cash paid for interest, corporate expenses and other working capital changes. Our cash flows from operating activities may also be affected by changes in our portfolio resulting from hotel acquisitions, dispositions or renovations. The net increase in cash from operating activities during the nine months ended September 30, 2021 was primarily due to an increase in hotel operating income attributed to a recovery from the impact of the COVID-19 pandemic net of reductions from the four hotels sold during the fourth quarter of 2020. Refer to the "Results of Operations" section for further discussion of our operating results for the three and nine months ended September 30, 2021 and 2020.

Investing

- Cash used in investing activities was \$16.6 million and \$55.3 million for the nine months ended September 30, 2021 and 2020, respectively. Cash used in investing activities for the nine months ended September 30, 2021 was attributed to \$19.2 million in capital improvements at our hotel properties, which was offset by \$2.5 million of performance guaranty payments received that were recorded as a reduction in the respective hotel's cost basis. Cash used in investing activities for the nine months ended September 30, 2020 was attributed to \$58.2 million in capital improvements at our hotel properties, which was offset by \$2.9 million of performance guaranty payments received that were recorded as a reduction in the respective hotel's cost basis.

Financing

- Cash provided by financing activities was \$110.5 million and \$271.4 million for the nine months ended September 30, 2021 and 2020, respectively. Cash provided by financing activities for the nine months ended September 30, 2021 was attributed to \$500.0 million in proceeds from the issuance of the 2021 Senior Notes, offset by (i) the repayment of the revolving credit facility of \$163.1 million, (ii) the repayment of one corporate credit facility term loan maturing in 2023 totaling \$150.0 million, (iii) the repayment of mortgage debt totaling \$56.8 million, (iv) payment of loan fees and issuance costs of \$10.2 million, (v) principal payments of mortgage debt totaling \$4.9 million, (vi) redemption of Operating Partnership Units for common stock and cash of \$4.1 million, and (vii) shares redeemed to satisfy tax withholding on vested share-based compensation of \$0.4 million. Cash provided by financing activities for the nine months ended September 30, 2020 was attributed to a \$340.0 million drawdown on the revolving credit facility, \$300 million in proceeds from the issuance of 2020 Senior Notes, which was offset by (i) payments on the revolving credit facility totaling \$193.8 million, (ii) principal payments on corporate credit facility term loans totaling \$87.6 million, (iii) payment of loan fees and issuance costs of \$10.8 million, (iv) principal payments of mortgage debt totaling \$1.5 million, (v) the payment of \$63.2 million in dividends for common stock and units, (vi) redemption of Operating Partnership Units for common stock and cash of \$8.6 million, (vii) the repurchase of common stock totaling \$2.3 million, and (viii) shares redeemed to satisfy tax withholdings on vested share based compensation of \$0.8 million.

Contractual Obligations

The table below presents, on a consolidated basis, obligations and commitments to make future payments under debt obligations and lease agreements as of September 30, 2021 (in thousands):

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt maturities ⁽¹⁾	\$ 1,911,352	\$ 18,890	\$ 159,493	\$ 979,511	\$ 753,458
Revolving Credit Facility	3,844	401	3,182	261	—
Ground leases	38,899	415	3,316	3,316	31,852
Parking garage leases	2,394	40	337	346	1,671
Corporate office lease	3,377	110	907	957	1,403
Total	<u>\$ 1,959,866</u>	<u>\$ 19,856</u>	<u>\$ 167,235</u>	<u>\$ 984,391</u>	<u>\$ 788,384</u>

(1) Includes principal and interest payments for both variable and fixed rate loans. The variable rate interest payments were calculated based upon the variable rate spread plus 1-month LIBOR as of September 30, 2021.

Non-GAAP Financial Measures

We consider the following non-GAAP financial measures to be useful to investors as key supplemental measures of our operating performance: EBITDA, EBITDAre, Adjusted EBITDAre, FFO and Adjusted FFO. These non-GAAP financial measures should be considered along with, but not as alternatives to, net income or loss, operating profit, cash from operations, or any other operating performance measure as prescribed per GAAP.

EBITDA, EBITDAre and Adjusted EBITDAre

EBITDA is a commonly used measure of performance in many industries and is defined as net income or loss (calculated in accordance with GAAP) excluding interest expense, provision for income taxes (including income taxes applicable to sale of assets) and depreciation and amortization. We consider EBITDA useful to investors in evaluating and facilitating comparisons of our operating performance between periods and between REITs by removing the impact of our capital structure (primarily interest expense) and asset base (primarily depreciation and amortization) from our operating results, even though EBITDA does not represent an amount that accrues directly to common stockholders. In addition, EBITDA is used as one measure in determining the value of hotel acquisitions and dispositions and, along with FFO and Adjusted FFO, is used by management in the annual budget process for compensation programs.

We calculate EBITDAre in accordance with standards established by the National Association of Real Estate Investment Trusts ("Nareit"). Nareit defines EBITDAre as EBITDA plus or minus losses and gains on the disposition of depreciated property, including gains or losses on change of control, plus impairments of depreciated property and of investments in unconsolidated affiliates caused by a decrease in the value of depreciated property in the affiliate, and adjustments to reflect the entity's share of EBITDAre of unconsolidated affiliates.

We further adjust EBITDAre to exclude the impact of non-controlling interests in consolidated entities other than our Operating Partnership Units because our Operating Partnership Units may be redeemed for common stock. We also adjust EBITDAre for certain additional items such as depreciation and amortization related to corporate assets, hotel property acquisition, terminated transaction and pre-opening expenses, amortization of share-based compensation, non-cash ground rent and straight-line rent expense, the cumulative effect of changes in accounting principles, and other costs we believe do not represent recurring operations and are not indicative of the performance of our underlying hotel property entities. We believe it is meaningful for investors to understand Adjusted EBITDAre attributable to all common stock and unit holders. We believe Adjusted EBITDAre attributable to common stock and unit holders provides investors with another useful financial measure in evaluating and facilitating comparison of operating performance between periods and between REITs that report similar measures.

FFO and Adjusted FFO

We calculate FFO in accordance with standards established by Nareit, as amended in the December 2018 restatement white paper, which defines FFO as net income or loss (calculated in accordance with GAAP), excluding real estate-related depreciation, amortization and impairments, gains or losses from sales of real estate, the cumulative effect of changes in accounting principles, similar adjustments for unconsolidated partnerships and consolidated variable interest entities, and items classified by GAAP as extraordinary. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, most industry investors consider presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. We believe that the presentation of FFO provides useful supplemental information to investors regarding operating performance by excluding the effect of real estate depreciation and amortization, gains or losses from sales for real estate, impairments of real estate assets, extraordinary items and the portion of these items related to unconsolidated entities, all of which are based on historical cost accounting and which may be of lesser significance in evaluating current performance. We believe that the presentation of FFO can facilitate comparisons of operating performance between periods and between REITs, even though FFO does not represent an amount that accrues directly to common stockholders. Our calculation of FFO may not be comparable to measures calculated by other companies who do not use the Nareit definition of FFO or do not calculate FFO per diluted share in accordance with Nareit guidance. Additionally, FFO may not be helpful when comparing us to non-REITs. We present FFO attributable to common stock and unit holders, which includes our Operating Partnership Units because our Operating Partnership Units may be redeemed for common stock. We believe it is meaningful for the investor to understand FFO attributable to common stock and unit holders.

We further adjust FFO for certain additional items that are not in Nareit's definition of FFO such as hotel property acquisition, terminated transaction and pre-opening expenses, amortization of debt origination costs and share-based compensation, non-cash ground rent and straight-line rent expense, and other items we believe do not represent recurring operations. We believe that Adjusted FFO provides investors with useful supplemental information that may facilitate comparisons of ongoing operating performance between periods and between REITs that make similar adjustments to FFO and is beneficial to investors' complete understanding of our operating performance.

The following is a reconciliation of net loss to EBITDA, EBITDAre and Adjusted EBITDAre attributable to common stock and unit holders for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	\$ (22,717)	\$ (53,609)	\$ (123,437)	\$ (192,227)
Adjustments:				
Interest expense	21,358	17,006	59,799	43,601
Income tax expense (benefit)	43	(6,448)	377	(16,849)
Depreciation and amortization	32,076	37,307	98,281	111,660
EBITDA	\$ 30,760	\$ (5,744)	\$ 35,020	\$ (53,815)
Impairment of investment properties ⁽¹⁾	759	8,942	13,072	29,044
EBITDAre	\$ 31,519	\$ 3,198	\$ 48,092	\$ (24,771)
Reconciliation to Adjusted EBITDAre				
Depreciation and amortization related to corporate assets	\$ (104)	\$ (98)	\$ (306)	\$ (292)
Loss on extinguishment of debt	—	—	1,356	—
Acquisition, terminated transaction and pre-opening expenses	—	146	—	994
Amortization of share-based compensation expense ⁽²⁾	2,875	2,265	8,813	8,574
Non-cash ground rent and straight-line rent expense	33	80	84	237
Other income attributed to deposits for terminated transactions ⁽³⁾	—	(26,750)	—	(28,750)
Other non-recurring expenses ⁽⁴⁾	1,068	38	1,092	2,371
Adjusted EBITDAre attributable to common stock and unit holders	<u>\$ 35,391</u>	<u>\$ (21,121)</u>	<u>\$ 59,131</u>	<u>\$ (41,637)</u>

- (1) During the three and nine months ended September 30, 2021, the Company recorded a \$0.3 million and \$12.6 million impairment loss, respectively, related to Marriott Charleston Town Center, which was attributed to its net book value exceeding the undiscounted cash flows over a shortened hold period. Additionally, during the third quarter of 2021, Loews New Orleans Hotel was impacted by Hurricane Ida and the Company recorded an impairment loss of \$0.5 million, which represents the write off of the net book value of property damaged during the storm. During the three and nine months ended September 30, 2020, the Company recorded an \$8.9 million impairment loss related to Renaissance Austin Hotel, which was attributed to its carrying value exceeding the undiscounted cash flows over a shortened hold period. In addition, during the nine months ended September 30, 2020, the Company recorded goodwill impairments totaling \$20.1 million for Andaz Savannah and Bohemian Hotel Savannah Riverfront, Autograph Collection. The goodwill impairments were directly attributed to existing market weakness due to new supply and the material adverse impact that the COVID-19 pandemic had on the results of operations at each hotel.
- (2) During the nine months ended September 30, 2020, the Company reduced its corporate personnel in order to preserve capital over the long-term as a result of the material adverse impact COVID-19 has had on the Company's results of operations. As a result, during the nine months ended September 30, 2020, the Company incurred accelerated amortization of \$1.9 million related share-based compensation expense.
- (3) During the three and nine months ended September 30, 2020, the Company recognized other income of \$26.8 million and \$28.8 million, respectively, as a result of forfeited deposits from terminated transactions.
- (4) During the three and nine months ended September 30, 2021, the Company recorded estimated hurricane-related repair and cleanup costs of \$1.0 million related to the damage sustained at Loews New Orleans Hotel during Hurricane Ida. For the nine months ended September 30, 2020, the Company incurred \$1.8 million of non-recurring expenses for severance related costs in connection with the reduction in corporate personnel. In addition, during the three and nine months ended September 30, 2020, the Company incurred non-recurring legal costs of \$38 thousand and \$0.5 million, respectively, to amend the terms of its debt.

The following is a reconciliation of net loss to FFO and Adjusted FFO attributable to common stock and unit holders for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	\$ (22,717)	\$ (53,609)	\$ (123,437)	\$ (192,227)
Adjustments:				
Depreciation and amortization related to investment properties	31,972	37,209	97,975	111,368
Impairment of investment properties ⁽¹⁾	759	8,942	13,072	29,044
FFO attributable to common stock and unit holders	\$ 10,014	\$ (7,458)	\$ (12,390)	\$ (51,815)
Reconciliation to Adjusted FFO				
Loss on extinguishment of debt	\$ —	\$ —	\$ 1,356	\$ —
Acquisition, terminated transaction and pre-opening expenses	—	146	—	994
Loan related costs, net of adjustment related to non-controlling interests ⁽²⁾	1,291	1,122	4,615	2,205
Amortization of share-based compensation expense ⁽³⁾	2,875	2,265	8,813	8,574
Non-cash ground rent and straight-line rent expense	33	80	84	237
Other income attributed to deposits for terminated transactions ⁽⁴⁾	—	(26,750)	—	(28,750)
Other non-recurring expenses ⁽⁵⁾	1,068	38	1,092	2,371
Adjusted FFO attributable to common stock and unit holders	\$ 15,281	\$ (30,557)	\$ 3,570	\$ (66,184)

(1) During the three and nine months ended September 30, 2021, the Company recorded a \$0.3 million and \$12.6 million impairment loss, respectively, related to Marriott Charleston Town Center, which was attributed to its net book value exceeding the undiscounted cash flows over a shortened hold period. Additionally, during the third quarter of 2021, Loews New Orleans Hotel was impacted by Hurricane Ida and the Company recorded an impairment loss of \$0.5 million, which represents the write off of the net book value of property damaged during the storm. During the three and nine months ended September 30, 2020, the Company recorded an \$8.9 million impairment loss related to Renaissance Austin Hotel, which was attributed to its carrying value exceeding the undiscounted cash flows over a shortened hold period. In addition, during the nine months ended September 30, 2020, the Company recorded goodwill impairments totaling \$20.1 million for Andaz Savannah and Bohemian Hotel Savannah Riverfront, Autograph Collection. The goodwill impairments were directly attributed to existing market weakness due to new supply and the material adverse impact that the COVID-19 pandemic had on the results of operations at each hotel.

(2) Loan related costs include amortization of debt premiums, discounts and deferred loan origination costs.

(3) During the nine months ended September 30, 2020, the Company reduced its corporate personnel in order to preserve capital over the long-term as a result of the material adverse impact COVID-19 has had on the Company's results of operations. As a result, during the nine months ended September 30, 2020, the Company incurred accelerated amortization of \$1.9 million related share-based compensation expense.

(4) During the three and nine months ended September 30, 2020, the Company recognized other income of \$26.8 million and \$28.8 million, respectively, as a result of forfeited deposits from terminated transactions.

(5) During the three and nine months ended September 30, 2021, the Company recorded estimated hurricane-related repair and cleanup costs of \$1.0 million related to the damage sustained at Loews New Orleans Hotel during Hurricane Ida. For the nine months ended September 30, 2020, the Company incurred \$1.8 million of non-recurring expenses for severance related costs in connection with the reduction in corporate personnel. In addition, during the three and nine months ended September 30, 2020, the Company incurred non-recurring legal costs of \$38 thousand and \$0.5 million, respectively, to amend the terms of its debt.

Use and Limitations of Non-GAAP Financial Measures

EBITDA, EBITDAre, Adjusted EBITDAre, FFO, and Adjusted FFO do not represent cash generated from operating activities under GAAP and should not be considered as alternatives to net income or loss, operating profit, cash flows from operations or any other operating performance measure prescribed by GAAP. Although we present and use EBITDA, EBITDAre, Adjusted EBITDAre, FFO and Adjusted FFO because we believe they are useful to investors in evaluating and facilitating comparisons of our operating performance between periods and between REITs that report similar measures, the use of these non-GAAP measures has certain limitations as analytical tools. These non-GAAP financial measures are not measures of our liquidity, nor are they indicative of funds available to meet our cash needs, including our ability to fund capital expenditures, contractual commitments, working capital, service debt or make cash distributions. These measurements do not reflect cash expenditures for long-term assets and other items that we have incurred and will incur. These non-GAAP financial measures may include funds that may not be available for discretionary use due to functional requirements to conserve funds for capital expenditures, property acquisitions, and other commitments and uncertainties. These non-GAAP financial measures as presented may not be comparable to non-GAAP financial measures as calculated by other real estate companies.

We compensate for these limitations by separately considering the impact of the excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our reconciliations to the most comparable GAAP financial measures, and our condensed consolidated statements of operations and comprehensive loss, include interest expense, and other excluded items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measures. These non-GAAP financial measures reflect additional ways of viewing our operations that we believe, when viewed with our GAAP results and the reconciliations to the corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business than could be obtained absent this disclosure. We strongly encourage investors to review our financial information in its entirety and not to rely on a single financial measure.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ significantly from these estimates and assumptions. We evaluate our estimates, assumptions and judgments to confirm that they are reasonable and appropriate on an ongoing basis, based on information that is then available to us as well as our experience relating to various matters. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020 and Note 2 in the accompanying condensed consolidated financial statements included herein.

Inflation

We rely on the performance of the hotels to increase revenues to keep pace with inflation. Generally, in a stable macroeconomic environment, our hotel operators possess the ability to adjust room rates daily, except for group or corporate rates contractually committed to in advance, although competitive pressures or prevailing economic conditions may limit the ability of our operators to raise rates faster than inflation or even at the same rate.

Seasonality

Demand in the lodging industry is affected by recurring seasonal patterns, which are greatly influenced by overall economic cycles, the geographic locations of the hotels and the customer mix at the hotels. The impact of the COVID-19 pandemic has disrupted, and is expected to continue to disrupt, our historical seasonal patterns.

New Accounting Pronouncements Not Yet Implemented

See Note 2 in the accompanying condensed consolidated financial statements included herein for additional information related to recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risk associated with changes in interest rates both in terms of variable rate debt and the price of new fixed rate debt upon maturity of existing debt and for acquisitions. Our exposure to market risk has not materially changed from what we previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. If market rates of interest on all of our variable rate debt as of September 30, 2021 permanently increased or decreased by 1%, the increase or decrease in interest expense on our variable rate debt would decrease or increase future earnings and cash flows by approximately \$0.3 million per annum. If market rates of interest on all of our variable rate debt as of December 31, 2020 permanently increased or decreased by 1%, the increase or decrease in interest expense on our variable rate debt would decrease or increase future earnings and cash flows by approximately \$2.4 million per annum.

With regard to our variable rate financing, we assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. We maintain risk management control systems to monitor interest rate cash flow risk attributable to both of our outstanding or forecasted debt obligations as well as our potential offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on our future cash flows.

We monitor interest rate risk using a variety of techniques, including periodically evaluating fixed interest rate quotes on all variable rate debt and the costs associated with converting to fixed rate debt. Also, existing fixed and variable rate loans that are scheduled to mature in the next two years are evaluated for possible early refinancing or extension due to consideration given to current interest rates. We have taken significant steps in reducing our variable rate debt exposure by paying off property-level

mortgage debt and entering into various interest rate swap agreements to hedge the interest rate exposure risk related to several variable rate loans. Refer to Note 5 in the accompanying condensed consolidated financial statements included herein, for our debt principal amounts and weighted-average interest rates by year and expected maturity to evaluate the expected cash flows and sensitivity to interest rate changes. Refer to Note 6 in the accompanying condensed consolidated financial statements for more information on our interest rate swap derivatives.

We may continue to use derivative instruments to hedge exposures to changes in interest rates on loans secured by our properties. To the extent we do, we are exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. We maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties' financial condition, including their credit ratings, and entering into agreements with counterparties based on established credit limit policies. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The following table provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations outstanding as of September 30, 2021, the following table presents principal repayments and related weighted-average interest rates by contractual maturity dates (in thousands):

	2021	2022	2023	2024	2025	Thereafter	Total	Fair Value
Maturing debt⁽¹⁾:								
Fixed rate debt ⁽²⁾	\$ 1,015	\$ 4,653	\$ 5,537	\$ 249,160	\$ 568,512	\$ 655,765	\$ 1,484,642	\$ 1,535,832
Variable rate debt	—	—	—	31,000	—	—	31,000	30,268
Total	<u>\$ 1,015</u>	<u>\$ 4,653</u>	<u>\$ 5,537</u>	<u>\$ 280,160</u>	<u>\$ 568,512</u>	<u>\$ 655,765</u>	<u>\$ 1,515,642</u>	<u>\$ 1,566,100</u>
Weighted-average interest rate on debt:								
Fixed rate debt ⁽²⁾	4.36 %	4.38 %	4.39 %	4.12 %	6.26 %	4.81 %	5.25 %	5.175 %
Variable rate debt	—	—	—	1.98 %	—	—	1.98 %	1.8706 %

(1) Excludes net mortgage loan premiums, discounts and unamortized deferred loan costs. See Item 7A of our most recent Annual Report on Form 10-K and Note 5 in the accompanying condensed consolidated financial statements included herein.

(2) Includes all fixed rate debt and all variable rate debt that was swapped to fixed rates as of September 30, 2021.

Item 4. Controls and Procedures

Disclosure Controls and Procedures. As required by Rules 13a-15(b) and 15d-15(b) under the Exchange Act, our management, including our principal executive officer and our principal financial officer evaluated, as of the end of the period covered by this quarterly report, the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and Rule 15d-15(e) of the Exchange Act. Based on that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures, as of the end of the period covered by this quarterly report, were effective at a reasonable assurance level for the purpose of ensuring that information required to be disclosed by us in this quarterly report is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Exchange Act and is accumulated and communicated to management, including our principal executive officer and our principal financial officer as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting. There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various claims and lawsuits arising in the normal course of business, including proceedings involving tort and other general liability claims, related to our ownership of hotel properties. Most occurrences involving liability are covered by insurance with solvent insurance carriers. We recognize a liability when we believe a loss is probable and reasonably estimable. We currently believe that the ultimate outcome of any such lawsuits and proceedings will not, individually or in the aggregate, have a material effect on our consolidated financial position, results of operations, or liquidity.

Item 1A. Risk Factors

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description
<u>3.1</u>	Articles of Restatement of Xenia Hotels & Resorts, Inc., as filed on November 10, 2015 with the Maryland Department of Assessments and Taxation (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-36594) filed on November 12, 2015)
<u>3.2</u>	Articles Supplementary of Xenia Hotels and Resorts, Inc., as filed on November 10, 2015 with the Maryland Department of Assessments and Taxation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-36594) filed on November 12, 2015)
<u>3.3</u>	Articles Supplementary of Xenia Hotels and Resorts, Inc., as filed on March 15, 2017 with the Maryland Department of Assessments and Taxation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-36594) filed on March 15, 2017)
<u>3.4</u>	Articles of Amendment of Xenia Hotels and Resorts, Inc., as filed on May 22, 2018 with the Maryland Department of Assessments and Taxation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-36594) filed on May 23, 2018)
<u>3.5</u>	Articles Supplementary of Xenia Hotels and Resorts, Inc., as filed on May 22, 2018 with the Maryland Department of Assessments and Taxation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-36594) filed on May 23, 2018)
<u>3.6</u>	Second Amended and Restated Bylaws of Xenia Hotels & Resorts, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-36594) filed on November 28, 2018)
<u>3.7</u>	First Amendment to the Second Amended and Restated Bylaws of Xenia Hotels & Resorts, Inc. dated February 19, 2020 (incorporated by reference to Exhibit 3.6 to the Company's Annual Report on Form 10-K (File No. 001-36594) filed on February 25, 2020)
<u>31.1</u> *	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>31.2</u> *	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>32.1</u> *	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* 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.

Xenia Hotels & Resorts, Inc.

November 2, 2021

/s/ MARCEL VERBAAS

Marcel Verbaas
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ ATISH SHAH

Atish Shah
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

/s/ JOSEPH T. JOHNSON

Joseph T. Johnson
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Marcel Verbaas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xenia Hotels & Resorts, 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(s) 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(s) 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: November 2, 2021

/s/ MARCEL VERBAAS

Marcel Verbaas

*Chairman and Chief Executive Officer
(Principal Executive Officer)*

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Atish Shah, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xenia Hotels & Resorts, 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(s) 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(s) 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: November 2, 2021

/s/ ATISH SHAH

Atish Shah

*Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)*

**Certification of Chief Executive Officer and Chief Financial Officer
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 Xenia Hotels & Resorts, Inc. ("XHR") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officers of XHR certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officers' 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 XHR.

Date: November 2, 2021

/s/ MARCEL VERBAAS

Marcel Verbaas

*Chairman and Chief Executive Officer
(Principal Executive Officer)*

/s/ ATISH SHAH

Atish Shah

*Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)*

A signed original of this written statement required by Section 906 has been provided to XHR and will be retained by XHR and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of the Report or on a separate disclosure document.