

2019 ANNUAL REPORT



ASHFORD

Dear Fellow Shareholder,

2019 was a year of considerable achievement for Ashford. We delivered solid financial results and successfully executed on our high-growth, fee-based business model. Additionally, we continued to leverage our hospitality and investment experience to identify and invest in hospitality-related opportunities where we can leverage our management expertise and the size and diversity of the hotel portfolios at our advised REITs to accelerate substantial growth. We have a one-of-a-kind, unique structure, that no one else in our space has, and we are confident in our long-term strategy. With our existing advised REIT platforms as well as our growing stable of products and services businesses, which comprise approximately 8,000 associates across the United States and in two foreign countries and create millions of touchpoints with our guests, we are uniquely positioned to grow and create value for our shareholders.

Ashford is a global asset management company focused on the lodging industry that currently serves as advisor to two NYSE-listed real estate investment trusts, Ashford Hospitality Trust (NYSE: AHT) ("Ashford Trust" or "Trust") and Braemar Hotels & Resorts (NYSE: BHR) ("Braemar"). Combined, Ashford Trust and Braemar had 130 hotels with approximately 29,000 rooms and approximately \$8.1 billion in gross assets at year-end 2019.

Our business model and strategy are built around our ability to leverage the combined expertise of our management team to grow both our company and the platforms we advise. Not only do I believe we have the best management team in the business, but our strong alignment with shareholders through both our revolutionary advisory agreement structure, as well as the high level of insider ownership at each of the Ashford entities, sets us apart. First, the structure of the advisory agreements Ashford has in place incentivizes our management team to outperform its peers. Additionally, to further align Ashford with each of its advised platforms, the Ashford principals have significant ownership of each company. This includes holding 72% of Ashford, 17% of Trust and 13% of Braemar. As the majority of our management team's net worth is invested in the stock of the Ashford group of companies, we are invested right alongside all of you, and our management team's sole focus is on maximizing shareholder returns across all of the Ashford platforms.

Our objectives are clear, and we have two main strategies to grow our businesses: 1) increase our hotel assets under management ("AUM"), and 2) pursue third-party clients.

We plan to grow our AUM through the creation of Ashford Securities. In September 2019, we announced the formation of Ashford Securities LLC, a dedicated platform to raise retail capital through financial intermediaries and the broker-dealer channel in order to grow our existing and future platforms. Our goal for Ashford Securities is to provide the market with highly-differentiated, alternative investment products. Types of capital raised may include, but are not limited to, preferred equity, convertible preferred equity, mezzanine debt, or non-traded REIT common equity for future platforms. We believe it's a natural fit for us. Additionally, given Ashford's broad experience and ability to execute on many different types of lodging strategies, we believe we have a unique opportunity for new investors. Also, having a dedicated fundraising platform will provide Ashford and its advised platforms an additional source of retail capital that is not dependent on the traditional publicly-traded capital markets. In the fourth quarter, Braemar filed a registration statement with the SEC for non-traded preferred equity. That registration statement has since become effective. In addition, I am pleased to report that FINRA recently approved Ashford Securities' application to be a registered broker-dealer. We are excited to pursue a fresh source of retail capital that will help us prudently grow all our platforms over the long term and increase shareholder value, and we expect to begin raising capital toward the end of the second quarter of 2020. Additionally, we are committed to building a first-class organization capable of raising billions of dollars of capital over time across our existing platforms as well as new platforms.

Additionally, in November 2019, we completed an extremely compelling combination with Remington. With almost 90 hotels, over 17,400 rooms, over 7,000 associates, and over a dozen brands across 28 states as well as the District of Columbia, Remington immediately adds scale, diversification and an enhanced competitive position for Ashford in the hospitality industry. This acquisition also expanded the breadth of services we offer to our advised REITs – as well as others in the industry – by adding hotel management to our stable of hotel-related businesses, which already includes our asset management business, Premier Project Management, PURE Wellness, OpenKey, JSAV, RED Hospitality & Leisure, and Lismore Capital. Now, when our advised REIT platforms acquire hotels, we will have the exclusive right to provide all of these services to those hotels. We are also embarking on growing third-party business for these individual companies. In just a short time, our new development team at Remington, which has a combined 50 years of industry experience, has added multiple new non-Ashford, third-party contracts to the portfolio. We expect this growth to continue and expand based on the robust pipeline the team has developed, with the goal of making third-party business the majority of our revenues in the future. With the Remington acquisition, our suite of services now includes hotel asset management, hotel management, project management, design, architecture, procurement, construction management, audio/visual services, financing services, advisory services, property sales services, mobile room-key services, hypoallergenic hotel rooms, and watersports activities.

Accordingly, a tremendous amount of opportunity exists for our company. Within our advised platforms, we can grow through the expansion of the asset bases of the companies we advise, both organically and through accretive acquisitions. We are also extremely excited about the success of the Enhanced Return Funding Program, or ERFP, that we put in place with Ashford Trust in June 2018 and with Braemar in January 2019. Under the ERFP, Ashford has agreed to provide \$50 million to Ashford Trust and \$50 million to Braemar in connection with their acquisition of additional hotels. The funding commitments are designed to produce strong returns on hotel investments at both companies and strong fee growth at Ashford.

Both of our advised platforms were active during 2019 on the capital markets and transaction fronts. On the capital markets front, Trust completed several financings to address maturities, reduce its cost of capital and interest payments, strengthen its balance sheet and improve its liquidity. On the acquisition front, during 2019, Trust acquired the 310-room Embassy Suites New York Manhattan Times Square in New York, New York for \$195 million. Subsequently, in February 2019, Trust acquired the Hilton Santa Cruz/Scotts Valley in Santa Cruz, California for \$50 million. Both of these acquisitions benefited from an ERFP investment from Ashford.

Braemar also continued to diligently execute on its strategic objectives focusing on the luxury hotel segment. During 2019, Braemar made significant progress on its strategy to convert two of its properties to Autograph Collection hotels, with The Notary Hotel in Philadelphia opening in July 2019 and the Courtyard San Francisco Downtown scheduled to convert to The Clancy Hotel in May 2020. Additionally, in October 2019, Braemar opened The Maple Grove Presidential Villa at the Bardessono Hotel & Spa in Yountville,

California. The new Presidential Villa offers guests secluded space with elite experiences and an unforgettable Napa Valley stay. On the investment front, Braemar acquired the 170-room Ritz-Carlton Lake Tahoe in Truckee, California for \$120 million – its first hotel acquisition to benefit from the ERFP. On the capital markets front, Braemar continued to take advantage of the strong debt markets and completed several financings with the purpose of addressing its upcoming debt maturities while also lowering loan spreads and increasing excess cash.

We continue to be excited for all of our hospitality products and services businesses, and we are optimistic about the prospects for our two advised REIT platforms. We also believe that our hospitality products and services businesses are well-positioned to initiate meaningful growth both through our advised REITs as well as third-party channels. We also see great opportunity for our platform to grow and deliver superior returns to our shareholders by adding additional investment platforms as well as investing in, or incubating, other hospitality-related businesses.

In July 2019, RED Hospitality & Leisure completed the acquisition of Sebago, a leading provider of watersports activities and excursion services based in Key West, Florida. Representing the next phase of growth for RED Hospitality, Sebago's watersports activities and excursion services include sunset sails, reef snorkeling, kayak tours, jet ski tours, and all-day adventure tours combining the best of all their excursion products. We remain excited for the future growth prospects of RED Hospitality, including opportunities to expand into several other hotels at our advised platforms, as well as further expansion in the U.S. Virgin Islands and other Caribbean markets.

In March 2019, another one of our hospitality products and services businesses, JSAV, further solidified its market position through the acquisition of BAV, an integrated provider of audio and visual services based in Buffalo, New York. With over 30 years of operating history and a strong presence in the east coast market, including New York and Washington D.C., BAV provides integrated single-source audio visual services with a well-diversified geographical presence and customer base. In addition to the acquisition of BAV, JSAV continues to add third-party contracts in both its core business as well as the hotel space, and we are excited about the company's continued and accelerating growth across its portfolio. JSAV currently has business relationships representing over 2,700 annual events and productions, 500 venue locations, 750 clients, and multi-year contracts in place with 95 hotels and convention centers across the U.S., Mexico and the Dominican Republic. We are happy with the growth we were able to achieve with JSAV in 2019 and continue to be excited about the future prospects for this business.

Moving on to our other products and services businesses, we continue to focus on growing our portfolio companies in a number of ways including referring them to the hotels owned by our advised REITs, by leveraging our vast industry relationships, pursuing third-party business and by consulting on best operating practices.

At Premier Project Management, through our first full year of ownership, we have been focused on executing several initiatives and branding exercises to accelerate growth and profitability over the long-term. Premier's new architecture service was launched in February 2019 and the company has hired additional leadership to focus on driving opportunities to expand Premier's services to other owners, property managers, and institutions in the hospitality industry. Market feedback has been very positive given the company's unique value proposition and comprehensive project management services. To that end, Premier has a significant pipeline related to third-party business including opportunities to be the exclusive project manager for several large hospitality ownership groups.

OpenKey continues to lead the market in mobile keyless entry with strong sales and revenue growth. With a strong base of hotels in the independent segment, OpenKey has expanded its scope to include in-depth discussions with several of the largest hotel brands regarding powering their mobile key initiatives. These brands would use OpenKey technology within their branded loyalty platforms to add keyless entry as a utility to increase guest engagement. Additionally, OpenKey has been developing an enhanced version of OpenKey's module that we expect will drive continued growth in 2020.

We are extremely pleased with the execution of our strategy and the groundwork we are laying for the continued success of our platform. The results are reflected in our very strong financial performance – highlighted by significant growth in revenue and earnings. For 2019, revenues increased by 49% over the prior year, and Adjusted EBITDA increased by 32% over the prior year. With this momentum, we enter 2020 well positioned for further growth.

In October, we were extremely pleased to announce the repurchase of 412,974 shares of our common stock from Ashford Trust and Braemar. We believe acquiring this significant block of approximately 16% of our common stock will provide substantial long-term accretion. Given management's track record during the global financial crisis of buying back stock at Ashford Trust, we clearly understand the benefits of share repurchases and remain committed to actively pursuing prudent capital management strategies. Additionally, before the closing of the Remington transaction, both Ashford Trust and Braemar distributed their remaining shares of Ashford to their respective common shareholders and unitholders, which we believe removes an overhang on our stock and resulted in an increased float.

In summary, the achievements of the past year brought us a step closer to realizing our goals, and we are excited about our progress and our plans for 2020. As I mentioned in last year's letter, it is important to us that we have a strong dialogue with our shareholders. As part of that effort, I have a Twitter profile, and you can follow me at www.twitter.com/MBennettAshford. Additionally, we have an Ashford App, a mobile app for the hospitality REIT investor community. The Ashford App offers users the ability to quickly and concisely get up to speed with what is happening in the hospitality REIT industry from a macro level as well as review detailed information on specific companies in the sector. The app is available for free download at Apple's App Store and the Google Play Store by searching "Ashford." I hope our shareholders will take advantage of these avenues to gain further insight into our Company and the industry in general.

Thank you for your continued investment in Ashford.

Sincerely,



Monty J. Bennett
Chairman of the Board & Chief Executive Officer

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

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

For the fiscal year ended December 31, 2019

OR

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

For the transition period from _____ to _____

Commission file number: 001-36400

ASHFORD INC.

(Exact name of registrant as specified in its charter)

Nevada

84-2331507

(State or other jurisdiction of incorporation or organization)

(IRS employer identification number)

14185 Dallas Parkway, Suite 1100
Dallas, Texas

75254

(Address of principal executive offices)

(Zip code)

(972) 490-9600

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	AINC	NYSE American LLC

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

None

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

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

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

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

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

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

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

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

As of June 30, 2019, the aggregate market value of 2,067,660 shares of the registrant's common stock held by non-affiliates was approximately \$65,730,911.

As of March 10, 2020, the registrant had 2,203,762 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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

ASHFORD INC.
YEAR ENDED DECEMBER 31, 2019
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SIGNATURES

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As used in this Annual Report on Form 10-K, unless the context otherwise indicates, the references to “we,” “us,” “our,” and the “Company” refer to Ashford Inc., a Nevada corporation, and, as the context may require, its consolidated subsidiaries, including Ashford Hospitality Advisors LLC, a Delaware limited liability company, which we refer to as “Ashford LLC” or “our operating company”; Ashford Hospitality Holdings LLC, a Delaware limited liability company, which we refer to as “Ashford Holdings”; Ashford Hospitality Services LLC, a Delaware limited liability company, which we refer to as “Ashford Services”; Premier Project Management LLC, a Maryland limited liability company, which we refer to as “Premier Project Management,” or “Premier”; from and after November 6, 2019, Remington Lodging & Hospitality, LLC, a Delaware limited liability company, which we refer to as “Remington” a hotel management company acquired by Ashford Inc. on November 6, 2019 from Mr. Monty J. Bennett, our chief executive officer and chairman of our board of directors, and his father, Mr. Archie Bennett, Jr., chairman emeritus of Ashford Trust; and, from and after November 6, 2019, Marietta Leasehold, L.P. (“Marietta”), also included in the November 6, 2019 transaction to acquire Remington. “Remington Lodging” refers to Remington prior to the completion of the acquisition, resulting in Remington Lodging & Hospitality, LLC becoming a subsidiary of Ashford Inc. “Braemar” refers to Braemar Hotels & Resorts Inc., a Maryland corporation, and, as the context may require, its consolidated subsidiaries, including Braemar Hospitality Limited Partnership, a Delaware limited partnership, which we refer to as “Braemar OP.” “Ashford Trust” or “AHT” refers to Ashford Hospitality Trust, Inc., a Maryland corporation, and, as the context may require, its consolidated subsidiaries, including Ashford Hospitality Limited Partnership, a Delaware limited partnership and Ashford Trust’s operating partnership, which we refer to as “Ashford Trust OP.”

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

- the impact of the novel strain of coronavirus (COVID-19) on our clients’ and our business;
- our business and investment strategy;
- our projected operating results;
- our ability to obtain future financing arrangements;
- our understanding of our competition;
- market trends;
- the future success of recent acquisitions, including the 2018 acquisition of Premier and the 2019 acquisition of Remington;
- the future success of recent business initiatives, including the Enhanced Return Funding Programs (“ERFPs”) with Ashford Trust and Braemar;
- projected capital expenditures; and
- the impact of technology on our operations and business.

Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain financial and operating projections or state other forward-looking information. Our ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, taking into account all information currently available to us, our actual results and performance could differ materially from those set forth in our forward-looking statements. Factors that could have a material adverse effect on our forward-looking statements include, but are not limited to:

- the factors referenced, including those set forth under the sections captioned “Item 1. Business,” “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Conditions and Results of Operations;”
- adverse effects of the novel strain of coronavirus (COVID-19), including a general reduction in business and personal travel and potential travel restrictions in regions where our clients’ hotels are located;
- general volatility of the capital markets, the general economy or the hospitality industry, whether the result of market events or otherwise, and the market price of our common stock;
- availability, terms and deployment of capital;
- changes in our industry and the market in which we operate, interest rates or the general economy;
- the degree and nature of our competition;
- actual and potential conflicts of interest with or between Ashford Trust and Braemar, our executive officers and our non-independent directors;
- availability of qualified personnel;

- changes in governmental regulations, accounting rules, tax rates and similar matters;
- legislative and regulatory changes;
- the possibility that we may not realize any or all of the anticipated benefits from transactions to acquire businesses, including the 2018 acquisition of Premier and the 2019 acquisition of Remington, and the possibility we will be required to record goodwill impairments relating to those businesses as a result of the impact of the novel coronavirus (COVID-19) on our clients', and our, business;
- the possibility that we may not realize any or all of the anticipated benefits from new business initiatives, including the ERFPA Agreements with Ashford Trust and Braemar;
- sales of our common stock by the stockholders and unitholders of Ashford Trust and Braemar, to whom Ashford Trust and Braemar, respectively, divested (on November 5, 2019) shares of our common stock previously held by Ashford Trust and Braemar, in each case, in connection with the agreement to acquire Remington Lodging that was signed on May 31, 2019 (as amended on July 19, 2019 and further amended on August 28, 2019) and which closed on November 6, 2019;
- disruptions relating to the acquisition or integration of Premier, Remington or any other business we invest in or acquire, which may harm relationships with customers, employees and regulators; and
- unexpected costs relating to the acquisition or integration of Premier, Remington or any other business we invest in or acquire.

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

PART I

Item 1. *Business*

Our Company and Our Business Strategy

Ashford Inc. is a Nevada corporation that provides products and services primarily to clients in the hospitality industry, including Ashford Trust and Braemar. We became a public company in November 2014, and our common stock is listed on the NYSE American LLC (the “NYSE American”). As of December 31, 2019, Mr. Monty J. Bennett, Ashford Inc.’s chairman and chief executive officer and the chairman of Ashford Trust and Braemar, and his father, Mr. Archie Bennett, Jr., chairman emeritus of Ashford Trust (together, the “Bennetts”), owned approximately 353,457 shares of our common stock, which represented an approximate 16.0% ownership interest in Ashford Inc., and owned 18,758,600 shares of our Series D Convertible Preferred Stock (the “Series D Convertible Preferred Stock”), which is exercisable (at an exercise price of \$117.50 per share) into an additional approximate 3,991,191 shares of Ashford Inc. common stock, which if exercised would have increased Mr. Monty J. Bennett and Mr. Archie Bennett, Jr.’s ownership interest in Ashford Inc. to 70.1%.

We provide: (i) advisory services; (ii) asset management services; (iii) hotel management services; (iv) project management services; (v) event technology and creative communications solutions; (vi) mobile room keys and keyless entry solutions; (vii) watersports activities and other travel, concierge and transportation services; (viii) hypoallergenic premium room products and services; (ix) debt placement services; (x) real estate advisory and brokerage services; and (xi) wholesaler, dealer manager and other broker-dealer services. We conduct these activities and own substantially all of our assets primarily through Ashford LLC, Ashford Services and their respective subsidiaries.

We seek to grow through the implementation of two primary strategies: (i) increasing our assets under management; and (ii) pursuing third-party business to grow our other products and services businesses.

Advisory Services. We are currently the advisor for Ashford Trust and Braemar. In our capacity as the advisor to Ashford Trust and Braemar, we are responsible for implementing the investment strategies and managing the day-to-day operations of Ashford Trust and Braemar from an ownership perspective, in each case subject to the supervision and oversight of the respective board of directors of Ashford Trust and Braemar. Ashford Trust is focused on investing in full service hotels in the upscale and upper-upscale segments in the U.S. that have revenue per available room (“RevPAR”) generally less than twice the national average. Braemar invests primarily in luxury hotels and resorts with RevPAR of at least twice the U.S. national average. Each of Ashford Trust and Braemar is a real estate investment trust (“REIT”) as defined in the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), and the common stock of each of Ashford Trust and Braemar is traded on the New York Stock Exchange (the “NYSE”).

We provide the personnel and services that we believe are necessary for each of Ashford Trust and Braemar to conduct their respective businesses. We may also perform similar functions for new or additional platforms. In our capacity as an advisor, we are not responsible for managing the day-to-day operations of the individual hotel properties owned by either Ashford Trust or Braemar, which duties are, and will continue to be, the responsibility of the hotel management companies that operate the hotel properties owned by Ashford Trust and Braemar. As described further below, Remington, which we acquired on November 6, 2019, operates certain of the hotel properties owned by Ashford Trust and Braemar.

In our advisory services business, we earn advisory fees from each company that we advise. The fees earned from each company that we advise include a base fee, payable in cash, on a monthly basis, for managing the respective day-to-day operations of the companies that we advise and the day-to-day operations of their respective subsidiaries from an ownership perspective, in each case in conformity with the respective investment guidelines of such client. The base fee is determined as a percentage of each client’s total market capitalization, subject to a minimum fee. We may also be entitled to receive an incentive fee, payable in cash or a combination of cash and stock, from each of Ashford Trust and Braemar based on their respective out-performance of their peers, as measured by the annual total stockholder return of such company compared to its peers. Incentive advisory fees are measured annually in each year that Ashford Trust’s and/or Braemar’s annual total stockholder return exceeds the average annual total stockholder return for each company’s respective peer group, subject to the Fixed Charge Coverage Ratio Condition (the “FCCR Condition”), and is defined in the respective advisory agreements. Incentive advisory fees, measured with respect to a particular year, are paid over a three-year period, beginning on January 15 immediately following the year of measurement, and each payment is subject to the FCCR Condition, which relates to the ratio of adjusted EBITDA to fixed charges for Ashford Trust or Braemar, as applicable. For the year ended December 31, 2019, we earned advisory services revenues of \$32.5 million and \$11.7 million from Ashford Trust and Braemar, respectively, of which \$0 and \$678,000 respectively, were incentive fees. For the year ended December 31, 2018, we recognized advisory services revenues of \$37.3 million and \$10.6 million from Ashford Trust and Braemar, respectively, of which \$1.8 million and \$678,000 respectively, were incentive fees.

Asset Management Services. We currently provide asset management services to Ashford Trust and Braemar. Our strategic approach of designating at least one asset manager to each property allows us to leverage our extensive portfolio of subject matter experts, including asset management, revenue optimization, capital management, legal and risk management, data analysis and property tax. Our fees for asset management services are included in advisory fees as noted above.

Hotel Management Services. We currently provide hotel management services to 80 hotels owned by Ashford Trust and three hotels owned by Braemar through our subsidiary, Remington. Hotel management services consist of hotel operations, sales and marketing, revenue management, budget oversight, guest service, asset maintenance (not involving capital expenditures) and related services.

In our hotel management business, Remington receives a base management fee based on gross revenues for each hotel, subject to a specified floor (which is subject to increase annually based on increases in the consumer price index). Additionally, if a hotel meets and exceeds various thresholds based on hotel revenues and certain profitability targets, Remington receives an incentive fee. We acquired our hotel management business on November 6, 2019. For the period from November 6, 2019 to the year ended December 31, 2019, we earned hotel management revenues of \$4.2 million and \$286,000 from Ashford Trust and Braemar, respectively.

Project Management Services. We currently provide project management services to substantially all of the hotels owned by Ashford Trust and Braemar, through our subsidiary, Premier. Project management services provided by Premier consist of construction management, interior design, architecture, and the purchasing, expediting, warehousing, freight management, installation and supervision of property and equipment and related services.

In our project management business, Premier receives a project management fee equal to a percentage of the total project costs (both hard and soft) associated with the implementation of the capital improvement budget. In addition, Premier receives additional fees at current market rates for the project services. We acquired our project management business on August 8, 2018. For the year ended December 31, 2019, we earned project management revenues of \$16.6 million and \$8.5 million from Ashford Trust and Braemar, respectively. For the period from August 2018 to the year ended December 31, 2018, we earned project management revenues of \$5.8 million and \$3.0 million from Ashford Trust and Braemar, respectively.

Event Technology and Creative Communications Solutions. We currently provide event technology and creative communications solutions to Ashford Trust and Braemar, as well as to third party clients, through our subsidiary, Presentation Technologies LLC (“JSAV”).

JSAV generates revenue from Ashford Trust, Braemar and third party clients in various forms depending on the particular product or service provided and the generally accepted market conditions for pricing such products or services. For the year ended December 31, 2019, we earned revenue of \$110.6 million through JSAV. For the year ended December 31, 2018, we earned revenue of \$81.2 million through JSAV.

Mobile Room Keys and Keyless Entry Solutions. We currently provide mobile room keys and keyless entry solutions to Ashford Trust and Braemar, as well as to third party clients, through our subsidiary, OpenKey, Inc. (“OpenKey”).

OpenKey generates revenue from Ashford Trust, Braemar and third party clients in various forms depending on the particular product or service provided and the generally accepted market conditions for pricing such products or services. For the year ended December 31, 2019, we earned revenue of \$987,000 through OpenKey. For the year ended December 31, 2018, we earned revenue of \$999,000 through OpenKey.

Watersports Activities, Travel, Concierge and Transportation Services. We currently provide watersports, travel, concierge and transportation services to Ashford Trust and Braemar, as well as to third party clients, through our subsidiary, RED Hospitality & Leisure LLC (“RED”).

RED generates revenue from Ashford Trust, Braemar and third party clients in various forms depending on the particular product or service provided and the generally accepted market conditions for pricing such products or services. For the year ended December 31, 2019, we earned revenue of \$9.4 million through RED. For the year ended December 31, 2018, we earned revenue of \$1.4 million through RED.

Hypoallergenic Premium Room Products and Services. We currently provide hypoallergenic premium room products and services to Ashford Trust, Braemar and third party clients through our subsidiary, PRE Opco LLC (“Pure Wellness”).

Pure Wellness generates revenue from Ashford Trust, Braemar and third party clients in various forms depending on the particular product or service provided and the generally accepted market conditions for pricing such products or services. For

the year ended December 31, 2019, we earned revenue of \$3.1 million through Pure Wellness. For the year ended December 31, 2018, we earned revenue of \$3.4 million through Pure Wellness.

Debt Placement Services. We currently provide debt placement services to Ashford Trust and Braemar through our subsidiary, Lismore Capital LLC (“Lismore”).

In our debt placement business, Lismore earns a placement fee equal to a percentage of the amount of debt placed by Lismore. For the year ended December 31, 2019, we earned revenue of \$2.0 million through Lismore. For the year ended December 31, 2018, we earned revenue of \$6.1 million through Lismore.

Real Estate Advisory and Brokerage Services. We currently provide real estate advisory and brokerage services to Ashford Trust, Braemar and third party clients through our subsidiary, in which we hold a noncontrolling interest, Real Estate Advisory Holdings LLC (“REA Holdings”).

REA Holdings, through its operating subsidiary, generates revenue from Ashford Trust, Braemar and third party clients in various forms depending on the particular product or service provided and the generally accepted market conditions for pricing such products or services.

Broker-Dealer Services. We currently provide wholesaler, dealer manager and other broker-dealer services to Braemar through our subsidiary, Ashford Securities LLC (“Ashford Securities”).

Ashford Securities generates revenue in various forms depending on the particular product or service provided and the generally accepted market conditions for pricing such products or services. For the year ended December 31, 2019, we earned cost reimbursement revenue of \$1.2 million through Ashford Securities.

Our Advisory Agreements

We advise Ashford Trust and Braemar pursuant to our advisory agreements. The provisions of the two advisory agreements are substantially similar, except as otherwise described below. The following summary of the terms of our advisory agreements does not purport to be complete and is subject to and qualified in its entirety by reference to a copy of the actual agreements, as amended, entered into with Ashford Trust or Braemar, which have been included as exhibits to other documents filed with the Securities and Exchange Commission (the “SEC”) and incorporated by reference in this Form 10-K.

General. Pursuant to our advisory agreements with Ashford Trust and Braemar, we provide, or obtain on their behalf, the personnel and services necessary for each of these entities to conduct its respective business, as they have no employees of their own. All of the officers of each of Ashford Trust and Braemar are our employees. We are not obligated to dedicate any of our employees exclusively to either Ashford Trust or Braemar, nor are we or our employees obligated to dedicate any specific portion of time to the business of either Ashford Trust or Braemar, except as necessary to perform the service required of us in our capacity as the advisor to such entities. The advisory agreements require us to manage the business affairs of each of Ashford Trust and Braemar in conformity with the policies and the guidelines that are approved and monitored by the boards of such entities. Additionally, we must refrain from taking any action that would (a) adversely affect the status of Ashford Trust or Braemar as a REIT, (b) subject us to regulation under the Investment Company Act, (c) knowingly and intentionally violate any law, rule or regulation of any governmental body or agency having jurisdiction over us, (d) violate any of the rules or regulations of any exchange on which our securities are listed or (e) violate the charter, bylaws or resolutions of the board of directors of each of Ashford Trust and Braemar, all as in effect from time to time. So long as we are the advisor to Braemar, Braemar’s governing documents permit us to designate persons as candidates for election as director at any stockholder meeting of Braemar at which directors are to be elected. Such nominees may be our executive officers.

Our Duties as Advisor. Subject to the supervision of the respective boards of directors of each of Ashford Trust and Braemar, we are responsible for, among other duties: (1) performing and administering the day-to-day operations of Ashford Trust and Braemar, including all of the subsidiaries and joint ventures of such entities; (2) all services relating to the acquisition, disposition and financing of hotels; (3) performing asset management duties; (4) engaging and supervising, on behalf of such companies, third parties to provide various services including but not limited to overseeing development management, hotel management, and other professional services; and (5) performing corporate governance and other management functions, including financial, capital markets, treasury, financial reporting, internal audit, accounting, tax and risk management services, SEC and regulatory compliance, and retention of legal counsel, auditors and other professional advisors, as well as other duties and services outlined in the advisory agreements.

Any increase in the scope of duties or services to be provided by us must be jointly approved by us and either Ashford Trust or Braemar, as applicable, and is subject to additional compensation as outlined in the advisory agreements.

We are the sole and exclusive provider of asset management, project management and other services offered by us, for each of Ashford Trust and Braemar. At any time that Ashford Trust or Braemar desires to engage a third party for the performance of services or delivery of products, we have the exclusive right to provide such service or product at market rates.

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

We require our employees and officers who provide services to the companies we advise to comply with the codes and the policies of such companies.

ERFP Agreements

General. On June 26, 2018, the Company entered into the Enhanced Return Funding Program Agreement and Amendment No. 1 to the Amended and Restated Advisory Agreement (the “Ashford Trust ERFP Agreement”) with Ashford Trust. The independent members of the board of directors of each of the Company and Ashford Trust, with the assistance of separate and independent legal counsel, engaged to negotiate the Ashford Trust ERFP Agreement on behalf of the Company and Ashford Trust, respectively. On January 15, 2019, the Company entered into the Enhanced Return Funding Program Agreement and Amendment No. 1 to the Fifth Amended and Restated Advisory Agreement (the “Braemar ERFP Agreement” and, together with the Ashford Trust ERFP Agreement, the “ERFP Agreements”) with Braemar. The independent members of the board of directors of each of the Company and Braemar, with the assistance of separate and independent legal counsel, engaged to negotiate the Braemar ERFP Agreement on behalf of the Company and Braemar, respectively. The ERFP Agreements replaced the “key money investments” previously contemplated by the respective advisory agreements with each of Ashford Trust and Braemar.

Under the ERFP Agreements, the Company agreed to provide \$50 million (each, an “Aggregate ERFP Amount” and collectively, the “Aggregate ERFP Amounts”) to each of Ashford Trust and Braemar (collectively, the “REITs”), respectively, in connection with each such REIT’s acquisition of hotels recommended by us, with the option to increase each Aggregate ERFP Amount to up to \$100 million upon mutual agreement by the parties to the respective ERFP Agreement. Under each of the ERFP Agreements, the Company will pay each REIT 10% of each acquired hotel’s purchase price in exchange for furniture, fixtures and equipment (“FF&E”) at a property owned by such REIT, which will be subsequently leased by us to such REIT rent-free. Each of the REITs must provide reasonable advance notice to the Company to request ERFP funds in accordance with the respective ERFP Agreement. The ERFP Agreements require that the Company acquire the related FF&E either at the time of the property acquisition or at any time generally within two years of the REITs acquisition of the hotel property. The Company recognizes the related depreciation tax deduction at the time such FF&E is purchased by the Company and placed into service at the respective REIT’s hotel properties. However, the timing of the FF&E being purchased and placed into service is subject to uncertainties outside of the Company’s control that could delay the realization of any tax benefit associated with the purchase of FF&E.

Ashford Trust’s 2018 ERFP Acquisitions. In connection with Ashford Trust’s acquisition of the Hilton Old Town Alexandria on June 29, 2018 and La Posada de Santa Fe on October 31, 2018, the Company was committed to provide Ashford Trust with approximately \$11.1 million and \$5.0 million, respectively, in exchange for FF&E at Ashford Trust properties, in each case subject to the terms of the Ashford Trust ERFP Agreement. The \$16.1 million total of FF&E was purchased by us and leased by us to Ashford Trust effective December 31, 2018. As of December 31, 2018, the Company had no remaining 2018 ERFP commitments to Ashford Trust.

Ashford Trust’s 2019 ERFP Acquisitions. In connection with Ashford Trust’s acquisition of The Embassy Suites New York Manhattan Times Square on January 23, 2019, and the Hilton Santa Cruz/Scotts Valley on February 26, 2019, the Company was committed to provide Ashford Trust with approximately \$19.5 million and \$5.0 million, respectively, in exchange for FF&E at Ashford Trust properties, in each case subject to the terms of the Ashford Trust ERFP Agreement. During the year ended December 31, 2019, \$13.1 million of FF&E was purchased by us and leased by us to Ashford Trust related to Ashford Trust’s 2019 ERFP acquisitions. As of December 31, 2019, the Company had \$11.4 million remaining on its 2019 ERFP commitments to Ashford Trust.

Braemar’s 2019 ERFP Acquisitions. In connection with Braemar’s acquisition of The Ritz-Carlton Lake Tahoe on January 15, 2019, the Company was committed to provide Braemar with approximately \$10.3 million in exchange for FF&E at Braemar properties, subject to the terms of the Braemar ERFP Agreement. During the year ended December 31, 2019, \$10.3 million of FF&E was purchased by us and leased by us to Braemar related to Braemar’s 2019 ERFP acquisitions. As of December 31, 2019, the Company has no remaining 2019 ERFP commitment to Braemar.

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

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

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

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

Term. The initial term of each ERFP Agreement is two years (the "Initial Term"), which begins on June 26, 2018 in the case of Ashford Trust and January 19, 2019 in the case of Braemar, unless earlier terminated pursuant to the terms of the ERFP Agreement. At the end of the Initial Term, the ERFP Agreement shall automatically renew for successive one year periods (each such period a "Renewal Term") unless either the Company or Ashford Trust or Braemar, as applicable, provides written notice to the other at least 60 days in advance of the expiration of the Initial Term or Renewal Term, as applicable, that such notifying party intends not to renew the ERFP Agreement. The ERFP Agreement may be terminated by the Company or Ashford Trust or Braemar, as applicable, in the event such party has a right to terminate the advisory agreement or by the Company in the event that the Company is entitled to transfer cash owned by Ashford Trust but controlled by the Company to the termination fee escrow account under the applicable advisory agreement. The amendments to the applicable advisory agreement set forth in the ERFP Agreements shall continue in force notwithstanding any termination of the ERFP Agreements.

Relationship with Ashford Trust and Braemar. We advise both Ashford Trust and Braemar. We are also permitted to have other advisory clients, which may include other REITs operating in the real estate industry or having the same or substantially similar investment guidelines as Ashford Trust or Braemar. If either Ashford Trust or Braemar materially revises its initial investment guidelines without our express written consent, we are required only to use our best judgment to allocate investment opportunities to Braemar, Ashford Trust and other entities we advise, taking into account such factors as we deem relevant, in our discretion, subject to any of our then existing obligations to such other entities. Braemar has agreed not to revise its initial investment guidelines to be directly competitive with Ashford Trust. Ashford Trust agrees, pursuant to the terms of the Ashford Trust advisory agreement, that it will revise its investment guidelines as necessary to avoid direct

competition with (i) any entity or platform that Ashford Trust may create or spin-off in the future and (ii) any other entity advised by us, provided that in the case of clause (ii), we and Ashford Trust mutually agree to the terms of such revision of Ashford Trust's investment guidelines. The advisory agreements give each of Ashford Trust and Braemar the right to equitable treatment with respect to other clients of ours, but the advisory agreements do not give any entity the right to preferential treatment, except as follows:

- Any new individual investment opportunities that satisfy Ashford Trust's investment guidelines will be presented to its board of directors, which has up to 10 business days to accept any such opportunity prior to it being available to Braemar or another business advised by us.
- Any new individual investment opportunities that satisfy Braemar's investment guidelines will be presented to its board of directors, which has up to 10 business days to accept any such opportunity prior to it being available to Ashford Trust or another business advised by us.

To minimize conflicts between Ashford Trust and Braemar, the advisory agreements require each such entity to designate an investment focus by targeted RevPAR, segments, markets and other factors or financial metrics. After consultation with us, such entity may modify or supplement its investment guidelines from time to time by giving written notice to us; however, if either Ashford Trust or Braemar materially changes its investment guidelines without our express written consent, we are required only to use our best judgment to allocate investment opportunities to Ashford Trust, Braemar and other entities we may advise, taking into account such factors as we deem relevant, in our discretion, subject to any then existing obligations we have to such other entities.

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

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

Limitations on Liability and Indemnification. The advisory agreements provide that we have no responsibility other than to render the services and take the actions described in the advisory agreements in good faith and with the exercise of due care and are not responsible for any action the board of directors of either Ashford Trust or Braemar takes in following or declining to follow any advice from us. The advisory agreements provide that we, and our officers, directors, managers, employees and members, will not be liable for any act or omission by us (or our officers, directors, managers, employees or members) performed in accordance with and pursuant to the advisory agreements, except by reason of acts constituting gross negligence, bad faith, willful misconduct or reckless disregard of our duties under the applicable advisory agreement.

Each of Ashford Trust and Braemar has agreed to indemnify and hold us harmless (including our partners, directors, officers, stockholders, managers, members, agents, employees and each other person or entity, if any, controlling us) to the full extent lawful, from and against any and all losses, claims, damages or liabilities of any nature whatsoever with respect to or arising from any acts or omission by us (including ordinary negligence) in our capacity as advisor, except with respect to losses, claims, damages or liabilities with respect to or arising out of our gross negligence, bad faith or willful misconduct, or reckless disregard of our duties set forth in the applicable advisory agreement (for which we have indemnified Ashford Trust or Braemar, as applicable).

Term and Termination of our Advisory Agreement with Ashford Trust. The term of our advisory agreement with Ashford Trust is 10 years, commencing from the effective date of the amended advisory agreement on June 10, 2015. Our advisory agreement with Ashford Trust provides for automatic five-year renewal terms unless previously terminated as described below. Our advisory agreement with Ashford Trust may be terminated by Ashford Trust with 180 days' written notice prior to the expiration of the then current term, on the affirmative vote of at least two-thirds of the independent directors of Ashford Trust, based upon a good faith finding that either (a) there has been unsatisfactory performance by us that is materially detrimental to Ashford Trust and the subsidiaries of Ashford Trust taken as a whole, or (b) the base fee and/or incentive fee (each as defined in the advisory agreements) is not fair based on the then-current market for such fees (and we do not offer to negotiate a lower fee that at least a majority of the independent directors determine is fair). If the reason for non-renewal specified by Ashford Trust in the termination notice is clause (b) in the preceding sentence, then we may, at our option, provide a notice of proposal to renegotiate the base fee and incentive fee not less than 150 days prior to the pending termination date. Thereupon, each party has agreed to use its commercially reasonable efforts to negotiate in good faith to find a resolution on fees within 120

days following receipt by Ashford Trust of the renegotiation proposal. If a resolution is achieved between us and at least a majority of the independent directors of Ashford Trust, within the 120-day period, then the applicable advisory agreement will continue in full force and effect with modification only to the agreed upon base fee and/or incentive fee, as applicable.

If no resolution on fees is reached within the 120-day period, or if Ashford Trust terminates the advisory agreement by reason of clause (a) above, or terminates the advisory agreement upon a change in control of Ashford Trust, the advisory agreement will terminate and Ashford Trust will be required to pay us all fees and expense reimbursements due and owing through the date of termination as well as a termination fee equal to 1.1 times the greater of either:

- 12 multiplied by our Net Earnings for the 12-month period preceding the termination date of our advisory agreement. For purposes of this calculation, “Net Earnings” is defined in the advisory agreement as (A) our reported Adjusted EBITDA (as defined in the advisory agreement) attributable to the advisory agreement for the 12-month period preceding the termination of the advisory agreement (adjusted to assume the advisory agreement was in place for the full 12-month period if it otherwise was not), as reported in our earnings releases less (B) our pro forma Adjusted EBITDA (as defined in the advisory agreement) assuming our advisory agreement was not in place during such period plus (C) all EBITDA (Net Income (per Generally Accepted Accounting Principles (“GAAP”)) plus interest expenses, income taxes, depreciation and amortization) of ours and any of our affiliates and subsidiaries from providing any service or product to Ashford Trust, its operating partnership or any of its affiliates or subsidiaries, exclusive of EBITDA directly resulting from the advisory agreement;
- the earnings multiple (calculated as our total enterprise value divided by our adjusted EBITDA) for our common stock per the 12-month period preceding the termination date multiplied by our Net Earnings (as defined above) for the 12 months preceding the termination; or
- the simple average of our earnings multiples for the three fiscal years preceding the termination (calculated as our total enterprise value divided by our adjusted EBITDA for such periods) multiplied by our Net Earnings (as defined above) for the 12 months preceding the termination;

plus, in either case, a gross-up amount for federal and state tax liability, based on an assumed combined tax rate of 40%. Any such termination fee will be payable on or before the termination date.

Ashford Trust may also terminate the advisory agreement with 60 days’ notice upon of a change of control of Ashford Trust, if the change of control transaction is conditioned upon the termination of the advisory agreement. In such a circumstance, Ashford Trust would be required to pay the accrued costs and termination fee described above.

Ashford Trust may also terminate the applicable advisory agreement at any time, including during the 10-year initial term, without the payment of a termination fee, upon customary events of default and our failure to cure during certain cure periods, such as our default in performance of material obligations, the filing of bankruptcy or a dissolution action and other events, as outlined in the advisory agreement.

Upon any termination of the advisory agreement, we are required to cooperate with and assist Ashford Trust in executing an orderly transition of the management of its assets to a new advisor, providing a full accounting of all accounts held in the name of or on behalf of Ashford Trust, returning any funds held on behalf of Ashford Trust (other than the termination fee escrow account, if applicable) and returning any and all of the books and records of Ashford Trust.

We may terminate the advisory agreement prior to the expiration of the then-current term with 180 days’ prior written notice. Additionally, we may terminate the advisory agreement if Ashford Trust defaults in the performance or observance of any material term, condition or covenant under the applicable advisory agreement; provided, however, before terminating the advisory agreement, we must give Ashford Trust written notice of the default and provide Ashford Trust with an opportunity to cure the default within 45 days, or if such default is not reasonably susceptible to cure within 45 days, such additional cure period as is reasonably necessary to cure the default (not to exceed 90 days) so long as such entity is diligently and in good faith pursuing such cure. In the event of a termination pursuant to the preceding sentence during the initial term, we will be entitled to the greater of our actual damages or the termination fee described above; in the event of a termination pursuant to the preceding sentence during a renewal term, we will be entitled to the termination fee described above.

The advisory agreement also provides that if: (i) we have funded, or are committed to provide, enhanced return funding investments equal to at least \$40.0 million; and (ii) either (a) Ashford Trust enters a letter of intent or definitive agreement that upon consummation would constitute a change of control; (b) the Ashford Trust board recommends that Ashford Trust’s stockholders accept a third party tender offer that would, if consummated, result in a third party beneficially owning 35% or more of Ashford Trust’s voting stock; or (c) a third party otherwise becomes a beneficial owner of 35% or more of Ashford

Trust voting stock, then we are entitled to transfer Ashford Trust cash to an escrow account in an amount sufficient to pay the termination fee and other amounts set forth in the advisory agreement.

Base Fees under our Advisory Agreement with Ashford Trust. Ashford Trust is required, on a monthly basis, to pay a fee (the “Base Fee”) in an amount equal to 1/12 of (i) the Base Fee Percentage (as defined below, but during 2018 equal to 0.70%) of the Total Market Capitalization (as defined below) of Ashford Trust for the prior month, plus (ii) the Net Asset Fee Adjustment (as defined below), if any, on the last day of the prior month during which the advisory agreement was in effect; provided, however in no event shall the Base Fee for any month be less than the Trust Minimum Base Fee (as defined below).

“Base Fee Percentage” shall mean the following per annum percentages, which vary based on the Total Market Capitalization (as adjusted annually for inflation beginning from January 1, 2015) calculation:

For each quarter in which the Total Market Capitalization* is:	Base Fee Percentage will be:
≤\$6 billion	0.70%
> \$6 billion and ≤ \$10 billion	0.70% on amounts up to \$6 billion 0.60% on amounts exceeding \$6 billion
> \$10 billion	0.70% on amounts up to \$6 billion 0.60% on amounts exceeding \$6 billion, up to \$10 billion 0.50% on amounts exceeding \$10 billion

*Total Market Capitalization thresholds are subject to an annual inflation adjustment on each January 1 beginning January 1, 2016, based on increases to CPI.

The “Total Market Capitalization” of Ashford Trust for any period is calculated as:

- (a) to the extent Ashford Trust common stock is listed for trading on a national securities exchange for every day during any period for which the Total Market Capitalization is to be calculated, the amount calculated as:
 - (i) average of the volume-weighted average price per share of common stock for Ashford Trust for each trading day of the period (“Average VWAP”) multiplied by the average number of shares of common stock and common units outstanding during such applicable period, on a fully-diluted basis (assuming all common units and long term incentive partnership units in Ashford Trust OP that have achieved economic parity with common units in the applicable operating partnership have been converted into shares of common stock and including any shares of common stock issuable upon conversion of any convertible preferred stock where the conversion price is less than Average VWAP), plus
 - (ii) the average for the applicable period of the aggregate principal amount of the consolidated indebtedness of Ashford Trust (including its proportionate share of debt of any entity that is not consolidated but excluding its joint venture partners’ proportionate share of consolidated debt), plus
 - (iii) the average for the applicable period of the liquidation value of any outstanding preferred equity of Ashford Trust (excluding any convertible preferred stock where the conversion price is less than Average VWAP).
- (b) to the extent Ashford Trust common stock is not listed for trading on a national securities exchange (due to any reason, including but not limited to delisting by the New York Stock Exchange or the occurrence of a change of control) for any day during any period for which the Total Market Capitalization is to be calculated, the greater of: (i) the weighted average Gross Asset Value of all the Ashford Trust’s assets on each day during such period; or (ii) the Total Market Capitalization as calculated pursuant to paragraph (a) of this definition on the last day on which common stock was listed for trading on a national securities exchange, regardless of whether this day occurred during the applicable period.

“Gross Asset Value” shall mean, with respect to any of Ashford Trust’s assets as of any date, the undepreciated carrying value of all such assets including all cash and cash equivalents and capitalized leases and any property and equipment leased to subsidiaries of Ashford Trust to facilitate the purchase of any Ashford Trust Enhanced Return Hotel Asset (as defined below) as reflected on the most recent balance sheet and accompanying footnotes of Ashford Trust filed with the SEC or prepared by the Company in accordance with GAAP consistent with its performance of its duties under the advisory agreement without

giving effect to any impairments plus the publicly disclosed purchase price (excluding any net working capital and transferred property and equipment reserves) of any assets acquired after the date of the most recent balance sheet and all capital expenditures made (to the extent not already reflected in the carrying value of the asset) with respect to an asset since the date of its acquisition for any improvements or for additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP.

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

The “Trust Minimum Base Fee” for each month beginning January 1, 2016 is equal to the greater of:

- (i) 90% of the base fee paid for the same month in the prior year; and
- (ii) 1/12th of the “G&A ratio” for the most recently completed fiscal quarter multiplied by the Total Market Capitalization of Ashford Trust on the last balance sheet date included in Ashford Trust’s most recent Form 10-Q or Form 10-K filing.

The “G&A ratio” is calculated as the simple average of the ratios of total general and administrative expenses, including any dead deal costs, less any non-cash expenses, paid in the applicable quarter by each member of a select peer group, divided by the total market capitalization of such peer group member. The peer group for Ashford Trust may be adjusted from time-to-time by mutual agreement between us and a majority of the independent directors of Ashford Trust.

Term and Termination of our Advisory Agreement with Braemar. The initial stated term of our advisory agreement with Braemar is 10 years and will expire, unless otherwise extended or earlier terminated, on January 24, 2027. Our advisory agreement with Braemar provides for seven successive additional ten-year renewal terms upon written notice to Braemar, given at least 210 days prior to the expiration of the then current term. The advisory agreement may be terminated by Braemar, with no termination fee due and payable, under the following circumstances: (i) upon our conviction (including a plea or nolo contendere) by a court of competent jurisdiction of a felony; (ii) if we commit an act of fraud against Braemar, convert the funds of Braemar or act in a manner constituting gross negligence in the performance of our material duties under the advisory agreement (including a failure to act); (iii) if we undergo a Bankruptcy Event (as defined by the advisory agreement); or (iv) upon the entry by a court of a final non-appealable order awarding monetary damages to Braemar based on a finding that we committed a material breach or default of a material term, condition, obligation or covenant of the advisory agreement, which breach or default had a material adverse effect.

Upon the closing of a change of control with respect to Braemar (as defined in the advisory agreement), either party may terminate the advisory agreement, and Braemar will be required to pay us all fees and expense reimbursements due and owing through the date of termination as well as a termination fee equal to the greater of:

- (i) 12 multiplied by (ii) the sum of (A) our Net Earnings (as defined below) for the 12-month period ending on the last day of the fiscal quarter preceding the termination date of our advisory agreement (“LTM Period”) and (B) to the extent not included in Net Earnings, any incentive fees under the advisory agreement that have accrued or are accelerated but have not yet been paid at the time of termination of the advisory agreement;
- (ii) the quotient of (A) our total market capitalization (as defined in the advisory agreement) on the trading day immediately preceding the date of payment of the termination fee, divided by (B) our Adjusted EBITDA for the LTM Period (which for purposes of this paragraph shall include the EBITDA (adjusted on a comparable basis to our Adjusted EBITDA)) for the same LTM Period of any person that we acquired a beneficial ownership interest in during the applicable measurement period, in the same proportion as our beneficial ownership of the acquired person, multiplied by (ii) Net Earnings for the LTM Period plus, to the extent not included in Net Earnings, any incentive fees under the advisory agreement that have accrued or are accelerated but have not yet been paid at the time of termination of the advisory agreement; and
- (iii) the simple average, for the three years preceding the fiscal year in which the termination fee is due, of (i) the quotient of (A) our total market capitalization on the trading day immediately preceding the date of payment of the termination fee, divided by (B) our Adjusted EBITDA for the LTM Period multiplied by (ii) Net Earnings for the LTM Period plus, to the extent not included in Net Earnings, any incentive fees under the advisory agreement that have accrued or are accelerated but have not yet been paid at the time of termination of the advisory agreement.

For purposes of this calculation, “Net Earnings” is generally defined in the advisory agreement as (A) the total base fees and incentive fees, plus any other revenues reported on our income statement as pertaining to the advisory agreement (in each case, in accordance with GAAP) including all EBITDA of us and our affiliates and of our subsidiaries from providing any additional services to Braemar and its affiliates, less (B) the total incremental expenses determined in accordance with the advisory agreement, in each case for the LTM Period (adjusted assuming (i) the agreement was in place for the full LTM Period if it otherwise was not and (ii) all contracts providing for fees owing to us by Braemar were in place for the full LTM Period if they otherwise were not and all fees payable under such contracts shall be annualized as such). In the event we acquire a beneficial ownership interest in a person that reported on its income statement revenues derived from Braemar, then the revenues received by such acquired person from Braemar for the full LTM Period shall be included within clause (A) of the definition of Net Earnings in the same proportion as our beneficial ownership of the acquired person.

Any such termination fee will be payable on or before the termination date.

Upon any termination of the advisory agreement, we are required to cooperate with and assist Braemar in executing an orderly transition of the management of its assets to a new advisor, providing a full accounting of all accounts held in the name of or on behalf of such company, returning any funds held on behalf of such company and returning any and all of the books and records of such company. Braemar will be responsible for paying all accrued fees and expenses and will be subject to certain non-solicitation obligations with respect to our employees upon any termination of the applicable advisory agreement other than termination as a result of change of control of our company.

The advisory agreement also provides that if: (a) Braemar enters a letter of intent or definitive agreement that upon consummation would constitute a change of control; (b) the Braemar board recommends that Braemar’s stockholders accept a third party tender offer that would, if consummated, result in a third party beneficially owning 35% or more of Braemar’s voting stock; or (c) a third party otherwise becomes a beneficial owner of 35% or more of Braemar voting stock, then we are entitled to transfer Braemar cash to an escrow account in an amount sufficient to pay the termination fee and other amounts set forth in the advisory agreement.

Base Fees under our Advisory Agreement with Braemar. Braemar is required to pay, on a monthly basis, a fee (the “Base Fee”) in an amount equal to 1/12th of the sum of (i) 0.70% of the Total Market Capitalization (as defined below) of Braemar for the prior month, plus (ii) the Net Asset Fee Adjustment (as defined below), if any, on the last day of the prior month during which the advisory agreement was in effect; provided, however, in no event shall the Base Fee for any month be less than the Braemar Minimum Base Fee (as defined below).

The “Total Market Capitalization” of Braemar for any period is calculated on a monthly basis as follows:

- (a) to the extent Braemar common stock is listed for trading on a national securities exchange for every day during any period for which the Total Market Capitalization is to be calculated, the amount calculated as:
 - (i) the average of the volume-weighted average price per share of common stock for Braemar for each trading day of the period (“Average VWAP”) multiplied by the average number of shares of common stock and common units outstanding during such applicable period, on a fully-diluted basis (assuming all common units and long term incentive partnership units in the applicable operating partnership which have achieved economic parity with common units in the applicable operating partnership have been converted into shares of common stock and including any shares of common stock issuable upon conversion of any convertible preferred stock where the conversion price is less than the Average VWAP), plus
 - (ii) the average for the applicable period of the aggregate principal amount of the consolidated indebtedness of Braemar (including its proportionate share of debt of any entity that is not consolidated but excluding its joint venture partners’ proportionate share of consolidated debt), plus
 - (iii) the average for the applicable period of the liquidation value of any outstanding preferred equity of Braemar (excluding any shares of common stock issuable upon conversion of any convertible preferred stock of Braemar where the conversion price is less than the Average VWAP).
- (b) to the extent Braemar common stock is not listed for trading on a national securities exchange (due to any reason, including but not limited to delisting by the New York Stock Exchange or the occurrence of a change of control) for any day during any period for which the Total Market Capitalization is to be calculated, the greater of: (i) the weighted average Gross Asset Value of all Braemar’s assets on each day during such period; or (ii) the Total Market Capitalization as calculated pursuant to paragraph (a) of this definition on the last day on which common stock was listed for trading on a national securities exchange, regardless of whether this day occurred during the applicable period.

“Gross Asset Value” shall mean, with respect to any of Braemar’s assets as of any date, the undepreciated carrying value of all such assets including all cash and cash equivalents and capitalized leases and any property and equipment leased to subsidiaries of Braemar to facilitate the purchase of any Enhanced Return Hotel Asset as reflected on the most recent balance sheet and accompanying footnotes of Braemar filed with the SEC or prepared by the Advisor in accordance with GAAP consistent with its performance of its duties under the advisory agreement without giving effect to any impairments plus the publicly disclosed purchase price (excluding any net working capital and transferred property and equipment reserves) of any assets acquired after the date of the most recent balance sheet and all capital expenditures made (to the extent not already reflected in the carrying value of the asset) with respect to an asset since the date of its acquisition for any improvements or for additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP.

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

The “Braemar Minimum Base Fee” for each month will be equal to the greater of:

- (i) 90% of the base fee paid for the same month in the prior year; and
- (ii) 1/12th of the “G&A ratio” for the most recently completed fiscal quarter multiplied by the total market capitalization of Braemar on the last balance sheet date included in Braemar’s most recent Form 10-Q or Form 10-K filing.

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

Incentive Fee under the Advisory Agreements with Ashford Trust and Braemar. Incentive advisory fees are measured annually in each year that Ashford Trust’s and/or Braemar’s annual total stockholder return (“TSR”) exceeds the average annual total stockholder return for each company’s respective peer group, subject to the FCCR Condition, as defined in the advisory agreements. Incentive advisory fees are paid over a three-year period and each payment is subject to the FCCR Condition. For purposes of this calculation, Ashford Trust’s TSR is calculated using a year-end stock price equal to the closing price of its common stock on the last trading day of the year as compared to the closing stock price of its common stock on the last trading day of the prior year, in each case assuming all dividends on the common stock during such period are reinvested into additional shares of common stock of Ashford Trust on the day such dividends are paid. Braemar’s TSR is calculated as the sum, expressed as a percentage, of: (A) the change in the Braemar common stock price during the applicable period; plus (B) the dividend yield paid during the applicable period (determined by dividing dividends paid during the applicable period by Braemar’s common stock price at the beginning of the applicable period and including the value of any dividends or distributions with respect to Braemar common stock not paid in cash valued in the reasonable discretion of Ashford LLC). The average TSR for each member of such company’s peer group is calculated in the same manner and for the same time period, and the simple average for the entire peer group is used.

The annual incentive fee is calculated as (i) 5% of the amount (expressed as a percentage but in no event greater than 25%) by which the annual TSR of Ashford Trust or Braemar, as applicable, exceeds the average TSR for its respective peer group, multiplied by (ii) the fully diluted equity value of such company at December 31 of the applicable year. To determine the fully diluted equity value, we assume that all units in the operating partnership of Ashford Trust or Braemar, as applicable, including Long-Term Incentive Plan (“LTIP”) units that have achieved economic parity with the common units, if any, converted into common stock and that the per share value of each share of common stock of such company is equal to the closing price of its stock on the last trading day of the year. The incentive fee, if any, subject to the FCCR Condition, is payable in arrears in three equal annual installments with the first installment payable on January 15 following the applicable year for which the incentive fee relates and on January 15 of the next two successive years. Notwithstanding the foregoing, upon any termination of the advisory agreement for any reason, any unpaid incentive fee (including any incentive fee as measured for the stub period ending on the termination date) will become fully earned and immediately due and payable without regard to the FCCR Condition. Except in the case when the incentive fee is payable on the date of termination of this Agreement, up to 50% of the incentive fee may be paid by each Ashford Trust or Braemar, at the option of such entity, in shares its common

stock or common units of the applicable operating partnership of such entity, with the balance payable in cash, unless at the time for payment of the incentive fee:

- (i) we or our affiliates own common stock or common units in an amount (determined with reference to the closing price of the common stock of each Ashford Trust or Braemar, as applicable, on the last trading day of the year) greater than or equal to three times the base fee for the preceding four quarters,
- (ii) payment in such securities would cause us to be subject to the provisions of the Investment Company Act, or
- (iii) payment in such securities would not be legally permissible for any reason; in which case, the entire Incentive Fee will be paid by Ashford Trust or Braemar in cash.

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

Equity Compensation. To incentivize our employees, officers, consultants, non-employee directors, affiliates and representatives to achieve the goals and business objectives of each of Ashford Trust and Braemar, as established by the boards of directors of such entities, in addition to the base fee and the incentive fee described above, the boards of directors of each of Ashford Trust and Braemar have the authority to make annual equity awards to us or directly to our employees, officers, consultants and non-employee directors, based on achievement of certain financial and other hurdles established by such board of directors.

Expense Reimbursement. We are responsible for all wages, salaries, cash bonus payments and benefits related to our employees providing services to Ashford Trust or Braemar (including any of the officers of Ashford Trust or Braemar who are also officers or employees of our company), with the exception of any equity compensation that may be awarded by Ashford Trust or Braemar to our employees who provide services to Ashford Trust and Braemar, the provision of certain internal audit, asset management and risk management services and the international office expenses described below. Ashford Trust and Braemar are each responsible to pay or reimburse us monthly for all other costs we incur on behalf of such entities or in connection with the performance of our services and duties to such companies, including, without limitation, tax, legal, accounting, advisory, investment banking and other third-party professional fees, director fees, insurance (including errors and omissions insurance and any other insurance required pursuant to the terms of the advisory agreements), debt service, taxes, underwriting, brokerage, reporting, registration, listing fees and charges, travel and entertainment expenses, conference sponsorships, transaction diligence and closing costs, dead deal costs, dividends, office space, the cost of all equity awards or compensation plans established by such companies, including the value of awards made by companies to our employees, and any other costs which are reasonably necessary for the performance by us of our duties and functions, including any expenses incurred by us to comply with new or revised laws or governmental rules or regulations that impose additional duties on Ashford Trust or Braemar or us in our capacity as advisor to such entities. In addition, each of Ashford Trust and Braemar pays a pro rata share of our office overhead and administrative expenses incurred in the performance of our duties and functions under the advisory agreements. There is no specific limitation on the amount of such reimbursements.

In addition to the expenses described above, each of Ashford Trust and Braemar are required to reimburse us monthly for its pro rata share (as reasonably agreed to between us and a majority of the independent directors of such company or its audit committee, chairman of its audit committee or lead director) of all reasonable international office expenses, overhead, personnel costs, travel and other costs directly related to our non-executive personnel who are located internationally or that oversee the operations of international assets or related to our personnel that source, investigate or provide diligence services in connection with possible acquisitions or investments internationally. Such expenses include but are not limited to, salary, wages, payroll taxes and the cost of employee benefit plans. We also pay for the costs associated with Ashford Trust's current chairman emeritus, which includes a \$700,000 annual stipend and the cost of all benefits currently available to him, as well as reimbursement for reasonable expenses incurred by him in connection with his service to Ashford Trust.

Additional Services. If, and to the extent that, either Ashford Trust or Braemar requests us to render services on behalf of such company other than those required to be rendered by us under the advisory agreement, including, but not limited to,

certain services provided by Ashford Services, such additional services will be compensated separately, at market rates, as defined in the advisory agreements.

The Ashford Trademark. We have a proprietary interest in the “Ashford” trademark, and we agreed to license its use to each of Ashford Trust and Braemar. If at any time Ashford Trust or Braemar ceases to retain us to perform advisory services for them, within 60 days following receipt of written request from us, such entity must cease to conduct business under or use the “Ashford” name or logo, as well as change its name and the names of any of its subsidiaries to a name that does not contain the name “Ashford.”

Our Hotel Management Agreements, Project Management Agreements and Mutual Exclusivity Agreements with each of Ashford Trust and Braemar

Ashford Trust Hotel Management Agreement

General. Ashford Trust entered into hotel master management agreements with Remington Lodging (then wholly-owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr.) governing the terms of Remington Lodging’s provision of hotel management services and project management services with respect to hotels owned or leased by Ashford Trust in 2003, as amended, and 2006. In connection with the Company’s acquisition of Premier from Remington Lodging in August 2018, Ashford Trust amended and restated the original hotel master management agreement to provide only for hotel management services to be provided to Ashford Trust’s TRSs by Remington Lodging by entering into the Consolidated, Amended and Restated Hotel Master Management Agreement dated as of August 8, 2018, which agreement we refer to below as the “Ashford Trust master hotel management agreement.” In connection with the Company’s subsequent acquisition of Remington Lodging on November 6, 2019, Remington Lodging became a subsidiary of the Company, and the Ashford Trust master hotel management agreement between Remington Lodging and Ashford Trust remains in effect. Pursuant to the Ashford Trust master hotel management agreement, Remington currently manages 80 of Ashford Trust’s 117 hotel properties and WorldQuest. The Ashford Trust master hotel management agreement will also govern the management of hotels Ashford Trust acquires in the future that are managed by Remington, which has the right to manage and operate hotel properties Ashford Trust acquires in the future unless Ashford Trust’s independent directors either (i) unanimously elect not to engage Remington, or (ii) by a majority vote, elect not to engage Remington because they have determined, in their reasonable business judgment, (A) special circumstances exist such that it would be in Ashford Trust’s best interest not to engage Remington for the particular hotel, or (B) based on the prior performance of Remington, another manager could perform the management duties materially better than Remington for the particular hotel. See “Our Hotel Management Agreements, Project Management Agreements and Mutual Exclusivity Agreements with each of Ashford Trust and Braemar—Ashford Trust Hotel Management Mutual Exclusivity Agreement—Exclusivity Rights of Remington.” Prior to its acquisition by the Company on November 6, 2019, Remington Lodging was owned 100% by Mr. Monty J. Bennett, our chairman, chief executive officer and a significant stockholder of the Company, and his father, Mr. Archie Bennett, Jr.

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

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

- \$14,105 (increased annually based on consumer price index adjustments); or
- 3% of the gross revenues associated with that hotel for the related month.

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

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

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

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

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

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

Sale. If any hotel subject to the Ashford Trust master hotel management agreement is sold during the first 12 months of the date such hotel becomes subject to the Ashford Trust master hotel management agreement, Ashford Trust's TRS lessee may terminate the Ashford Trust master hotel management agreement with respect to such sold hotel, provided that it pays to Remington an amount equal to the management fee (both base fees and incentive fees) estimated to be payable to Remington with respect to the applicable hotel pursuant to the then-current annual operating budget for the balance of the first year of the term. If any hotel subject to the Ashford Trust master hotel management agreement is sold at any time after the first year of the term and the TRS lessee terminates the master management agreement with respect to such hotel, Ashford Trust's TRS lessee will have no obligation to pay any termination fees.

Casualty. If any hotel subject to the Ashford Trust master hotel management agreement is the subject of a casualty during the first year of the initial 10-year term and the TRS lessee elects not to rebuild, then Ashford Trust must pay to Remington the termination fee, if any, that would be owed if the hotel had been sold. However, after the first year of the initial 10-year term, if a hotel is the subject of a casualty and the TRS lessee elects not to rebuild the hotel even though sufficient casualty insurance proceeds are available to do so, then the TRS lessee must pay to Remington a termination fee equal to the product obtained by multiplying (i) 65% of the aggregate management fees (both base fees and incentive fees) estimated to be paid to Remington with respect to the applicable hotel pursuant to the then-current annual operating budget (but in no event less than the management fees for the preceding full fiscal year) by (ii) nine.

Condemnation or Force Majeure. In the event of a condemnation of, or the occurrence of any force majeure event with respect to, any of the hotels, the TRS lessee has no obligation to pay any termination fees if the Ashford Trust master hotel management agreement terminates as to those hotels.

Failure to Satisfy Performance Test. If any hotel subject to the Ashford Trust master hotel management agreement fails to satisfy a certain performance test, the TRS lessee may terminate the Ashford Trust master hotel management agreement after the base 10 year term of the Ashford Trust hotel management agreement applicable to and with respect to such hotel, and in such case, the TRS lessee must pay to Remington an amount equal to 60% of the product obtained by multiplying (i) 65% of the aggregate management fees (both base fees and incentive fees) estimated to be paid to Remington with respect to the applicable hotel pursuant to the then-current annual operating budget (but in no event less than the management fees for the preceding full fiscal year) by (ii) nine. Remington will have failed the performance test with respect to a particular hotel if during any fiscal year during the term (i) such hotel's gross operating profit margin for such fiscal year is less than 75% of the average gross operating profit margins of comparable hotels in similar markets and geographical locations, as reasonably determined by Remington and the TRS lessee, and (ii) such hotel's RevPAR yield penetration is less than 80%. Upon a performance test failure, the TRS lessee must give Remington two years to cure. If, after the first year, the performance test failure has not been cured, then the TRS lessee may, in order not to waive any such failure, require Remington to engage a consultant with significant hotel lodging experience reasonably acceptable to both Remington and the TRS lessee, to make a determination as to whether or not another management company could manage the hotel in a materially more efficient

manner. If the consultant's determination is in the affirmative, then Remington must engage such consultant to assist with the cure of such performance failure for the second year of the cure period after that failure. If the consultant's determination is in the negative, then Remington will be deemed not to be in default under the performance test. The cost of such consultant will be shared by the TRS lessee and Remington equally. If Remington fails the performance test for the second year of the cure period and, after that failure, the consultant again makes a finding that another management company could manage the hotel in a materially more efficient manner than Remington, then the TRS lessee has the right to terminate the Ashford Trust hotel management agreement after the base 10 year term of the Ashford Trust hotel management agreement applicable to and with respect to such hotel upon 45 days' written notice to Remington and to pay to Remington the termination fee described above. Further, if any hotel subject to the Ashford Trust hotel management agreement is within a cure period due to a failure of the performance test, an exercise of a renewal option shall be conditioned upon timely cure of the performance test failure, and if the performance failure is not timely cured, the TRS lessee may elect to terminate the Ashford Trust hotel management agreement after the base 10 year term of the Ashford Trust hotel management agreement applicable to and with respect to such hotel without paying any termination fee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ashford Trust Hotel Management Mutual Exclusivity Agreement

General. Ashford Trust entered into a mutual exclusivity agreement with Remington Lodging (then wholly-owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr.) in 2003 which was subsequently amended in 2013. Remington Lodging gave Ashford Trust a first right of refusal to purchase any lodging-related investments identified by Remington Lodging and any of its affiliates that met Ashford Trust's initial investment criteria, and Ashford Trust agreed to engage Remington Lodging to provide hotel management, project management and development services for hotels Ashford Trust acquired or invested in, to the extent that Ashford Trust had the right or controlled the right to direct such matters, subject to certain conditions. In connection with the Company's acquisition of Premier from Remington Lodging in August 2018, Ashford Trust amended and restated the original mutual exclusivity agreement to provide that Remington Lodging gave Ashford Trust a first right of refusal to purchase any lodging-related investments identified by Remington Lodging and any of its affiliates that met Ashford Trust's initial investment criteria, and Ashford Trust agreed to engage Remington Lodging to provide hotel management for hotels Ashford Trust acquired or invested in, to the extent that Ashford Trust had the right or controlled the right to direct such matters. As a result, concurrently with the Company's acquisition of Premier, Ashford Trust OP and Remington Lodging entered into the Amended and Restated Mutual Exclusivity Agreement dated as of August 8, 2018, which agreement we refer to below as the "Ashford Trust hotel management MEA." In connection with the Company's subsequent acquisition of Remington Lodging on November 6, 2019, Remington Lodging became a subsidiary of the Company, and the mutual exclusivity agreement between Remington Lodging and Ashford Trust remains in effect.

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

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

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

Our Exclusivity Rights. Remington and Mr. Monty J. Bennett have granted Ashford Trust a first right of refusal to pursue certain lodging investment opportunities identified by Remington or its affiliates (including Mr. Bennett), including opportunities to buy hotel properties, to buy land and build hotels, or to otherwise invest in hotel properties that satisfy Ashford Trust's initial investment guidelines and are not considered excluded transactions pursuant to the Ashford Trust hotel management MEA. If investment opportunities are identified and are subject to the Ashford Trust hotel management MEA, and Ashford Trust has not materially modified its initial investment guidelines without the written consent of Remington, then Remington Lodging, Mr. Bennett and their affiliates, as the case may be, will not pursue those opportunities (except as described below) and will give Ashford Trust a written notice and description of the investment opportunity, and Ashford

Trust will have 10 business days to either accept or reject the investment opportunity. If Ashford Trust rejects the opportunity, Remington may then pursue such investment opportunity, subject to a right of first refusal in favor of Braemar pursuant to an existing agreement between Braemar and Remington, on materially the same terms and conditions as offered to Ashford Trust. If the terms of such investment opportunity materially change, then Remington must offer the revised investment opportunity to Ashford Trust, whereupon Ashford Trust will have 10 business days to either accept or reject the opportunity on the revised terms.

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

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

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

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

Management or Development. If Ashford Trust hires Remington to manage or operate a hotel, it will be pursuant to the terms of the Ashford Trust master hotel management agreement agreed to between Ashford Trust and Remington.

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

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

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

Early Termination. Remington has the right to terminate the exclusivity rights granted to Ashford Trust if:

- Mr. Monty J. Bennett is removed without cause as chairman of Ashford Trust’s board of directors or is not re-appointed to such position, or he resigns as chairman of its board of directors for good reason or as a result of a change of control, or the employment agreement of Mr. Monty J. Bennett with the Company is not renewed;
- Mr. Archie Bennett Jr. is removed as Chairman Emeritus or Ashford Trust breaches the Chairman Emeritus Agreement dated January 7, 2013;
- Upon expiration of the non-compete restrictions contained in the employment agreement of Mr. Monty J. Bennett;
- If Mr. Monty J. Bennett is no longer chairman of the board of Ashford Trust and subject to the non-compete restrictions in his employment agreement, and three times in any fiscal year during the term of the Ashford Trust hotel management MEA, in any combination of the following: (i) Ashford Trust’s independent directors elect not to pursue a Remington transaction (as specified in the Ashford Trust hotel management MEA) or elect not to engage Remington with respect to the management opportunities part of a Remington transaction which Ashford Trust has elected to pursue pursuant to the Ashford Trust hotel management MEA, or (ii) Ashford Trust fails to close on a Remington transaction presented to Ashford Trust, and the failure to close is caused by an Ashford Trust affiliate; or
- Ashford Trust terminates the Remington exclusivity rights pursuant to the terms of the Ashford Trust hotel management MEA.
- Ashford Trust may terminate the exclusivity rights granted to Remington if:
- Remington fails to qualify as an “eligible independent contractor” as defined in Section 856(d)(9) of the Internal Revenue Code and for that reason, Ashford Trust terminates the Ashford Trust master hotel management agreement with Remington;
- If Mr. Monty J. Bennett resigns as chief executive officer and chairman of the board of directors of Ashford Trust without good reason or if Mr. Monty J. Bennett’s employment agreement with the Company is terminated for cause;
- Ashford Trust experiences a change in control provided that Ashford Trust first pays to Remington the termination fees payable in connection with a termination for convenience pursuant to the Ashford Trust hotel management MEA; and
- Remington terminates Ashford Trust’s exclusivity rights pursuant to the terms of the Ashford Trust hotel management MEA or the Ashford Trust master hotel management agreement for all of the properties then covered.

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

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

Ashford Trust Project Management Agreement

Remington Lodging had previously entered into hotel master management agreements (collectively, the “Ashford Trust Original Master Management Agreement”) with Ashford TRS Corporation, a subsidiary of Ashford Trust OP, and certain of its affiliates (collectively, “Ashford Trust TRS”), pursuant to which Remington Lodging provided Ashford Trust TRS both hotel management services and project management services with respect to hotels owned or leased by Ashford Trust TRS.

In connection with the Company’s acquisition of Premier from Remington Lodging, the parties divided the Ashford Trust Original Master Management Agreement into (i) an agreement between Ashford Trust and Remington Lodging with respect to the provision of hotel management services to Ashford Trust TRS (which was effectuated by consolidating, amending and restating the Ashford Trust Original Master Management Agreement to provide only hotel management services) and (ii) an agreement among Ashford Trust TRS, Ashford Trust OP and Premier with respect to the provision of project management services, solely in order to effect the transfer of the project management business to Premier. As a result, concurrently with

the acquisition of Premier, Ashford Trust TRS, Ashford Trust OP and Premier entered into a Master Project Management Agreement dated as of August 8, 2018 (the “Ashford Trust Project Management Agreement”).

Pursuant to the Ashford Trust Project Management Agreement, Ashford Trust TRS has appointed Premier as its sole, exclusive and continuing manager to manage, coordinate, plan and execute the capital improvement budget and all major repositionings of hotels owned or leased by Ashford Trust TRS (collectively, “Ashford Trust Hotels”) and to provide construction management, interior design, architectural, property and equipment purchasing, property and equipment expediting/freight management, property and equipment warehousing, and property and equipment installation and supervision services (collectively, “Project Services”).

The Ashford Trust Project Management Agreement provides that Premier shall be paid a project management fee equal to four percent of the total project costs associated with the implementation of the capital improvement budget (both hard and soft) payable monthly in arrears based upon the prior calendar month’s total expenditures under the capital improvement budget until such time that the capital improvement budget and/or renovation project involves the expenditure of an amount in excess of five percent of the gross revenues of the applicable Ashford Trust Hotel, whereupon the project management fee shall be reduced to three percent of the total project costs in excess of the five percent of gross revenue threshold. In addition, the Ashford Trust Project Management Agreement provides that Premier shall be paid additional fees at current market rates (collectively, “Market Service Fees”) for the Project Services, unless a majority of the independent directors of Ashford Trust affirmatively vote that such the Market Service Fees proposed by Premier are not market (in which case a consultant will be engaged to determine the Market Service Fees).

The Ashford Trust Project Management Agreement provides for an initial term of 10 years as to each hotel governed by the agreement. The term may be renewed by Premier, at its option, for three successive periods of seven years each and, thereafter, a final term of four years, provided that at the time the option to renew is exercised, Premier is not then in default under the Ashford Trust Project Management Agreement. In certain cases of early termination of the Ashford Trust Project Management Agreement with respect to one or more of the hotels, Ashford Trust must pay Premier termination fees as described in the Ashford Trust Project Management Agreement, plus any amounts otherwise due to Premier.

Ashford Trust Project Management Mutual Exclusivity Agreement

Remington Lodging had previously entered into a Mutual Exclusivity Agreement dated August 29, 2003 (the “Ashford Trust Original Mutual Exclusivity Agreement”) with Ashford Trust and Ashford Trust OP. Under the Ashford Trust Original Exclusivity Agreement, Remington Lodging gave Ashford Trust a first right of refusal to purchase any lodging-related investments identified by Remington Lodging and any of its affiliates that met Ashford Trust’s initial investment criteria, and Ashford Trust agreed to engage Remington Lodging to provide hotel management, development and construction, capital improvement, refurbishment, project management and other services, such as purchasing, interior design, freight management, and construction management, for hotels Ashford Trust acquired or invested in, to the extent that Ashford Trust had the right or controlled the right to direct such matters, subject to certain conditions.

In connection with the Company’s acquisition of Premier from Remington Lodging, the parties divided the Ashford Trust Original Mutual Exclusivity Agreement into: (i) an agreement among Ashford Trust, Ashford Trust OP and Remington Lodging with respect to the provision of hotel management services to Ashford Trust (which was effectuated by amending and restating the Ashford Trust Original Mutual Exclusivity Agreement to require Ashford Trust to engage Remington Lodging only with respect to hotel management services) and (ii) an agreement among Ashford Trust, Ashford Trust OP and Premier with respect to the provisions of development and construction, capital improvement, refurbishment, project management and other services, such as purchasing, interior design, freight management, and construction management, solely in order to effect the transfer of the project management business to Premier. As a result, concurrently with the acquisition of Premier, Ashford Trust, Ashford Trust OP and Premier entered into the Ashford Trust Mutual Exclusivity Agreement dated as of August 8, 2018 (the “Ashford Trust Mutual Exclusivity Agreement”).

Pursuant to the Ashford Trust Mutual Exclusivity Agreement, Premier has given Ashford Trust a first right of refusal to purchase any lodging-related investments identified by Premier and any of its affiliates that meet Ashford Trust’s initial investment criteria, and Ashford Trust has agreed to engage Premier to provide development and construction, capital improvement, refurbishment, project management and other services, such as purchasing, interior design, freight management, and construction management, for hotels Ashford Trust acquires or invests in, to the extent that Ashford Trust has the right or controls the right to direct such matters, unless Ashford Trust’s independent directors either: (i) unanimously vote not to hire Premier; or (ii) based on special circumstances or past performance, by a majority vote elect not to engage Premier because they had determined, in their reasonable business judgment, that it would not be in Ashford Trust’s best interest to engage Premier or that another manager or developer could perform the project management or development duties materially better.

The Ashford Trust Mutual Exclusivity Agreement provides for a term ending August 29, 2020, including extensions exercised to date. The term will be automatically extended for two successive periods of seven years each and, thereafter, a final term of four years, provided that at the time of any such extension an event of default under the Ashford Trust Mutual Exclusivity Agreement does not exist.

Braemar Hotel Master Hotel Management Agreement

General. In 2014, Braemar entered into a hotel master management agreement with Remington Lodging (then wholly-owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr.) governing the terms of Remington Lodging's provision of hotel management services and project management services with respect to hotels owned or leased by Braemar. In connection with the Company's acquisition of Premier from Remington Lodging in August 2018, Braemar amended and restated the original hotel master management agreement to provide only for hotel management services to be provided to Braemar's TRSs by Remington Lodging by entering into the Amended and Restated Hotel Master Management Agreement dated as of August 8, 2018, which agreement we refer to below as the "Braemar master hotel management agreement." In connection with the Company's subsequent acquisition of Remington Lodging on November 6, 2019, Remington Lodging became a subsidiary of the Company, and the Braemar master hotel management agreement between Remington Lodging and Braemar remains in effect. Pursuant to the Braemar master hotel management agreement, Remington currently manages the Pier House Resort, the Bardessono Hotel and Hotel Yountville. The Braemar master hotel management agreement will also govern the management of hotels Braemar acquires in the future that are managed by Remington, which has the right to manage and operate hotel properties Braemar acquires in the future unless Braemar's independent directors either (i) unanimously elect not to engage Remington, or (ii) by a majority vote, elect not to engage Remington because they have determined, in their reasonable business judgment, (A) special circumstances exist such that it would be in Braemar's best interest not to engage Remington for the particular hotel, or (B) based on the prior performance of Remington, another manager or developer could perform the management duties materially better than Remington for the particular hotel. See "Our Hotel Management Agreements, Project Management Agreements and Mutual Exclusivity Agreements with each of Ashford Trust and Braemar—Braemar Hotel Management Mutual Exclusivity Agreement with Remington—Exclusivity Rights of Remington." Prior to its acquisition by the Company on November 6, 2019, Remington Lodging was owned 100% by Mr. Monty J. Bennett, our chairman, chief executive officer and a significant stockholder of the Company, and his father, Mr. Archie Bennett, Jr.

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

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

- \$14,105 (increased annually based on consumer price index adjustments); or
- 3% of the gross revenues associated with that hotel for the related month.

The incentive management fee, if any, for each hotel will be due annually in arrears within 90 days of the end of the fiscal year and will be equal to the lesser of (i) 1% of gross revenues and (ii) the amount by which the actual house profit (gross operating profit of the applicable hotel before deducting management fees or franchise fees) exceeds the target house profit as set forth in the annual operating budget approved for the applicable fiscal year, except with respect to hotels where Remington takes over management upon acquisition by Braemar, in which case, for the first five years, the incentive management fee to be paid to Remington, if any, is the amount by which the hotel's actual house profit exceeds the projected house profit for such calendar year as set forth in our acquisition pro forma. If, however, based on actual operations and revised forecasts from time to time, it is reasonably anticipated that the incentive fee is reasonably expected to be earned, the TRS lessee will consider payment of the incentive fee pro rata on a quarterly basis.

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

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

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

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

Sale. If any hotel subject to the Braemar master hotel management agreement is sold during the first 12 months of the date such hotel becomes subject to the Braemar master hotel management agreement, Braemar's TRS lessee may terminate the Braemar master hotel management agreement with respect to such sold hotel, provided that it pays to Remington an amount equal to the management fee (both base fees and incentive fees) estimated to be payable to Remington with respect to the applicable hotel pursuant to the then-current annual operating budget for the balance of the first year of the term. If any hotel subject to the Braemar master hotel management agreement is sold at any time after the first year of the term and the TRS lessee terminates the master hotel management agreement with respect to such hotel, Braemar's TRS lessee will have no obligation to pay any termination fees.

Casualty. If any hotel subject to the Braemar master hotel management agreement is the subject of a casualty during the first year of the initial 10-year term and the TRS lessee elects not to rebuild, then Braemar must pay to Remington the termination fee, if any, that would be owed if the hotel had been sold. However, after the first year of the initial 10-year term, if a hotel is the subject of a casualty and the TRS lessee elects not to rebuild the hotel even though sufficient casualty insurance proceeds are available to do so, then the TRS lessee must pay to Remington a termination fee equal to the product obtained by multiplying (i) 65% of the aggregate management fees (both base fees and incentive fees) estimated to be paid to Remington with respect to the applicable hotel pursuant to the then-current annual operating budget (but in no event less than the management fees for the preceding full fiscal year) by (ii) nine.

Condemnation or Force Majeure. In the event of a condemnation of, or the occurrence of any force majeure event with respect to, any of the hotels, the TRS lessee has no obligation to pay any termination fees if the Braemar master hotel management agreement terminates as to those hotels.

Failure to Satisfy Performance Test. If any hotel subject to the Braemar master hotel management agreement fails to satisfy a certain performance test, the TRS lessee may terminate the Braemar master hotel management agreement with respect to such hotel, and in such case, the TRS lessee must pay to Remington an amount equal to 60% of the product obtained by multiplying (i) 65% of the aggregate management fees (both base fees and incentive fees) estimated to be paid to Remington with respect to the applicable hotel pursuant to the then-current annual operating budget (but in no event less than the management fees for the preceding full fiscal year) by (ii) nine. Remington will have failed the performance test with respect to a particular hotel if during any fiscal year during the term (i) such hotel's gross operating profit margin for such fiscal year is less than 75% of the average gross operating profit margins of comparable hotels in similar markets and geographical locations, as reasonably determined by Remington and the TRS lessee, and (ii) such hotel's RevPAR yield penetration is less than 80%. Upon a performance test failure, the TRS lessee must give Remington two years to cure. If, after the first year, the performance test failure has not been cured, then the TRS lessee may, in order not to waive any such failure, require Remington to engage a consultant with significant hotel lodging experience reasonably acceptable to both Remington and the TRS lessee, to make a determination as to whether or not another management company could manage the hotel in a materially more efficient manner. If the consultant's determination is in the affirmative, then Remington must engage such consultant to assist with the cure of such performance failure for the second year of the cure period after that failure. If the consultant's determination is in the negative, then Remington will be deemed not to be in default under the performance test. The cost of such consultant will be shared by the TRS lessee and Remington equally. If Remington fails the performance test for the second year of the cure period and, after that failure, the consultant again makes a finding that another management company could manage the hotel in a materially more efficient manner than Remington, then the TRS lessee has the right to terminate the Braemar hotel management agreement with respect to such hotel upon 45 days' written notice to Remington and to pay to Remington the termination fee described above. Further, if any hotel subject to the Braemar hotel management agreement is within a cure period due to a failure of the performance test, an exercise of a renewal option shall be conditioned upon timely cure of the

performance test failure, and if the performance failure is not timely cured, the TRS lessee may elect to terminate the Braemar hotel management agreement without paying any termination fee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Braemar Hotel Management Mutual Exclusivity Agreement

General. In 2014, Braemar entered into a mutual exclusivity agreement with Remington Lodging (then wholly-owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr.). Remington Lodging gave Braemar a first right of refusal to purchase any lodging-related investments identified by Remington Lodging and any of its affiliates that met Braemar's initial investment criteria, and Braemar agreed to engage Remington Lodging to provide hotel management, project management and development services for hotels Braemar acquired or invested in, to the extent that Braemar had the right or controlled the right to direct such matters, subject to certain conditions. In connection with the Company's acquisition of Premier from Remington Lodging in August 2018, Braemar amended and restated the original mutual exclusivity agreement to provide that Remington Lodging gave Braemar a first right of refusal to purchase any lodging-related investments identified by Remington Lodging and any of its affiliates that met Braemar's initial investment criteria, and Braemar agreed to engage Remington Lodging to provide hotel management for hotels Braemar acquired or invested in, to the extent that Braemar had the right or controlled the right to direct such matters. As a result, concurrently with the Company's acquisition of Premier, Braemar OP and Remington Lodging entered into the Amended and Restated Braemar Mutual Exclusivity Agreement dated as of August 8, 2018, which agreement we refer to below as the "Braemar hotel management MEA." In connection with the Company's subsequent acquisition of Remington Lodging on November 6, 2019, Remington Lodging became a subsidiary of the Company, and the mutual exclusivity agreement between Remington Lodging and Braemar remains in effect.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Mr. Monty J. Bennett is removed as Braemar's chairman of its board of directors or is not re-appointed to such position, or he resigns as chairman of its board of directors;
- Braemar terminates the Remington exclusivity rights pursuant to the terms of the Braemar hotel management MEA; or
- Braemar's advisory agreement with Ashford LLC is terminated for any reason pursuant to its terms and Mr. Monty J. Bennett is no longer serving as Braemar's chairman of its board of directors.
- Braemar may terminate the exclusivity rights granted to Remington if:
 - Remington fails to qualify as an "eligible independent contractor" as defined in Section 856(d)(9) of the Internal Revenue Code and for that reason, Braemar terminates the Braemar master hotel management agreement with Remington;
 - Braemar experiences a change in control and terminates the Braemar master hotel management agreement between

Braemar and Remington with respect to all hotels and have paid a termination fee equal to the product of (i) 65% of the aggregate management fees budgeted in the annual operating budget applied to the hotels for the full current fiscal year in which such termination is to occur for such hotels (both base fees and incentive fees, but in no event less than the base fees and incentive fees for the preceding full fiscal year) and (ii) nine;

- the Remington parties terminate Braemar’s exclusivity rights pursuant to the terms of the Braemar hotel management MEA; or
- Braemar’s advisory agreement with Ashford LLC is terminated for any reason pursuant to its terms and Mr. Monty J. Bennett is no longer serving as Braemar’s chairman of its board of directors.

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

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

Braemar Project Management Agreement

Remington Lodging had previously entered into a Hotel Master Management Agreement dated November 19, 2013 (the “Braemar Original Master Management Agreement”) with Braemar TRS Corporation, a subsidiary of Braemar OP (“Braemar TRS”), pursuant to which Remington Lodging provided Braemar TRS both hotel management services and project management services with respect to hotels owned or leased by Braemar TRS.

In connection with the Company’s acquisition of Premier from Remington Lodging, the parties divided the Braemar Original Master Management Agreement into: (i) an agreement between Braemar and Remington Lodging with respect to the provision of hotel management services to Braemar TRS (which was effectuated by amending and restating the Braemar Original Master Management Agreement to provide only hotel management services) and (ii) an agreement among Braemar TRS, Braemar OP and Premier with respect to the provision of project management services to Braemar TRS, solely in order to effect the transfer of the project management business to Premier. As a result, concurrently with the acquisition of Premier, Braemar TRS, Braemar OP and Premier entered into the Braemar Master Project Management Agreement dated as of August 8, 2018 (the “Braemar Project Management Agreement”).

Pursuant to the Braemar Project Management Agreement, Braemar TRS has appointed Premier as its sole, exclusive and continuing manager to manage, coordinate, plan and execute the capital improvement budget and all major repositionings of hotels owned or managed by Braemar TRS (collectively, “Braemar Hotels”) and to provide Project Services.

The Braemar Project Management Agreement provides that Premier shall be paid a project management fee equal to four percent of the total project costs associated with the implementation of the capital improvement budget (both hard and soft) payable monthly in arrears based upon the prior calendar month’s total expenditures under the capital improvement budget until such time that the capital improvement budget and/or renovation project involves the expenditure of an amount in excess of five percent of the gross revenues of the applicable Braemar Hotel, whereupon the project management fee shall be reduced to three percent of the total project costs in excess of the five percent of gross revenue threshold. In addition, the Braemar Project Management Agreement provides that Premier shall also provide to Braemar Hotels the following services and shall be paid the following fees: (i) architectural (6.5% of total construction costs); (ii) construction management for projects without a general contractor (10% of total construction costs); (iii) interior design (6% of the purchase price of the property and equipment designed or selected by Premier); and (iv) property and equipment purchasing (8% of the purchase price of property and equipment purchased by Premier; provided that if the purchase price exceeds \$2.0 million for a single hotel in a calendar year, then the purchasing fee is reduced to 6% of the property and equipment purchase price in excess of \$2.0 million for such hotel in such calendar year).

The Braemar Project Management Agreement provides for an initial term of 10 years as to each hotel governed by the agreement. The term may be renewed by Premier, at its option, for three successive periods of seven years each and, thereafter, a final term of four years, provided that at the time the option to renew is exercised, Premier is not then in default under the Braemar Project Management Agreement. In certain cases of early termination of the Braemar Project Management Agreement

with respect to one or more of the hotels, Braemar must pay Premier termination fees as described in the Braemar Project Management Agreement, plus any amounts otherwise due to Premier.

The foregoing descriptions of the Amended and Restated Mutual Exclusivity Agreement with Remington Lodging, Mutual Exclusivity Agreements with Braemar and Ashford Trust, and Master Project Management Agreements with Braemar and Ashford Trust are qualified in their entirety by reference to the agreements, which have been included as exhibits to other documents filed with the SEC and are incorporated by reference to this Form 10-K.

Braemar Project Management Mutual Exclusivity Agreement

Remington Lodging had previously entered into a Mutual Exclusivity Agreement dated November 19, 2013 (the “Braemar Original Mutual Exclusivity Agreement”) with Braemar and Braemar OP. Under the Braemar Original Mutual Exclusivity Agreement, Remington Lodging gave Braemar a first right of refusal to purchase any lodging-related investments identified by Remington Lodging and any of its affiliates that met Braemar’s initial investment criteria, and Braemar agreed to engage Remington Lodging to provide hotel management, development and construction, capital improvement, refurbishment, project management and other services, such as purchasing, interior design, freight management, and construction management, for hotels Braemar acquired or invested in, to the extent that Braemar had the right or controlled the right to direct such matters, subject to certain conditions.

In connection with the Company’s acquisition of Premier from Remington Lodging, the parties divided the Braemar Original Mutual Exclusivity Agreement into: (i) an agreement among Braemar, Braemar OP and Remington Lodging with respect to the provision of hotel management services to Braemar (which was effectuated by amending and restating the Braemar Original Mutual Exclusivity Agreement to require Braemar to engage Remington Lodging only with respect to hotel management services) and (ii) an agreement among Braemar, Braemar OP and Premier with respect to the provision of development and construction, capital improvement, refurbishment, project management and other services, such as purchasing, interior design, freight management, and construction management, to Braemar, solely in order to effect the transfer of the project management business to Premier. As a result, concurrently with the acquisition of Premier, Braemar, Braemar OP and Premier entered into the Braemar Mutual Exclusivity Agreement dated as of August 8, 2018 (the “Braemar Mutual Exclusivity Agreement”).

Pursuant to the Braemar Mutual Exclusivity Agreement, Premier has given Braemar a first right of refusal to purchase any lodging-related investments identified by Premier and any of its affiliates that meet Braemar’s initial investment criteria, and Braemar has agreed to engage Premier to provide development and construction, capital improvement, refurbishment, project management and other services, such as purchasing, interior design, freight management, and construction management, for hotels Braemar acquires or invests in, to the extent that Braemar has the right or controls the right to direct such matters, unless Braemar’s independent directors either: (i) unanimously vote not to hire Premier; or (ii) based on special circumstances or past performance, by a majority vote elect not to engage Premier because they had determined, in their reasonable business judgment, that it would not be in Braemar’s best interest to engage Premier or that another manager or developer could perform the project management or development duties materially better.

The Braemar Mutual Exclusivity Agreement provides for an initial term until November 19, 2023. The initial term will be automatically extended for three successive periods of seven years each and, thereafter, a final term of four years, provided that at the time of any such extension an event of default under the Braemar Mutual Exclusivity Agreement does not exist.

Our Investor Rights Agreement, Merger and Registration Rights Agreement, Non-Competition Agreement, Transition Cost Sharing Agreement and Hotel Services Agreement with the Bennetts

Investor Rights Agreement

In connection with the acquisition of the hotel management business conducted by Remington Lodging which closed on November 6, 2019, the Company, Mr. Monty J. Bennett, Mr. Archie Bennett, Jr., MJB Investments, LP, Mr. James L. Cowen, Mr. Jeremy Walter, Mr. Mark A. Sharkey, Ms. Marissa A. Bennett and other related parties entered into an investor rights agreement (the “Investor Rights Agreement”) governing the relationship of such parties subsequent to such closing. The Investor Rights Agreement supersedes and replaces the previously existing investor rights agreement, dated August 8, 2018, in all respects.

Board Designation Rights. For so long as the holders of Series D Convertible Preferred Stock (together with each person that succeeds to their respective interests as the result of a transfer permitted under the Investor Rights Agreement, the “Covered Investors”) beneficially own no less than 20% of the issued and outstanding shares of our common stock (taking into account the Series D Convertible Preferred Stock on an as-converted basis), Mr. Monty J. Bennett, during his lifetime, and the Covered

Investors holding 55% of the common stock (taking into account the Series D Convertible Preferred Stock on an as-converted basis held by all Covered Investors) thereafter, will be entitled to nominate one individual (other than Mr. Archie Bennett, Jr.), and Mr. Archie Bennett, Jr., during his lifetime, and the Covered Investors holding 55% of the common stock (taking into account the Series D Convertible Preferred Stock on an as-converted basis held by all Covered Investors) thereafter, will be entitled to nominate one individual (other than Mr. Archie Bennett, Jr.) for election as a member of our board of directors of (each, a “Seller Nominee”). Initially, Mr. Monty J. Bennett will serve as the Seller Nominee of Mr. Monty J. Bennett, and Mr. W. Michael Murphy will serve as the Seller Nominee of Mr. Archie Bennett, Jr.

In the event we fail to pay the accrued preferred dividends on the Series D Convertible Preferred Stock for two consecutive quarterly periods, the Covered Investors agree that one of the two additional board designation rights arising under the Certificate of Designation (as defined below) shall be vested in Mr. Archie Bennett, Jr., during his lifetime, and the other such board designation right shall be vested in Mr. Monty J. Bennett, during his lifetime. In furtherance of the foregoing, each Covered Investor agrees that it will vote all of such Covered Investor’s Series D Convertible Preferred Stock, and consent to any action by the holders of the Series D Convertible Preferred Stock without a meeting as permitted under appropriate state law, as may be directed Mr. Archie Bennett, Jr., or Mr. Monty J. Bennett, respectively, in connection with their designation of the individuals to fill such board seats.

Transfer Restrictions. For five years after the closing of the Transactions, each of the Covered Investors are prohibited from transferring our common stock or Series D Convertible Preferred Stock to any person that is or would become, together with such person’s affiliates and associates, a beneficial owner of 10% or more of the then outstanding shares of our common stock, taking into account the Series D Convertible Preferred Stock on an as converted basis, except (i) to family members and in connection with estate planning, (ii) as a result of any voting agreement between Mr. Monty J. Bennett and Mr. Archie Bennett, Jr., (iii) transfers in which no transferee (or group of affiliated or associated transferees) would purchase or receive 2% or more of the outstanding voting shares of the Company, (iv) in connection with any widespread public distribution of shares of our common stock or Series D Convertible Preferred Stock registered under the Securities Act of 1933, as amended (the “Securities Act”), or (v) a transfer to any transferee that would beneficially own more than 50% of our outstanding common stock and Series D Convertible Preferred Stock without any transfer from a Covered Investor, unless such transfer restrictions have been waived by the affirmative vote of the majority of our stockholders that are not affiliates or associates of the Covered Investors.

Voting Limitations. The Investor Rights Agreement provides that the Covered Investors agree that on matters submitted to a vote of the holders of voting securities of the Company, the Covered Investors will have the right to vote or direct or cause the vote of the shares as to which they hold sole voting power or are held by immediate family members (or a trust for the benefit of such person) (collectively, the “Sole Voting Shares”) as the Covered Investors determine, in their sole discretion, except (i) if, prior to August 8, 2023 only with respect to the voting securities of the Company, the combined voting power of the Reference Shares (as defined below) of the Company exceeds 40.0% (plus the combined voting power of (A) any common stock of the Company purchased by any Covered Investor in an arm’s length transaction after the closing of the Transactions from a person other than the Company or a subsidiary of the Company, for cash, including through open market purchases, and (B) privately negotiated transactions or any distributions of our common stock by either of Ashford Trust or Braemar to its respective stockholders pro rata) of the combined voting power of all of our outstanding voting securities entitled to vote on any given matter, then Reference Shares of the Company representing voting power equal to such excess will be deemed to be “Company Cleansed Shares” under the Investor Rights Agreement. The Covered Investors agree that they will vote, or cause to be voted, out of the Covered Investors’ Sole Voting Shares, shares constituting voting power equal to the voting power of the Company Cleansed Shares in the same proportion as the holders of such class or series of voting securities of the Company vote their shares with respect to such matters, exclusive of the Reference Shares of the Company voted by the Covered Investors. These restrictions may be waived by a majority vote or consent of our independent directors that have no personal interest in the matter to be voted upon. “Reference Shares” means all voting securities the Company that are (without duplication): (i) beneficially owned by any Covered Investor, including any such voting securities as to which any Covered Investor has sole or shared voting power; (ii) beneficially owned by any member of a Group of which any Covered Investor is a member; or (iii) subject to or referenced in any derivative or synthetic interest that (A) conveys any voting right in our common stock or (B) is required to be, or is capable of being, settled through delivery of our common stock in either case, that is held or beneficially owned by any Covered Investor or any controlled affiliate or any Covered Investor. The Covered Investors also agree among themselves that the total number of votes attributable to Reference Shares that are not Cleansed Shares will be proportionately allocated among the Covered Investors based on a percentage, the numerator of which is the number of Reference Shares held by such Covered Investor, and the denominator of which is the total number of Reference Shares held by all Covered Investors in the aggregate.

The Holder Group Investors (as defined below) will not, subject to certain exceptions and until the aggregate voting power of the Holder Group Investors is less than 25% of the combined voting power of all of the outstanding voting securities of the Company on any given matter, until the fifth anniversary of the closing of the Transactions: (i) take any action, vote

such Holder Group Investor's securities, or into any transaction, including by acting in consent with another person, that would result in the Company being treated as a "controlled company" under the applicable rules of the NYSE American nor (ii) take any action, vote such Holder Group Investor's securities, or into any transaction, including by acting in concert with another person, that results in the Company engaging in a Rule 13e-3 Transaction (as defined in the rules and regulations issued by the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), provided, that the restriction set forth in this clause (ii) may be waived by the affirmative vote of a majority of the issued and outstanding shares of our voting stock (taking into account the Series D Convertible Preferred Stock on an as-converted basis) that are not beneficially owned by the Holder Group Investors (provided that, for purposes of clause (ii), our voting stock that is owned of record by Ashford Trust or Braemar shall not be deemed to be beneficially owned by the Holder Group Investors so long as the decision to vote such shares on such waiver is solely determined by a majority of the members of the board of directors of the applicable entity who are independent within the meaning of applicable rules of the NYSE American (or any exchange on which our voting stock is then listed) and do not have a material financial interest in such Rule 13e-3 Transaction (or a duly appointed board committee consisting only of such independent and disinterested board members)).

Put Option. Each Covered Investor has the option, exercisable with respect to each and every Change of Control (defined below) that may occur following the date of the Investor Rights Agreement, to sell to the Company all or any portion of the Series D Convertible Preferred Stock then owned by such Covered Investor (the "Change of Control Put Option") at any time during the ten business day consecutive period following the consummation of a Change of Control. "Change of Control" means, with respect to any Covered Investor, any of the following, in each case that was not voted for or consented to by such Covered Investor solely in its capacity as a stockholder of the Company (but not in any other capacity): (i) any person (other than Mr. Monty J. Bennett, Mr. Archie Bennett, Jr., MJB Investments, LP their controlled affiliates, any trust or other estate in which any of them has a substantial beneficial interest or as to which any of them serves as trustee or in a similar fiduciary capacity, any immediate family member of Mr. Monty J. Bennett or Mr. Archie Bennett, Jr., or any group (as defined in Rule 13d-5(b) under the Exchange Act)) acquires beneficial ownership of securities of the Company that, together with the securities of the Company previously beneficially owned by the first such person, constitutes more than 50% of the total voting power of our outstanding securities, or (ii) the sale, lease, transfer or other disposition (other than as collateral) of all or a majority of our (taken as a whole) assets or income or revenue generating capacity, other than to any direct or indirect majority-owned and controlled affiliate of the Company.

In the event that a Covered Investor exercises the Change of Control Put Option, the price to be paid by the Company to such exercising Covered Investor will be an amount, payable in cash or our common stock (at the election of such Covered Investor), equal to (i)\$25.125, plus (ii) all accrued and unpaid dividends, plus (iii) in the event that a Change of Control Put Option is exercised prior to June 30, 2026, an additional amount equal to, initially, 24% of \$25 until the first anniversary of the closing of the Transactions, with such percentage reduced by (A) 4% for each year thereafter, inclusive of the year in which the Change of Control Put Option is exercised, until the fourth anniversary of the closing of the Transactions and (B) 3% for each year thereafter until the sixth anniversary of the closing of the Transactions, at which time such percentage shall be 3% until June 30, 2026.

Preemptive Rights. The Investor Rights Agreement also provides that, except for issuances contemplated by the transaction documents entered into under the Combination Agreement, we will not issue any equity securities, rights to acquire equity securities of the Company or debt convertible into equity securities of the Company (collectively, the "New Securities"), unless we give the Bennetts and each person that succeeds to the interests of the Bennetts and certain permitted transferees ("Holder Group Investors") notice of its respective intention to issue New Securities and the right of such Holder Group Investor to acquire such Holder Group Investor's pro rata share of the New Securities.

Termination. The Investor Rights Agreement terminates by its terms on the earliest of (i) the written agreement of the Company and the Covered Investors holding in the aggregate 55% of the total number of shares of our common stock (taking into account the Series D Convertible Preferred Stock on an as converted basis) and (ii) the date on which the Covered Investors no longer own any of our common stock or Series D Convertible Preferred Stock; provided certain specified provisions will last for the time periods provided by their terms, and others will last indefinitely.

A Covered Investor will automatically cease to be bound by the Investor Rights Agreement solely in its capacity as a Covered Investor at such time as such Covered Investor no longer owns any of our common stock or any Series D Convertible Preferred Stock.

Merger and Registration Rights Agreement

In connection with the acquisition of the hotel management business conducted by Remington Lodging which closed on November 6, 2019, the Company, Ashford Merger Sub Inc., the Bennetts and the Covered Investors entered into the Merger and Registration Rights Agreement (the "Merger Agreement"). Pursuant to the Merger Agreement, the Company will, no later

than 120 days following the effective time of the Merger, file a registration statement under the Securities Act to permit the resale of the Series D Convertible Preferred Stock and our common stock into which the Series D Convertible Preferred Stock is convertible. We will use its commercially reasonable efforts to cause the registration statement to become effective and remain available for the resale of the securities covered by the registration statements. In certain circumstances, including at any time that we are in possession of material nonpublic information, we will have the right to suspend sales under the registration statement.

Non-Competition Agreement

In connection with the acquisition of the hotel management business conducted by Remington Lodging which closed on November 6, 2019, the Company and the Bennetts entered into a non-competition agreement (the “Non-Competition Agreement”). Subject to certain exclusions, the Non-Competition Agreement provides that for a period of the later of five years following the closing of the Transactions, or three years following the date on which Mr. Monty J. Bennett is no longer our principal executive officer, each of Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. will not, and will cause its controlled affiliates not to, directly or indirectly (i) engage in, or have an interest in a person that engages directly or indirectly in, (a) the hotel management business conducted by Remington and its subsidiaries within the lodging industry, including hotel operations, sales and marketing, revenue management, budget oversight, guest service, asset maintenance (not involving capital expenditures) and related services conducted by Remington and its subsidiaries or (b) the project management business conducted by Premier, within the lodging industry, including construction management, interior design, architecture, and the purchasing, expediting, warehousing, freight management, installation and supervision of property and equipment, and related services, in each case in clause (a) or (b) anywhere in the United States (excluding certain passive investments and existing relationships); or (ii) intentionally interfere in any material respect with the business relationships between Remington, Premier and their respective customers, clients or vendors. Notwithstanding the foregoing, each of the Bennetts may, among other things, (A) freely pursue any opportunity to acquire ownership, directly or indirectly, in any interests in real properties in the lodging industry if such opportunity has been presented to the board of each of the Company, Ashford Trust and Braemar and none of the foregoing elect to pursue or participate in such opportunity and (B) with respect to any hotel properties in which the Bennetts, or any of their controlled affiliates, own, directly or indirectly (other than through their ownership interests in Ashford Trust or Braemar), in the aggregate at least a 5% interest (such hotel properties, “Bennett-Owned Properties”), each Bennett, and any of his controlled affiliates, directly or indirectly: (x) may self-manage the provision of hotel management business services or project management business services to such Bennett-Owned Properties, but may not provide any such services to any other hotels not constituting Bennett-Owned Properties, or (y) may require that the Company provide hotel management business services and project management business services pursuant to the terms of the Hotel Services Agreement (as defined below).

Transition Cost Sharing Agreement

In connection with the acquisition of the hotel management business conducted by Remington Lodging which closed on November 6, 2019, the Bennetts entered into a transition cost sharing agreement (the “Transition Cost Sharing Agreement”) with us, pursuant to which the Company and Remington will provide the Bennetts with family office related services, including accounting, tax, legal and general office and administrative support services (collectively, the “Services”) generally in accordance with Remington’s past practice prior to the closing. The Bennetts will pay to the Company and Remington the actual costs incurred by the Company and Remington, including salaries, employment taxes and benefits applicable to the employees of the Company and Remington providing the Services, based on the percentage of time spent by such employees in providing the Services, relative to the time spent by such employees on matters not related to the Services, plus applicable allocated overhead and other expenses incurred, in each case without mark-up. Subject to certain exceptions, the Services are required to be provided by the Company and Remington until the last to occur of: (i) the tenth anniversary of the date of the Transition Cost Sharing Agreement; (ii) the death of Mr. Archie Bennett, Jr. and (iii) 30 days following the date on which Mr. Monty J. Bennett is no longer employed by us as our chief executive officer, or substantially similar executive position, or ceases to serve as a member of our board of directors.

Hotel Services Agreement

In connection with the acquisition of the hotel management business conducted by Remington Lodging which closed on November 6, 2019, the Bennetts entered into a hotel services agreement (the “Hotel Services Agreement”) with us, pursuant to which we will provide specified hotel project management and hotel management services to any hotel in which the Bennetts, in the aggregate, directly or indirectly (other than through their ownership of interests in Ashford Trust and Braemar) own at least a 5% interest, in exchange for fees in an amount equal to the cost of such services provided plus 5%, until the last to occur of: (i) the tenth anniversary of the commencement of services or (ii) the death of Mr. Archie Bennett, Jr. and Mr. Monty J. Bennett.

Regulation

General. The Company, Ashford Trust, and Braemar, as applicable, are subject, in certain circumstances, to supervision and regulation by state and federal governmental authorities and are subject to various laws and judicial and administrative decisions imposing various requirements and restrictions, which, among other things regulate public disclosures, reporting obligations and capital raising activity. As an advisor to companies that own hotel properties, the operations and properties of such entities are subject to various federal, state and local laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements.

REIT Regulations. Each of Ashford Trust and Braemar has elected and is qualified and expects to continue to qualify to be taxed as a REIT under Section 856 through 860 of the Code. As REITs, such companies must currently distribute, at a minimum, an amount equal to 90% of their taxable income. In addition, such companies must distribute 100% of taxable income to avoid paying corporate federal income taxes. REITs are also subject to a number of organizational and operational requirements in order to elect and maintain REIT status. These requirements include specific share ownership tests and assets and gross income composition tests. If either Ashford Trust or Braemar fails to continue to qualify as a REIT in any taxable year, it is subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates. Even if such companies continue to qualify for taxation as REITs, they may be subject to state and local income taxes and to federal income tax and excise tax on their undistributed income.

Tax Cuts and Jobs Act. The Tax Cuts and Jobs Act (the “TCJA”) was enacted on December 22, 2017. The TCJA reduced the US federal corporate tax rate from 35% to 21% effective January 1, 2018. As a result, we revalued our net deferred tax assets and valuation allowance as of December 31, 2017, using the 21% U.S. federal income tax rate. In addition, the TCJA repealed the provisions that provided for carryback of losses generated in taxable years ending after December 31, 2017, and we increased our valuation allowance as of December 31, 2017, because we cannot consider tax paid in prior years as a source of taxable income to support realization of a portion of our net deferred tax assets.

Americans with Disabilities Act. As the advisor to Ashford Trust and Braemar, we are responsible for ensuring that the hotels owned by such entities comply with applicable provisions of the Americans with Disabilities Act (the “ADA”) to the extent that such hotels are “public accommodations” as defined by the ADA. Non-compliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we continue to assess the hotels and to advise Ashford Trust or Braemar, as applicable, to make alterations as appropriate in this respect.

Affordable Care Act. Changes in laws and regulations could reduce our profits or increase our costs. We are subject to a variety of laws, regulations and policies including the employer mandate provisions of the Affordable Care Act (“ACA”) which imposes penalties on employers failing to offer affordable, minimum value health care coverage to substantially all full-time equivalent employees and their dependents. We do not anticipate incurring any significant penalties under the ACA. Any such penalty would be based on the number of full-time employees. As of December 31, 2019, we had 123 full-time domestic corporate employees and approximately 7,600 employees at our consolidated subsidiaries that provide products and services to the lodging industry.

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

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

Some of these hotels may contain or develop harmful mold or suffer from other adverse conditions, which could lead to liability for adverse health effects and costs of remediation. The presence of significant mold or other airborne contaminants at any of the hotels owned by Ashford Trust or Braemar could require a costly remediation program to contain or remove the mold or other airborne contaminants from the affected hotel or increase indoor ventilation. In addition, the presence of

significant mold or other airborne contaminants could expose us to liability from guests or employees at the hotels and others if property damage or health concerns arise.

In the judgment of management, while we may incur significant expense complying with the various regulation to which we are subject, existing statutes and regulations will not have a material adverse effect on our business. However, it is not possible to forecast the nature of future legislation, regulations, judicial decisions, orders or interpretations, nor their impact upon our future business, financial condition, results of operations or prospects.

Distributions and Our Distribution Policy

Evaluation of our distribution policy and the decision to make a distribution is made solely at the discretion of our board of directors and is based on factors including, but not limited to, our ability to generate income, availability of existing cash balances, the performance of our business, capital requirements, applicable law, access to cash in the capital markets and other financing sources, general economic conditions and economic conditions that more specifically impact our business or prospects and other factors our board of directors deems relevant.

Future distribution levels are subject to adjustment based upon any one or more of the factors set forth above, the matters discussed under “Item 1A. Risk Factors” in this Annual Report on Form 10-K or any other document we file with the SEC under the Exchange Act and other factors that our board of directors may, from time to time, deem relevant to consider when determining an appropriate distribution. Our board of directors may also determine not to make any distribution.

Competition

The asset management industry is highly competitive. We compete on an industry, regional and niche basis based on a number of factors, including ability to raise capital, investment opportunities and performance, transaction execution skills, access to and retention of qualified personnel, reputation, range of products, innovation and fees for our services. Our clients compete with many third parties engaged in the hotel industry, including other hotel operating companies, ownership companies (including hotel REITs) and national and international hotel brands. Some of these competitors, including other REITs and private real estate companies and funds may have substantially greater financial and operational resources than Ashford Trust or Braemar and may have greater knowledge of the markets in which we seek to invest. Such competitors may also enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. Future competition from new market entrants may limit the number of suitable investment opportunities offered to Ashford Trust and Braemar. It may also result in higher prices, lower yields and a more narrow margin over the borrowing cost for Ashford Trust and Braemar, making it more difficult to originate or acquire new investments on attractive terms. Certain competitors may also be subject to different regulatory regimes or rules that may provide them more flexibility or better access to pursue potential investments and raise capital for their managed companies. In addition, certain competitors may have higher risk tolerance, different risk assessment or a lower return threshold, which could allow them to consider a broader range of investments and to bid more aggressively for investment opportunities that we may want to pursue.

Ashford Trust and Braemar each compete with many third parties engaged in the hotel industry. Competition in the hotel industry is based on a number of factors, most notably convenience of location, brand affiliation, price, range of services, guest amenities or accommodations offered and quality of customer service. Competition is often specific to the individual markets in which properties are located and includes competition from existing and new hotels. We believe that hotels that are affiliated with leading national brands, such as the Marriott or Hilton brands, will enjoy the competitive advantages associated with operating under such brands. Increased competition could have a material adverse effect on the occupancy rate, average daily room rate and RevPAR of the hotels owned by Ashford Trust or Braemar or may require capital improvements that otherwise would not have to be made, which may result in decreases in the profitability of Ashford Trust or Braemar and decreased advisory fees to us. Since the fees we receive are based in part upon total equity market capitalization and total shareholder returns, such fees are impacted by relative performance of the share price of Ashford Trust and Braemar compared to competitive REITs.

Insurance

We are required under our advisory agreements to maintain errors and omissions insurance coverage and other insurance coverage in amounts which are carried by managers performing functions similar to those we provide.

Employees

At December 31, 2019, we had a total of 123 corporate employees who directly or indirectly perform various acquisition, development, asset and investment management, capital markets, accounting, tax, risk management, legal, redevelopment, and corporate management functions for Ashford Inc., Ashford Trust and Braemar. Certain of our consolidated subsidiaries have a total of approximately 7,600 employees as of December 31, 2019, who provide hospitality products and services to the lodging industry, including hotel management, project management, event technology and other services.

Access To Reports and Other Information

We maintain a website at www.ashfordinc.com. On our website, we make available free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with the SEC. In addition, our Code of Business Conduct and Ethics, Code of Ethics for the Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, Corporate Governance Guidelines, and Board Committee Charters are also available free-of-charge on our website or can be made available in print upon request. All reports filed with the SEC may also be read at the SEC's website at www.sec.gov. We also use our website to distribute company information, and such information may be deemed material. Accordingly, investors should monitor our website, in addition to our press releases, SEC filings and public conference calls and webcasts. The contents of our website are not, however, a part of this report.

A description of any substantive amendment or waiver of our Code of Business Conduct and Ethics or our Code of Ethics for our chief executive officer, chief financial officer and chief accounting officer will be disclosed on our website under the Corporate Governance section. Any such description will be located on our website for a period of 12 months following the amendment or waiver

Item 1A. Risk Factors

Risks Related to Our Business

The outbreak of the novel coronavirus (COVID-19) will likely adversely affect our business.

We provide services primarily to clients in the hospitality industry. As a result, our business will be adversely affected by the impact of, or the public perception of a risk of, a pandemic disease on the travel and hospitality industry. In December 2019, a novel strain of coronavirus (COVID-19) was identified in Wuhan, China, has subsequently spread to other regions of the world, and has resulted in increased travel restrictions and extended shutdown of certain businesses in affected regions. Our clients Ashford Trust and Braemar have reported that the negative impact on room demand within their respective portfolios stemming from the novel coronavirus (COVID-19) is significant, which will likely result in reduced occupancy and RevPAR. Furthermore, a prolonged occurrence of the virus may result in health or other government authorities imposing restrictions on travel or other market impacts, including the postponement or cancellation of business conferences and similar events. Additionally, the public perception of a risk of a pandemic or media coverage of these diseases, or public perception of health risks linked to perceived regional food and beverage safety, may further affect our clients' businesses, and thereby may adversely affect our business, particularly with respect to: (i) base and incentive fees paid to us by our clients under our advisory agreements (which depend in part on our clients' market capitalization and business performance); and (ii) revenue generated by our JSAV, Premier and Remington businesses, which depend in part on occupancy levels and operating performance at our clients' hotels. With respect to Premier in particular, which we purchased in 2018, we could be negatively impacted if our clients reduce capital expenditures in response to the negative business environment, which appears likely and could cause us to record a significant goodwill impairment with respect to Premier.

The asset management, advisory and hospitality products and services businesses are highly competitive.

The asset management, advisory and hospitality products and services businesses are highly competitive. Competition in these businesses is driven by a variety of factors including: asset and investment performance; the quality of service provided to the companies we advise; investor perception of an asset and investment manager's drive, focus and alignment of interest; terms of investment, including the level of fees and expenses charged for services; our actual or perceived financial condition, liquidity and stability; the duration of relationships with investors; brand recognition; and business reputation. We expect to face competition primarily from other asset, service and investment management firms. A number of factors serve to increase our competitive risks including but not limited to:

- other asset managers or advisors may have greater financial, technical, marketing and other resources and more personnel than we do;
- other asset managers or advisors may offer more products and services than we do or be more adept at developing, marketing and managing new products and services than we are;

- Ashford Trust, Braemar, and other companies that we may advise may not perform as well as the clients of other asset managers;
- several other asset managers or advisors and their clients have significant amounts of capital and many of them have similar management and investment objectives to ours which may create additional competition for advisory opportunities;
- some of these other asset managers' or advisors' clients may also have a lower cost of capital and access to funding sources that are not available to us or the companies that we advise, which may create competitive disadvantages for us with respect to funding opportunities;
- some of these other asset managers' or advisors' clients may have higher risk tolerance, different risk assessment or a lower return threshold, which could allow them to facilitate the acquisition and management by their clients of a wider variety of assets and allow them to consider a broader range of investments and to advise their clients to bid more aggressively for investment opportunities on which we would advise our clients to bid;
- there are relatively few barriers to entry impeding new asset management or advisory companies and the successful efforts of new entrants into the asset management businesses are expected to continue to result in increased competition;
- some other asset managers or advisors may have better expertise or be regarded by potential clients as having better expertise with regard to specific assets or investments;
- other asset managers or advisors may have more scalable platforms and may operate more efficiently than us;
- other asset managers or advisors may have better brand recognition than us and there is no assurance that we will maintain a positive brand in the future;
- other industry participants may from time to time seek to recruit members of our management or investment teams and other employees away from us;
- an increase in the allocation of capital to our asset strategies by institutional and individual investors could lead to a reduction in the size and duration of pricing inefficiencies that we may seek to exploit;
- a decrease in the allocation of capital to our asset strategies could intensify competition for that capital and lead to difficulty in raising new capital; and
- the market for qualified professionals is intensely competitive and our ability to continue to compete effectively will also depend upon our ability to attract, retain and motivate our employees.

Our inability to effectively compete in these and other areas may have an adverse effect on our business, results of operations and financial condition.

The investments of the entities we currently advise and provide other products and services to are concentrated in the hotel industry. Our business would be adversely affected by an economic downturn in that sector, including as a result of the impact of the novel coronavirus (COVID-19), and we will be significantly influenced by the economies and other conditions in the specific markets in which our asset management clients operate.

Substantially all of the investments of Ashford Trust and Braemar and the investments of clients we provide other products and services to are concentrated in the hotel industry. These concentrations may expose such entities, and therefore us, to the risk of economic downturns in the hotel real estate sector to a greater extent than if the investments of such entities were diversified across other sectors of the real estate or other industries. The impact of the novel coronavirus (COVID-19), in particular, will likely adversely affect the hotel real estate sector, our clients (including Ashford Trust and Braemar) and us. See “Risks Related to Our Business—The outbreak of the novel coronavirus (COVID-19) will likely adversely affect our business.”

Similarly, we are particularly susceptible to adverse market conditions in areas in which our asset management clients have high concentrations of properties. Industry downturns, relocation of businesses, any oversupply of hotel rooms, a reduction in lodging demand or other adverse economic developments in the hotel industry generally or in areas where our asset management clients have a high concentration of properties could adversely affect us.

The project management business acquisition may not be accretive to our stockholders.

While it is intended that the acquisition of our project management business will be accretive to our performance metrics (including after taking into account the possible conversion of the Series D Convertible Preferred Stock into our common stock), there can be no assurance that this will be the case, since, among other things, the expenses we have incurred as a result of the acquisition may be higher than we anticipated and revenue from the project management business may decrease in the near-term and/or long-term, including to the extent our clients reduce capital expenditures as a result of the impact of the novel coronavirus

(COVID-19). The failure of the acquisition to be accretive to the Company's stockholders could have a material adverse effect on the Company's business, financial condition, and results of operations.

We may not manage the integration of the project management business effectively in such a manner that we realize the anticipated benefits of the project management business acquisition.

We may not manage the integration of our project management business effectively. The acquisition has been a time-consuming and costly process, and we may encounter difficulties, including, among other things:

- the inability to successfully integrate the project management business into our existing business in a manner that permits us to operate effectively or efficiently, which could result in the anticipated benefits of the acquisition not being realized in the timeframe currently anticipated or at all;
- the risk of not realizing all of the anticipated strategic and financial benefits of the acquisition within the expected time frame or at all;
- potential unknown liabilities and unforeseen increased expenses, delays, or regulatory conditions associated with the acquisition; and
- performance shortfalls as a result of the diversion of management's attention caused by the completion of the acquisition and integrating the operations of the project management business.

We are exposed to risks to which the Company has not historically been exposed, including business risks inherent to the project management business.

The project management business exposes us to risks to which we have not historically been exposed. Addressing these risks could distract management, disrupt our ongoing business, or result in inconsistencies in our operations, services, standards, controls, procedures, and policies, any of which could adversely affect our ability to maintain relationships with our lenders, joint venture partners, vendors, and employees or to achieve all or any of the anticipated benefits of the acquisition. The acquisition of the project management business, and the incurrence of business risks inherent to the project management business could have a material adverse effect on our business, financial condition, results of operations, and ability to effectively operate our business.

We may not manage the integration of the hotel management business effectively in such a manner that we realize the anticipated benefits of the hotel management business acquisition.

We may not effectively manage the integration of our hotel management business effectively. Our hotel management business consists of the hotel management business conducted by Remington, including hotel operations, sales and marketing, revenue management, budget oversight, guest service, asset maintenance (not involving capital expenditures) and related services. The integration of the hotel management business could be a time-consuming and costly process. We may encounter potential difficulties, including, among other things:

- the inability to successfully integrate the hotel management business into our existing business in a manner that permits us to operate effectively or efficiently, which could result in the anticipated benefits of the acquisition not being realized in the timeframe currently anticipated or at all;
- the risk of not realizing all of the anticipated strategic and financial benefits of the acquisition within the expected timeframe or at all;
- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the acquisition; and
- performance shortfalls as a result of the diversion of management's attention caused by completing the acquisition and integrating the operations of the hotel management business.

For all these reasons, you should be aware that it is possible that the acquisition could result in the distraction of management, the disruption of the ongoing businesses, or inconsistencies in each business's operations, services, standards, controls, procedures and policies. Therefore, the failure to integrate the hotel management business effectively could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks to which the Company has not historically been exposed, including business risks inherent to the hotel management business.

The hotel management business exposes us to risks to which we have not historically been exposed. As a result of the hotel management acquisition, we are subject to the business risks inherent to the hotel management business, including risks related to the hotel and travel industries. Many of these risks are beyond our control, including, among others, risks relating to the impact

of epidemics on the hotel and travel industry, adverse effects of international, national, regional and local economic and market conditions and increase in energy costs or labor costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists. Addressing these risks could distract management, disrupt the Company's ongoing business, or result in inconsistencies in the Company's operations, services, standards, controls, procedures and policies, any of which could adversely affect the Company's ability to maintain relationships with its lenders, joint venture partners, vendors and employees or to achieve all or any of the anticipated benefits of the acquisition of the hotel management business.

The acquisition of the hotel management business, and the incurrence by the Company of business risks inherent to the hotel management business could have a material adverse effect on the Company's business, financial condition, results of operations and ability to effectively operate the Company's business.

We are exposed to risks to which the Company has not historically been exposed, including the business risks inherent to leasing real property.

The acquisition of the hotel management business will expose us to risks to which we have not historically been exposed, including the business risk inherent in operating real property. As a result of the acquisition of the hotel management business, we own Marietta. Marietta is the lessee of the Hilton Atlanta/Marietta Hotel and Conference Center, which is managed by Remington pursuant to a management agreement between Remington and Marietta. The Company has not previously been the lessee of such a real property asset and leasing such an asset exposes the Company to risks inherent in the leasing of real property that is used in the lodging industry. For example, such business risks include the cost of compliance with various laws such as environmental laws and the ADA, the cost of maintaining property and casualty insurance, and the risk that property taxes may increase. The acquisition of Marietta as part of the acquisition of the hotel management business could have a material adverse effect on the Company's business, financial condition, results of operations and ability to effectively operate the Company's business.

We may be a "controlled company" within the meaning of the rules of NYSE American and, as a result, would qualify for, and could rely on, exemptions from certain corporate governance requirements.

Following the expiration of certain time and voting restrictions in the Investor Rights Agreement, (and prior to the expiration of such restrictions under certain circumstances) the Bennetts could potentially control a majority of the voting power of our equity securities. For a period of five years after the effective date of the Investor Rights Agreement, the Bennetts have agreed not to elect, or to cause the Company to elect, to be exempt from the NYSE American's corporate governance requirements on account of the Company's status as a "controlled company." As a result, we may become a "controlled company" within the meaning of the corporate governance standards of the NYSE American after such time. Currently, under the rules of the NYSE American, a company for which more than 50% of the outstanding voting power is held by an individual, group, or another company is a "controlled company" and may elect to be exempt from certain stock exchange corporate governance requirements, which, generally, include the following:

- the requirement that a majority of the board of directors consists of independent directors;
- the requirement that the Company's nominating and corporate governance committee consists entirely of independent directors; and
- the requirement that the Company's compensation committee consists entirely of independent directors.

Accordingly, in the event we become a "controlled company" and elect to be exempt from some or all of these corporate governance requirements, you may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE American corporate governance requirements.

We are subject to substantial regulation, numerous contractual obligations and extensive internal policies and failure to comply with these matters could have a material adverse effect on our business, financial condition and results of operations.

We and our subsidiaries will be subject to substantial regulation, numerous contractual obligations and extensive internal policies. Given our organizational structure, we are subject to regulation by the SEC, the Internal Revenue Service, and other federal, state and local governmental bodies and agencies. We also will be responsible for managing the regulatory aspects of Ashford Trust and Braemar, including compliance with applicable REIT rules. These regulations are extensive, complex and require substantial management time and attention. If we fail to comply with any of the regulations that apply to our business or the businesses of Ashford Trust, Braemar or other entities that we advise, we could be subjected to extensive investigations as well as substantial penalties, and our business and operations could be materially adversely affected. We also will have numerous contractual obligations that we must adhere to on a continuous basis to operate our business, the default of which could have a material adverse effect on our business and financial condition. While we have designed policies to appropriately operate our business and the entities we advise, these internal policies may not be effective in all regards and, further, if we fail to comply with our internal policies, we could be subjected to additional risk and liability.

If certain of our subsidiaries that engage in the hotel management business do not qualify as “eligible independent contractors” under applicable REIT rules, each REIT (including Ashford Trust and Braemar) for which such subsidiaries provide services might fail to qualify as a REIT.

If our subsidiaries that engage in the hotel management business, including Ashford Services and its subsidiaries (including Remington), do not qualify as “eligible independent contractors” under applicable REIT rules, each REIT for which Ashford Services and its subsidiaries provide hotel management services (including Ashford Trust and Braemar) might fail to qualify as a REIT. Each of our hotel management companies that enters into a hotel management contract with a TRS lessee of a REIT must qualify as an “eligible independent contractor” under the applicable REIT rules in order for the rent paid to the REIT by its TRS lessees to be qualifying income for the REIT under the applicable REIT rules. Among other requirements, in order to qualify as an eligible independent contractor with respect to a REIT, a management company must not own more than 35% of the outstanding shares of the REIT (by value) and no person or group of persons can own more than 35% of the outstanding shares of the REIT and the ownership interests of the management company, taking into account only owners of more than 5% of shares of the REIT and, with respect to ownership interests in such management companies that are publicly-traded, only holders of more than 5% of such ownership interests. Complex ownership attribution rules apply for purposes of these 35% thresholds. Additionally, Ashford Services and its subsidiaries, including Remington, must comply with the provisions of the private letter ruling each of Ashford Trust and Braemar obtained from the Internal Revenue Service in connection with our acquisition of Remington to ensure that Ashford Services and its subsidiaries, including Remington, continue to qualify as “eligible independent contractors” under applicable REIT rules.

We may do more business internationally, which may subject us to numerous political, economic, market, reputational, operational, legal, regulatory and other risks that could adversely impact our business and results of operations.

We have limited experience operating internationally but we may do so in the near future, in our capacity as advisor to an entity with international operations. As a result of any future international operations conducted by us, our business and financial results in the future could be adversely affected due to currency fluctuations, social or judicial instability, acts or threats of terrorism, changes in governmental policies or policies of central banks, expropriation, nationalization and/or confiscation of assets, price controls, fund transfer restrictions, capital controls, exchange rate controls, taxes, inadequate intellectual property protection, unfavorable political and diplomatic developments, changes in legislation or regulations and other additional international developments or restrictive actions. These risks are especially acute in emerging markets. Many non-U.S. jurisdictions in which we may do business have been negatively impacted by recessionary conditions. These jurisdictions may continue to experience increasing levels of stress. In addition, the risk of default on sovereign debt in some non-U.S. jurisdictions could expose us to substantial losses. Any such unfavorable conditions or developments could have an adverse impact on our businesses and results of operations.

We may also experience difficulty entering new international markets due to regulatory barriers, the necessity of adapting to new regulatory systems and problems related to entering new markets with different cultural bases and political systems. These difficulties may prevent, or significantly increase the cost of, our international expansion.

In addition, changes in policies or laws of the U.S. or foreign governments resulting in, among other things, higher taxation, currency conversion limitations, restrictions on fund transfers or the expropriation of private enterprises, could reduce the anticipated benefits of our international expansion. Any actions by countries in which we conduct business to reverse policies that encourage investment could adversely affect our business. If we fail to realize the anticipated growth of our future international operations, our business and operating results could suffer.

Our ability to raise capital and attract investors for our existing and potential advisory clients and our performance is critical to our ability to earn fees and grow our businesses.

The base advisory fees that we earn in our asset management business are based on the total market capitalization of the entities that we advise. Accordingly, our base fees are expected to increase if we are able to successfully raise capital in the equity markets for our existing and potential clients. Further, the incentive fees we earn in our asset management business will be primarily driven by the outperformance of our clients as compared with their respective peers, based on total stockholder return.

Our ability to earn these fees is subject to a number of risks, many of which are beyond our control, including monetary and fiscal policies, domestic and international economic conditions, political considerations and capital markets. To the extent that general capital markets activity slows down or comes to a halt, our clients may have difficulty growing. This risk is based on micro- and macro-economic market factors including but not limited to disruptions in the debt and equity capital markets, resulting in the lack of access to capital or prohibitively high costs of obtaining or replacing capital. Despite recent improvements, the markets could suffer another severe downturn and another liquidity crisis could emerge.

We are predominantly dependent on Ashford Trust and Braemar as our only current asset management clients for a substantial portion of our operating revenue, the loss of either of which, or their failure or inability to pay any amounts owed to us, including under their advisory agreements, could adversely affect our business, financial condition, prospects and results of operations. Ashford Trust and Braemar are also customers of our consolidated subsidiaries that provide products and services to the hospitality industry.

Ashford Trust and Braemar are the only companies for which we currently provide asset management advisory services. Ashford Trust and Braemar are also customers of our consolidated subsidiaries that provide products and services to the hospitality industry. Therefore, our business is subject to the risks of the businesses of each entity. The loss or failure of either company, termination of either advisory agreement, the failure or inability of either company to pay us any amounts owed under their respective advisory agreements or other contracts, and particularly their failure or inability to pay all or a portion of any applicable termination fee, would adversely affect our business, financial condition, prospects and results of operations. Additionally, these companies could sell assets over time, decreasing their market capitalization, and thereby cause our advisory fees and other revenues to decrease, which would adversely affect our results of operations and financial condition.

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

Our future success depends, to a significant extent, upon the continued services of our management team and key employees of the businesses we have acquired and may in the future acquire. In particular, the hotel industry and/or investment experience of Messrs. Monty J. Bennett, Douglas A. Kessler, Richard J. Stockton, Robert G. Haiman, Deric S. Eubanks, Jeremy J. Welter, Mark L. Nunneley and J. Robison Hays, III, and the extent and nature of the relationships they have developed with hotel franchisors, operators, and owners and hotel lending and other financial institutions are critically important to the success of our business. The loss of services of one or more members of our management or investment teams could harm our business and our prospects.

Our platform may not be as scalable as we anticipate and we could face difficulties growing our business without significant new investment in personnel and infrastructure.

Our platform may not be as scalable as we anticipate and we could face difficulties growing our business without significant new investment in personnel and infrastructure. It is possible that if our business grows substantially, we will need to make significant new investment in personnel and infrastructure to support that growth. We may be unable to make significant investments on a timely basis or at reasonable costs, and our failure in this regard could disrupt our business and operations.

If our portfolio management techniques and strategies are not effective, we may be exposed to material unanticipated losses.

Our portfolio management techniques and strategies may not fully mitigate the risk exposure of our operations in all economic or market environments, or against all types of risk, including risks that we might fail to identify or anticipate. Any failures in our portfolio management techniques and strategies to accurately quantify such risk exposure could limit our ability to manage risks in our operations and could result in losses.

We may grow our business through the acquisition of asset management services contracts, assets or companies, which entails substantial risk.

We may determine to grow our business through the acquisition of asset management, services contracts, assets or companies. Such acquisitions entail substantial risk. During our due diligence of such acquisitions, we may not discover all relevant liabilities and we may have limited, if any, recourse against the sellers. We also may not successfully integrate the asset contracts or companies that we acquire into our business and operations, which could have a material adverse effect on our results of operation and financial condition. Additionally, to the extent such acquisitions result in us entering new lines of business, we may become subject to new laws and regulations with which we are not familiar, or from which we are currently exempt, potentially leading to increased litigation and regulatory risk. Moreover, we may grow our business through joint ventures, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to systems, control and personnel that are not under our control.

Certain provisions of Nevada law could inhibit changes in control.

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

- “business combination” provisions that, subject to limitations, prohibit certain business combinations between the Company and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares and, if specified conditions exist, certain of our affiliates) for two years after the date on which the stockholder first becomes an interested stockholder, and thereafter continues to prohibit such combinations unless specified conditions are satisfied;
- “control share” provisions that provide that “control shares” of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors (a “controlling interest”), together with shares acquired within 90 days immediately before acquisition of the controlling interest) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least a majority of our voting power, excluding all interested shares.
- “constituency” provisions that allow the directors to consider a wide range of interests, such as those of employees and the community, in their decision making. The constituency provisions apply to takeovers and would allow the directors to respond based on considerations other than the stockholders; and
- provisions which generally prohibit the removal of a director by less than two-thirds of the voting power of the corporation.

Our charter contains a provision opting out of the business combination provisions.

Pursuant to Section 78.378(1) of the NRS, the Company has elected not to be governed by the provisions of Nevada state law applicable to the acquisition of a controlling interest in the stock of the Company, as set forth in NRS Sections 78.378 to 78.3793, involving the acquisition of a controlling interest in the stock of the Company by: (i) Mr. Archie Bennett, Jr.; (ii) Mr. Monty J. Bennett; (iii) MJB Investments; (iv) any present or future affiliate of Mr. Archie Bennett, Jr. or Mr. Monty J. Bennett; (v) Ashford Trust; (vi) Braemar; or (vii) any other entity that is advised by the Company or its controlled affiliates through an advisory agreement. In addition, the control share provisions only apply to corporations that have 200 or more stockholders of record, at least 100 of whom have had Nevada addresses appearing on the stock ledger of the corporation for at least 90 days before the date on which the applicability of those provisions is determined. As of December 31, 2019, none of our record stockholders had a Nevada address appearing on our stock ledger.

In addition, the NRS provides that, except where the action impedes the rights of stockholders to vote for or remove directors, an act of a director relating to or affecting an acquisition or a potential acquisition of control of a corporation is not subject to a higher duty or greater scrutiny than is applied to any other act of a director. Hence, directors of a Nevada corporation may not be required to act in certain takeover situations under the same standards or be subject to the same standard of judicial review as apply in Delaware and some other corporate jurisdictions.

Stockholders will have limited control over changes in our policies and operations, which increases the uncertainty and risks they face as stockholders.

Our board of directors determines its major policies, including its policies regarding growth and distributions. Under the NRS, the authority to manage the Company’s business and affairs is vested in its board of directors. Our board of directors may amend or revise its corporate policies without a vote of its stockholders. We may change its corporate policies without stockholder notice or consent, which could result in investments or activities that are different than, or in different proportion than, those described in this Annual Report on Form 10-K. Under the NRS, and under our charter and bylaws, stockholders have a right to vote only on limited matters. Our board of directors’ broad discretion in setting policies and stockholders’ inability to exert control over those policies increases the uncertainty and risks stockholders face.

Our charter designates the Business Court of the Eighth Judicial District Court of the State of Nevada, or if this Court does not have jurisdiction because the action asserts a federal claim, the United States District Court for the District of Nevada, Southern Division, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

While the corporation has the option to consent to the selection of an alternative forum, our charter provides that the Business Court of the Eighth Judicial District of the State of Nevada, or if this Court does not have jurisdiction because the action asserts

a federal claim, the United States District Court for the District of Nevada, Southern Division, are the sole and exclusive forums for: (i) any derivative action or proceeding brought on the corporation's behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of the corporation's directors, officers, employees or agents in such capacity; or (iii) any action arising pursuant to, or to interpret, apply, enforce or determine the validity of, any provision of Nevada's business association statutes, the corporation's articles of incorporation and bylaws or any agreement entered into pursuant to the statute governing voting trusts to which the corporation is a party or of which the corporation is a beneficiary. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or its directors, officers, employees, or agents, which may discourage such lawsuits against the Company and its directors, officers, employees, and agents. Alternatively, if a court were to find these provisions of our charter inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, the corporation may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect its business, financial condition and results of operations. Our charter cannot be amended unless its board of directors recommends an amendment and its stockholders approve the amendment.

Our board of directors may create and issue a class or series of capital stock without stockholder approval.

Our charter authorizes our board of directors to issue preferred stock, common stock, and blank check stock and in the case of preferred stock and blank check common stock to create one or more classes and to establish the preferences and rights of any class of stock issued. These actions can be taken without soliciting stockholder approval. Our ability to classify and issue additional shares of capital stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders' best interests.

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

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

- amend or revise at any time and from time to time our investment, financing, borrowing and dividend policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, subject to the limitations and restrictions provided in our advisory agreement and mutual exclusivity agreement;
- amend our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal requirements;
- issue additional shares without obtaining stockholder approval, which could dilute the ownership of our then-current stockholders;
- classify or reclassify any unissued shares of our blank check stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares, without obtaining stockholder approval;
- employ and compensate affiliates; and
- direct our resources toward investments that do not ultimately appreciate over time

Any of these actions could increase our operating expenses, impact our ability to make distributions or reduce the value of our assets without giving you, as a stockholder, the right to vote.

Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

We may, to the extent that market conditions permit, grow our business and expand into new investment strategies, geographic markets and businesses. Our organizational documents do not limit us to the management of assets or operation of service businesses within the hospitality industry. Accordingly, we may pursue growth through acquisitions of asset management and service contracts, assets or companies, acquisitions of critical business partners or other strategic initiatives. To the extent we make strategic investments or acquisitions, undertake other strategic initiatives or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with: (i) the required investment of capital and other resources; (ii) the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk; (iii) combining or integrating operational and management systems and controls; and (iv) the broadening of our geographic footprint, including the risks associated with conducting operations in non-U.S. jurisdictions. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives may include joint ventures,

in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to systems, controls and personnel that are not under our control.

We are subject to financial reporting and other requirements for which our accounting, internal audit and other management systems and resources may not be adequately prepared and we may not be able to accurately report our financial results.

Following our separation from Ashford Trust, we became subject to reporting and other obligations under the Exchange Act, including the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404(a) requires annual management assessments of the effectiveness of our internal controls over financial reporting. Because we are no longer an emerging growth company, our independent registered public accounting firm is required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404. As such, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. These reporting and other obligations place significant demands on our management, administrative, operational, internal audit and accounting resources and cause us to incur significant expenses. We may need to upgrade our systems or create new systems; implement additional financial and management controls, reporting systems and procedures; expand our internal audit function; and hire additional accounting, internal audit and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with the financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our business, operating results and stock price.

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

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

We may purchase some of our information technology from vendors, on whom our systems depend, and rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential operator and other customer information. We depend upon the secure transmission of this information over public networks. Our networks and storage applications are subject to unauthorized access by hackers or others through cyber-attacks, which are rapidly evolving and becoming increasingly sophisticated, or by other means, or may be breached due to operator error, malfeasance or other system disruptions. Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In light of the increased risks, we have dedicated additional resources to strengthening the security of our computer systems. In the future, we may expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that we will not suffer a significant data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on our systems or that any such incident will be discovered in a timely manner. In some cases, it will be difficult to anticipate or immediately detect such incidents and the damage caused thereby. Any significant breakdown, invasion, destruction, interruption or leakage of our systems could harm us or our reputation and brand and we may be exposed to a risk of loss or litigation and possible liability, including, without limitation, loss related to the fact that agreements with our vendors, or our vendors' financial condition, may not allow us to recover all costs related to a cyber-breach for which they alone are responsible for or which we are jointly responsible for, which could result in a material adverse effect on our business, results of operations and financial condition.

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

Climate change may adversely affect our business.

The properties owned by Ashford Trust and Braemar are susceptible to revenue loss, cost increase or damage caused by severe weather conditions or natural disasters such as hurricanes, earthquakes, tornadoes and floods, as well as the effects of climate change. Insurance may not fully cover all losses and, depending on the severity the event and the impact on such properties, such insurance may not cover a significant portion of the losses, including, but not limited to, the costs associated with evacuation.

These losses may lead to an increase of our cost of insurance, a decrease in our anticipated revenues from an affected property and a loss of all or a portion of the capital we have invested in an affected property. In addition, we may not purchase insurance under certain circumstances if the cost of insurance exceeds, in our judgment, the value of the coverage relative to the risk of loss.

To the extent climate change causes changes in weather patterns, we could experience increases in storm intensity, extreme weather, changes in precipitation and temperature and rising sea-levels. These conditions could result in physical damage or a decrease in demand for properties owned by Ashford Trust or Braemar located in the areas affected by these conditions. Climate change also may have indirect effects on such properties by increasing the cost of (or making unavailable) property insurance on acceptable terms, increasing the cost of energy and increasing the cost of snow removal at such properties. Should the impact of climate change be material in nature or occur for lengthy periods of time, our financial condition or results of operations would be adversely affected. In addition, changes in federal, state and local legislation and regulation based on concerns about climate change could result in increased capital expenditures on such properties without a corresponding increase in revenue, resulting in adverse impacts to our net income.

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

The laws and regulations governing our business or the businesses of our clients, or the regulatory or enforcement environment at the federal level or in any of the states in which we or our clients operate, may change at any time and may have an adverse effect on our business. For example, the recently enacted TCJA may limit the future deductions of interest expense we may incur. We are unable to predict how these or any other future legislative or regulatory proposals or programs will be administered or implemented or in what form, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect us in substantial and unpredictable ways and could have an adverse effect on our results of operations and financial condition. Our inability to remain in compliance with regulatory requirements in a particular jurisdiction could have a material adverse effect on our operations in that market and on our reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently or that new laws and regulations will not be adopted, either of which could materially adversely affect our business, financial condition, or results of operations.

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

On November 6, 2019, we completed our acquisition of Remington Lodging's hotel management business. As a result, from and after November 6, 2019, we became responsible for, and subject to the risks associated with, hiring and maintaining a hotel labor force. From time to time, hotel operations may be disrupted as a result of strikes, lockouts, public demonstrations or other negative actions and publicity. We also may incur increased legal costs and indirect labor costs as a result of contract disputes involving our managers and their labor force or other events. The resolution of labor disputes or re-negotiated labor contracts could lead to increased labor costs, a significant component of our hotel operating costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. We do not have the ability to affect the outcome of these negotiations. We may also be unable to attract, retain, train, manage and engage quality personnel to adequately staff hotel departments, which could result in a sub-standard level of service to hotel guests and hotel operations.

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

We may also become subject to additional collective bargaining agreements in the future. Potential changes in the federal regulatory scheme could make it easier for unions to organize groups of our personnel. If such changes take effect, more of our personnel could be subject to increased organizational efforts, which could potentially lead to disruptions or require more of our management's time to address unionization issues.

In addition, changes in labor laws may negatively impact us. For example, the implementation of new occupational health and safety regulations, minimum wage laws, and overtime, working conditions status and citizenship requirements and the Department of Labor's proposed regulations expanding the scope of non-exempt employees under the Fair Labor Standards Act to increase the entitlement to overtime pay could significantly increase the cost of labor in the workforce, which could reduce our profits and adversely affect our business and results of operations.

We are dependent upon the profitability of our subsidiaries and their ability to make cash distributions to us.

We are a holding company and, thus, do not conduct material activities other than activities incidental to holding equity interests of our subsidiaries and being a publicly-traded corporation. We are dependent on the profitability of our legacy advisory business and the acquired hotel management business and project management business, and the ability of our subsidiaries in which these businesses operate to generate cash. As a result, we are substantially dependent on the ability of our subsidiaries to fund cash needs. If our subsidiaries are less profitable than anticipated, our cash flows will be negatively affected, which could have a material adverse effect on our stock price.

Cash distributions made by the operating companies to fund payments of dividends on the Series D Convertible Preferred Stock may subject us to taxes to the extent such distributions are treated as a taxable dividend or distribution.

Because our ownership in Ashford Advisors Inc. (which owns Ashford LLC, Premier and Ashford Services) is held indirectly through Ashford Hospitality Holdings LLC, an entity treated as a partnership for U.S. federal income tax purposes, we will not be entitled to a 100% dividends received deduction on dividends paid by Ashford Advisors Inc., and instead will only be entitled to a partial dividends received deduction, with respect to amounts distributed by Ashford Advisors Inc. for our benefit that are treated as a taxable dividend. In general, a distribution by Ashford Advisors Inc. is treated as a taxable dividend to the extent any such distribution is made out of Ashford Advisors Inc.'s current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). To the extent the amount of such distribution exceeds Ashford Advisors Inc.'s current and accumulated earnings and profits, it will be treated first as a non-taxable return of capital to the extent of Ashford Hospitality Holdings LLC's adjusted tax basis in the shares of Ashford Advisors Inc. and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as capital gain from the sale or exchange of such shares. Consequently, we will be subject to U.S. federal income tax on a portion of amounts distributed by Ashford Advisors Inc. for our benefit that are treated as a taxable dividend and on the full amount of any such distribution treated as a capital gain. Accordingly, in connection with any distributions made by the operating companies to fund payments of dividends on our preferred stock, additional distributions will likely be required to fund such taxes and any taxes payable on such additional distributions.

The representation of the Bennetts on our board of directors may increase if we fail to make certain dividend payments on the Series D Convertible Preferred Stock.

For so long as the holders of Series D Convertible Preferred Stock hold at least 20% of the issued and outstanding shares of our common stock (on an as-converted basis), Mr. Archie Bennett, Jr., during his lifetime, and Mr. Monty J. Bennett, during his lifetime, are collectively entitled to nominate two individuals as members of the Board one of whom is currently Mr. Monty J. Bennett and the other of whom is currently Mr. W. Michael Murphy. If we fail to make two consecutive dividend payments to the holders of the Series D Convertible Preferred Stock, then Mr. Archie Bennett, Jr., during his lifetime, and Mr. Monty J. Bennett, during his lifetime, will each be entitled to nominate one additional individual as a member of our board of directors and the size of our board of directors will be increased by two directors to accommodate these two additional nominees. In furtherance of the foregoing, each of the holders of Series D Convertible Preferred Stock have agreed that they will vote all of their Series D Convertible Preferred Stock, and consent to any action by the holders of the Series D Convertible Preferred Stock without a meeting as permitted under appropriate state law, as may be directed by Mr. Archie Bennett, Jr., or Mr. Monty J. Bennett, respectively, in connection with their designation of the individuals to fill such board seats. The Bennetts and certain of their affiliates, therefore, would likely have increased control over our operations and management.

Risks Related to Conflicts of Interest

Certain affiliated stockholders have the ability to control significant corporate activities of the Company and their interests may differ from the interests of our other stockholders.

As of December 31, 2019, the Bennetts directly or indirectly beneficially owned approximately 70.1% of our outstanding common stock (including shares of Series D Convertible Preferred Stock on an as-converted basis), provided that prior to August 8, 2023, the voting power of the holders of Series D Convertible Preferred Stock effectively will be limited to 40% of the combined voting power of all of the outstanding voting securities of the Company entitled to vote on any given matter. As a result, the Bennetts may be able to influence or effectively control the decisions of the Company and, following August 8, 2023, the holders of Series D Convertible Preferred Stock may, depending on the circumstances at the time, have the voting power to elect all of the members of our board of directors and thereby control our management and affairs. In addition, at such time, the holders of Series D Convertible Preferred Stock may be able to determine the outcome of all matters requiring stockholder approval, including mergers and other material transactions, and may be able to cause or prevent a change in the composition of our board of directors or a change in control of the Company that could deprive our other stockholders of an opportunity to receive a premium for their common stock as part of a sale of the Company.

In addition to their direct or indirect beneficial ownership of the shares of our common stock, the Bennetts are party to the Investor Rights Agreement, under which, for so long as the holders of Series D Convertible Preferred Stock and their affiliates

continue to beneficially own no less than 20% of the issued and outstanding shares of our common stock, they will have the ability to cause the election of two members of our board of directors plus an additional two directors in the event of the non-payment of dividends on the Series D Convertible Preferred Stock for two consecutive quarters. In addition, the Company could be obligated, at the Bennetts' election, to provide management services, of the character of the project management business or hotel management business, to any hotels in which the Bennetts own at least a 5% interest, which is different from the pricing structure of the agreements that we currently have with our two main clients, Ashford Trust and Braemar.

The Bennetts' interests may not always coincide with your interests or the interests of our other stockholders. The concentrated holdings of our common stock directly or indirectly by the Bennetts, the various provisions of the Investor Rights Agreement, and the resulting representation and potential control of our board of directors by the Bennetts may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders. Moreover, this concentration of stock ownership may also adversely affect the trading price of our common stock if investors perceive a disadvantage in owning stock of a company with a controlling stockholder.

Our separation and distribution agreement, our advisory agreements, our amended and restated mutual exclusivity agreements, the tax matters agreement, the hotel services agreement and other agreements entered into in connection with our separation from Ashford Trust, and the agreements entered into with Ashford Trust and Braemar in connection with our acquisition of Premier, were not negotiated on an arm's-length basis, and we may be unable to enforce or may pursue less vigorous enforcement of their terms because of conflicts of interest with certain of our executive officers and directors and key employees of Ashford Trust and Braemar and/or pending or future legal proceedings.

Because certain of our officers and one of our directors are also officers of Ashford Trust and Braemar and have ownership interests in Ashford Trust and Braemar, our separation and distribution agreements, our advisory agreements, our amended and restated mutual exclusivity agreements, the tax matters agreement, the hotel services agreement and other agreements entered into in connection with our separation from Ashford Trust, and the agreements entered into with Ashford Trust and Braemar in connection with our acquisition of Premier, were not negotiated on an arm's-length basis, and we did not have the benefit of arm's-length negotiations of the type normally conducted with an unaffiliated third party. As a result, the terms, including fees and other amounts payable, may not be as favorable to us as an arm's-length agreement. Furthermore, we may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationship with Ashford Trust and Braemar.

Our deferred compensation obligations may dilute your interest in our common stock.

Our deferred compensation plan has only two participants, Mr. Monty J. Bennett, our chairman and chief executive officer, and his father Mr. Archie Bennett, Jr., chairman emeritus of Ashford Trust. Both Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. have elected to invest their deferred compensation accounts in our common stock. As a result, we have an obligation to issue approximately 196,000 shares of our common stock to Mr. Monty J. Bennett in quarterly installments over five years beginning in 2022. We also have an obligation to issue approximately 5,000 shares of our common stock to Mr. Archie Bennett, Jr., in quarterly installments through the end of 2021, the end of Mr. Archie Bennett, Jr.'s deferral period. Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. may postpone all or a portion of the distributions, for a minimum of 5 years, if he notifies the Company 12 months prior to the scheduled distributions.

Our relationships with Ashford Trust, and Braemar could create significant conflicts of interest.

Our chief executive officer and chairman, Mr. Monty J. Bennett, serves as the chairman of the board of Ashford Trust and chairman of the board of Braemar. Mr. Monty J. Bennett's obligations to Ashford Trust and Braemar reduce the time and effort he spends managing our company, and his duties to us as a director and officer may conflict with his duties to, and pecuniary interest in, Ashford Trust and Braemar.

The holders of the Series D Convertible Preferred Stock have rights that are senior to the rights of the holders of our common stock, which may decrease the likelihood, frequency or amount of dividends to holders of our common stock.

The Series D Convertible Preferred Stock requires that dividends be paid on the Series D Convertible Preferred Stock before any distributions can be paid to holders of our common stock and that, in the event of our bankruptcy, liquidation, dissolution or winding up, whether voluntary or involuntary, the holders of Series D Convertible Preferred Stock must be satisfied before any distributions can be made to the holders of our common stock. In addition, if we declare or pay a dividend on our common stock, the holders of the Series D Convertible Preferred Stock will participate, on an as-converted basis, in such dividend with the holders of our common stock. The Series D Convertible Preferred Stock will vote together with the holders of our common stock as a single class on all matters, with the number of votes attributable to each share of Series D Convertible Preferred Stock determined on an as-converted basis, subject to the voting restrictions set forth in the Investor Rights Agreement. As a result of the Series D Convertible Preferred Stock's superior rights relative to our common stock, including its right to participate in any dividends or

other distributions to the holders of our common stock, the right of holders of our common stock to receive distributions from us may be diluted and is limited by such rights.

The holders of the Series D Convertible Preferred Stock are expected to benefit from significant cash flows that may create conflicts of interest in our management.

The Bennetts and other sellers of the project and hotel management businesses were issued Series D Convertible Preferred Stock in consideration for the sale of such businesses. Each share of Series D Convertible Preferred Stock has a cumulative dividend rate of 6.59% per year until the first anniversary of the closing of the hotel management business acquisition, 6.99% per year from the first anniversary of such closing until the second anniversary of such closing, and 7.28% per year after the second anniversary of such closing. As a result of this consideration, the holders of the Series D Convertible Preferred Stock have the right to receive significant cash flow that might otherwise have been used for general corporate purposes. The holders of the Series D Convertible Preferred Stock may be incentivized by this consideration to maximize our cash flow, and thus Mr. Monty J. Bennett may have conflicts of interest in making management decisions that might be to the detriment of our long-term strategy and success. The cash flow generated by the hotel management business may not be equal to or in excess of the dividends payable to the holders of the shares of Series D Convertible Preferred Stock in any period.

Certain of our executive officers, who are also executive officers or board members of Ashford Trust, Braemar, or both, including our chairman of the board and chief executive officer, who is also chairman of the board of Ashford Trust and Braemar, face competing demands relating to their time as well as potential conflicts of interest, and this may adversely affect our operations.

Certain of our executive officers are also executive officers or board members of Ashford Trust, Braemar, or both. Because our executive officers have duties to Ashford Trust or Braemar, as applicable, as well as to our company, we do not have their undivided attention. They face conflicts in allocating their time and resources between our company, Ashford Trust and Braemar, as applicable, and they will continue to face increasing conflicts as we advise additional companies and platforms.

The organization and management of Ashford Trust and Braemar and any companies we may advise in the future may create conflicts of interest.

We are or will be party to advisory and other agreements with Ashford Trust and Braemar. These entities, along with any other businesses we may advise in the future will acquire assets consistent with their respective initial investment guidelines, but in each case, we will have discretion to determine which investment opportunities satisfy each such entity's initial investment guidelines. If, however, either Ashford Trust or Braemar materially changes its investment guidelines without our express consent, we are required to use our best judgment to allocate investment opportunities to Ashford Trust, Braemar and other entities we advise, taking into account such factors as we deem relevant, in our discretion, subject to any then-existing obligations we may have to such other entities. If a portfolio investment opportunity cannot be equitably divided by asset type and acquired on the basis of such asset types in satisfaction of each such entity's investment guidelines, we will allocate investment opportunities between Ashford Trust, Braemar and any other businesses we advise in a fair and equitable manner, consistent with such entities' investment objectives. When determining the entity for which such a portfolio investment opportunity would be the most suitable, our investment professionals have substantial discretion and may consider, among other factors, the following:

- investment strategy and guidelines;
- portfolio concentrations;
- tax consequences;
- regulatory restrictions;
- liquidity requirements; and
- financing availability.

We may manage additional investment vehicles in the future and, in connection with the creation of such investment vehicles, may revise these allocation procedures. The result of a revision to the allocation procedures may, among other things, be to increase the number of parties who have the right to participate in investment opportunities sourced by us, increasing the risk of conflicts of interest.

The decision of how any potential investment should be allocated among Ashford Trust, Braemar and any other companies we may advise in the future, in many cases, may be a matter of subjective judgment, which will be made by us.

Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Litigation in connection with conflicts of interest could have a material adverse effect on our reputation, which could materially and adversely affect our business and our ability to attract investors for future vehicles.

Our fiduciary duties as the sole manager of our operating company could create conflicts of interest with our fiduciary duties to our stockholders.

We, as the sole manager of Ashford Hospitality Holdings, LLC, which wholly owns our operating company, have fiduciary duties to the other members of Ashford Hospitality Holdings, LLC, the discharge of which may conflict with the interests of our stockholders. The operating agreement of Ashford LLC provides that, in the event of a conflict in the fiduciary duties owed by us to our stockholders and, in our capacity as manager of our operating company, to the members of Ashford Hospitality Holdings, LLC, we may act in the best interest of our stockholders without violating our fiduciary duties to the members of Ashford Hospitality Holdings, LLC or being liable for any resulting breach of our duties to the members, subject in all cases to the implied contractual covenant of good faith and fair dealing which, pursuant to Nevada law, cannot be waived. In addition, those persons holding Ashford Hospitality Holdings, LLC common units will have the right to vote on certain amendments to the operating agreement (which require approval by a majority in interest of the members, including us) and individually to approve certain amendments that would adversely affect their rights. These voting rights may be exercised in a manner that conflicts with the interests of our stockholders. For example, we are unable to modify the rights of Ashford Hospitality Holdings, LLC members to receive distributions as set forth in the operating agreement in a manner that adversely affects their rights without their consent, even though such modification might be in the best interest of our stockholders. In addition, conflicts may arise when the interests of our stockholders and the members of Ashford Hospitality Holdings, LLC diverge, particularly in circumstances in which there may be an adverse tax consequence to the members.

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

In order to minimize any actual or perceived conflicts of interest with our directors, officers or employees, we have adopted a conflict of interest policy to address specifically some of the conflicts relating to our activities. Although under this policy the approval of a majority of our disinterested directors is required to approve any transaction, agreement or relationship in which any of our directors, officers, or employees, Ashford Trust or Braemar has an interest, there is no assurance that this policy will be adequate to address all of the conflicts that may arise. In addition, the transactions and agreements entered into in connection with our formation prior to the separation and distribution have not been approved by any independent or disinterested persons.

Risks Related to Debt Financing

We may incur debt at the corporate level, including through our corporate level revolving credit facility, which may materially and adversely affect our financial condition and results of operations.

We may incur debt at the corporate level from time to time, including through our corporate level revolving credit facility. As of December 31, 2019, \$25.0 million of credit was available under such credit facility. In addition, certain of our subsidiaries that provide products and services to the lodging industry use debt, some of which has recourse to Ashford Inc. or Ashford LLC. Our organizational documents do not limit our capacity to use leverage or limit the amount of debt that we may incur. We may, at any time, decide to use leverage to meet future capital needs. We may guarantee, at the corporate level, debt incurred by our subsidiaries. We may also, from time to time, use derivative instruments primarily to manage interest rate risk. Future indebtedness will increase our operating costs, particularly in periods of rising interest rates, and we cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses that may reduce the overall return on your investment.

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

As of December 31, 2019, we had a total of approximately \$30.4 million of variable interest rate debt that is indexed to the London Interbank Offered Rate (“LIBOR”). In July 2017, the United Kingdom regulator that regulates LIBOR announced its intention to phase out LIBOR rates by the end of 2021. The Alternative Reference Rates Committee (“ARRC”), a steering committee comprised of large U.S. financial institutions, has proposed replacing USD-LIBOR with a new index calculated by short-term repurchase agreements—the Secured Overnight Financing Rate (“SOFR”). At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR, and it is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR, whether LIBOR rates will cease to be published or supported before or after 2021 or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. Such developments and any other legal or regulatory changes in the method by which LIBOR is determined or the transition from LIBOR to a successor

benchmark may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, and changes in the rules or methodologies in LIBOR, which may discourage market participants from continuing to administer or to participate in LIBOR's determination and, in certain situations, could result in LIBOR no longer being determined and published. If a published U.S. dollar LIBOR rate is unavailable after 2021, the interest rates on our mortgage notes, which is indexed to LIBOR will be determined using various alternative methods, any of which may result in interest obligations which are more than or do not otherwise correlate over time with the payments that would have been made on such debt if U.S. dollar LIBOR was available in its current form. Further, the same costs and risks that may lead to the unavailability of U.S. dollar LIBOR may make one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on our financing costs, and as a result, our financial condition, operating results and cash flows.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

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

Our consolidated businesses lease other office and warehouse facilities in addition to one hotel. See Note 8 to our consolidated financial statements.

Item 3. *Legal Proceedings*

The Company is engaged in various legal proceedings which have arisen but have not been fully adjudicated. The likelihood of loss for these legal proceedings, based on definitions within contingency accounting literature, ranges from remote to reasonably possible and to probable. Based on estimates of the range of potential losses associated with these matters, management does not believe the ultimate resolution of these proceedings, either individually or in the aggregate, will have a material adverse effect upon the financial position or results of operations of the Company. However, the adjudication of legal proceedings is difficult to predict, and if the Company failed to prevail in one or more of these legal matters, and the associated realized losses were to exceed the Company's current estimates of the range of potential losses, the Company's financial position or results of operations could be materially adversely affected in future periods.

Item 4. *Mine Safety Disclosures*

Not Applicable

PART II

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

Market Price and Dividend Information

Our common stock has been listed and traded on the NYSE American under the symbol “AINC” since November 13, 2014. Prior to that time, there was no public market for our common stock. On March 10, 2020, there were approximately 462 holders of record.

Distributions and Our Distribution Policy

Evaluation of our distribution policy and the decision to make a distribution is made solely at the discretion of our board of directors and is based on factors including, but not limited to, our ability to generate income, availability of existing cash balances, the performance of our business, capital requirements, applicable law, access to cash in the capital markets and other financing sources, general economic conditions and economic conditions that more specifically impact our business or prospects and other factors our board of directors deems relevant.

Future distribution levels are subject to adjustment based upon any one or more of the factors set forth above, the matters discussed under “Item 1A. Risk Factors” in this Annual Report on Form 10-K or any other document we file with the SEC under the Exchange Act and other factors that our board of directors may, from time to time, deem relevant to consider when determining an appropriate distribution. Our board of directors may also determine not to make any distribution.

No dividends on our common stock have been declared or paid as of and for the years ended December 31, 2019, 2018 and 2017.

Equity Compensation Plan Information

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

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price Of Outstanding Options, Warrants, And Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders	1,734,414 ⁽²⁾	67.66 ⁽²⁾	262,989 ⁽¹⁾
Equity compensation plans not approved by security holders	—	—	—
Total	1,734,414	67.66	262,989

⁽¹⁾ As of December 31, 2019, 262,989 shares of our common stock, or securities convertible into 262,989 shares of our common stock, remained available for issuance under our 2014 Incentive Plan. As defined by the 2014 Incentive Plan, authorized shares automatically increase on January 1 of each year in an amount equal to 15% of the sum of (i) the fully diluted share count and (ii) the shares of common stock reserved for issuance under the Company’s deferred compensation plan less shares available under the 2014 Incentive Plan as of December 31 of the previous year. Pursuant to the plan, we have 592,230 shares of our common stock, or securities convertible into 592,230 shares of our common stock, available for issuance under our 2014 Incentive Plan, as of January 1, 2020.

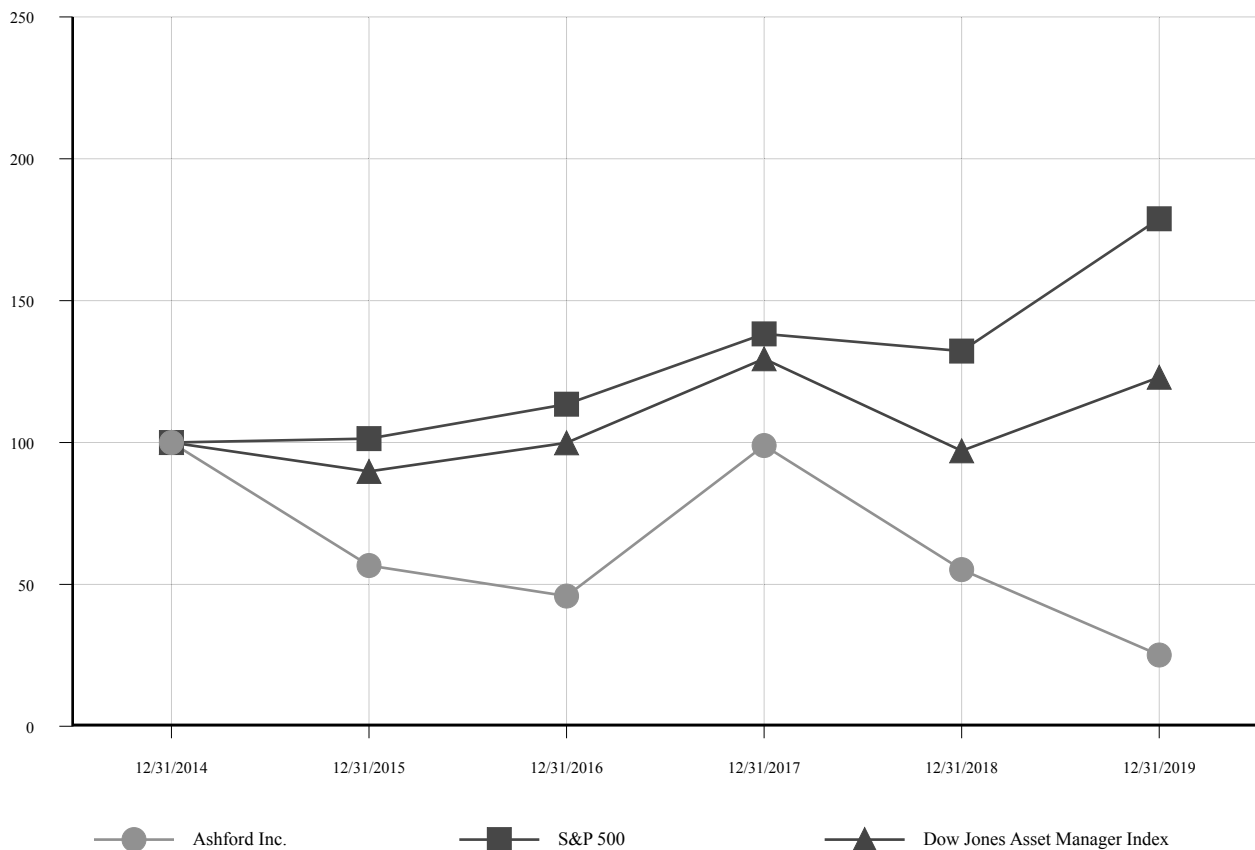
⁽²⁾ As of December 31, 2019, we have an obligation to issue 200,401 shares of our common stock with no strike price under our non-qualified deferred compensation plan (“DCP”) for certain executive officers. The plan allows participants to defer up to 100% of their base salary and bonus and select an investment fund for measurement of the deferred compensation obligation. Distributions under the DCP are made in cash, unless the participant has elected Ashford Inc. common stock as the investment option, in which case any such distributions would be made in Ashford Inc. common stock. See further discussion in the Risk Factors section and note 16 to our consolidated financial statements.

Performance Graph

The following graph compares the percentage change in the cumulative total stockholder return on our common stock with the cumulative total return of the S&P 500 Stock Index, and the Dow Jones Asset Manager Index for the period from December 31, 2014 through December 31, 2019, assuming an initial investment of \$100 in stock on December 31, 2014, with reinvestment of dividends.

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

COMPARISON CUMULATIVE TOTAL RETURNS Among Ashford Inc., the S&P 500 and the Dow Jones Asset Manager Index



Purchases of Equity Securities by the Issuer

Common Stock Repurchases—On December 5, 2017, the board of directors of Ashford Inc. approved a stock repurchase program (the “Repurchase Program”) pursuant to which the Board granted a repurchase authorization to acquire shares of the Company’s common stock, par value \$0.001 per share having an aggregate value of up to \$20 million. No shares were repurchased under the stock repurchase program during the year ended December 31, 2019. \$20 million is the maximum aggregate dollar value that may yet be purchased under the Repurchase Program.

The following table provides the information with respect to purchases of our common stock during each of the months in the quarter ended December 31, 2019:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plan
Common stock:				
October 1 to October 31 ⁽¹⁾⁽²⁾	412,974	\$ 30.00	412,974	\$ —
November 1 to November 30	—	—	—	—
December 1 to December 31	—	—	—	—
Total	412,974	\$ 30.00	412,974	\$ —

⁽¹⁾ On October 2, 2019, as approved by the Board, the Company acquired an aggregate 412,974 shares of its common stock from Ashford Trust and Braemar for \$30 per share, resulting in a total cost of approximately \$12.4 million. Subsequent to the stock repurchase, the 412,974 acquired shares were retired by the Company.

⁽²⁾ As closing conditions to our purchase of Remington Lodging’s hotel management business, Ashford Trust and Braemar were required to divest themselves of their shares of our common stock. Ashford Trust and Braemar completed their divestitures of our common stock on November 5, 2019 and the acquisition of Remington Lodging’s hotel management business was completed on November 6, 2019.

Recent Sales of Unregistered Securities

On November 1, 2017, we issued 70,318 shares of common stock to PT Intermediate, LLC in connection with the purchase of 85% of the outstanding membership interests in JSAV. The common stock was issued pursuant to the exemption from the registration requirements under the Securities Act provided under Section 4(a)(2) thereunder.

On January 2, 2018, we issued 8,962 shares of common stock to the OpenKey redeemable noncontrolling interest holder in connection with the purchase of 519,647 shares of the outstanding Class B common stock in OpenKey, Inc. The common stock was issued pursuant to the exemption from the registration requirements under the Securities Act provided under Section 4(a)(2) thereunder.

On January 1, 2019, we issued 16,529 shares of common stock in connection with the purchase of a 30% noncontrolling ownership interest in REA Holdings (as defined below). The common stock was issued pursuant to the exemption from the registration requirements under the Securities Act provided under Section 4(a)(2) thereunder.

On March 1, 2019, the Company issued 61,387 shares of common stock in connection with the acquisition by JSAV, our consolidated subsidiary, of a privately-held company that conducts the business of BAV Services. The common stock was issued pursuant to the exemption from the registration requirements under the Securities Act provided under Section 4(a)(2) thereunder.

On July 18, 2019, we issued 135,366 shares of common stock as partial consideration in connection with RED Hospitality & Leisure Key West, LLC’s, a subsidiary of the Company (“Red Hospitality”), acquisition of substantially all of the assets of Sebago, a leading provider of watersports activities and excursion services based in Key West, Florida. The common stock was issued pursuant to the exemption from the registration requirements under the Securities Act provided under Section 4(a)(2) thereunder.

Item 6. Selected Financial Data

You should read the following selected financial information in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical consolidated financial statements and related notes, which are included in “Item 8. Financial Statements and Supplementary Data.”

The following table presents selected financial information (in thousands, except per share amounts):

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Statements of Operations Data:					
Total revenues	\$ 291,250	\$ 195,520	\$ 81,573	\$ 67,607	\$ 58,981
Total expenses	\$ 302,480	\$ 196,359	\$ 92,095	\$ 70,064	\$ 60,332
Net income (loss)	\$ (15,374)	\$ 7,820	\$ (20,194)	\$ (12,403)	\$ (12,044)
Net income (loss) attributable to the Company ...	\$ (13,855)	\$ 10,182	\$ (18,352)	\$ (2,396)	\$ (1,190)
Net income (loss) attributable to Common Stockholders	\$ (30,218)	\$ 4,986	\$ (18,352)	\$ (2,396)	\$ (1,190)
Diluted income (loss) per common share	\$ (13.55)	\$ (2.11)	\$ (9.59)	\$ (2.56)	\$ (4.45)
Weighted average diluted common shares	2,568	2,332	2,067	2,209	2,203
Balance Sheet Data:					
Cash and cash equivalents	\$ 35,349	\$ 51,529	\$ 36,480	\$ 84,091	\$ 50,272
Total assets	\$ 782,500	\$ 379,005	\$ 114,810	\$ 129,797	\$ 166,991
Total liabilities	\$ 262,285	\$ 108,726	\$ 78,742	\$ 38,168	\$ 30,115
Total equity (deficit)	\$ 42,024	\$ 65,901	\$ 30,957	\$ 90,149	\$ 136,636
Total liabilities and equity/deficit	\$ 782,500	\$ 379,005	\$ 114,810	\$ 129,797	\$ 166,991
Other Data:					
Cash flows provided by (used in):					
Operating activities	\$ 24,699	\$ 21,519	\$ 19,415	\$ 84,858	\$ 24,801
Investing activities	\$ (28,831)	\$ (28,099)	\$ (23,158)	\$ (4,865)	\$ (7,637)
Financing activities	\$ (2,067)	\$ 20,514	\$ (44,534)	\$ (42,106)	\$ 5,858

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

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

Overview

Ashford Inc. is a Nevada corporation that provides products and services primarily to clients in the hospitality industry, including Ashford Trust and Braemar. We became a public company in November 2014, and our common stock is listed on the NYSE American. As of March 10, 2020, Mr. Monty J. Bennett, our chief executive officer and chairman and the chairman of Ashford Trust and Braemar, and his father, Mr. Archie Bennett, Jr., chairman emeritus of Ashford Trust, beneficially owned approximately 353,457 shares of our common stock, which represented an approximate 16.0% ownership interest in Ashford Inc., and beneficially owned 18,758,600 shares of our Series D Convertible Preferred Stock (the "Series D Convertible Preferred Stock"), which is exercisable (at an exercise price of \$117.50 per share) into an additional approximate 3,991,191 shares of Ashford Inc. common stock, which if exercised would have increased Mr. Monty J. Bennett and Mr. Archie Bennett, Jr.'s ownership interest in Ashford Inc. to 70.1%.

We provide: (i) advisory services; (ii) asset management services; (iii) hotel management services; (iv) project management services; (v) event technology and creative communications solutions; (vi) mobile room keys and keyless entry solutions; (vii) watersports activities and other travel, concierge and transportation services; (viii) hypoallergenic premium room products and services; (ix) debt placement services; (x) real estate advisory and brokerage services; and (xi) wholesaler, dealer manager and other broker-dealer services. We conduct these activities and own substantially all of our assets primarily through Ashford LLC, Ashford Services and their respective subsidiaries.

We seek to grow through the implementation of two primary strategies: (i) increasing our assets under management; and (ii) pursuing third-party business to grow our other products and services businesses.

We are currently the advisor for Ashford Trust and Braemar. In our capacity as the advisor to Ashford Trust and Braemar, we are responsible for implementing the investment strategies and managing the day-to-day operations of Ashford Trust and Braemar from an ownership perspective, in each case subject to the supervision and oversight of the respective board of directors of Ashford Trust and Braemar. Ashford Trust is focused on investing in full service hotels in the upscale and upper-upscale segments in the U.S. that have RevPAR generally less than twice the national average. Braemar invests primarily in luxury hotels and resorts with RevPAR of at least twice the U.S. national average. Each of Ashford Trust and Braemar is a REIT as defined in the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and the common stock of each of Ashford Trust and Braemar is traded on the New York Stock Exchange (the "NYSE").

As required for disclosure under the Fifth Amended and Restated Advisory Agreement (the "Fifth Amended and Restated Braemar Advisory Agreement"), for the trailing twelve months ended December 31, 2019, the total incremental expenses incurred (including all reimbursable expenses), as reasonably determined, in connection with providing services to Braemar under the Fifth Amended and Restated Braemar Advisory Agreement was \$11.1 million.

Recent Developments

COVID-19 Impact

Our clients, Ashford Trust and Braemar, have each publicly disclosed that the negative impact on room demand within their respective portfolios stemming from the novel coronavirus (COVID-19) is significant. Our clients experienced an initial decline in hotel revenue that began in February in a limited number of markets. However, with the increased spread of the novel coronavirus (COVID-19) across the globe, the impact has accelerated rapidly and they are seeing a much greater effect on occupancy and RevPAR throughout their respective hotel portfolios. Our clients have disclosed that they expect the occupancy and RevPAR reduction associated with the novel coronavirus (COVID-19) to continue as they are experiencing significant reservation cancellations as well as a significant reduction in new reservations relative to prior expectations. Until such time as the virus is contained or eradicated, and business and personal travel return to more customary levels, our clients expect to see substantial erosion in hotel cash flow. There may also be lasting effects related to the novel coronavirus (COVID-19) for some period related to a slowdown in the U.S. economy, increased labor costs, increased operating costs, decreased air travel or other unknown factors which could materially reduce our clients' operating cash flow.

These issues affecting our clients' businesses, in turn, will likely adversely affect our business, particularly with respect to: (i) base and incentive fees paid to us by our clients under our advisory agreements (which depend in part on our clients' market capitalization and business performance); and (ii) revenue generated by our JSAV, Premier and Remington businesses, which depend in part on occupancy levels and operating performance at our clients' hotels. With respect to Premier in particular, which we purchased in 2018, we could be negatively impacted if our clients reduce capital expenditures in response to the negative business environment, which appears likely and could cause us to record a significant goodwill impairment with respect to Premier.

Other Developments

Effective January 1, 2019, we acquired a 30% noncontrolling ownership interest in Real Estate Advisory Holdings LLC ("REA Holdings"), a real estate advisory firm that provides financing, advisory and property sales services primarily to clients in the hospitality and leisure industry, for a purchase price of approximately \$3.0 million which was paid in the form of \$2.1 million cash and the issuance of 16,529 shares of our common stock (approximately \$890,000) to the seller pursuant to the exemption from the registration requirements under the Securities Act provided under Section 4(a)(2) thereunder. We have an option to acquire an additional 50% of the ownership interests in REA Holdings for \$12.5 million beginning on January 1, 2022. Our investment in REA Holdings is accounted for under the equity method as we have significant influence over the voting interest entity.

On January 15, 2019, the Company entered into the Braemar ERFP Agreement with Braemar. The independent members of the board of directors of each of the Company and Braemar, with the assistance of separate and independent legal counsel, engaged to negotiate the Braemar ERFP Agreement on behalf of the Company and Braemar, respectively. Under the Braemar ERFP Agreement, the Company agreed to provide \$50 million (the "Aggregate ERFP Amount") to Braemar in connection with Braemar's acquisition of hotels recommended by us, with the option to increase the Aggregate ERFP Amount to up to \$100 million upon mutual agreement by the parties. Under the Braemar ERFP Agreement, the Company will pay Braemar 10% of each acquired hotel's purchase price in exchange for FF&E, which is subsequently leased to Braemar rent-free. Braemar must provide reasonable advance notice to the Company to request ERFP funds in accordance with the Braemar ERFP Agreement. The Braemar ERFP Agreement requires that the Company acquire the related FF&E either at the time of the property acquisition or at any time generally within two years of Braemar acquiring the hotel property. The Company recognizes the related depreciation tax deduction at the time such FF&E is purchased by the Company and placed into service at Braemar's hotel properties. However, the timing of the FF&E being purchased and placed into service is subject to uncertainties outside of the Company's control that could delay the realization of any tax benefit associated with the purchase of FF&E.

On January 15, 2019, Braemar acquired The Ritz-Carlton Lake Tahoe for an allocated purchase price of \$103.0 million which therefore required the Company to provide Braemar with approximately \$10.3 million in exchange for FF&E at Braemar's hotel properties that will subsequently be leased back to Braemar rent-free. As of December 31, 2019, the Company had fully funded its ERFP commitment under the Braemar ERFP Agreement related to The Ritz-Carlton Lake Tahoe.

On January 22, 2019, Ashford Trust acquired The Embassy Suites New York Manhattan Times Square for a purchase price of \$195.0 million which therefore requires the Company to provide Ashford Trust with approximately \$19.5 million in exchange for FF&E at Ashford Trust's hotel properties that will subsequently be leased back to Ashford Trust rent-free. As of December 31, 2019, the Company's remaining ERFP commitment under the Ashford Trust ERFP Agreement includes \$11.4 million related to The Embassy Suites New York Manhattan Times Square.

On February 26, 2019, Ashford Trust acquired the Hilton Santa Cruz/Scotts Valley, in Santa Cruz, California, for a purchase price of \$50.0 million which therefore required the Company to provide Ashford Trust with approximately \$5.0 million in exchange for FF&E at Ashford Trust's hotel properties that will subsequently be leased back to Ashford Trust rent-free. As of December 31, 2019, the Company had fully funded its ERFP commitment under the Ashford Trust ERFP Agreement related to the Hilton Santa Cruz/Scotts Valley.

On March 1, 2019, JSAV acquired a privately-held company, BAV Services ("BAV"). BAV is an audio visual rental, staging, and production company focused on meeting and special event services. As a result of the acquisition, our ownership interest in JSAV, which we consolidate under the voting interest model, increased from 85% to approximately 88%. Pursuant to the asset purchase agreement, as amended on September 24, 2019, the purchase price consisted of: (i) \$5.0 million in cash (excluding working capital adjustments) funded by an existing JSAV term loan; (ii) \$3.5 million in the form of Ashford Inc. common stock consisting of 61,387 shares issued on March 1, 2019, which was determined based on a thirty-day volume weighted average price per share (the "30-Day VWAP") of \$57.01 and had an estimated fair value of approximately \$3.7 million as of the acquisition date; (iii) \$500,000 payable in cash or Ashford Inc. common stock at our sole discretion to be issued 18 months after the acquisition date, subject to certain conditions; and (iv) contingent consideration related to the achievement of certain performance targets with an estimated fair value of approximately \$1.4 million, payable, if earned, 12 to 18 months after the acquisition date. Additionally, the transaction includes a stock consideration collar with potential settlements at 12 months, 15 months and 18 months after the acquisition date dependent upon the 30-Day VWAP of Ashford Inc.'s common stock on each respective settlement date. A liability

resulting from contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved, with changes in fair value recognized in earnings within “other” operating expenses in our consolidated statements of operations. See notes 5 and 9 to our consolidated financial statements for further discussion of the Company’s liabilities related to acquisition-related contingent consideration.

On May 31, 2019, Ashford Inc. signed a Combination Agreement among the Bennetts, Remington Holdings, L.P., Remington Holdings GP, LLC, MJB Investments, LP, the Company, James L. Cowen, Jeremy J. Welter (our co-President and COO), Ashford Nevada Holding Corp. and Ashford Merger Sub Inc. (as subsequently amended on July 17, 2019 and further amended on August 28, 2019, the “Combination Agreement”) to acquire the hotel management business of Remington Lodging, a privately-held company. The transaction closed on November 6, 2019, after the transaction was approved by our stockholders on October 24, 2019.

On July 18, 2019, RED completed the acquisition of substantially all of the assets of Sebago, a leading provider of watersports activities and excursion services based in Key West, Florida. After giving effect to the transaction, Ashford Inc. owns an approximately 84% interest in the common equity of RED. The purchase price consisted of approximately \$2.5 million in cash (excluding transaction costs and working capital adjustments) funded by new RED term loans and \$4.5 million in the form of Ashford Inc. common stock consisting of 135,366 shares issued on July 18, 2019, subject to a six month stock consideration collar. See note 5 to our consolidated financial statements.

On July 22, 2019, each of Ashford Trust and Braemar filed an amendment to their Schedule 13Ds with the SEC. As disclosed in such filings, each party’s obligation to consummate the transactions contemplated by the Combination Agreement was subject to certain conditions, including, among other things: (i) the receipt of a private letter ruling from the Internal Revenue Service that Ashford Hospitality Services LLC, a subsidiary of Ashford Inc., will not fail to qualify as an “eligible independent contractor” within the meaning of Section 856(d)(9)(A) of the Code with respect to specified clients solely as a result of (a) Ashford Hospitality Services LLC being a brother-sister affiliate of Ashford Hospitality Advisors LLC, or (b) the taxable REIT subsidiaries (within the meaning of Code Section 856(l)) of such clients receiving specified incentives from Ashford Hospitality Advisors LLC and (ii) the completion of the divestiture by Ashford Trust and Braemar of their securities of the Company in a manner that complied with the private letter ruling.

As disclosed in the amendment to their Schedule 13Ds, each of Ashford Trust and Braemar, acting at the direction of a committee of independent directors of Ashford Trust and Braemar, respectively, who were independent within the meaning of applicable rules of the NYSE and do not have a material financial interest within the meaning of Section 2-419 of the Maryland General Corporation Law in the transactions contemplated by the Combination Agreement, intended, as of July 19, 2019, to vote or cause to be voted all of the shares beneficially owned by it in favor of each proposal presented to the stockholders at the special meeting of stockholders to consider and vote upon on the transactions contemplated by the Combination Agreement; and, as of July 19, 2019, intended to divest (or cause the divestiture) of all of the securities of Ashford Inc. beneficially owned by each of Ashford Trust and Braemar as required by the closing conditions set forth in the Combination Agreement.

On September 25, 2019, the Company announced the formation of Ashford Securities LLC (“Ashford Securities”) to raise capital in order to grow the Company’s existing and future platforms. Ashford Securities will be a dedicated capital raising platform to fund investment opportunities sponsored and asset-managed by the Company.

In conjunction with the formation of Ashford Securities, Ashford Trust and Braemar entered into a contribution agreement with Ashford Inc. in which Ashford Trust and Braemar agreed to contribute a combined contribution amount of up to \$15.0 million to fund the operations of Ashford Securities. As of December 31, 2019, Ashford Trust and Braemar have funded approximately \$2.5 million and \$801,000, respectively. Of the total \$3.3 million funded by the REITs during 2019, \$1.2 million is recognized as cost reimbursement revenue in our consolidated statements of operations and the remaining \$2.1 million is deferred income in our consolidated balance sheets as of December 31, 2019.

On October 2, 2019, as approved by the Board, the Company acquired an aggregate 412,974 shares of its common stock from Ashford Trust and Braemar for \$30 per share, resulting in a total cost of approximately \$12.4 million. Subsequent to the stock repurchase, the 412,974 acquired shares were retired by the Company.

On October 7, 2019, each of Ashford Trust and Braemar filed an amendment to their Schedule 13Ds with the SEC to announce that it entered into the stock purchase agreement to sell shares of the Company’s common stock to the Company.

On October 23, 2019, each of Ashford Trust and Braemar filed an amendment to their Schedule 13Ds with the SEC to announce the pro-rata taxable dividend of the Company’s common stock to its stockholders and unitholders of record. Each stockholder and unitholder of Ashford Trust and Braemar received a distribution of the Company’s common stock for every unit and/or share of Ashford Trust or Braemar common stock, respectively, held by such stockholders and unitholders on October 29, 2019 (the “Record Date”). As described further below, this distribution was completed on November 5, 2019.

On October 24, 2019, the Company announced the final results of the Special Meeting of Stockholders held on October 24, 2019, during which Ashford stockholders overwhelmingly approved the proposal in connection with the Remington Lodging hotel management business transaction. Holders of approximately 92% of Ashford shares present and voting at the meeting voted in favor of the proposal, including a majority of shares, excluding shares owned by Ashford Trust, Braemar, the Bennetts and management, present and voting at the meeting voted in favor of the proposal. The Company also announced that it had received the final, official private letter ruling from the Internal Revenue Service related to the transaction.

On November 5, 2019, Ashford Trust distributed its remaining 205,086 shares of Ashford Inc. common stock through a pro-rata taxable dividend to Ashford Trust's common stockholders and unitholders of record (the "Ashford Trust Record Holders") as of the close of business of the NYSE on October 29, 2019 (the "Record Date"). Each Ashford Trust Record Holder received approximately 0.0017 share of the Company's common stock for every unit and/or share of Ashford Trust common stock held by such Ashford Trust Record Holder on the Record Date. After the distribution, Ashford Trust holds no ownership interest in the Company.

On November 5, 2019, Braemar distributed its remaining 174,983 shares of Ashford Inc.'s common stock through a pro-rata taxable dividend to Braemar's common stockholders and unitholders of record (the "Braemar Record Holders") as of the close of business of the NYSE on the Record Date. Each Braemar Record Holder received approximately 0.0047 share of the Company's common stock for every unit and/or share of Braemar common stock held by such Braemar Record Holder on the Record Date. After the distribution, Braemar holds no ownership interest in the Company.

On November 6, 2019, we completed the acquisition of Remington Lodging's hotel management business and Marietta for \$275 million, payable by the issuance of \$275 million of a new Ashford Inc. Series D Convertible Preferred Stock. In the previous transaction for Remington Lodging's project management business, the sellers received \$203 million of Maryland Ashford's Series B Convertible Preferred Stock. For this transaction involving Remington Lodging's hotel management business, that \$203 million of Maryland Ashford's Series B Convertible Preferred Stock was exchanged, pursuant to a merger transaction whereby Maryland Ashford became our wholly-owned subsidiary, for \$203 million of Series D Convertible Preferred Stock (such that, after the transactions, \$478 million of Series D Convertible Preferred Stock, and no Series B Convertible Preferred Stock, is outstanding). The new Series D Convertible Preferred Stock is convertible into shares of common stock at a price of \$117.50 per share. Preferred dividends on the Series D Convertible Preferred Stock accrue at an annual rate of 6.59% in the first year, 6.99% in the second year, and 7.28% in the third year and each year thereafter. The Series D Convertible Preferred Stock also participates in any dividend or distribution paid on our common stock on an as-converted basis. Voting rights of the Series D Convertible Preferred Stock are on an as-converted basis, and the holders of the Series D Convertible Preferred Stock have a voting limit of 40% of the total voting power of the Company until August 8, 2023. The holders of the Series D Convertible Preferred Stock have certain put rights upon certain events constituting a change of control of the Company. Remington Lodging was previously owned by Mr. Monty J. Bennett, the Company's chairman and chief executive officer, and his father, Mr. Archie Bennett, Jr., the chairman emeritus of Ashford Trust. The Company's Board of Directors formed a special committee of independent and disinterested directors to analyze, negotiate, and recommend the transaction to the Company's Independent Directors. The Company's Independent Directors unanimously recommended approval of the acquisition by the Company's stockholders. The results of operations of the hotel management business are expected to be included in our consolidated financial statements from the date of acquisition. We are in the process of evaluating the fair value of the net assets acquired through internal studies and third-party valuations. As a result of the acquisition, hotel management services that were previously provided by Remington Lodging will now be provided by a subsidiary of the Company under the respective hotel management agreement with each customer, including Ashford Trust and Braemar.

Also on November 6, 2019, in connection with the acquisition of Remington Lodging's hotel management business, we effected a holding company reorganization. The change in holding company organizational structure was effected by a merger, pursuant to which each issued and outstanding share of common stock, par value \$0.01 per share, of our predecessor publicly-traded parent Ashford OAINC II Inc., (formerly named Ashford Inc. and incorporated in Maryland) ("Maryland Ashford") was converted into one share of common stock, par value \$0.001 per share, of the Company having the same rights, powers and preferences and the same qualifications, limitations and restrictions as a share of common stock of Maryland Ashford. As a result of the foregoing, we became the successor issuer of Maryland Ashford under Rule 12g-3 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Our common stock continues to be listed on the NYSE American under the symbol "AINC."

Also on November 6, 2019, the Company entered into the Second Consent, Assumption and Modification Agreement (the "Modification Agreement") to the senior revolving credit facility. The Modification Agreement is effective as of November 6, 2019. The Modification Agreement defines a fixed charge coverage ratio the Company must maintain and adjusts the previously required leverage ratios. The Modification Agreement additionally requires the Company to maintain the fixed charge coverage ratio in order to declare dividend payments on the Company's common stock.

Our clients, Ashford Trust and Braemar, have each publicly disclosed that the negative impact on room demand within their respective portfolios stemming from the novel coronavirus (COVID-19) is significant. These issues affecting our clients' businesses, in turn, will likely adversely affect our business. A more detailed discussion of the novel coronavirus (COVID-19) is contained in the Management's Discussion and Analysis of Financial Condition and Results of Operation in Item 7.

RESULTS OF OPERATIONS

In the fourth quarter of 2019, cost reimbursement revenue and reimbursed expenses were reclassified from their previous presentation into aggregated financial statement line items titled “cost reimbursement revenue” and “reimbursed expenses” in our consolidated statements of operations. Our presentation of prior year revenue and operating expense line item amounts have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on total revenue, total operating expense or net income previously reported.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

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

	Year Ended December 31,		Favorable (Unfavorable)	
	2019	2018	\$ Change	% Change
REVENUE				
Advisory services	\$ 44,184	\$ 47,913	\$ (3,729)	(7.8)%
Hotel management	4,526	—	4,526	
Project management fees	25,584	8,802	16,782	190.7 %
Audio visual	110,609	81,186	29,423	36.2 %
Other	21,179	13,068	8,111	62.1 %
Cost reimbursement revenue	85,168	44,551	40,617	91.2 %
Total revenues	291,250	195,520	95,730	49.0 %
EXPENSES				
Salaries and benefits	59,659	45,310	(14,349)	(31.7)%
Cost of revenues for project management	5,853	1,508	(4,345)	(190.6)%
Cost of revenues for audio visual	82,237	64,555	(17,682)	(27.4)%
Depreciation and amortization	24,542	7,919	(16,623)	(209.9)%
General and administrative	33,484	27,551	(5,933)	(21.5)%
Impairment	—	1,919	1,919	100.0 %
Other	12,062	3,250	(8,812)	(271.1)%
Reimbursed expenses	84,643	44,347	(40,296)	(90.9)%
Total expenses	302,480	196,359	(106,121)	(54.0)%
OPERATING INCOME (LOSS)	(11,230)	(839)	(10,391)	(1,238.5)%
Equity in earnings (loss) of unconsolidated entities	(286)	—	(286)	
Interest expense	(2,059)	(959)	(1,100)	(114.7)%
Amortization of loan costs	(308)	(241)	(67)	(27.8)%
Interest income	46	329	(283)	(86.0)%
Other income (expense)	3	(834)	837	100.4 %
INCOME (LOSS) BEFORE INCOME TAXES	(13,834)	(2,544)	(11,290)	(443.8)%
Income tax (expense) benefit	(1,540)	10,364	(11,904)	(114.9)%
NET INCOME (LOSS)	(15,374)	7,820	(23,194)	(296.6)%
(Income) loss from consolidated entities attributable to noncontrolling interests	536	924	(388)	(42.0)%
Net (income) loss attributable to redeemable noncontrolling interests	983	1,438	(455)	(31.6)%
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	(13,855)	10,182	(24,037)	(236.1)%
Preferred dividends	(14,435)	(4,466)	(9,969)	(223.2)%
Amortization of preferred stock discount	(1,928)	(730)	(1,198)	(164.1)%
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (30,218)	\$ 4,986	\$ (35,204)	(706.1)%

Net Income (Loss) Attributable to Common Stockholders. Net income (loss) attributable to common stockholders changed \$35.2 million, or 706.1%, to \$30.2 million of net loss for the year ended December 31, 2019 (“2019”) compared to the \$5.0 million of net income for the year ended December 31, 2018 (“2018”) as a result of the factors discussed below.

Total Revenues. Total revenue increased \$95.7 million, or 49.0%, to \$291.3 million for 2019 compared to 2018 due to the following (in thousands):

	Year Ended December 31,		Favorable (Unfavorable)	
	2019	2018	\$ Change	% Change
Advisory services revenue:				
Base advisory fee ⁽¹⁾	\$ 42,985	\$ 44,905	\$ (1,920)	(4.3)%
Incentive advisory fee ⁽²⁾	678	2,487	(1,809)	(72.7)%
Other advisory revenue ⁽³⁾	521	521	—	— %
Total advisory services revenue	44,184	47,913	(3,729)	(7.8)%
Hotel management:				
Base management fees	4,054	—	4,054	
Incentive management fees	472	—	472	
Total hotel management revenue ⁽⁴⁾	4,526	—	4,526	
Project management revenue ⁽⁵⁾	25,584	8,802	16,782	190.7 %
Audio visual revenue ⁽⁶⁾	110,609	81,186	29,423	36.2 %
Other revenue:				
Debt placement fees ⁽⁷⁾	1,998	6,093	(4,095)	(67.2)%
Claims management services ⁽⁸⁾	210	213	(3)	(1.4)%
Lease revenue ⁽⁹⁾	4,118	1,005	3,113	309.8 %
Other services ⁽¹⁰⁾	14,853	5,757	9,096	158.0 %
Total other revenue	21,179	13,068	8,111	62.1 %
Cost reimbursement revenue ⁽¹¹⁾	85,168	44,551	40,617	91.2 %
Total revenues	\$ 291,250	\$ 195,520	\$ 95,730	49.0 %
REVENUE BY SEGMENT ⁽¹²⁾				
REIT advisory	\$ 84,701	\$ 91,850	\$ (7,149)	(7.8)%
Remington	47,287	—	47,287	
Premier	30,580	10,634	19,946	187.6 %
JSAV	110,609	81,186	29,423	36.2 %
OpenKey	987	999	(12)	(1.2)%
Corporate and other	17,086	10,851	6,235	57.5 %
Total revenue	\$ 291,250	\$ 195,520	\$ 95,730	49.0 %

⁽¹⁾ The decrease in base advisory fee is due to lower revenue of \$3.0 million from Ashford Trust and higher revenue of \$1.1 million from Braemar.

⁽²⁾ The decrease in incentive advisory fee is due to lower revenue of \$1.8 million from Ashford Trust. The \$678,000 of incentive advisory fee recognized in 2019 includes the second year installment of the Braemar 2018 incentive advisory fee for which payment is due January 2020. The incentive advisory fee for 2018 includes the third year installment of the Ashford Trust 2016 incentive advisory fee in the amount of \$1.8 million, which was paid in January 2019. Incentive fee payments are subject to meeting the December 31 FCCR Condition each year, as defined in our advisory agreements. Ashford Trust's annual total stockholder return did not meet the relevant incentive fee thresholds during the 2019, 2018 and 2017 measurement periods. Braemar's annual total stockholder return did not meet the relevant incentive fee thresholds during the 2019, 2017 and 2016

measurement periods.

- (3) Other advisory revenue remained steady. Other advisory revenue from Braemar is a result of the \$5.0 million cash payment received upon stockholder approval of the Fourth Amended and Restated Braemar Advisory Agreement in June 2017. The payment is included in “deferred income” on our consolidated balance sheets and is being recognized over the initial ten-year term of the agreement.
- (4) The increase in hotel management revenue is due to our acquisition of Remington in November of 2019.
- (5) The increase in project management revenue is due to the growth of Premier and the timing of our acquisition of Premier in August 2018.
- (6) The \$29.4 million increase in audio visual revenue is due to the growth of JSAV and JSAV’s acquisition of BAV in March 2019.
- (7) The decrease in debt placement fee revenue is due to an unusually high volume of debt financings during the second quarter of 2018, primarily from Ashford Trust. We recorded lower revenue of \$3.8 million from Ashford Trust and lower revenue of \$295,000 from Braemar in 2019. Debt placement fees include revenues earned from providing debt placement services by Lismore Capital, our wholly-owned subsidiary.
- (8) Claims management services include revenues earned from providing insurance claim assessment and administration services.
- (9) In connection with our ERFPA Agreements and legacy key money transaction with Ashford Trust and legacy key money transaction with Braemar, we lease FF&E to Ashford Trust and Braemar rent-free. Our ERFPA leases entered into in 2018 with Ashford Trust commenced on December 31, 2018. Consistent with our accounting treatment prior to adopting ASU 2016-02, *Leases* (“ASU 2016-02”), a portion of the base advisory fee for leases, which commenced prior to our adoption, is allocated to lease revenue each period equal to the estimated fair value of the lease payments that would have been made.
- (10) The increase in other services revenue is primarily due to increased revenue from RED of \$8.0 million due to the growth of the entity that conducts RED’s legacy U.S. Virgin Islands operations and RED’s acquisition of Sebago in July of 2019. \$1.3 million of the increase in other services revenue is from our acquisition of Marietta in November of 2019. Other services revenue primarily relates to other hotel services provided by our consolidated subsidiaries, OpenKey, RED, Pure Wellness and Marietta, to Ashford Trust, Braemar and other third parties.
- (11) The increase in cost reimbursement revenue is primarily due to \$42.8 million of cost reimbursement revenue recognized in 2019 for hotel management services from our Remington subsidiary acquired in November of 2019.
- (12) See note 19 to our consolidated financial statements for discussion of segment reporting.

Salaries and Benefits Expense. Salaries and benefits expense increased \$14.3 million, or 31.7%, to \$59.7 million for 2019 compared to 2018. The change in salaries and benefits expense consisted of the following (in thousands):

	Year Ended December 31,		\$ Change
	2019	2018	
Cash salaries and benefits:			
Salary expense	\$ 35,170	\$ 24,696	\$ 10,474
Bonus expense	14,314	13,724	590
Benefits related expenses	7,499	5,754	1,745
Total cash salaries and benefits ⁽¹⁾	56,983	44,174	12,809
Non-cash equity-based compensation:			
Stock option grants ⁽²⁾	8,313	9,580	(1,267)
Employee equity grant expense	95	—	95
Total non-cash equity-based compensation	8,408	9,580	(1,172)
Non-cash (gain) loss in deferred compensation plan ⁽³⁾	(5,732)	(8,444)	2,712
Total salaries and benefits	\$ 59,659	\$ 45,310	\$ 14,349

⁽¹⁾ The change in cash salaries and benefits expense is primarily due to our acquisition of Remington Lodging in November of 2019, JSAV's acquisition of BAV in March of 2019 and the timing of our acquisition of Premier in August of 2018. Cash salaries and benefits included increases in 2019 of \$2.3 million, \$2.9 million and \$7.4 million from Remington, Premier, and JSAV, respectively.

⁽²⁾ The decrease is primarily due to \$2.5 million of expense recorded in 2018 related to the accelerated vesting of stock option awards upon the death of one of our executive officers, in accordance with the terms of the awards. See notes 2, 15 and 17 to our consolidated financial statements.

⁽³⁾ The DCP obligation is recorded as a liability at fair value with changes in fair value reflected in earnings. The gains in 2019 and in 2018 are primarily attributable to decreases in the fair value of the DCP obligation. See note 16 to our consolidated financial statements.

Cost of Revenues for Project Management. Cost of revenues for project management increased \$4.3 million, or 190.6% to \$5.9 million during 2019 compared to \$1.5 million for 2018, primarily due to the growth of Premier and the timing of our acquisition of Premier in August 2018.

Cost of Revenues for Audio Visual. Cost of revenues for audio visual increased \$17.7 million, or 27.4%, to \$82.2 million during 2019 compared to \$64.6 million for 2018, primarily due to the growth of JSAV and JSAV's acquisition of BAV in March 2019.

Depreciation and Amortization Expense. Depreciation and amortization expense increased by \$16.6 million, or 209.9%, to \$24.5 million for 2019 compared to 2018, primarily as a result of an increase of \$8.1 million in amortization related to the acquisition of Premier's definite-lived intangible assets in August of 2018 and \$6.0 million of depreciation related to ERFPA assets. See note 5 to our consolidated financial statements. Depreciation and amortization expense for 2019 and 2018 excludes depreciation expense related to audio visual equipment of \$4.7 million and \$3.8 million, respectively, which is included in "cost of revenues for audio visual", \$1.5 million and \$1.4 million of depreciation expense of capitalized software included in "reimbursed expenses" and excludes depreciation expense for 2019 and 2018 related to marine vessels in the amount of \$441,000 and \$172,000, respectively, which is included in "other" operating expense.

General and Administrative Expense. General and administrative expenses increased \$5.9 million, or 21.5%, to \$33.5 million for 2019 compared to 2018. The change in general and administrative expense consisted of the following (in thousands):

	Year Ended December 31,		\$ Change
	2019	2018	
Professional fees ⁽¹⁾	\$ 16,090	\$ 15,125	\$ 965
Office expense ⁽²⁾	7,692	5,312	2,380
Public company costs	591	627	(36)
Director costs	1,458	1,411	47
Travel and other expense ⁽³⁾	7,317	4,816	2,501
Non-capitalizable - software costs	336	260	76
Total general and administrative	<u>\$ 33,484</u>	<u>\$ 27,551</u>	<u>\$ 5,933</u>

(1) The increase in expense is primarily due to increases in legal fees and transaction costs related to the acquisition of Remington Lodging in November of 2019 offset by decreases in similar expenses related to the acquisition of Premier in August of 2018 and our increased investment in RED.

(2) The increase in expense is primarily due to increased rent expense from our acquisitions of Remington and Premier.

(3) The increase in expense is primarily due to our acquisitions of Remington and Premier and increased investments in JSAV and RED.

Impairment. Impairment expense was \$0 during 2019 compared to \$1.9 million for 2018. Impairment expense in 2018 was recognized upon determination that a portion of capitalized software that was not eligible for reimbursement would not be placed into service. An impairment charge of \$1.9 million was recorded for the year ended December 31, 2018, partially offset by recognition of deferred income from reimbursable expenses related to capitalized software implementation costs. See notes 2 and 17 to our consolidated financial statements.

Other. Other operating expense was \$12.1 million and \$3.3 million for 2019 and 2018, respectively. Other operating expense includes cost of goods sold and royalties associated with OpenKey, RED, Pure Wellness and Marietta as well as \$5.6 million in expense from the changes in the fair value of contingent consideration related to JSAV's acquisition of BAV in March 2019 and RED's acquisition of Sebago in July 2019. See notes 5 and 9 to our consolidated financial statements.

Reimbursed Expenses. Reimbursed expenses increased \$40.3 million, or 90.9%, to \$84.6 million during 2019 compared to \$44.3 million for 2018 primarily due to hotel management expenses incurred by our Remington subsidiary acquired in November of 2019.

Reimbursed expenses recorded may vary from cost reimbursement revenue recognized in the period due to timing differences between the costs we incur for centralized software programs and the related reimbursements we receive from Ashford Trust and Braemar. Over the long term, these timing differences are not designed to impact our economics, either positively or negatively. The timing differences consisted of the following (in thousands):

	Year Ended December 31,		\$ Change
	2019	2018	
Cost reimbursement revenue	\$ 85,168	\$ 44,551	\$ 40,617
Reimbursed expenses	84,643	44,347	40,296
Net total	<u>\$ 525</u>	<u>\$ 204</u>	<u>\$ 321</u>

Equity in Earnings (Loss) of Unconsolidated Entities. Equity in loss of unconsolidated entities changed \$286,000 for 2019 due to our investment in REA Holdings in January of 2019. See notes 1 and 2 to our consolidated financial statements.

Interest Expense. Interest expense was \$2.1 million and \$959,000 for 2019 and 2018, respectively, related to the notes payable, lines of credit and capital leases held by the Company and our consolidated subsidiaries. See notes 2 and 7 to our consolidated financial statements.

Amortization of Loan Costs. Amortization of loan costs was \$308,000 and \$241,000 for 2019 and 2018, respectively, related to the notes payable and lines of credit held by the Company and our consolidated subsidiaries. See notes 2 and 7 to our consolidated financial statements.

Interest Income. Interest income was \$46,000 and \$329,000 for 2019 and 2018, respectively.

Other Income (Expense). Other income was \$3,000 and other expense was \$834,000 in 2019 and 2018, respectively.

Income Tax (Expense) Benefit. Income tax expense increased by \$11.9 million, from \$10.4 million benefit in 2018 to \$1.5 million expense in 2019. Current tax expense increased by \$1.6 million, from \$1.9 million in 2018 to \$3.5 million in 2019, due to higher taxable income which was primarily the result of non-deductible GAAP amortization expense. Deferred tax benefit decreased by \$10.3 million from \$12.2 million in benefit in 2018 to \$1.9 million in benefit in 2019. The difference in deferred tax benefit between the two years is primarily related to the valuation allowance reversal that occurred in the third quarter of 2018.

(Income) Loss from Consolidated Entities Attributable to Noncontrolling Interests. The noncontrolling interests in consolidated entities were allocated a loss of \$536,000 in 2019 and a loss of \$924,000 in 2018. See notes 2, 13, and 17 to our consolidated financial statements for more details regarding ownership interests, carrying values and allocations.

Net (Income) Loss Attributable to Redeemable Noncontrolling Interests. The redeemable noncontrolling interests were allocated a loss of \$1.0 million in 2019 and a loss of \$1.4 million in 2018. Redeemable noncontrolling interests represented ownership interests in Ashford Holdings and certain of our consolidated subsidiaries. For a summary of ownership interests, carrying values and allocations, see notes 2, 14, and 17 to our consolidated financial statements.

Preferred Dividends. Preferred dividends increased \$10.0 million to \$14.4 million during 2019 compared to \$4.5 million for 2018, primarily due to the timing of the issuance of the Series B Convertible Preferred Stock in the acquisition of Premier in August 2018 and the issuance of the Series D Convertible Preferred Stock in the acquisition of Remington Lodging in November 2019.

Amortization of Preferred Stock Discount. The amortization of preferred stock discount increased \$1.2 million to \$1.9 million during 2019 compared to \$730,000 from 2018, primarily due to the timing of the issuance of the Series B Convertible Preferred Stock in the acquisition of Premier in August 2018 and the issuance of the Series D Convertible Preferred Stock in the acquisition of Remington Lodging in November 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

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

	Year Ended December 31,		Favorable (Unfavorable)	
	2018	2017	\$ Change	% Change
REVENUE				
Advisory services.....	\$ 47,913	\$ 46,883	\$ 1,030	2.2 %
Project management fees	8,802	—	8,802	
Audio visual	81,186	9,186	72,000	783.8 %
Other	13,068	4,429	8,639	195.1 %
Cost reimbursement revenue.....	44,551	21,075	23,476	111.4 %
Total revenues	<u>195,520</u>	<u>81,573</u>	<u>113,947</u>	<u>139.7 %</u>
EXPENSES				
Salaries and benefits	45,310	49,335	4,025	8.2 %
Cost of revenues for project management	1,508	—	(1,508)	
Cost of revenues for audio visual.....	64,555	7,757	(56,798)	(732.2)%
Depreciation and amortization.....	7,919	1,958	(5,961)	(304.4)%
General and administrative	27,551	8,886	(18,665)	(210.0)%
Impairment.....	1,919	1,072	(847)	(79.0)%
Other	3,250	2,153	(1,097)	(51.0)%
Reimbursed expenses.....	44,347	20,934	(23,413)	(111.8)%
Total expenses	<u>196,359</u>	<u>92,095</u>	<u>(104,264)</u>	<u>(113.2)%</u>
OPERATING INCOME (LOSS)	<u>(839)</u>	<u>(10,522)</u>	<u>9,683</u>	<u>92.0 %</u>
Interest expense.....	(959)	(83)	(876)	(1,055.4)%
Amortization of loan costs.....	(241)	(39)	(202)	(517.9)%
Interest income.....	329	244	85	34.8 %
Dividend income.....	—	93	(93)	(100.0)%
Unrealized gain (loss) on investments.....	—	203	(203)	(100.0)%
Realized gain (loss) on investments.....	—	(294)	294	100.0 %
Other income (expense).....	(834)	(73)	(761)	(1,042.5)%
INCOME (LOSS) BEFORE INCOME TAXES	<u>(2,544)</u>	<u>(10,471)</u>	<u>7,927</u>	<u>75.7 %</u>
Income tax (expense) benefit.....	10,364	(9,723)	20,087	206.6 %
NET INCOME (LOSS)	<u>7,820</u>	<u>(20,194)</u>	<u>28,014</u>	<u>138.7 %</u>
(Income) loss from consolidated entities attributable to noncontrolling interests	924	358	566	158.1 %
Net (income) loss attributable to redeemable noncontrolling interests	1,438	1,484	(46)	(3.1)%
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	<u>10,182</u>	<u>(18,352)</u>	<u>28,534</u>	<u>155.5 %</u>
Preferred dividends.....	(4,466)	—	(4,466)	
Amortization of preferred stock discount.....	(730)	—	(730)	
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ 4,986</u>	<u>\$ (18,352)</u>	<u>\$ 23,338</u>	<u>127.2 %</u>

Net Income (Loss) Attributable to Common Stockholders. Net income attributable to common stockholders changed \$23.3 million, or 127.2%, to \$5.0 million for 2018 compared to the year ended December 31, 2017 (“2017”) as a result of the factors discussed below.

Total Revenues. Total revenue increased \$113.9 million, or 139.7% to \$195.5 million in 2018. The changes in total revenue consisted of the following (in thousands):

	Year Ended December 31,		Favorable (Unfavorable)	
	2018	2017	\$ Change	% Change
Advisory services revenue:				
Base advisory fee ⁽¹⁾	\$ 44,905	\$ 43,523	\$ 1,382	3.2 %
Incentive advisory fee ⁽²⁾	2,487	3,083	(596)	(19.3)%
Other advisory revenue ⁽³⁾	521	277	244	88.1 %
Total advisory services revenue	47,913	46,883	1,030	2.2 %
Project management revenue ⁽⁴⁾	8,802	—	8,802	
Audio visual revenue ⁽⁵⁾	81,186	9,186	72,000	783.8 %
Other revenue:				
Debt placement fees ⁽⁶⁾	6,093	1,137	4,956	435.9 %
Claims management services ⁽⁷⁾	213	—	213	
Lease revenue ⁽⁸⁾	1,005	893	112	12.5 %
Other services ⁽⁹⁾	5,757	2,399	3,358	140.0 %
Total other revenue	13,068	4,429	8,639	195.1 %
Cost reimbursement revenue ⁽¹⁰⁾	44,551	21,075	23,476	111.4 %
Total revenues	\$ 195,520	\$ 81,573	\$ 113,947	139.7 %
REVENUE ⁽¹¹⁾				
REIT advisory	\$ 91,850	\$ 68,851	\$ 22,999	33.4 %
Premier	10,634	—	10,634	
JSAV	81,186	9,186	72,000	783.8 %
OpenKey	999	327	672	205.5 %
Corporate and other	10,851	3,209	7,642	238.1 %
Total revenue	\$ 195,520	\$ 81,573	\$ 113,947	139.7 %

(1) The increase in base advisory fee is due to higher revenue of \$758,000 from Ashford Trust and higher revenue of \$624,000 from Braemar.

(2) The decrease in incentive advisory fee is due to lower revenue of \$596,000 from Braemar. The incentive advisory fee for 2018 includes the first year installment of the Braemar 2018 incentive advisory fee in the amount of \$678,000 and the third year installment of the Ashford Trust 2016 incentive advisory fee in the amount of \$1.8 million for which was paid in January 2019. The incentive advisory fee for 2017 includes the second year installment of the Ashford Trust 2016 incentive advisory fee in the amount of \$1.8 million, which was paid in January 2018, as well as the third year installment of the Braemar 2015 incentive advisory fee in the amount of \$1.3 million, which was also paid in January 2018. Incentive fee payments are subject to meeting the December 31 FCCR Condition each year, as defined in our advisory agreements. Ashford Trust's annual total stockholder return did not meet the relevant incentive fee thresholds during the 2018, 2017 and 2015 measurement periods. Braemar's annual total stockholder return did not meet the relevant incentive fee thresholds during the 2017 and 2016 measurement periods.

(3) The increase in other advisory revenue is due to higher revenue of \$244,000 from Braemar as a result of the \$5.0 million cash payment received upon stockholder approval of the Fourth Amended and Restated Braemar Advisory Agreement in June 2017. The payment is included in "deferred income" on our consolidated balance sheets and is being recognized over the initial ten-year term of the agreement.

- (4) The \$8.8 million increase in project management revenue is due to our acquisition of Premier in August 2018.
- (5) The \$72.0 million increase in audio visual revenue is due to our acquisition of JSAV in November 2017.
- (6) The increase in debt placement fee revenue is due to an unusually high volume of debt financings during the second quarter of 2018, primarily from Ashford Trust. We recorded higher revenue of \$4.2 million from Ashford Trust and higher revenue of \$775,000 from Braemar. Debt placement fees include revenues earned from providing debt placement services by Lismore Capital, our wholly-owned subsidiary.
- (7) Claims management services include revenues earned from providing insurance claim assessment and administration services.
- (8) In connection with our ERFPA Agreements and legacy key money transaction with Ashford Trust and legacy key money transaction with Braemar, we lease FF&E to Ashford Trust and Braemar rent-free. Our ERFPA leases entered into in 2018 with Ashford Trust commenced on December 31, 2018. Consistent with our accounting treatment prior to adopting ASU 2016-02, *Leases* (“ASU 2016-02”), a portion of the base advisory fee for leases, which commenced prior to our adoption, is allocated to lease revenue each period equal to the estimated fair value of the lease payments that would have been made.
- (9) The increase in other services revenue is primarily due to \$1.4 million of revenue from our purchase of the assets related to RED operations in the U.S. Virgin Islands in 2018, increased revenue of \$1.3 million from Pure Wellness and increased revenue of \$672,000 from OpenKey. Other services revenue relates to other hotel products and services provided by our consolidated subsidiaries, OpenKey, Pure Wellness and RED, to Ashford Trust, Braemar and third parties.
- (10) The increase in cost reimbursement revenue is primarily due to an increase in non-cash equity-based compensation revenue of \$14.2 million from Ashford Trust and \$8.2 million from Braemar. Non-cash equity-based compensation revenue is associated with equity grants of Ashford Trust’s and Braemar’s common stock and LTIP units awarded to officers and employees of Ashford Inc. for which we recorded an offsetting expense in an equal amount included in “reimbursed expenses.” During 2018, \$6.7 million of non-cash equity-based compensation revenue, including \$4.5 million and \$2.2 million from Ashford Trust and Braemar, respectively, related to accelerated vesting, in accordance with the terms of the awards, as a result of the death of an executive in March 2018.
- (11) See note 19 to our consolidated financial statements for discussion of segment reporting.

Salaries and Benefits Expense. Salaries and benefits expense decreased \$4.0 million, or 8.2%, to \$45.3 million in 2018 compared to 2017. The change in salaries and benefits expense consisted of the following (in thousands):

	Year Ended December 31,		\$ Change
	2018	2017	
Cash salaries and benefits:			
Salary expense	\$ 24,696	\$ 18,664	\$ 6,032
Bonus expense	13,724	9,058	4,666
Benefits related expenses	5,754	2,984	2,770
Total cash salaries and benefits ⁽¹⁾	44,174	30,706	13,468
Non-cash equity-based compensation:			
Stock option grants ⁽²⁾	9,580	7,535	2,045
Pre spin-off Ashford Trust equity grants ⁽³⁾	—	684	(684)
Total non-cash equity-based compensation	9,580	8,219	1,361
Non-cash (gain) loss in deferred compensation plan ⁽⁴⁾	(8,444)	10,410	(18,854)
Total salaries and benefits	<u>\$ 45,310</u>	<u>\$ 49,335</u>	<u>\$ (4,025)</u>

(1) The change in cash salaries and benefits expense is primarily due to fluctuations in the number of employees, salary and bonus awards, group insurance costs, payroll taxes and employee participation in the benefits offered. Cash salaries and benefits recorded in 2018 included \$1.3 million of severance costs and \$716,000 of additional bonus expense recorded upon receiving approval from the board of directors in the first quarter of 2018. The acquisition of JSAV in November 2017 contributed \$5.8 million to the increase over 2017.

(2) The increase is primarily due to \$2.5 million of expense related to the accelerated vesting of stock option awards upon the death of one of our executive officers, in accordance with the terms of the awards, partially offset by forfeitures. See notes 2, 15 and 17 to our consolidated financial statements.

- (3) As a result of our spin-off, we assumed all of the unrecognized equity-based compensation associated with prior Ashford Trust equity grants. As a result, we continued to recognize equity-based compensation expense related to these grants through the final vesting date in April 2017. The expense decreased each year as the Ashford Trust equity grants became fully vested. See notes 2 and 15 to our consolidated financial statements.
- (4) The DCP obligation is recorded as a liability at fair value with changes in fair value reflected in earnings. The gain in 2018 and the loss in 2017 are primarily attributable to decreases and increases, respectively, in the fair value of the DCP obligation. See note 16 to our consolidated financial statements.

Cost of Revenues for Project Management. Cost of revenues for project management was \$1.5 million during 2018 compared to \$0 for 2017, due to costs associated with project management revenues from the acquisition of Premier which occurred in August 2018.

Cost of Revenues for Audio Visual. Cost of revenues for audio visual was \$64.6 million during 2018 compared to \$7.8 million for 2017, due to new costs associated with new audio visual revenues from the acquisition of JSAV which occurred in November 2017.

Depreciation and Amortization Expense. Depreciation and amortization expense increased by \$6.0 million, or 304.4%, to \$7.9 million for 2018 compared to 2017, primarily as a result of the amortization of the Premier and JSAV definite-lived intangible assets and the November 2017 JSAV acquisition. See note 4 to our consolidated financial statements. Depreciation and amortization expense for the years ended December 31, 2018 and 2017, excludes depreciation expense related to audio visual rental pool equipment of \$3.8 million and \$411,000, respectively, which is included in cost of revenues for audio visual, \$1.4 million and \$569,000 of depreciation expense of capitalized software included in “reimbursed expenses” and also excludes depreciation expense related to marine vessels of \$172,000 for the year ended December 31, 2018, which is included in “other” operating expense.

General and Administrative Expense. General and administrative expenses increased \$18.7 million, or 210.0%, to \$27.6 million in 2018 compared to 2017. The change in general and administrative expense consisted of the following (in thousands):

	Year Ended December 31,		
	2018	2017	\$ Change
Professional fees ⁽¹⁾	\$ 15,125	\$ 5,220	\$ 9,905
Office expense ⁽²⁾	5,312	523	4,789
Public company costs	627	456	171
Director costs	1,411	970	441
Travel and other expense ⁽²⁾	4,816	1,671	3,145
Non-capitalizable costs - software implementation	260	46	214
Total general and administrative	\$ 27,551	\$ 8,886	\$ 18,665

(1) The increase in expense is primarily due to increases in legal fees and transaction costs related to the acquisition of Premier, development and execution of our ERFP program and our investments in JSAV and RED.

(2) The increase in expense is primarily due to our investments in Premier, JSAV and RED.

Impairment. Impairment of capitalized software implementation costs was \$1.9 million during 2018 compared to \$1.1 million for 2017. See notes 2 and 17 to our consolidated financial statements.

Other. Other operating expense was \$3.3 million and \$2.2 million for 2018 and 2017, respectively. Other operating expense includes cost of goods sold and royalties associated with OpenKey, Pure Wellness and RED as well as expense from the increase in fair value of contingent consideration related to the JSAV acquisition. See note 9 to our consolidated financial statements.

Reimbursed Expenses. Reimbursed expenses increased \$23.5 million, or 111.4%, to \$44.3 million during 2018 compared to \$20.9 million for 2017 primarily due to increased expenses for non-cash equity-based compensation associated with equity grants of Ashford Trust's and Braemar's common stock and LTIP units awarded to officers and employees of Ashford Inc.

Reimbursed expenses recorded may vary from cost reimbursement revenue recognized in the period due to timing differences between the costs we incur for centralized software programs and the related reimbursements we receive from Ashford Trust and Braemar. Over the long term, these timing differences are not designed to impact our economics, either positively or negatively. The timing differences consisted of the following (in thousands):

	Year Ended December 31,		\$ Change
	2018	2017	
Cost reimbursement revenue.....	\$ 44,551	\$ 21,075	\$ 23,476
Reimbursed expenses.....	44,347	20,934	23,413
Net total.....	<u>\$ 204</u>	<u>\$ 141</u>	<u>\$ 63</u>

Interest Expense. Interest expense was \$959,000 and \$83,000 for 2018 and 2017, respectively, related to the notes payable, lines of credit and capital leases held by our consolidated subsidiaries. See notes 2 and 7 to our consolidated financial statements.

Amortization of Loan Costs. Amortization of loan costs was \$241,000 and \$39,000 for 2018 and 2017, respectively, related to the notes payable and lines of credit held by our consolidated subsidiaries. See notes 2 and 7 to our consolidated financial statements.

Interest Income. Interest income was \$329,000 and \$244,000 for 2018 and 2017, respectively.

Dividend Income. Dividend income was \$0 and \$93,000 for 2018 and 2017, respectively, related to investments held by the AQUA U.S. Fund which was fully dissolved during the year ended December 31, 2017.

Unrealized Gain (Loss) on Investments. Unrealized gain on investments was \$0 for 2018 and \$203,000 for 2017, primarily related to investments held by the AQUA U.S. Fund which was fully dissolved during the year ended December 31, 2017. The unrealized gain (loss) on investments is based on changes in closing market prices during the period.

Realized Gain (Loss) on Investments. Realized loss on investments was \$0 for 2018 and \$294,000 in 2017. The realized loss on investments is related to options on futures contracts and investments held by the AQUA U.S. Fund which was fully dissolved during the year ended December 31, 2017.

Other Income (Expense). Other expense was \$834,000 and \$73,000 in 2018 and 2017, respectively.

Income Tax (Expense) Benefit. Income tax expense decreased by \$20.1 million, from \$9.7 million expense in 2017 to \$10.4 million benefit in 2018. Current tax expense decreased by \$1.9 million, from \$3.8 million in 2017 to \$1.9 million in 2018, due to lower taxable income which was primarily the result of deductions for bonus depreciation. Deferred tax benefit increased by \$18.2 million from \$6.0 million expense in 2017 to \$12.2 million benefit in 2018. The 2017 period expense was related primarily to the April 2017 legal entity restructuring of the Company, and 2018 benefit was related primarily to the acquisition of Premier, which resulted in the reversal of the valuation allowance on our deferred tax assets in the third quarter of 2018.

(Income) Loss from Consolidated Entities Attributable to Noncontrolling Interests. The noncontrolling interests in consolidated entities were allocated a loss of \$924,000 in 2018 and a loss of \$358,000 in 2017. See notes 2, 13, and 17 to our consolidated financial statements for more details regarding ownership interests, carrying values and allocations.

Net (Income) Loss Attributable to Redeemable Noncontrolling Interests. The redeemable noncontrolling interests were allocated a loss of \$1.4 million in 2018 and a loss of \$1.5 million in 2017. Redeemable noncontrolling interests represented ownership interests in Ashford Holdings and certain of our consolidated subsidiaries. Prior to April 6, 2017, the noncontrolling interests represented ownership interests in Ashford LLC. See note 1 to our consolidated financial statements. For a summary of ownership interests, carrying values and allocations, see notes 2, 14, and 17 to our consolidated financial statements.

Preferred Dividends. Preferred dividends of \$4.5 million recorded in 2018 are due to the issuance of the Series B Convertible Preferred Stock in the acquisition of Premier in August 2018.

Amortization of Preferred Stock Discount. The amortization of preferred stock discount of \$730,000 recorded in 2018 is due to the issuance of the Series B Convertible Preferred Stock in the acquisition of Premier in August 2018.

LIQUIDITY AND CAPITAL RESOURCES

Our short-term liquidity requirements consist primarily of funds necessary to pay for operating expenses primarily attributable to paying our employees as well as funding our ERFp commitments and other capital expenditures and dividends on preferred stock. We expect to meet our short-term liquidity requirements generally through net cash provided by operations, existing cash balances and, if necessary, short-term borrowings under our revolving credit facilities or other loans, which we believe will provide sufficient liquidity to meet our existing non-discretionary obligations and anticipated ordinary course operating expenses for at least the next twelve months.

Our long-term liquidity requirements consist primarily of funds necessary to pay for operating expenses attributable to paying our employees, investments to grow our business, funding our ERFp commitments, paying dividends on preferred stock and certain subsidiary financing transactions. We expect to meet our long-term liquidity requirements through various sources of capital, including net cash provided by operations, future equity issuances and availability under our revolving credit facilities.

ERFP Commitments—On June 26, 2018, the Company entered into the Ashford Trust ERFp Agreement with Ashford Trust. The independent members of the board of directors of each of the Company and Ashford Trust, with the assistance of separate and independent legal counsel, engaged to negotiate the Ashford Trust ERFp Agreement on behalf of the Company and Ashford Trust, respectively. On January 15, 2019, the Company entered into the Braemar ERFp Agreement with Braemar. The independent members of the board of directors of each of the Company and Braemar, with the assistance of separate and independent legal counsel, engaged to negotiate the Braemar ERFp Agreement on behalf of the Company and Braemar, respectively. Under the ERFp Agreements, the Company agreed to provide \$50 million (each, an “Aggregate ERFp Amount” and collectively, the “Aggregate ERFp Amounts”) to each of the REITs, respectively, in connection with each such REIT’s acquisition of hotels recommended by us, with the option to increase each Aggregate ERFp Amount to up to \$100 million upon mutual agreement by the parties to the respective ERFp Agreement. Under each of the ERFp Agreements, the Company will pay each REIT 10% of each acquired hotel’s purchase price in exchange for FF&E at a property owned by such REIT, which will be subsequently leased by us to such REIT rent-free. Each of the REITs must provide reasonable advance notice to the Company to request ERFp funds in accordance with the respective ERFp Agreement. The ERFp Agreements require that the Company acquire the related FF&E either at the time of the property acquisition or at any time generally within two years of the REITs acquisition of the hotel property. The Company recognizes the related depreciation tax deduction at the time such FF&E is purchased by the Company and placed into service at the respective REIT’s hotel properties. However, the timing of the FF&E being purchased and placed into service is subject to uncertainties outside of the Company’s control that could delay the realization of any tax benefit associated with the purchase of FF&E.

The changes in our ERFp commitments to Ashford Trust and Braemar from inception of the programs in 2018 and 2019, respectively, through December 31, 2019, are as follows (in thousands):

	Ashford Trust	Braemar	Total
ERFP Commitments:			
ERFP Commitments at January 1, 2018	\$ —	\$ —	\$ —
ERFP commitment—Hilton Alexandria Old Town	11,100	—	11,100
ERFP commitment—La Posada de Santa Fe	5,000	—	5,000
ERFP payment—Hilton Alexandria Old Town	(11,100)	—	(11,100)
ERFP payment—La Posada de Santa Fe	(5,000)	—	(5,000)
ERFP Commitments remaining at December 31, 2018	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
ERFP commitment—Hilton Santa Cruz/Scotts Valley	5,000	—	5,000
ERFP commitment—The Embassy Suites New York Manhattan Times Square	19,500	—	19,500
ERFP payment—Hilton Santa Cruz/Scotts Valley	(5,000)	—	(5,000)
ERFP payment—The Embassy Suites New York Manhattan Times Square	(8,089)	—	(8,089)
ERFP commitment—Ritz-Carlton, Lake Tahoe	—	10,300	10,300
ERFP payment—Ritz-Carlton, Lake Tahoe	—	(10,300)	(10,300)
ERFP Commitments remaining at December 31, 2019 ⁽¹⁾	<u>\$ 11,411</u>	<u>\$ —</u>	<u>\$ 11,411</u>

⁽¹⁾ See note 11 to our consolidated financial statements.

Other liquidity considerations—On December 5, 2017, the Board of Directors of Ashford Inc. approved a stock repurchase program pursuant to which the Board granted a repurchase authorization to acquire shares of the Company’s common stock, par value \$0.01 per share having an aggregate value of up to \$20 million. No shares were repurchased under the stock repurchase program during the year ended December 31, 2019 or 2018.

On October 2, 2019, as approved by the Board, the Company acquired an aggregate 412,974 shares of its common stock from Ashford Trust and Braemar for \$30 per share, resulting in a total cost of approximately \$12.4 million. Subsequent to the stock repurchase, the 412,974 acquired shares were retired by the Company.

The Company has a \$35.0 million senior revolving credit facility with Bank of America, N.A. that matures in March 2021. There is a one-year extension option subject to the satisfaction of certain conditions. The senior revolving credit facility includes the opportunity to expand the borrowing capacity by up to \$40.0 million to an aggregate amount of \$75.0 million, subject to certain conditions. On October 14, 2019, the Company drew \$10.0 million on our senior revolving credit facility with Bank of America, N.A. As of December 31, 2019, \$25.0 million was available under the senior revolving credit facility.

Our acquisition of Remington Lodging in November 2019 included the leasehold interest of a single hotel and convention center property in Marietta, Georgia, from the City of Marietta. The lease is considered to be a finance lease and resulted in an increase to finance lease liabilities of approximately \$40.1 million. The lease matures in December 2054.

On January 28, 2020, the Company made a cash payment of \$1.0 million to the sellers of Sebago to settle our contingent consideration liability at the six month anniversary of the date of acquisition. For further discussion see note 5 to our consolidated financial statements.

Additional information pertaining to other liquidity considerations of the Company can be found in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Certain segments of our business are capital intensive and may require additional financing from time to time. Any additional financings, if and when pursued, may not be available on favorable terms or at all, which could have a negative impact on our liquidity and capital resources. Aggregate subsidiary notes payable, net was \$26.8 million and \$17.3 million as of December 31, 2019 and December 31, 2018, respectively. As of December 31, 2019, our subsidiaries were in compliance with all financial debt covenants. For further discussion see note 7 to our consolidated financial statements.

Sources and Uses of Cash

As of December 31, 2019 and 2018, we had \$35.3 million and \$51.5 million of cash and cash equivalents, respectively, and \$17.9 million and \$7.9 million of restricted cash, respectively.

Net Cash Flows Provided by Operating Activities. Operating activities provided net cash flows of \$24.7 million and \$21.5 million for the year ended December 31, 2019 and 2018, respectively. The increase in cash flows provided by operating activities was primarily due to an increase in earnings compared to 2018 from our Premier and JSAV subsidiaries and our Remington subsidiary acquired in November 2019 and the timing of payments to vendors, partially offset by the timing of settlements with Ashford Trust, Braemar and other third parties. The higher cash flows provided by operating activities for the year ended December 31, 2018 was primarily due to an increase in earnings as well as the timing of settlements with related parties and payments to vendors, partially offset by \$10.4 million of transaction costs related to the acquisition of Premier, \$1.4 million of contingent consideration related to the acquisition of JSAV and the timing of operating subsidiaries’ receipt of revenues. In connection with our Fourth Amended and Restated Braemar Advisory Agreement, we received a \$5.0 million cash payment in June 2017 from Braemar which positively impacted operating cash flows in the year ended December 31, 2017.

Net Cash Flows Provided by (Used in) Investing Activities. For the year ended December 31, 2019, net cash flows used in investing activities were \$28.8 million due to the acquisition of BAV Services for \$4.3 million (\$5.0 million cash consideration less working capital adjustments of approximately \$700,000), the acquisition of Sebago for \$2.4 million (\$2.5 million cash consideration less working capital adjustments of approximately \$100,000) and the \$2.2 million investment in REA Holdings. Capital expenditures include \$13.1 million and \$10.3 million related to our ERFPA agreements with Ashford Trust and Braemar, respectively, \$6.7 million of audio visual equipment and property and equipment, \$1.9 million for RED’s legacy U.S. Virgin Islands marine vessels, and \$314,000 for investments in unconsolidated entities. Net cash flows used in investing activities were offset by cash inflows of \$12.1 million of cash acquired in the acquisition of Remington Lodging and \$231,000 for proceeds from disposals of audio visual equipment.

For the year ended December 31, 2018, net cash used in investing activities was \$28.1 million primarily due to \$16.1 million of capital expenditures related to our ERFPA agreement with Ashford Trust, \$8.9 million of capital expenditures for audio visual

equipment and computer software, and \$5.5 million of capital expenditures for RED marine vessels, partially offset by \$2.3 million of cash acquired in the acquisition of Premier and net proceeds from the disposal of property and equipment of \$140,000.

For the year ended December 31, 2017, net cash used in investing activities was \$23.2 million, which was attributable to the acquisition of a controlling interest in JSAV for \$19.0 million (net of cash acquired of approximately \$200,000), purchases of computer software and property and equipment of \$3.6 million, a \$750,000 deposit for certain assets related to RED, partially offset by proceeds from the disposal of property and equipment of \$15,000 and \$129,000 of cash acquired in the acquisition of Pure Wellness.

Net Cash Flows Provided by (Used in) Financing Activities. For the year ended December 31, 2019, net cash flows used in financing activities were \$2.1 million. These cash flows consisted of \$12.4 million of repurchases of common stock from Ashford Trust and Braemar which were subsequently retired, \$9.7 million of payments for dividends on our preferred stock, \$2.5 million of payments on notes payable, \$627,000 of payments on finance lease liabilities, \$63,000 in distributions to non-controlling interests, and \$76,000 of loan cost payments. These were offset by \$11.1 million of proceeds from borrowings on notes payable, \$10.8 million of net borrowings on our revolving credit facilities, \$980,000 of contributions from noncontrolling interests in a consolidated entity, and employee advances of \$353,000 associated with tax withholdings for restricted stock vesting.

For the year ended December 31, 2018, net cash flows provided by financing activities were \$20.5 million due to \$18.9 million of net cash proceeds from the issuance of our common stock, \$2.7 million of contributions from noncontrolling interests in a consolidated entity, \$6.6 million of proceeds from borrowings on notes payable and \$1.0 million of net borrowings on our revolving credit facilities. These were offset by \$4.5 million of dividends paid on our preferred stock, \$1.9 million of payments on notes payable, \$1.2 million of contingent consideration related to the November 2017 acquisition of JSAV, \$638,000 of loan cost payments, \$314,000 in distributions to non-controlling interests, \$123,000 of payments on finance lease liabilities, and net repayments in advances to employees of \$82,000 associated with tax withholdings for restricted stock vesting.

For the year ended December 31, 2017, net cash flows used in financing activities were \$44.5 million. These cash outflows consisted of \$55.3 million of distributions to noncontrolling interests in consolidated entities primarily related to the AQUA Fund that is now dissolved, net advances to employees of \$433,000 associated with tax withholdings for restricted stock vestings, \$222,000 of payments on notes payable, \$83,000 of payments on finance lease liabilities, \$28,000 of loan cost payments, and \$24,000 for the repurchase of common stock, partially offset by \$10.0 million of proceeds from the term loan to finance the acquisition of JSAV, \$983,000 of contributions from noncontrolling interests in a consolidated entity and net borrowings on the JSAV revolving credit facility of \$583,000.

Off-Balance Sheet Arrangements

In the normal course of business, we may form or invest in partnerships or joint ventures. We evaluate each partnership and joint venture to determine whether the entity is a variable interest entity (“VIE”). If the entity is determined to be a VIE, we assess whether we are the primary beneficiary and need to consolidate the entity. For further discussion see notes 1 and 2 to our consolidated financial statements.

Long-term liability of our subsidiary compensation plan

We do not record the long-term liability portion of the Ashford Trust and Braemar shares granted to subsidiary employees participating in our subsidiary compensation plan on the balance sheet. The long-term liability was \$687,000 as of December 31, 2019.

Contractual Obligations and Commitments

The table below summarizes future obligations as of December 31, 2019 (in thousands):

	Payments Due by Period				
	< 1 Year	1-3 Years	3-5 Years	>5 Years	Total
Contractual obligations:					
Long-term debt obligations.....	\$ 3,341	\$ 29,572	\$ 1,285	\$ 2,612	\$ 36,810
Estimated interest obligations ⁽¹⁾	1,709	1,890	378	482	4,459
Finance lease obligations.....	3,164	6,106	5,962	86,188	101,420
Operating lease obligations.....	4,795	9,041	8,080	20,441	42,357
Subsidiary compensation plan.....	415	—	—	—	415
Deferred compensation plan ⁽²⁾	35	78	—	4,616	4,729
Total contractual obligations.....	<u>\$ 13,459</u>	<u>\$ 46,687</u>	<u>\$ 15,705</u>	<u>\$ 114,339</u>	<u>\$ 190,190</u>

⁽¹⁾ For variable-rate indebtedness, interest obligations are estimated based on the LIBOR and Prime interest rates as of December 31, 2019. We have assumed that credit facility balances remain outstanding until maturity using the interest rates as of December 31, 2019.

⁽²⁾ Distributions under the deferred compensation plan are made in cash, unless the participant has elected Ashford Inc. common stock as the investment option, in which any such distributions would be made in Ashford Inc. common stock. The deferred compensation plan obligation is carried at fair value based on the underlying investment(s). See note 16 to our consolidated financial statements.

Some of our loan agreements contain financial and other covenants. If we violate these covenants, we could be required to repay a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all. We were in compliance with all covenants at December 31, 2019.

In addition to the amounts discussed above, as of December 31, 2019, we had approximately \$11.4 million of remaining purchase commitments related to our Ashford Trust ERFPA Agreement and \$0 of remaining purchase commitments related to our Braemar ERFPA Agreement. See notes 11 and 17 to our consolidated financial statements.

Critical Accounting Policies

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

Revenue Recognition—Advisory services revenue is reported within our REIT Advisory segment and primarily consists of advisory fees that are recognized when services have been rendered. Advisory fees consist of base fees and incentive fees. For Ashford Trust, prior to June 26, 2018, the base fee was paid quarterly and ranged from 0.50% to 0.70% per annum of the total market capitalization ranging from less than \$6.0 billion to greater than \$10.0 billion plus the Key Money Asset Management Fee, as defined in the amended and restated advisory agreement, subject to certain minimums. Upon effectiveness of the Enhanced Return Funding Program Agreement and Amendment No. 1 to the Amended and Restated Advisory Agreement on June 29, 2018, the base fee is paid monthly and ranges from 0.50% to 0.70% per annum of the total market capitalization ranging from less than

\$6.0 billion to greater than \$10.0 billion plus the Net Asset Fee Adjustment, as defined in the amended and restated advisory agreement, as amended, subject to certain minimums. For Braemar, prior to January 15, 2019, the base fee was paid monthly and was fixed at 0.70% of Braemar's total market capitalization plus the Key Money Asset Management Fee, as defined in the advisory agreement, subject to certain minimums. Upon effectiveness of the Enhanced Return Funding Program Agreement and Amendment No. 1 to the Fifth Amended and Restated Advisory Agreement on January 15, 2019, the base fee is paid monthly and is fixed at 0.70% of Braemar's total market capitalization plus the Net Asset Fee Adjustment, as defined in the advisory agreement, as amended, subject to certain minimums.

Incentive advisory fees are measured annually in each year that Ashford Trust's and/or Braemar's annual total stockholder return exceeds the average annual total stockholder return for each company's respective peer group, subject to the FCCR Condition, as defined in the respective advisory agreements. Incentive advisory fees are paid over a three-year period and each payment is subject to the FCCR Condition, which relates to the ratio of adjusted EBITDA to fixed charges for Ashford Trust or Braemar, as applicable. Incentive advisory fees are a form of variable consideration and therefore must be (i) deferred until such fees are probable of not being subject to significant reversal, and (ii) tied to a performance obligation in the contract with the customer so that revenue recognition depicts the transfer of the related advisory services to the customer. Accordingly, the Company does not record incentive advisory fee revenue in interim periods prior to the fourth quarter of the year in which the incentive fee is measured. The first year installment of incentive advisory fees will generally be recognized only upon measurement in the fourth quarter of the first year of the three year period. The second and third year installments of incentive advisory fees are recognized as revenue on a pro-rata basis each quarter as such amounts are not subject to significant reversal.

Hotel management revenue is reported within our Remington segment and primarily consists of base management fees and incentive management fees. Base management fees and incentive management fees are recognized when services have been rendered. Remington receives base management fees of 3% of gross hotel revenues for managing the hotel employees and daily operations of the hotels. Remington receives an incentive management fee equal to the lesser of 1% of each hotel's annual gross revenues or the amount by which the respective hotel's gross operating profit exceeds the hotel's budgeted gross operating profit.

Project management revenue primarily consists of revenue generated within our Premier segment by providing development and construction, capital improvements, refurbishment, project management, and other services such as purchasing, interior design, architectural services, freight management, and construction management services at properties. Premier receives fees for these services and recognizes revenue over time as services are provided to the customer.

Audio visual revenue primarily consists of revenue generated within our JSAV segment by providing event technology services such as audio visual services, audio visual equipment rental, staging and meeting services and event-related communication systems as well as related technical support, to our customers in various venues including hotels and convention centers. Revenue is recognized in the period in which services are provided pursuant to the terms of the contractual arrangements with our customers. We also evaluate whether it is appropriate to present (i) the gross amount that our customers pay for our services as revenue, and the related commissions paid to the venue as cost of revenue, or (ii) the net amount (gross revenue less the related commissions paid to the venue) as revenue. We are responsible for the delivery of the services, including providing the necessary labor and equipment to perform the services. We are generally subject to inventory risk, have latitude in establishing prices and selecting suppliers and, while in many cases the venue bills the end customer on our behalf, we bear the risk of collection from the customer. The venues' commissions are not dependent on collections. As a result, our revenue is primarily reported on a gross basis. Cost of revenues for audio visual principally includes commissions paid to venues, direct labor costs, the cost of equipment sub-rentals, depreciation of equipment, amortization of signing bonuses, as well as other costs such as supplies, freight, travel and other overhead from our venue and customer facing operations and any losses on equipment disposal.

Other revenue includes revenues provided by certain of our hospitality products and service businesses, including RED. RED's revenue is primarily generated through the provision of watersports activities and ferry and excursion services. The revenue is recognized as services are provided based on contractual customer rates. Debt placement fees include revenues earned from providing debt placement services by Lismore Capital ("Lismore"), our wholly-owned subsidiary. These fees are recognized based on a stated percentage of the loan amount when services have been rendered and the subject loan has closed. In connection with our ERFPA Agreements and legacy key money transaction with Ashford Trust and legacy key money transaction with Braemar, we lease FF&E to Ashford Trust and Braemar rent-free. Our ERFPA leases entered into in 2018 with Ashford Trust commenced on December 31, 2018. Consistent with our accounting treatment prior to adopting ASU 2016-02, *Leases* ("ASU 2016-02"), a portion of the base advisory fee for leases, which commenced prior to our adoption, is allocated to lease revenue each period equal to the estimated fair value of the lease payments that would have been made.

Cost reimbursement revenue is recognized in the period we incur the related reimbursable costs. Under our advisory agreements, we are entitled to be reimbursed for certain costs we incur on behalf of Ashford Trust and Braemar, with no added mark-up. These costs primarily consist of expenses related to Ashford Securities, overhead, internal audit, risk management advisory services and asset management services, including compensation, benefits and travel expense reimbursements. We record

cost reimbursement revenue for equity grants of Ashford Trust and Braemar common stock and LTIP units awarded to our officers and employees in connection with providing advisory services equal to the fair value of the award in proportion to the requisite service period satisfied during the period. We additionally are reimbursed by Ashford Trust for expenses incurred by Ashford Investment Management, LLC (“AIM”) for managing Ashford Trust’s excess cash under the Investment Management Agreement. AIM is not compensated for its services but is reimbursed for all costs and expenses.

Under our project management agreements and hotel management agreements, we are entitled to be reimbursed for certain costs we incur on behalf of Ashford Trust, Braemar and other hotel owners, with no added mark-up. Project management costs primarily consist of costs for accounting, overhead and project manager services. Hotel management costs primarily consist of the properties’ payroll, payroll taxes and benefits related expenses at managed properties where we are the employer of the employees at the properties as provided for in our contracts with the Ashford Trust, Braemar and other hotel owners.

We recognize revenue within the “cost reimbursement revenue” in our consolidated statements of operations when the amounts may be billed to Ashford Trust, Braemar and other hotel owners, and we recognize expenses within “reimbursed expenses” in our consolidated statements of operations as they are incurred. This pattern of recognition results in temporary timing differences between the costs incurred for centralized software programs and the related reimbursements we receive from Ashford Trust and Braemar in our operating and net income. Over the long term, these programs and services are not designed to impact our economics, either positively or negatively.

Certain of our consolidated entities enter into contracts with customers that contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our consolidated entities’ overall pricing objectives taking into consideration market conditions and other factors, including the customer and the nature and value of the performance obligations within the applicable contracts.

Income Taxes—We are a taxable corporation for federal and state income tax purposes. Income tax expense includes U.S. federal, state and foreign income taxes. In accordance with authoritative accounting guidance, we account for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized.

During the third quarter of 2018, we determined that it was more likely than not that we would realize a significant portion of our deferred tax assets because we recorded a \$43.7 million deferred tax liability in the third quarter of 2018, and the future reversal of deferred tax liabilities is a source of future taxable income that allows us to utilize our deferred tax assets. Accordingly, in the third quarter of 2018, we reversed the valuation allowance on our deferred tax assets by recording a \$15.1 million deferred income tax benefit in the consolidated statement of operations. The deferred tax liability related to our Premier acquisition, and it is the result of recording our book basis in Premier’s acquired intangible assets at fair value while the tax basis of these assets was recorded using the seller’s carryover basis, which is lower than fair value.

The “Income Taxes” topic of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification addresses the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. The guidance requires us to determine whether tax positions we have taken or expect to take in a tax return are more likely than not to be sustained upon examination by the appropriate taxing authority based on the technical merits of the positions. Tax positions that do not meet the more likely than not threshold would be recorded as additional tax expense in the current period. We analyze all open tax years, as defined by the statute of limitations for each jurisdiction, which includes the federal jurisdiction and various states. We classify interest and penalties related to underpayment of income taxes as income tax expense. We and our subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and cities, and, beginning November 1, 2017, in Mexico and the Dominican Republic. Tax years 2014 through 2019 remain subject to potential examination by certain federal and state taxing authorities.

Equity-Based Compensation—Our equity incentive plan provides for the grant of restricted or unrestricted shares of our common stock, share appreciation rights, performance shares, performance units and other equity-based awards or any combination of the foregoing. Equity-based compensation included in “salaries and benefits” is accounted for at fair value based on the market price of the shares/options on the date of grant in accordance with applicable authoritative accounting guidance. The fair value is charged to compensation expense on a straight-line basis over the vesting period of the shares/options. Grants of restricted stock to independent directors are recorded at fair value based on the market price of our shares at grant date, and this amount is fully expensed in “general and administrative” expense as the grants of stock are fully vested on the date of grant. Our officers and employees can be granted common stock and LTIP units from Ashford Trust and Braemar in connection with providing advisory services that result in expense, included in “reimbursed expenses,” equal to the grant date fair value of the award in proportion to

the requisite service period satisfied during the period, as well as offsetting revenue in an equal amount included in “cost reimbursement revenue”.

Prior to the adoption of ASU 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting (“ASU 2018-07”) in the third quarter of 2018, equity-based awards granted to non-employees were accounted for at fair value based on the market price of the awards at period end, which resulted in recording expense equal to the fair value of the award in proportion to the requisite service period satisfied during the period. After the adoption of ASU 2018-07 in the third quarter of 2018, equity-based awards granted to non-employees are measured at the grant date and expensed ratably over the vesting period based on the original measurement date as the grant date. This results in the recording of expense equal to the ratable amount of the grant date fair value based on the requisite service period satisfied during the period.

Acquisitions—We account for acquisitions and investments in businesses as business combinations if the target meets the definition of a business and (a) the target is a VIE and we are the target’s primary beneficiary, and therefore we must consolidate its financial statements, or (b) we acquire more than 50% of the voting interest of the target and it was not previously consolidated. We record business combinations using the acquisition method of accounting, which requires all of the assets acquired and liabilities assumed to be recorded at fair value as of the acquisition date. The excess of the purchase price over the estimated fair values of the net tangible and intangible assets acquired is recorded as goodwill. The application of the acquisition method of accounting for business combinations requires management to make significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed in order to properly allocate purchase price consideration between assets that are depreciated and amortized from goodwill. The fair value assigned to tangible and intangible assets acquired and liabilities assumed are based on management’s estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. Significant assumptions and estimates include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate weighted-average cost of capital, and the cost savings expected to be derived from acquiring an asset, if applicable. If the actual results differ from the estimates and judgments used in these estimates, the amounts recorded in our consolidated financial statements may be exposed to potential impairment of the intangible assets and goodwill.

If our investment involves the acquisition of an asset or group of assets that does not meet the definition of a business, the transaction is accounted for as an asset acquisition. An asset acquisition is recorded at cost, which includes capitalizing transaction costs, and does not result in the recognition of goodwill.

Impairment of Goodwill—Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date. We assess goodwill for impairment annually as of October 1, or more frequently, if events and circumstances indicate impairment may have occurred. In the evaluation of goodwill for impairment, we typically perform a qualitative assessment to determine whether the fair value of the goodwill is more likely than not impaired. In considering the qualitative approach, we evaluated factors including, but not limited to, the operational stability and the overall financial performance of the reporting units. We may choose to bypass the qualitative assessment and perform a quantitative assessment and compare the fair value of the reporting unit to the carrying value and, if applicable, record an impairment charge based on the excess of the reporting unit’s carrying amount over its fair value. We determine the fair value of a reporting unit based on either a market valuation approach or an analysis of discounted projected future operating cash flows using a discount rate that is commensurate with the risk inherent in our current business model. Based on the results of our annual impairment assessments, no impairment of goodwill was indicated. No indicators of impairment were identified from the date of our impairment assessments through December 31, 2019.

Recently Adopted Accounting Standards—In February 2016, the FASB issued ASU 2016.02. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases* (“ASU 2018-10”) and ASU 2018-11, *Leases (Topic 842), Targeted Improvements* (“ASU 2018-11”). The amendments in ASU 2018-10 affect only narrow aspects of the guidance issued in the amendments in ASU 2016-02, including but not limited to lease residual value guarantee, rate implicit in the lease and lease term and purchase option. The amendments in ASU 2018-11 provide an optional transition method for adoption of the new standard, which will allow entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption.

Effective January 1, 2019, we have adopted the new standard using the modified retrospective approach and implemented internal controls to enable the preparation of financial information upon adoption. We elected to adopt both the transition relief provided in ASU 2018-11 and the package of practical expedients which allowed us, among other things, to retain historical lease classifications and accounting for any leases that existed prior to adoption of the standard. Additionally, we elected the practical expedients allowing us not to separate lease and non-lease components and not record leases with an initial term of twelve months or less (“short-term leases”) on the balance sheet across all existing asset classes.

Adoption of the new standard resulted in the recording of operating lease assets and operating lease liabilities of \$26.2 million as of January 1, 2019, which primarily relates to certain office space, warehouse facilities, vehicles and equipment. The standard did not materially impact our consolidated statements of operations or cash flows. Adopting the new standard did not have a material impact on the accounting for leases under which we are the lessor, except as it pertains to our rent-free leases of FF&E with Ashford Trust and Braemar. The new standard requires leases with related parties entered into on or after January 1, 2019 to be accounted for in accordance with the legally enforceable terms and conditions of the lease (i.e. zero rent payments). Therefore, we will no longer allocate a portion of base advisory fee revenue to lease revenue in an amount equal to the estimated fair value of the lease payments that would have been made because ERFP leases are rent-free. For historical leases related to our key money and ERFP programs that were in place upon adoption of the new standard on January 1, 2019, we will continue allocating a portion of base advisory fee revenue to lease revenue consistent with our historical accounting for the remainder of the applicable lease terms. See note 8 to our consolidated financial statements.

Recently Issued Accounting Standards—In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). ASU 2016-13 sets forth an “expected credit loss” impairment model to replace the current “incurred loss” method of recognizing credit losses. The standard requires measurement and recognition of expected credit losses for most financial assets held. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact that ASU 2016-13 will have on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. As a result, under ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. However, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, ASU 2017-04 clarifies that an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are evaluating the impact that ASU 2017-04 will have on our consolidated financial statements and related disclosures.

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

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* (“ASU 2018-15”). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software and hosting arrangements that include an internal-use software license. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact that ASU 2018-15 will have on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our primary market risk exposures consist of changes in interest rates on borrowings under our debt instruments that bear interest at variable rates that fluctuate with market interest rates as well as foreign currency exchange rate risk.

Interest Rate Risk—At December 31, 2019, our total indebtedness of \$36.8 million included \$34.2 million of variable-rate debt. The impact on our results of operations of a 100 basis point change in interest rate on the outstanding balance of variable-rate debt at December 31, 2019, would be approximately \$342,000 annually. Interest rate changes have no impact on the remaining \$2.6 million of fixed rate debt.

The amount above was determined based on the impact of a hypothetical interest rate on our borrowings and assumes no changes in our capital structure. As the information presented above includes only those exposures that existed at December 31, 2019, it does not consider exposures or positions that could arise after that date. Accordingly, the information presented herein

has limited predictive value. As a result, the ultimate realized gain or loss with respect to interest rate fluctuations will depend on exposures that arise during the period, the hedging strategies at the time, and the related interest rates.

Foreign Exchange Risk—The majority of our revenues, expenses and capital purchases are transacted in U.S. dollars. On November 1, 2017, we acquired a controlling interest in JSAV, which has operations in Mexico and the Dominican Republic, and therefore we have exposure with respect to exchange rate fluctuations. Exchange rate gains or losses related to foreign currency transactions are recognized as transaction gains or losses in our income statement as incurred. We have chosen not to hedge foreign exchange risks related to our foreign currency denominated earnings and cash flows through the use of financial instruments. As of December 31, 2019, the impact to our net income of a 10% change (up or down) in the Mexican Peso exchange rate is estimated to be an increase or decrease of approximately \$13,000 for the twelve months ended December 31, 2019. Operations in the Dominican Republic are not material.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Ashford Inc.
14185 Dallas Parkway
Suite 1100
Dallas, Texas 75254

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Ashford Inc. (the “Company”) and subsidiaries as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 12, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

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

Dallas, Texas

March 12, 2020

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

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 35,349	\$ 51,529
Restricted cash	17,900	7,914
Restricted investment	1,195	—
Accounts receivable, net	7,241	4,928
Due from affiliates	357	45
Due from Ashford Trust	4,805	5,293
Due from Braemar	1,591	1,996
Inventories	1,642	1,202
Prepaid expenses and other	7,212	3,902
Total current assets	77,292	76,809
Investments in unconsolidated entities	3,476	500
Property and equipment, net	116,190	47,947
Operating lease right-of-use assets	31,699	—
Goodwill	205,606	59,683
Intangible assets, net	347,961	193,194
Other assets	276	872
Total assets	<u>\$ 782,500</u>	<u>\$ 379,005</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 39,160	\$ 24,880
Dividends payable	4,725	—
Due to affiliates	1,011	2,032
Deferred income	233	148
Deferred compensation plan	35	173
Notes payable, net	3,550	2,074
Finance lease liabilities	572	521
Operating lease liabilities	3,207	—
Other liabilities	19,066	8,418
Total current liabilities	71,559	38,246
Deferred income	13,047	13,396
Deferred tax liability, net	69,521	31,506
Deferred compensation plan	4,694	10,401
Notes payable, net	33,033	15,037
Finance lease liabilities	41,482	140
Operating lease liabilities	28,519	—
Other liabilities	430	—
Total liabilities	262,285	108,726
Commitments and contingencies (note 11)		
MEZZANINE EQUITY		
Series B Convertible Preferred Stock, \$0.01 par value, no shares issued and outstanding as of December 31, 2019 and 8,120,000 shares issued and outstanding, net of discount, at December 31, 2018	—	200,847
Series D Convertible Preferred Stock, \$0.001 par value, 19,120,000 shares issued and outstanding, net of discount, as of December 31, 2019 and no shares issued and outstanding at December 31, 2018	474,060	—
Redeemable noncontrolling interests	4,131	3,531
EQUITY		
Common stock, 100,000,000 shares authorized, \$0.001 and \$0.01 par value, 2,202,580 and 2,391,541 shares issued and outstanding at December 31, 2019 and December 31, 2018, respectively	2	24
Additional paid-in capital	285,825	280,159
Accumulated deficit	(244,084)	(214,242)
Accumulated other comprehensive income (loss)	(216)	(498)
Treasury stock, at cost, 1,638 shares and 0 shares at December 31, 2019 and December 31, 2018, respectively	(131)	—
Total stockholders' equity of the Company	41,396	65,443
Noncontrolling interests in consolidated entities	628	458
Total equity	42,024	65,901
Total liabilities and equity	<u>\$ 782,500</u>	<u>\$ 379,005</u>

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2019	2018	2017
REVENUE			
Advisory services	\$ 44,184	\$ 47,913	\$ 46,883
Hotel management	4,526	—	—
Project management fees	25,584	8,802	—
Audio visual	110,609	81,186	9,186
Other	21,179	13,068	4,429
Cost reimbursement revenue	85,168	44,551	21,075
Total revenues	<u>291,250</u>	<u>195,520</u>	<u>81,573</u>
EXPENSES			
Salaries and benefits	59,659	45,310	49,335
Cost of revenues for project management	5,853	1,508	—
Cost of revenues for audio visual	82,237	64,555	7,757
Depreciation and amortization	24,542	7,919	1,958
General and administrative	33,484	27,551	8,886
Impairment	—	1,919	1,072
Other	12,062	3,250	2,153
Reimbursed expenses	84,643	44,347	20,934
Total expenses	<u>302,480</u>	<u>196,359</u>	<u>92,095</u>
OPERATING INCOME (LOSS)	(11,230)	(839)	(10,522)
Equity in earnings (loss) of unconsolidated entities	(286)	—	—
Interest expense	(2,059)	(959)	(83)
Amortization of loan costs	(308)	(241)	(39)
Interest income	46	329	244
Dividend income	—	—	93
Unrealized gain (loss) on investments	—	—	203
Realized gain (loss) on investments	—	—	(294)
Other income (expense)	3	(834)	(73)
INCOME (LOSS) BEFORE INCOME TAXES	(13,834)	(2,544)	(10,471)
Income tax (expense) benefit	(1,540)	10,364	(9,723)
NET INCOME (LOSS)	(15,374)	7,820	(20,194)
(Income) loss from consolidated entities attributable to noncontrolling interests	536	924	358
Net (income) loss attributable to redeemable noncontrolling interests	983	1,438	1,484
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	(13,855)	10,182	(18,352)
Preferred dividends	(14,435)	(4,466)	—
Amortization of preferred stock discount	(1,928)	(730)	—
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ (30,218)</u>	<u>\$ 4,986</u>	<u>\$ (18,352)</u>
INCOME (LOSS) PER SHARE - BASIC AND DILUTED			
Basic:			
Net income (loss) attributable to common stockholders	<u>\$ (12.03)</u>	<u>\$ 2.29</u>	<u>\$ (9.04)</u>
Weighted average common shares outstanding - basic	<u>2,416</u>	<u>2,170</u>	<u>2,031</u>
Diluted:			
Net income (loss) attributable to common stockholders	<u>\$ (13.55)</u>	<u>\$ (2.11)</u>	<u>\$ (9.59)</u>
Weighted average common shares outstanding - diluted	<u>2,568</u>	<u>2,332</u>	<u>2,067</u>

See Notes to Consolidated Financial Statements.

ASHFORD INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share amounts)

	Year Ended December 31,		
	2019	2018	2017
NET INCOME (LOSS)	\$ (15,374)	\$ 7,820	\$ (20,194)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Foreign currency translation adjustment	448	(420)	(135)
Unrealized gain (loss) on restricted investment	(114)	—	—
COMPREHENSIVE INCOME (LOSS)	(15,040)	7,400	(20,329)
Comprehensive (income) loss attributable to noncontrolling interests	536	924	358
Comprehensive (income) loss attributable to redeemable noncontrolling interests	931	1,495	1,484
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	<u>\$ (13,573)</u>	<u>\$ 9,819</u>	<u>\$ (18,487)</u>

See Notes to Consolidated Financial Statements.

ASHFORD INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Noncontrolling Interests in Consolidated Entities	Convertible Preferred Stock		Redeemable Noncontrolling Interests
	Shares	Amount				Shares	Amount		Shares	Amount	
Balance at January 1, 2017	2,016	\$ 20	\$ 237,796	\$ (200,439)	\$ —	—	—	\$ 52,772	\$ 90,149	\$ —	\$ 1,480
Purchases of common stock	—	—	(24)	—	—	—	—	—	(24)	—	—
Equity-based compensation	4	—	7,746	684	—	—	—	39	8,469	—	—
Deferred compensation plan distribution	3	—	229	—	—	—	—	229	—	—	—
Employee advances	—	—	(433)	—	—	—	—	—	(433)	—	—
Redemption of noncontrolling interest holder in AQUA U.S. Fund	—	—	—	—	—	—	—	(52,782)	(52,782)	—	—
OpenKey warrant issuance	—	—	—	—	—	—	—	28	28	—	—
Contributions from noncontrolling interests	—	—	—	—	—	—	—	983	983	—	—
Reallocation of carrying value	—	—	(681)	—	—	—	—	(506)	(1,187)	—	1,187
Redemption value adjustment	—	—	—	(1,270)	—	—	—	—	(1,270)	—	1,270
Acquisition of Pure Wellness	—	—	—	—	—	—	—	425	425	—	—
Distributions to consolidated noncontrolling interests	—	—	—	(19)	—	—	—	(220)	(239)	—	—
Acquisition of JSAV	71	1	5,062	—	—	—	—	391	5,454	—	2,658
Foreign currency translation adjustment	—	—	—	—	(135)	—	—	—	(135)	—	—
Net income (loss)	—	—	—	(18,352)	—	—	—	(358)	(18,710)	—	(1,484)
Balance at December 31, 2017	2,094	\$ 21	\$ 249,695	\$ (219,396)	\$ (135)	—	—	\$ 772	\$ 30,957	\$ —	\$ 5,111
Equity-based compensation	6	—	10,009	—	—	—	—	10	10,019	—	—
Issuance of common stock	280	3	18,928	—	—	—	—	—	18,931	—	—
Acquisition of Premier	—	—	—	—	—	—	—	—	8,120	203,000	—
Discount on preferred shares	—	—	—	—	—	—	—	—	—	(2,883)	—
Amortization of preferred stock discount	—	—	—	(730)	—	—	—	—	(730)	730	—
Dividends declared - preferred stock	—	—	—	(4,466)	—	—	—	—	(4,466)	—	—
Deferred compensation plan distribution	3	—	241	—	—	—	—	—	241	—	—
Employee advances	—	—	(82)	—	—	—	—	—	(82)	—	—
OpenKey warrant issuance	—	—	—	—	—	—	—	26	26	—	—
Purchase of OpenKey shares from noncontrolling interest holder	9	—	838	—	—	—	—	—	838	—	(838)
Acquisition of noncontrolling interest in consolidated entities	—	—	—	—	—	—	—	(382)	(382)	—	55
Contributions from noncontrolling interests	—	—	—	—	—	—	—	2,666	2,666	—	—
Reallocation of carrying value	—	—	530	—	—	—	—	(1,696)	(1,166)	—	1,166
Redemption value adjustment	—	—	—	168	—	—	—	—	168	—	(168)
Distributions to consolidated noncontrolling interests	—	—	—	—	—	—	—	(14)	(14)	—	(300)
Foreign currency translation adjustment	—	—	—	—	(363)	—	—	—	(363)	—	(57)
Net income (loss)	—	—	—	10,182	—	—	—	(924)	9,258	—	(1,438)
Balance at December 31, 2018	2,392	\$ 24	\$ 280,159	\$ (214,242)	\$ (498)	—	—	\$ 458	\$ 65,901	\$ 8,120	\$ 200,847
											\$ 3,531

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Noncontrolling Interests in Consolidated Entities	Convertible Preferred Stock		Redeemable Noncontrolling Interests
	Shares	Amount				Shares	Amount		Shares	Amount	
Purchases of common stock	—	—	(12,389)	—	—	—	—	—	(12,389)	—	—
Extinguishment of common stock	(412)	(4)	4	—	—	—	—	—	—	—	—
Equity-based compensation	8	—	8,753	—	—	—	—	(12)	8,741	—	—
Treasury stock recognized upon reorganization	—	—	131	—	—	(2)	(131)	—	—	—	—
Change in par value of common stock upon reorganization	—	(20)	20	—	—	—	—	—	—	—	—
Deemed contribution on Series B convertible preferred stock	—	—	—	1,161	—	—	—	—	1,161	—	—
Extinguishment of Series B convertible preferred stock	—	—	—	—	—	—	—	—	—	(8,120)	(202,282)
Exchange of Series B convertible preferred stock to Series D convertible preferred stock	—	—	—	—	—	—	—	—	—	8,120	203,000
Acquisition of Remington Lodging	—	—	—	—	—	—	—	—	—	11,000	275,000
Acquisition of BAV	60	1	3,747	—	—	—	—	—	3,748	—	—
Acquisition of Sebago	135	1	4,538	—	—	—	—	—	4,539	—	—
Investment in REA Holdings	17	—	887	—	—	—	—	—	887	—	—
Discount on Series D convertible preferred stock	—	—	—	(1,928)	—	—	—	—	(1,928)	—	—
Amortization of preferred stock discount	—	—	—	(14,435)	—	—	—	—	(14,435)	—	—
Dividends declared - preferred stock	—	—	—	—	—	—	—	—	—	—	—
Deferred compensation plan distribution	3	—	113	—	—	—	—	—	113	—	—
Employee advances	—	—	351	—	—	—	—	—	351	—	—
Contributions from noncontrolling interests	—	—	—	—	—	—	—	1,038	1,038	—	—
Reallocation of carrying value	—	—	(489)	—	—	—	—	(257)	(746)	—	746
Redemption value adjustment	—	—	—	(785)	—	—	—	—	(785)	—	785
Distributions to consolidated noncontrolling interests	—	—	—	—	—	—	—	(63)	(63)	—	—
Foreign currency translation adjustment	—	—	—	—	396	—	—	—	396	—	52
Unrealized gain (loss) on available for sale securities	—	—	—	—	(114)	—	—	—	(114)	—	—
Net income (loss)	—	—	—	(13,855)	—	—	—	(536)	(14,391)	—	(983)
Balance at December 31, 2019	2,203	\$ 2	\$ 285,825	\$ (244,084)	\$ (216)	(2)	\$ (131)	\$ 628	\$ 42,024	19,120	\$ 474,060
											\$ 4,131

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2019	2018	2017
Cash Flows from Operating Activities			
Net income (loss)	\$ (15,374)	\$ 7,820	\$ (20,194)
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:			
Depreciation and amortization	31,142	13,308	2,938
Change in fair value of deferred compensation plan	(5,732)	(8,444)	10,410
Equity-based compensation	8,874	10,019	8,469
Equity in (earnings) loss in unconsolidated entities	286	—	—
Deferred tax expense (benefit)	(1,930)	(12,240)	6,002
Change in fair value of contingent consideration	4,244	338	1,066
Impairment of property and equipment	—	1,919	1,072
(Gain) loss on sale of property and equipment	(25)	220	279
Amortization of loan costs	308	241	39
Realized and unrealized (gain) loss on investments, net	—	—	91
Changes in operating assets and liabilities, exclusive of the effect of acquisitions:			
Accounts receivable	(1,210)	225	(725)
Due from affiliates	843	(45)	—
Due from Ashford Trust	160	8,916	(1,302)
Due from Braemar	116	205	2,079
Inventories	(397)	(132)	(205)
Prepaid expenses and other	(2,172)	(907)	(128)
Investment in unconsolidated entities	115	—	—
Operating lease right-of-use assets	2,048	—	—
Other assets	—	(84)	190
Accounts payable and accrued expenses	5,006	2,145	1,575
Due to affiliates	(1,314)	(954)	689
Other liabilities	2,152	(658)	(676)
Operating lease liabilities	(2,021)	—	—
Deferred income	(420)	(373)	7,746
Net cash provided by (used in) operating activities	<u>24,699</u>	<u>21,519</u>	<u>19,415</u>
Cash Flows from Investing Activities			
Purchases of furniture, fixtures and equipment under the Ashford Trust ERFPA Agreement	(13,089)	(16,100)	—
Purchases of furniture, fixtures and equipment under the Braemar ERFPA Agreement	(10,300)	—	—
Additions to property and equipment	(6,654)	(8,942)	(3,580)
Proceeds from disposal of property and equipment, net	231	140	15
Cash acquired in acquisition of Remington Lodging	12,056	—	—
Acquisition of BAV	(4,267)	—	—
Acquisition of Sebago	(2,426)	—	—
Investment in REA Holdings	(2,176)	—	—
Investments in unconsolidated entities	(314)	—	—
Cash acquired in acquisition of Premier	—	2,277	—
Cash acquired in acquisition of Pure Wellness	—	—	129
Acquisition of JSAV, net of cash acquired	—	—	(18,972)
Acquisition of assets related to RED	(1,892)	(5,474)	(750)
Net cash provided by (used in) investing activities	<u>(28,831)</u>	<u>(28,099)</u>	<u>(23,158)</u>

(Continued)

Year Ended December 31.

	2019	2018	2017
Cash Flows from Financing Activities			
Proceeds from issuance of common stock	—	18,930	—
Purchases of common stock	(12,389)	—	(24)
Payments for dividends on preferred stock	(9,710)	(4,466)	—
Payments on revolving credit facilities	(46,808)	(20,881)	(924)
Borrowings on revolving credit facilities	57,647	21,878	1,507
Proceeds from notes payable	11,105	6,593	10,000
Payments on notes payable	(2,479)	(1,853)	(222)
Payments on finance lease liabilities	(627)	(123)	(83)
Payments of loan costs	(76)	(638)	(28)
Employee advances	353	(82)	(433)
Payment of contingent consideration	—	(1,196)	—
Contributions from noncontrolling interest	980	2,666	983
Distributions to noncontrolling interests in consolidated entities	(63)	(314)	(55,310)
Net cash provided by (used in) financing activities	(2,067)	20,514	(44,534)
Effect of foreign exchange rate changes on cash and cash equivalents	5	(47)	(10)
Net change in cash, cash equivalents and restricted cash	(6,194)	13,887	(48,287)
Cash, cash equivalents and restricted cash at beginning of period	59,443	45,556	93,843
Cash, cash equivalents and restricted cash at end of period	\$ 53,249	\$ 59,443	\$ 45,556

Supplemental Cash Flow Information

Interest paid	\$ 1,924	\$ 870	\$ 53
Income taxes paid	3,179	1,358	4,948

Supplemental Disclosure of Non-Cash Investing and Financing Activities

Acquisition of Remington Lodging through issuance of convertible preferred stock, less cash acquired	\$ 260,442	\$ —	\$ —
Acquisition of Premier through issuance of convertible preferred stock, less cash acquired	—	200,723	—
Ashford Inc. common stock consideration for BAV acquisition	3,748	—	—
Ashford Inc. common stock consideration for Sebago acquisition	4,539	—	—
Ashford Inc. common stock consideration for investment in REA Holdings	887	—	—
Distribution from deferred compensation plan	113	241	229
Capital expenditures accrued but not paid	968	618	1,397
Subsidiary equity consideration for Pure Wellness acquisition	—	—	425
Assumption of debt associated with Pure Wellness acquisition	—	—	475
Issuance of OpenKey warrant	—	26	28
Finance lease additions	42,028	220	—
Assumption of debt associated with JS AV acquisition	—	—	978
JS AV loan costs paid from revolving credit facility	—	—	231
Ashford Inc. common stock consideration for purchase of OpenKey shares	—	838	5,063
Acquisition of noncontrolling interest in consolidated entities	—	327	1,196

Supplemental Disclosure of Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents at beginning of period	\$ 51,529	\$ 36,480	\$ 84,091
Restricted cash at beginning of period	7,914	9,076	9,752
Cash, cash equivalents and restricted cash at beginning of period	\$ 59,443	\$ 45,556	\$ 93,843
Cash and cash equivalents at end of period	\$ 35,349	\$ 51,529	\$ 36,480
Restricted cash at end of period	17,900	7,914	9,076
Cash, cash equivalents and restricted cash at end of period	\$ 53,249	\$ 59,443	\$ 45,556

See Notes to Consolidated Financial Statements.

ASHFORD INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Description of Business

Ashford Inc. (the “Company”) is a Nevada corporation that provides products and services primarily to clients in the hospitality industry, including Ashford Hospitality Trust, Inc. (“Ashford Trust”) and Braemar Hotels & Resorts Inc. (“Braemar”). We became a public company in November 2014, and our common stock is listed on the NYSE American LLC (“NYSE American”). Unless the context otherwise requires, references to the “Company”, “we”, “us” or “Ashford Inc.” for the period before August 8, 2018 refer to Old Ashford (as defined below), for the period from and including August 8, 2018 through November 6, 2019 refer to Maryland Ashford (as defined below), and for the period beginning on and including November 6, 2019, and thereafter refer to Ashford Inc., a Nevada Corporation.

We provide: (i) advisory services; (ii) asset management services; (iii) hotel management services; (iv) project management services; (v) event technology and creative communications solutions; (vi) mobile room keys and keyless entry solutions; (vii) watersports activities and other travel, concierge and transportation services; (viii) hypoallergenic premium room products and services; (ix) debt placement services; (x) real estate advisory and brokerage services; and (xi) wholesaler, dealer manager and other broker-dealer services. We conduct these activities and own substantially all of our assets primarily through Ashford LLC, Ashford Services and their respective subsidiaries.

We are currently the advisor for Ashford Trust and Braemar. In our capacity as the advisor to Ashford Trust and Braemar, we are responsible for implementing the investment strategies and managing the day-to-day operations of Ashford Trust and Braemar from an ownership perspective, in each case subject to the supervision and oversight of the respective board of directors of Ashford Trust and Braemar. Ashford Trust is focused on investing in full service hotels in the upscale and upper-upscale segments in the U.S. that have revenue per available room (“RevPAR”) generally less than twice the national average. Braemar invests primarily in luxury hotels and resorts with RevPAR of at least twice the U.S. national average. Each of Ashford Trust and Braemar is a real estate investment trust (“REIT”) as defined in the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), and the common stock of each of Ashford Trust and Braemar is traded on the New York Stock Exchange (the “NYSE”).

We provide the personnel and services that we believe are necessary for each of Ashford Trust and Braemar to conduct their respective businesses. We may also perform similar functions for new or additional platforms. In our capacity as an advisor, we are not responsible for managing the day-to-day operations of the individual hotel properties owned by either Ashford Trust or Braemar, which duties are, and will continue to be, the responsibility of the hotel management companies that operate the hotel properties owned by Ashford Trust and Braemar. As described further below, Remington, which we acquired on November 6, 2019, operates certain of the hotel properties owned by Ashford Trust and Braemar.

On April 6, 2017, Ashford Inc. entered into the Amended and Restated Limited Liability Company Agreement (the “Amended and Restated LLC Agreement”) of Ashford Hospitality Holdings LLC, a Delaware limited liability company and a subsidiary of the Company (“Ashford Holdings”), in connection with the merger (the “Merger”) of Ashford Merger Sub LLC, a Delaware limited liability company, with and into Ashford LLC, with Ashford LLC surviving the Merger as a wholly-owned subsidiary of Ashford Holdings. Ashford Holdings is owned 99.8% by Ashford Inc. and 0.2% by redeemable noncontrolling interest holders. The terms of the Amended and Restated LLC Agreement are consistent with the terms of the Amended and Restated Limited Liability Company Agreement of Ashford LLC. The Merger was effectuated in order to facilitate our investments in businesses that provide products and services to the hospitality industry.

Ashford Investment Management, LLC (“AIM”) is an indirect subsidiary of the Company, established to serve as an investment advisor to us, third parties, and any private securities funds sponsored by us or our affiliates (the “Funds”) and is a registered investment advisor with the Securities and Exchange Commission (the “SEC”). AIM Management Holdco, LLC (“Management Holdco”) owns 100% of AIM. We, through Ashford LLC, own 100% of Management Holdco. AIM and Management Holdco are consolidated by Ashford Inc. as it has control. AIM manages a portion of Ashford Trust’s excess cash under an investment management agreement. AIM is not compensated for its services but is reimbursed for all costs and expenses.

On April 6, 2017, we acquired a 70% interest in Pure Wellness. Pure Wellness’ patented 7-step purification process treats a room’s surfaces, including the air, and removes up to 99% of pollutants. To consummate the acquisition, Ashford Services entered into an Amended and Restated Limited Liability Company Agreement (the “LLC Agreement”) with PRE Opco, LLC (“Pure Wellness”), pursuant to which Ashford Services became the sole owner of the common equity, or Series A Units. In conjunction with the LLC Agreement, Ashford Services contributed \$97,000 cash to Pure Wellness as required by the LLC Agreement. Pursuant to the Asset and Liability Contribution Agreement (the “Contribution Agreement”), by and among Pure Wellness (as contributee) and PAFR, LLC, the members of PAFR, LLC and Brault Enterprises, LLC (collectively, the “Sellers”), the Sellers contributed

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

liabilities, net of assets, of the predecessor operating company, Pure Wellness NA, LLC, with a fair value of \$532,000 in exchange for certain equity interests in Pure Wellness, including 30% of the Series A Units, 100% of the Series B-1 Units, and 50% of the Series B-2 Units. The fair value of the remaining equity consideration included \$42,000 of Series A Units, \$181,000 of Series B-1 Units, and \$202,000 of Series B-2 Units, totaling \$425,000. As a result of the Contribution Agreement, our equity interest in Pure Wellness was 70%. See notes 2, 5, 13 and 17 to our consolidated financial statements.

On November 1, 2017, we acquired an 85% controlling interest in Presentation Technologies, LLC (“JSAV”) for approximately \$25.5 million. JSAV provides an integrated suite of audio visual services including show and event services, hospitality services, creative services, and design and integration services to its customers in various venues including hotels and convention centers in the United States, Mexico and the Dominican Republic. See notes 2, 5, 14 and 17 to our consolidated financial statements.

On January 16, 2018, the Company closed on the acquisition of a passenger vessel and other assets related to RED Hospitality & Leisure LLC’s (“RED”) operations in the U.S. Virgin Islands. RED is a provider of watersports activities and other travel and transportation services. This transaction was accounted for as an asset acquisition recorded at cost and did not result in the recognition of goodwill. During 2018, RED acquired additional passenger vessels and a ferry. See notes 2, 13 and 17.

On June 26, 2018, the Company entered into the Enhanced Return Funding Program Agreement and Amendment No. 1 to the Amended and Restated Advisory Agreement (the “Ashford Trust ERFP Agreement”) with Ashford Trust. The independent members of the board of directors of each of the Company and Ashford Trust, with the assistance of separate and independent legal counsel, engaged to negotiate the Ashford Trust ERFP Agreement on behalf of the Company and Ashford Trust, respectively. Under the Ashford Trust ERFP Agreement, the Company agreed to provide \$50 million (the “Aggregate ERFP Amount”) to Ashford Trust in connection with Ashford Trust’s acquisition of hotels recommended by us, with the option to increase the Aggregate ERFP Amount to up to \$100 million upon mutual agreement by the parties. Under the Ashford Trust ERFP Agreement, the Company pays Ashford Trust 10% of each acquired hotel’s purchase price in exchange for furniture, fixtures and equipment (“FF&E”), which is subsequently leased to Ashford Trust rent-free. Ashford Trust must provide reasonable advance notice to the Company to request ERFP funds in accordance with the Ashford Trust ERFP Agreement. The Ashford Trust ERFP Agreement requires that the Company acquire the related FF&E either at the time of the property acquisition or at any time generally within two years of Ashford Trust acquiring the hotel property. The Company recognizes the related depreciation tax deduction at the time such FF&E is purchased by the Company and placed into service at Ashford Trust’s hotel properties. However, the timing of the FF&E being purchased and placed into service is subject to uncertainties outside of the Company’s control that could delay the realization of any tax benefit associated with the purchase of FF&E. See notes 2, 11 and 17.

On August 8, 2018, we completed the acquisition of Premier, the project management business formerly conducted by certain affiliates of Remington Holdings, L.P., for a total transaction value of \$203 million. As a result, the project management services that were previously provided by Remington Lodging & Hospitality, LLC (“Remington Lodging”) are now provided by a subsidiary of Ashford Inc. under the respective project management agreement with each customer, including Ashford Trust and Braemar. The purchase price was paid by issuing 8,120,000 shares of the Series B Convertible Preferred Stock to the sellers of Premier (the “Remington Sellers”), primarily MJB Investments, LP (which is wholly-owned by Mr. Monty J. Bennett, our chief executive officer and chairman of our board of directors), and his father Mr. Archie Bennett, Jr., the chairman emeritus of Ashford Trust (together, the “Bennetts”). The Series B Convertible Preferred Stock had a conversion price of \$140 per share and would convert into 1,450,000 shares of our common stock. Cumulative preferred dividends on the Series B Convertible Preferred Stock accrue at an annual rate of 5.5% in the first year, 6.0% in the second year, and 6.5% in the third year and each year thereafter. In addition to certain separate class voting rights, the holders of the Series B Convertible Preferred Stock voted on an as-converted basis with the holders of the common stock on all matters submitted for approval by the holders of our capital stock possessing general voting rights. However, for five years following the closing of the acquisition of Premier, the Remington Sellers and their transferees were subject to certain voting restrictions with respect to shares in excess of 25% of the combined voting power of the Company’s outstanding capital stock. The holders of the Series B Convertible Preferred Stock had certain conversion rights upon certain events constituting a change of control of the Company. See notes 2 and 14.

In connection with the acquisition of Premier, we effected a holding company reorganization in 2018. The change in holding company organizational structure was effected by a merger, pursuant to which each issued and outstanding share of common stock, par value \$0.01 per share, of our predecessor publicly-traded parent Ashford OAINC Inc. (formerly named Ashford Inc.) (“Old Ashford”) was converted into one share of common stock, par value \$0.01 per share, of the Company having the same rights, powers and preferences and the same qualifications, limitations and restrictions as a share of common stock of Old Ashford. As a result of the foregoing, we became the successor issuer of Old Ashford under Rule 12g-3 of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). Our common stock continues to be listed on the NYSE American under the symbol “AINC.”

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

On September 28, 2018, we completed a public offering of 270,000 shares of common stock at a price to the public of \$74.50 per share, resulting in gross proceeds of \$20.1 million. The net proceeds from the sale of the shares, after discounts and commissions to the underwriters and offering expenses, were approximately \$18.2 million. We also sold an additional 10,000 shares of common stock to the underwriters on October 10, 2018, in connection with the underwriters' partial exercise of their over-allotment option that had been granted to them in connection with the transaction. The net proceeds from the sale of the over-allotment shares, after discounts and commissions to the underwriters, were approximately \$700,000.

Effective January 1, 2019, we acquired a 30% noncontrolling ownership interest in Real Estate Advisory Holdings LLC ("REA Holdings"), a real estate advisory firm that provides financing, advisory and property sales services primarily to clients in the hospitality and leisure industry, for a purchase price of approximately \$3.0 million which was paid in the form of \$2.1 million cash and the issuance of 16,529 shares of our common stock (approximately \$890,000) to the seller pursuant to the exemption from the registration requirements under the Securities Act provided under Section 4(a)(2) thereunder. We have an option to acquire an additional 50% of the ownership interests in REA Holdings for \$12.5 million beginning on January 1, 2022. Our investment in REA Holdings is accounted for under the equity method as we have significant influence over the voting interest entity.

On January 15, 2019, the Company entered into the Enhanced Return Funding Program Agreement and Amendment No. 1 to the Fifth Amended and Restated Advisory Agreement (the "Braemar ERFPA Agreement") with Braemar. The independent members of the board of directors of each of the Company and Braemar, with the assistance of separate and independent legal counsel, engaged to negotiate the Braemar ERFPA Agreement on behalf of the Company and Braemar, respectively. Under the Braemar ERFPA Agreement, the Company agreed to provide \$50 million (the "Aggregate ERFPA Amount") to Braemar in connection with Braemar's acquisition of hotels recommended by us, with the option to increase the Aggregate ERFPA Amount to up to \$100 million upon mutual agreement by the parties. Under the Braemar ERFPA Agreement, the Company will pay Braemar 10% of each acquired hotel's purchase price in exchange for FF&E, which is subsequently leased to Braemar rent-free. Braemar must provide reasonable advance notice to the Company to request ERFPA funds in accordance with the Braemar ERFPA Agreement. The Braemar ERFPA Agreement requires that the Company acquire the related FF&E either at the time of the property acquisition or at any time generally within two years of Braemar acquiring the hotel property. The Company recognizes the related depreciation tax deduction at the time such FF&E is purchased by the Company and placed into service at Braemar's hotel properties. However, the timing of the FF&E being purchased and placed into service is subject to uncertainties outside of the Company's control that could delay the realization of any tax benefit associated with the purchase of FF&E. See notes 2, 11 and 17.

On March 1, 2019, JSAV, our consolidated subsidiary, acquired a privately-held company, BAV Services ("BAV"). BAV is an audio visual rental, staging, and production company focused on meeting and special event services. As a result of the acquisition, our ownership interest in JSAV, which we consolidate under the voting interest model, increased from 85% to approximately 88%. Pursuant to the asset purchase agreement, as amended on September 24, 2019, the purchase price consisted of: (i) \$5.0 million in cash (excluding working capital adjustments) funded by an existing JSAV term loan; (ii) \$3.5 million in the form of Ashford Inc. common stock consisting of 61,387 shares issued on March 1, 2019, which was determined based on a thirty-day volume weighted average price per share ("30-Day VWAP") of \$57.01 and had an estimated fair value of approximately \$3.7 million as of the acquisition date; (iii) \$500,000 payable in cash or Ashford Inc. common stock at our sole discretion to be issued 18 months after the acquisition date, subject to certain conditions; and (iv) contingent consideration related to the achievement of certain performance targets with an estimated fair value of approximately \$1.4 million, payable, if earned, 12 to 18 months after the acquisition date. Additionally, the transaction includes a stock consideration collar with potential settlements at 12 months, 15 months and 18 months after the acquisition date dependent upon the 30-Day VWAP of Ashford Inc.'s common stock on each respective settlement date. A liability resulting from contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved, with changes in fair value recognized in earnings within "other" operating expenses in our consolidated statements of operations. See notes 5 and 9 for further discussion of the Company's liabilities related to acquisition-related contingent consideration.

On May 31, 2019, Ashford Inc. signed a Combination Agreement among the Bennetts, Remington Holdings, L.P., Remington Holdings GP, LLC, MJB Investments, LP, the Company, James L. Cowen, Jeremy J. Welter (our co-President and COO), Ashford Nevada Holding Corp. and Ashford Merger Sub Inc. (as subsequently amended on July 17, 2019 and further amended on August 28, 2019, the "Combination Agreement") to acquire the hotel management business of Remington Lodging, a privately-held company. The transaction closed on November 6, 2019, after the transaction was approved by our stockholders on October 24, 2019. See below.

On July 18, 2019, RED completed the acquisition of substantially all of the assets of Sebago, a leading provider of watersports activities and excursion services based in Key West, Florida. After giving effect to the transaction, Ashford Inc. owns an approximately 84% interest in the common equity of RED. The purchase price consisted of approximately \$2.5 million in cash

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

(excluding transaction costs and working capital adjustments) funded by new RED term loans and \$4.5 million in the form of Ashford Inc. common stock consisting of 135,366 shares issued on July 18, 2019, subject to a six month stock consideration collar. See note 5.

On September 25, 2019, the Company announced the formation of Ashford Securities LLC (“Ashford Securities”) to raise capital in order to grow the Company’s existing and future platforms. Ashford Securities will be a dedicated capital raising platform to fund investment opportunities sponsored and asset-managed by the Company.

In conjunction with the formation of Ashford Securities, Ashford Trust and Braemar entered into a contribution agreement with Ashford Inc. in which Ashford Trust and Braemar agreed to contribute a combined contribution amount of up to \$15.0 million to fund the operations of Ashford Securities. As of December 31, 2019, Ashford Trust and Braemar have funded approximately \$2.5 million and \$801,000, respectively. Of the total \$3.3 million funded by the REITs during 2019, \$1.2 million is recognized as cost reimbursement revenue in our consolidated statements of operations and the remaining \$2.1 million is deferred income in our consolidated balance sheets as of December 31, 2019.

On October 2, 2019, as approved by the Board, the Company acquired an aggregate 412,974 shares of its common stock from Ashford Trust and Braemar for \$30 per share, resulting in a total cost of approximately \$12.4 million. Subsequent to the stock repurchase, the 412,974 acquired shares were retired by the Company.

On October 24, 2019, the Company announced the final results of the Special Meeting of Stockholders held on October 24, 2019, during which Ashford stockholders overwhelmingly approved the proposal in connection with the Remington Lodging hotel management business transaction. Holders of approximately 92% of Ashford shares present and voting at the meeting voted in favor of the proposal, including a majority of shares, excluding shares owned by Ashford Trust, Braemar, the Bennetts and management, present and voting at the meeting voted in favor of the proposal. The Company also announced that it had received the final, official private letter ruling from the Internal Revenue Service related to the transaction.

On November 5, 2019, Ashford Trust distributed its remaining 205,086 shares of Ashford Inc. common stock through a pro-rata taxable dividend to Ashford Trust’s common stockholders and unitholders of record (“Ashford Trust Record Holders”) as of the close of business of the NYSE on October 29, 2019 (the “Record Date”). Each Ashford Trust Record Holder received approximately 0.0017 share of the Company’s common stock for every unit and/or share of Ashford Trust common stock held by such Ashford Trust Record Holder on the Record Date. After the distribution, Ashford Trust holds no ownership interest in the Company.

On November 5, 2019, Braemar distributed its remaining 174,983 shares of Ashford Inc.’s common stock through a pro-rata taxable dividend to Braemar’s common stockholders and unitholders of record (“Braemar Record Holders”) as of the close of business of the NYSE on the Record Date. Each Braemar Record Holder received approximately 0.0047 share of the Company’s common stock for every unit and/or share of Braemar common stock held by such Braemar Record Holder on the Record Date. After the distribution, Braemar holds no ownership interest in the Company.

On November 6, 2019, we completed the acquisition of Remington Lodging’s hotel management business and Marietta for \$275 million, payable by the issuance of \$275 million of a new Ashford Inc. Series D Convertible Preferred Stock. In the previous transaction for Remington Lodging’s project management business, the sellers received \$203 million of Maryland Ashford’s Series B Convertible Preferred Stock. For this transaction involving Remington Lodging’s hotel management business, that \$203 million of Maryland Ashford’s Series B Convertible Preferred Stock was exchanged, pursuant to a merger transaction whereby Maryland Ashford became our wholly-owned subsidiary, for \$203 million of Series D Convertible Preferred Stock (such that, after the transactions, \$478 million of Series D Convertible Preferred Stock, and no Series B Convertible Preferred Stock, is outstanding). The new Series D Convertible Preferred Stock is convertible into shares of common stock at a price of \$117.50 per share. Preferred dividends on the Series D Convertible Preferred Stock accrue at an annual rate of 6.59% in the first year, 6.99% in the second year, and 7.28% in the third year and each year thereafter. The Series D Convertible Preferred Stock also participates in any dividend or distribution paid on our common stock on an as-converted basis. Voting rights of the Series D Convertible Preferred Stock are on an as-converted basis, and the holders of the Series D Convertible Preferred Stock have a voting limit of 40% of the total voting power of the Company until August 8, 2023. The holders of the Series D Convertible Preferred Stock have certain put rights upon certain events constituting a change of control of the Company. Remington Lodging was previously owned by Mr. Monty J. Bennett, the Company’s chairman and chief executive officer, and his father, Mr. Archie Bennett, Jr., the chairman emeritus of Ashford Trust. The Company’s Board of Directors formed a special committee of independent and disinterested directors to analyze, negotiate, and recommend the transaction to the Company’s Independent Directors. The Company’s Independent Directors unanimously recommended approval of the acquisition by the Company’s stockholders. The results of operations of the hotel management business are expected to be included in our consolidated financial statements from the date of acquisition. We are in

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

the process of evaluating the fair value of the net assets acquired through internal studies and third-party valuations. As a result of the acquisition, hotel management services that were previously provided by Remington Lodging will now be provided by a subsidiary of the Company under the respective hotel management agreement with each customer, including Ashford Trust and Braemar.

Also on November 6, 2019, in connection with the acquisition of Remington Lodging's hotel management business, we effected a holding company reorganization. The change in holding company organizational structure was effected by a merger, pursuant to which each issued and outstanding share of common stock, par value \$0.01 per share, of our predecessor publicly-traded parent Ashford OAINC II Inc., (formerly named Ashford Inc. and incorporated in Maryland) ("Maryland Ashford") was converted into one share of common stock, par value \$0.001 per share, of the Company having the same rights, powers and preferences and the same qualifications, limitations and restrictions as a share of common stock of Maryland Ashford. As a result of the foregoing, we became the successor issuer of Maryland Ashford under Rule 12g-3 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Our common stock continues to be listed on the NYSE American under the symbol "AINC."

The accompanying consolidated financial statements reflect the operations of our advisory and asset management business, hospitality products and services business, and entities that we consolidate. In this report, the terms the "Company," "we," "us" or "our" refers to Ashford Inc. and all entities included in its consolidated financial statements.

2. Significant Accounting Policies

Basis of Presentation and Principles of Consolidation—The accompanying consolidated financial statements, include the accounts of Ashford Inc., its majority-owned subsidiaries and entities which it controls. All significant intercompany accounts and transactions between these entities have been eliminated in these historical consolidated financial statements.

In the fourth quarter of 2019, cost reimbursement revenue and reimbursed expenses were reclassified from their previous presentation into aggregated financial statement line items titled "cost reimbursement revenue" and "reimbursed expenses" in our consolidated statements of operations. Our presentation of prior year revenue and operating expense line item amounts have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on total revenue, total operating expense or net income previously reported.

A variable interest entity ("VIE") must be consolidated by a reporting entity if the reporting entity is the primary beneficiary because it has (i) the power to direct the VIE's activities that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. We determine whether we are the primary beneficiary of a VIE upon our initial involvement with the VIE and we reassess whether we are the primary beneficiary of a VIE on an ongoing basis. Our determination of whether we are the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires significant judgment.

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

Noncontrolling Interests—The following tables present information about our noncontrolling interests, including those related to consolidated VIEs, as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019					
	Ashford Holdings	JSAV ⁽³⁾	OpenKey ⁽⁴⁾	Pure Wellness ⁽⁵⁾	RED ⁽⁶⁾	Other
Ashford Inc. ownership interest.....	99.81%	88.20%	47.61%	70.00%	84.21%	55.00%
Redeemable noncontrolling interests ⁽¹⁾⁽²⁾	0.19%	11.80%	26.59%	—%	—%	—%
Noncontrolling interests in consolidated entities.....	—%	—%	25.80%	30.00%	15.79%	45.00%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Carrying value of redeemable noncontrolling interests.....	\$ 98	\$ 2,449	\$ 1,584	n/a	n/a	n/a
Redemption value adjustment, year-to-date.....	(63)	784	64	n/a	n/a	n/a
Redemption value adjustment, cumulative.....	115	784	2,097	n/a	n/a	n/a
Carrying value of noncontrolling interests.....	—	—	395	164	37	32
Assets, available only to settle subsidiary's obligations ⁽⁷⁾⁽⁸⁾	n/a	56,824	1,881	1,852	19,277	250
Liabilities ⁽⁹⁾	n/a	44,542	510	1,671	10,652	59
Notes payable ⁽⁹⁾	n/a	17,785	—	—	6,275	—
Revolving credit facility ⁽⁹⁾	n/a	2,599	—	45	106	—

	December 31, 2018					
	Ashford Holdings	JSAV ⁽³⁾	OpenKey ⁽⁴⁾	Pure Wellness ⁽⁵⁾	RED ⁽⁶⁾	Other
Ashford Inc. ownership interest.....	99.83%	85.00%	45.61%	70.00%	80.00%	—%
Redeemable noncontrolling interests ⁽¹⁾⁽²⁾	0.17%	15.00%	29.65%	—%	—%	—%
Noncontrolling interests in consolidated entities.....	—%	—%	24.74%	30.00%	20.00%	—%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>—%</u>
Carrying value of redeemable noncontrolling interests.....	\$ 215	\$ 1,858	\$ 1,458	n/a	n/a	n/a
Redemption value adjustment, year-to-date.....	(180)	—	12	n/a	n/a	n/a
Redemption value adjustment, cumulative.....	178	—	2,033	n/a	n/a	n/a
Carrying value of noncontrolling interests.....	—	—	308	218	(68)	—
Assets, available only to settle subsidiary's obligations ⁽⁷⁾	n/a	37,141	1,410	2,267	6,807	—
Liabilities ⁽⁹⁾	n/a	24,836	421	1,977	2,839	—
Notes payable ⁽⁹⁾	n/a	12,954	—	—	2,480	—
Revolving credit facility ⁽⁹⁾	n/a	1,733	—	60	118	—

(1) Redeemable noncontrolling interests are included in the “mezzanine” section of our consolidated balance sheets as they may be redeemed by the holder for cash or registered shares in certain circumstances outside of the Company’s control. The carrying value of the noncontrolling interests is based on the greater of the accumulated historical cost or the redemption value, which is generally fair value.

(2) Redeemable noncontrolling interests in Ashford Holdings represent the members’ proportionate share of equity in earnings/losses of Ashford Holdings. Net income/loss attributable to the common unit holders is allocated based on the weighted average ownership percentage of the members’ interest.

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

- (3) Represents ownership interests in JSAV, which we consolidate under the voting interest model. JSAV provides audio visual products and services in the hospitality industry. See also notes 1, 13 and 14.
- (4) Represents ownership interests in OpenKey, a VIE for which we are considered the primary beneficiary and therefore we consolidate it. OpenKey is a hospitality focused mobile key platform that provides a universal smartphone app for keyless entry into hotel guest rooms. See also notes 1, 13 and 14.
- (5) Represents ownership interests in Pure Wellness, a VIE for which we are considered the primary beneficiary and therefore we consolidate it. Pure Wellness provides hypoallergenic premium rooms in the hospitality industry. See also notes 1 and 13.
- (6) Represents ownership interests in RED, a VIE for which we are considered the primary beneficiary and therefore we consolidate it. RED is a provider of watersports activities and other travel and transportation services and includes the entity that conducts RED's legacy U.S. Virgin Islands operations and Sebago. We are provided a preferred return on our investment in RED's legacy U.S. Virgin Islands operations and Sebago which is accounted for in our income allocation based on the applicable partnership agreement. See also notes 1 and 13.
- (7) Total assets consist primarily of cash and cash equivalents, property and equipment and other assets that can only be used to settle the subsidiaries' obligations.
- (8) The assets of Sebago are not available to settle the obligations of the entity that conducts RED's legacy U.S. Virgin Islands operations.
- (9) Liabilities consist primarily of accounts payable, accrued expenses and notes payable for which creditors do not have recourse to Ashford Inc. except in the case of the term loans and line of credit held by RED's legacy U.S. Virgin Islands operations, for which the creditor has recourse to Ashford Inc. See note 7.

Investments in Unconsolidated Entities—We hold “investments in unconsolidated entities” in our consolidated balance sheets, which are considered to be variable interests and voting interests in the underlying entities. Certain of our investments in variable interests are not consolidated because we have determined that we are not the primary beneficiary. Certain other investments are not consolidated as the underlying entity does not meet the definition of a VIE and we do not control more than 50% of the voting interests. We review our “investments in unconsolidated entities” for impairment in each reporting period pursuant to the applicable authoritative accounting guidance. An investment is impaired when its estimated fair value is less than the carrying amount of our investment. Any impairment is recorded in “equity in earnings (loss) of unconsolidated entities.” No such impairment was recorded during the years ended December 31, 2019, 2018 and 2017.

We held an investment in an unconsolidated variable interest entity with a carrying value of \$500,000 at December 31, 2019 and December 31, 2018. We account for the investment at estimated fair value based on recent observable transactions as we do not exercise significant influence over the entity. No equity in earnings (loss) of unconsolidated entities due to a change in fair value of the investment was recognized during the years ended December 31, 2019, 2018 and 2017.

Effective January 1, 2019, we acquired a 30% noncontrolling ownership interest in REA Holdings, a real estate advisory firm that provides financing, advisory and property sales services primarily to clients in the hospitality and leisure industry, for a purchase price of approximately \$3.0 million which was paid in the form of \$2.1 million cash and the issuance of 16,529 shares of our common stock (approximately \$890,000) to the seller pursuant to the exemption from the registration requirements under the Securities Act provided under Section 4(a)(2) thereunder. We have an option to acquire an additional 50% of the ownership interests in REA Holdings for \$12.5 million beginning on January 1, 2022. Our investment in REA Holdings is accounted for under the equity method as we have significant influence over the voting interest entity.

The following table summarizes our carrying value and ownership interest in REA Holdings (in thousands):

	December 31, 2019
Carrying value of the investment in REA Holdings.....	\$ 2,662
Ownership interest in REA Holdings.....	30%

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

	Year Ended December 31, 2019
Equity in earnings (loss) in unconsolidated entities.....	\$ (286)

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

Acquisitions—We account for acquisitions and investments in businesses as business combinations if the target meets the definition of a business and (a) the target is a VIE and we are the target’s primary beneficiary, and therefore we must consolidate its financial statements, or (b) we acquire more than 50% of the voting interest of the target and it was not previously consolidated. We record business combinations using the acquisition method of accounting, which requires all of the assets acquired and liabilities assumed to be recorded at fair value as of the acquisition date. The excess of the purchase price over the estimated fair values of the net tangible and intangible assets acquired is recorded as goodwill. The application of the acquisition method of accounting for business combinations requires management to make significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed in order to properly allocate purchase price consideration between assets that are depreciated and amortized from goodwill. The fair value assigned to tangible and intangible assets acquired and liabilities assumed are based on management’s estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. Significant assumptions and estimates include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate weighted-average cost of capital, and the cost savings expected to be derived from acquiring an asset, if applicable. If the actual results differ from the estimates and judgments used in these estimates, the amounts recorded in our consolidated financial statements may be exposed to potential impairment of the intangible assets and goodwill.

If our investment involves the acquisition of an asset or group of assets that does not meet the definition of a business, the transaction is accounted for as an asset acquisition. An asset acquisition is recorded at cost, which includes capitalizing transaction costs, and does not result in the recognition of goodwill.

Use of Estimates—The preparation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand or held in banks and short-term investments with an initial maturity of three months or less at the date of purchase.

Restricted Cash—As of December 31, 2019 and December 31, 2018, restricted cash included \$10.7 million and \$7.9 million of reserves for casualty insurance claims and the associated ancillary costs. At the beginning of each year, Ashford Inc.’s Risk Management department collects funds from the Ashford Trust and Braemar properties and their respective management companies of an amount equal to the actuarial forecast of that year’s expected casualty claims and associated fees. These funds are deposited into restricted cash and used to pay casualty claims throughout the year as they are incurred. The claim liability related to the restricted cash balance is included in current “other liabilities” in our consolidated balance sheets.

As of December 31, 2019, restricted cash also included \$5.3 million of reserves related to cash received from hotel properties under Remington’s management. The cash is funded by the hotel properties and used to pay certain centralized operating expenses as well as hotel employee bonuses. The liability related to the restricted cash balance for centralized billing is primarily included as a payable within “due from Ashford Trust” and “due from Braemar” in our consolidated balance sheets. The liability related to the restricted cash balance for hotel employee bonuses is included in “accounts payable and accrued expenses.” As of December 31, 2019, restricted cash also included \$1.2 million of reserves for Remington health insurance claims. Cash is collected primarily from Remington’s managed properties to cover employee health insurance claims. The liability related to this restricted cash balance is included in current “other liabilities” in our consolidated balance sheets.

Restricted cash as of December 31, 2019 also includes approximately \$800,000 of cash held in an escrow account in accordance with the Marietta lease agreement. These funds are restricted for use only for repair and maintenance or capital improvements associated with the property.

Accounts Receivable—Accounts receivable consists primarily of receivables from customers of audio visual services. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments for services. The allowance is recorded based on management’s judgment regarding our ability to collect as well as the age of the receivables. Accounts receivable are written off when they are deemed uncollectible.

Inventories—Inventories consist primarily of audio visual equipment and related accessories and are carried at the lower of cost or market value using the first-in, first-out (“FIFO”) valuation method.

Property and Equipment, net—Property and equipment, including assets acquired under finance leases, is depreciated using the straight-line method over estimated useful lives or lease terms if shorter. We record property and equipment at cost. We also

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

capitalize certain costs incurred related to the development of internal use software. We capitalize costs incurred during the application development stage related to the development of internal use software. We expense costs incurred related to the planning and post-implementation phases of development as incurred.

Impairment of Property and Equipment—Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of the asset is measured by comparison of the carrying amount of the asset to the estimated future undiscounted cash flows, which take into account current market conditions and our intent with respect to holding or disposing of the asset. If our analysis indicates that the carrying value of the asset is not recoverable on an undiscounted cash flow basis, we recognize an impairment charge for the amount by which the asset net book value exceeds its estimated fair value, or fair value, less cost to sell. In evaluating impairment of assets, we make many assumptions and estimates, including projected cash flows, expected holding period, and expected useful life. Fair value is determined through various valuation techniques, including internally developed discounted cash flow models, comparable market transactions and third-party appraisals, where considered necessary. Assets not yet placed into service are also reviewed for impairment whenever events or changes in circumstances indicate that all or a portion of the assets will not be placed into service. We recorded an impairment charge of \$1.9 million for the year ended December 31, 2018. The impairment was recognized upon determination that a portion of capitalized software that was not eligible for reimbursement would not be placed into service. An impairment charge of \$1.1 million was recorded for the year ended December 31, 2017, partially offset by recognition of deferred income from reimbursable expenses related to capitalized software implementation costs. The impairment was recognized upon determination that a portion of the software will not be placed into service.

Goodwill and Indefinite-Lived Intangible Assets—Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date. Indefinite-lived intangible assets primarily include trademark rights resulting from our acquisition of Remington, JSAV and Sebago. We assess goodwill and indefinite-lived intangible assets, neither of which is amortized, for impairment annually as of October 1, or more frequently, if events and circumstances indicate impairment may have occurred. In the evaluation of goodwill for impairment, we typically perform a qualitative assessment to determine whether the fair value of the goodwill is more likely than not impaired. In considering the qualitative approach, we evaluated factors including, but not limited to, the operational stability and the overall financial performance of the reporting units. We may choose to bypass the qualitative assessment and perform a quantitative assessment and compare the fair value of the reporting unit to the carrying value and, if applicable, record an impairment charge based on the excess of the reporting unit's carrying amount over its fair value. We determine the fair value of a reporting unit based on either a market valuation approach or an analysis of discounted projected future operating cash flows using a discount rate that is commensurate with the risk inherent in our current business model. We base our measurement of fair value of trademarks using the relief-from-royalty method. This method assumes that the trademarks have value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them. Based on the results of our annual impairment assessments, no impairment of goodwill or trademark rights was indicated. No indicators of impairment were identified from the date of our impairment assessments through December 31, 2019.

Definite-Lived Intangible Assets—Definite-lived intangible assets primarily include management contracts, customer relationships and boat slip rights resulting from our acquisitions. The Remington and Premier management contracts are not amortized on a straight-line basis, rather the assets are amortized in a manner that approximates the pattern of the assets' economic benefit to the Company over an estimated useful life of 25 and 30 years, respectively. The JSAV, RED and Pure Wellness assets are amortized using the straight-line method over the estimated useful lives of the assets. We review the carrying amount of the assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. No indicators of impairment were identified as of December 31, 2019.

Other Liabilities—As of December 31, 2019 and December 31, 2018, other liabilities included reserves in the amount of \$10.8 million and \$7.8 million, respectively, related primarily to Ashford Trust and Braemar properties' casualty insurance claims and related fees. The liability for casualty insurance claims and related fees is established based upon an analysis of historical data and actuarial estimates. We record the related funds received from Ashford Trust and Braemar in "restricted cash" in our consolidated balance sheets. As of December 31, 2019, other liabilities also included \$2.2 million of reserves for Remington health insurance claims, the remaining \$500,000 of the purchase price due to the sellers of BAV 18 months after the acquisition date, subject to certain conditions, the fair value of contingent consideration of \$4.6 million due to the sellers of BAV, as well as the fair value of contingent consideration of \$1.0 million due to the sellers of Sebago. See notes 5 and 17.

Revenue Recognition—See note 3.

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

Salaries and Benefits—Salaries and benefits are expensed as incurred. Salaries and benefits includes expense for equity grants of Ashford Trust and Braemar common stock and performance-based Long-Term Incentive Plan (“LTIP”) units awarded to our officers and employees in connection with providing advisory services equal to the grant date fair value of the award in proportion to the requisite service period satisfied during the period. There is an offsetting amount included in “advisory services” revenue. Salaries and benefits also includes changes in fair value in the deferred compensation plan liability. See note 16.

General and Administrative—General and administrative costs are expensed as incurred, and include advertising costs of \$1.5 million, \$905,000 and \$126,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

Depreciation and Amortization—Our property and equipment, including assets acquired under finance leases, is depreciated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the related assets. Property and equipment, excluding our RED vessels, are depreciated using the straight-line method over lives ranging from 3 to 7.5 years and computer software placed into service is amortized on a straight-line basis over estimated useful lives ranging from 3 to 5 years. Our RED vessels are depreciated using the straight-line method over a useful life of 20 years. While we believe our estimates are reasonable, a change in estimated useful lives could affect depreciation expense and net income/loss as well as resulting gains or losses on potential sales. See also the “Definite-Lived Intangible Assets” above.

Equity-Based Compensation—Our equity incentive plan provides for the grant of restricted or unrestricted shares of our common stock, share appreciation rights, performance shares, performance units and other equity-based awards or any combination of the foregoing. Equity-based compensation included in “salaries and benefits” is accounted for at fair value based on the market price of the shares/options on the date of grant in accordance with applicable authoritative accounting guidance. The fair value is charged to compensation expense on a straight-line basis over the vesting period of the shares/options. Grants of restricted stock to independent directors are recorded at fair value based on the market price of our shares at grant date, and this amount is fully expensed in “general and administrative” expense as the grants of stock are fully vested on the date of grant. Our officers and employees can be granted common stock and LTIP units from Ashford Trust and Braemar in connection with providing advisory services that result in expense, included in “reimbursed expenses,” equal to the grant date fair value of the award in proportion to the requisite service period satisfied during the period, as well as offsetting revenue in an equal amount included in “cost reimbursement revenue”.

Prior to the adoption of ASU 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting (“ASU 2018-07”) in the third quarter of 2018, equity-based awards granted to non-employees were accounted for at fair value based on the market price of the awards at period end, which resulted in recording expense equal to the fair value of the award in proportion to the requisite service period satisfied during the period. After the adoption of ASU 2018-07 in the third quarter of 2018, equity-based awards granted to non-employees are measured at the grant date and expensed ratably over the vesting period based on the original measurement date as the grant date. This results in the recording of expense equal to the ratable amount of the grant date fair value based on the requisite service period satisfied during the period.

Other Comprehensive Income (Loss)—Comprehensive income consists of net income (loss), foreign currency translation adjustments and unrealized gain (loss) on restricted investments. The foreign currency translation adjustment represents the unrealized impact of translating the financial statements of the JSAV operations in Mexico and the Dominican Republic from their respective functional currencies to U.S. dollars. This amount is not included in net income and would only be realized upon the sale or upon complete or substantially complete liquidation of the foreign businesses. The unrealized gain (loss) on restricted investments includes the unrealized gain (loss) on available-for-sale securities associated with restricted investments within the deferred compensation plan discussed in note 16. The accumulated other comprehensive income (loss) is presented on our consolidated balance sheets as of December 31, 2019 and 2018.

Due to Affiliates—Due to affiliates represents current payables resulting primarily from general and administrative expense, and property and equipment reimbursements. Due to affiliates is generally settled within a period not exceeding one year.

Due from Ashford Trust—Due from Ashford Trust represents current receivables related to advisory services fees, incentive fees, reimbursable expenses and service business expenses. Due from Ashford Trust is generally settled within a period not exceeding one year.

Due from Braemar—Due from Braemar represents current receivables related to advisory services fees, incentive fees, reimbursable expenses and service business expenses. Due from Braemar is generally settled within a period not exceeding one year.

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

Income (Loss) Per Share—Basic income (loss) per common share is calculated by dividing net income (loss) attributable to the Company by the weighted average common shares outstanding during the period using the two-class method prescribed by applicable authoritative accounting guidance. Diluted income (loss) per common share is calculated using the two-class method, or the treasury stock method, if more dilutive. Diluted income (loss) per common share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares, whereby such exercise or conversion would result in lower income per share. See note 18.

Leases—We determine if an arrangement is a lease at the inception of the contract. Lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments related to operating leases is recognized on a straight-line basis over the lease term. Lease expense for minimum lease payments related to financing leases is recognized using the effective interest method over the lease term. Short-term leases are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. See note 8.

Deferred Compensation Plan—Effective January 1, 2008, Ashford Trust established a nonqualified deferred compensation plan (“DCP”) for certain executive officers, which was assumed by the Company in connection with the separation from Ashford Trust. The plan allowed participants to defer up to 100% of their base salary and bonus and select an investment fund for measurement of the deferred compensation obligation. In connection with our spin-off and the assumption of the DCP obligation by the Company, the DCP was modified to give the participants various investment options, including Ashford Inc. common stock, for measurement that can be changed by the participant at any time. These modifications resulted in the DCP obligation being recorded as a liability in accordance with the applicable authoritative accounting guidance. Distributions under the DCP are made in cash, unless the participant has elected Ashford Inc. common stock as the investment option, in which case any such distributions would be made in Ashford Inc. common stock. The DCP is carried at fair value with changes in fair value reflected in “salaries and benefits” in our consolidated statements of operations. See note 16.

Income Taxes—We are a taxable corporation for federal and state income tax purposes. Income tax expense includes U.S. federal, state and foreign income taxes. In accordance with authoritative accounting guidance, we account for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized.

The “Income Taxes” topic of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification addresses the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. The guidance requires us to determine whether tax positions we have taken or expect to take in a tax return are more likely than not to be sustained upon examination by the appropriate taxing authority based on the technical merits of the positions. Tax positions that do not meet the more likely than not threshold would be recorded as additional tax expense in the current period. We analyze all open tax years, as defined by the statute of limitations for each jurisdiction, which includes the federal jurisdiction and various states. We classify interest and penalties related to underpayment of income taxes as income tax expense. We and our subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and cities, and, beginning November 1, 2017, in Mexico and the Dominican Republic. Tax years 2014 through 2019 remain subject to potential examination by certain federal and state taxing authorities.

Recently Adopted Accounting Standards—In February 2016, the FASB issued ASU 2016.02. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases* (“ASU 2018-10”) and ASU 2018-11, *Leases (Topic 842), Targeted Improvements* (“ASU 2018-11”). The amendments in ASU 2018-10 affect only narrow aspects of the guidance issued in the amendments in ASU 2016-02, including but not limited to lease residual value guarantee, rate implicit in the lease and lease term and purchase option. The amendments in ASU 2018-11 provide an optional transition method for adoption of the new standard, which will allow entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption.

Effective January 1, 2019, we have adopted the new standard using the modified retrospective approach and implemented internal controls to enable the preparation of financial information upon adoption. We elected to adopt both the transition relief provided in ASU 2018-11 and the package of practical expedients which allowed us, among other things, to retain historical lease classifications and accounting for any leases that existed prior to adoption of the standard. Additionally, we elected the practical

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

expedients allowing us not to separate lease and non-lease components and not record leases with an initial term of twelve months or less (“short-term leases”) on the balance sheet across all existing asset classes.

Adoption of the new standard resulted in the recording of operating lease assets and operating lease liabilities of \$26.2 million as of January 1, 2019, which primarily relates to certain office space, warehouse facilities, vehicles and equipment. The standard did not materially impact our consolidated statements of operations or cash flows. Adopting the new standard did not have a material impact on the accounting for leases under which we are the lessor, except as it pertains to our rent-free leases of FF&E with Ashford Trust and Braemar. The new standard requires leases with related parties entered into on or after January 1, 2019 to be accounted for in accordance with the legally enforceable terms and conditions of the lease (i.e. zero rent payments). Therefore, we will no longer allocate a portion of base advisory fee revenue to lease revenue in an amount equal to the estimated fair value of the lease payments that would have been made because ERFPS leases are rent-free. For historical leases related to our key money and ERFPS programs that were in place upon adoption of the new standard on January 1, 2019, we will continue allocating a portion of base advisory fee revenue to lease revenue consistent with our historical accounting for the remainder of the applicable lease terms. See note 8.

Recently Issued Accounting Standards—In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). ASU 2016-13 sets forth an “expected credit loss” impairment model to replace the current “incurred loss” method of recognizing credit losses. The standard requires measurement and recognition of expected credit losses for most financial assets held. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact that ASU 2016-13 will have on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. As a result, under ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. However, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, ASU 2017-04 clarifies that an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are evaluating the impact that ASU 2017-04 will have on our consolidated financial statements and related disclosures.

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

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* (“ASU 2018-15”). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software and hosting arrangements that include an internal-use software license. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact that ASU 2018-15 will have on our consolidated financial statements.

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

ASHFORD INC. AND SUBSIDIARIES
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should be applied prospectively. Early adoption is permitted. We are currently evaluating the impact that ASU 2020-01 will have on our consolidated financial statements and related disclosures.

3. Revenues

Revenue Recognition—Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

In determining the transaction price, we include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The following provides detailed information on the recognition of our revenues from contracts with customers:

Advisory Services Revenue

Advisory services revenue is reported within our REIT Advisory segment and primarily consists of advisory fees that are recognized when services have been rendered. Advisory fees consist of base fees and incentive fees. For Ashford Trust, prior to June 26, 2018, the base fee was paid quarterly and ranged from 0.50% to 0.70% per annum of the total market capitalization ranging from less than \$6.0 billion to greater than \$10.0 billion plus the Key Money Asset Management Fee, as defined in the amended and restated advisory agreement, subject to certain minimums. Upon effectiveness of the Enhanced Return Funding Program Agreement and Amendment No. 1 to the Amended and Restated Advisory Agreement on June 29, 2018, the base fee is paid monthly and ranges from 0.50% to 0.70% per annum of the total market capitalization ranging from less than \$6.0 billion to greater than \$10.0 billion plus the Net Asset Fee Adjustment, as defined in the amended and restated advisory agreement, as amended, subject to certain minimums. For Braemar, prior to January 15, 2019, the base fee was paid monthly and was fixed at 0.70% of Braemar's total market capitalization plus the Key Money Asset Management Fee, as defined in the advisory agreement, subject to certain minimums. Upon effectiveness of the Enhanced Return Funding Program Agreement and Amendment No. 1 to the Fifth Amended and Restated Advisory Agreement on January 15, 2019, the base fee is paid monthly and is fixed at 0.70% of Braemar's total market capitalization plus the Net Asset Fee Adjustment, as defined in the advisory agreement, as amended, subject to certain minimums.

Incentive advisory fees are measured annually in each year that Ashford Trust's and/or Braemar's annual total stockholder return exceeds the average annual total stockholder return for each company's respective peer group, subject to the Fixed Charge Coverage Ratio Condition (the "FCCR Condition"), as defined in the respective advisory agreements. Incentive advisory fees are paid over a three-year period and each payment is subject to the FCCR Condition, which relates to the ratio of adjusted EBITDA to fixed charges for Ashford Trust or Braemar, as applicable. Incentive advisory fees are a form of variable consideration and therefore must be (i) deferred until such fees are probable of not being subject to significant reversal, and (ii) tied to a performance obligation in the contract with the customer so that revenue recognition depicts the transfer of the related advisory services to the customer. Accordingly, the Company does not record incentive advisory fee revenue in interim periods prior to the fourth quarter of the year in which the incentive fee is measured. The first year installment of incentive advisory fees will generally be recognized only upon measurement in the fourth quarter of the first year of the three year period. The second and third year installments of incentive advisory fees are recognized as revenue on a pro-rata basis each quarter as such amounts are not subject to significant reversal. Ashford Trust and Braemar's annual total stockholder return did not meet the relevant incentive fee thresholds during the 2019 measurement period.

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Hotel Management Revenue

Hotel management revenue is reported within our Remington segment and primarily consists of base management fees and incentive management fees. Base management fees and incentive management fees are recognized when services have been rendered. Remington receives base management fees of 3% of gross hotel revenues for managing the hotel employees and daily operations of the hotels. Remington receives an incentive management fee equal to the lesser of 1% of each hotel's annual gross revenues or the amount by which the respective hotel's gross operating profit exceeds the hotel's budgeted gross operating profit.

Project Management Revenue

Project management revenue primarily consists of revenue generated within our Premier segment by providing development and construction, capital improvements, refurbishment, project management, and other services such as purchasing, interior design, architectural services, freight management, and construction management services at properties. Premier receives fees for these services and recognizes revenue over time as services are provided to the customer.

Audio Visual Revenue

Audio visual revenue primarily consists of revenue generated within our JSAV segment by providing event technology services such as audio visual services, audio visual equipment rental, staging and meeting services and event-related communication systems as well as related technical support, to our customers in various venues including hotels and convention centers. Revenue is recognized in the period in which services are provided pursuant to the terms of the contractual arrangements with our customers. We also evaluate whether it is appropriate to present (i) the gross amount that our customers pay for our services as revenue, and the related commissions paid to the venue as cost of revenue, or (ii) the net amount (gross revenue less the related commissions paid to the venue) as revenue. We are responsible for the delivery of the services, including providing the necessary labor and equipment to perform the services. We are generally subject to inventory risk, have latitude in establishing prices and selecting suppliers and, while in many cases the venue bills the end customer on our behalf, we bear the risk of collection from the customer. The venues' commissions are not dependent on collections. As a result, our revenue is primarily reported on a gross basis. Cost of revenues for audio visual principally includes commissions paid to venues, direct labor costs, the cost of equipment sub-rentals, depreciation of equipment, amortization of signing bonuses, as well as other costs such as supplies, freight, travel and other overhead from our venue and customer facing operations and any losses on equipment disposal.

Other Revenue

Other revenue includes revenues provided by certain of our hospitality products and service businesses, including RED. RED's revenue is primarily generated through the provision of watersports activities and ferry and excursion services. The revenue is recognized as services are provided based on contractual customer rates. Debt placement fees include revenues earned from providing debt placement services by Lismore Capital ("Lismore"), our wholly-owned subsidiary. These fees are recognized based on a stated percentage of the loan amount when services have been rendered and the subject loan has closed. In connection with our ERFP Agreements and legacy key money transaction with Ashford Trust, we lease FF&E to Ashford Trust rent-free. Our ERFP leases entered into in 2018 commenced on December 31, 2018. Consistent with our accounting treatment prior to adopting ASU 2016-02, a portion of the base advisory fee for leases, which commenced prior to our adoption, is allocated to lease revenue each period equal to the estimated fair value of the lease payments that would have been made.

Cost Reimbursement Revenue

Cost reimbursement revenue is recognized in the period we incur the related reimbursable costs. Under our advisory agreements, we are entitled to be reimbursed for certain costs we incur on behalf of Ashford Trust and Braemar, with no added mark-up. These costs primarily consist of expenses related to Ashford Securities, overhead, internal audit, risk management advisory services and asset management services, including compensation, benefits and travel expense reimbursements. We record cost reimbursement revenue for equity grants of Ashford Trust and Braemar common stock and LTIP units awarded to our officers and employees in connection with providing advisory services equal to the fair value of the award in proportion to the requisite service period satisfied during the period. We additionally are reimbursed by Ashford Trust for expenses incurred by Ashford Investment Management, LLC ("AIM") for managing Ashford Trust's excess cash under the Investment Management Agreement. AIM is not compensated for its services but is reimbursed for all costs and expenses.

Under our project management agreements and hotel management agreements, we are entitled to be reimbursed for certain costs we incur on behalf of Ashford Trust, Braemar and other hotel owners, with no added mark-up. Project management costs primarily consist of costs for accounting, overhead and project manager services. Hotel management costs primarily consist of

ASHFORD INC. AND SUBSIDIARIES
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the properties' payroll, payroll taxes and benefits related expenses at managed properties where we are the employer of the employees at the properties as provided for in our contracts with the Ashford Trust, Braemar and other hotel owners.

We recognize revenue within the "cost reimbursement revenue" in our consolidated statements of operations when the amounts may be billed to Ashford Trust, Braemar and other hotel owners, and we recognize expenses within "reimbursed expenses" in our consolidated statements of operations as they are incurred. This pattern of recognition results in temporary timing differences between the costs incurred for centralized software programs and the related reimbursements we receive from Ashford Trust and Braemar in our operating and net income. Over the long term, these programs and services are not designed to impact our economics, either positively or negatively.

Certain of our consolidated entities enter into contracts with customers that contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our consolidated entities' overall pricing objectives taking into consideration market conditions and other factors, including the customer and the nature and value of the performance obligations within the applicable contracts.

Deferred Income and Contract Balances

Deferred income primarily consists of customer billings in advance of revenues being recognized from our advisory agreements and other hospitality products and services contracts. Generally, deferred income that could result in a cash payment within the next twelve months is recorded as current deferred income and the remaining portion is recorded as noncurrent. The increase in the deferred income balance is primarily driven by cash payments received or due in advance of satisfying our performance obligations, offset by revenues recognized that were included in the deferred income balance at the beginning of the period. The following tables summarize our consolidated deferred income activity (in thousands):

	Deferred Income	
	2019	2018
Balance as of January 1	\$ 13,544	\$ 13,899
Increases to deferred income	8,137	7,781
Recognition of revenue ⁽¹⁾	(8,401)	(8,136)
Balance as of December 31	<u>\$ 13,280</u>	<u>\$ 13,544</u>

⁽¹⁾ Deferred income recognized in the year ended December 31, 2019, includes (a) \$2.5 million of advisory revenue primarily related to our advisory agreements with Ashford Trust and Braemar, (b) \$3.5 million of audio visual revenue and (c) \$2.4 million of "other services" revenue earned by our hospitality products and services companies. Deferred income recognized in the year ended December 31, 2018, includes (a) \$2.1 million of advisory revenue primarily related to our advisory agreements with Ashford Trust and Braemar, (b) \$3.8 million of audio visual revenue and (c) \$2.2 million of "other services" revenue earned by our hospitality products and services companies.

We do not disclose information about remaining performance obligations pertaining to contracts that have an original expected duration of one year or less. The transaction price allocated to remaining unsatisfied or partially unsatisfied performance obligations with an original expected duration exceeding one year was primarily related to (i) reimbursed software costs that will be recognized evenly over the period the software is used to provide advisory services to Ashford Trust and Braemar, and (ii) a \$5.0 million cash payment received in June 2017 from Braemar in connection with our Fourth Amended and Restated Braemar Advisory Agreement, which is recognized evenly over the 10-year initial contract period that we are providing Braemar advisory services. Incentive advisory fees that are contingent upon future market performance are excluded as the fees are considered variable and not included in the transaction price at December 31, 2019.

The timing of revenue recognition may differ from the timing of payment by customers. We record a receivable when revenue is recognized prior to payment and we have an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, we record deferred income until the performance obligations are satisfied. We had receivables related to revenues from contracts with customers of \$7.2 million and \$4.9 million included in "accounts receivable, net" primarily related to our hospitality products and services segment, \$357,000 and \$45,000 in "due from affiliates," \$4.8 million and \$5.3 million in "due from Ashford Trust," and \$1.6 million and \$2.0 million included in "due from Braemar" related to REIT advisory services at December 31, 2019 and December 31, 2018, respectively. We had no significant impairments related to these receivables during the year ended December 31, 2019 and 2018.

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Disaggregated Revenue

Our revenues were comprised of the following for the three year period ending December 31, 2019 (in thousands):

REVENUE	Year Ended December 31,		
	2019	2018	2017
Advisory services revenue:			
Base advisory fees	\$ 42,985	\$ 44,905	\$ 43,523
Incentive advisory fees	678	2,487	3,083
Other advisory revenue	521	521	277
Total advisory services revenue	44,184	47,913	46,883
Hotel management:			
Base management fees	4,054	—	—
Incentive management fees	472	—	—
Total hotel management revenue	4,526	—	—
Project management fees	25,584	8,802	—
Audio visual revenue	110,609	81,186	9,186
Other revenue:			
Debt placement fees ⁽²⁾	1,998	6,093	1,137
Claims management services	210	213	—
Lease revenue	4,118	1,005	893
Other services ⁽³⁾	14,853	5,757	2,399
Total other revenue	21,179	13,068	4,429
Cost reimbursement revenue	85,168	44,551	21,075
Total revenues	\$ 291,250	\$ 195,520	\$ 81,573
REVENUE BY SEGMENT ⁽¹⁾			
REIT advisory	\$ 84,701	\$ 91,850	\$ 68,851
Remington	47,287	—	—
Premier	30,580	10,634	—
JSAV	110,609	81,186	9,186
OpenKey	987	999	327
Corporate and other	17,086	10,851	3,209
Total revenue	\$ 291,250	\$ 195,520	\$ 81,573

⁽¹⁾ We have five reportable segments: REIT Advisory, Remington, Premier, JSAV and OpenKey. We combine the operating results of RED, Marietta, Pure Wellness, Lismore and REA Holdings into an “all other” category, which we refer to as “Corporate and Other.” See note 19 for discussion of segment reporting.

⁽²⁾ Debt placement fees are earned by Lismore for providing debt placement services to Ashford Trust and Braemar.

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

⁽³⁾ Other services revenue relates primarily to other hotel services provided by our consolidated subsidiaries, OpenKey, RED and Pure Wellness, to Ashford Trust, Braemar and third parties.

Geographic Information

Our REIT Advisory, Remington, Premier, OpenKey, and Corporate and Other reporting segments conduct their business within the United States. Our JSAV reporting segment conducts business in the United States, Mexico, and the Dominican Republic. The following table presents revenue from our JSAV reporting segment geographically for the years ended December 31, 2019, 2018 and 2017, respectively (in thousands):

	Year Ended December 31,		
	2019	2018	2017 ⁽¹⁾
United States	\$ 88,583	\$ 60,241	\$ 6,033
Mexico	16,067	15,429	2,760
Dominican Republic	5,959	5,516	393
	\$ 110,609	\$ 81,186	\$ 9,186

⁽¹⁾ Revenue for the year ended December 31, 2017 was not adjusted for the adoption of the new revenue recognition guidance under ASC 606.

4. Property and Equipment, net

Property and equipment, net, consisted of the following (in thousands):

	December 31,	
	2019	2018
Marietta Leasehold L.P. finance lease	\$ 44,294	\$ —
Rental pool equipment	22,422	16,386
FF&E under the Ashford Trust ERFPA Agreement	29,189	16,100
FF&E under the Braemar ERFPA Agreement	10,300	—
Property and equipment	12,086	9,342
Marine vessels	10,709	5,854
Leasehold improvements	1,237	1,022
Computer software	6,446	7,132
Total cost	136,683	55,836
Accumulated depreciation	(20,493)	(7,889)
Property and equipment, net	\$ 116,190	\$ 47,947

For the years ended December 31, 2019, 2018 and 2017, depreciation expense was \$15.1 million, \$4.0 million and \$2.3 million, respectively. Depreciation and amortization expense for the years ended December 31, 2019, 2018 and 2017 excludes depreciation expense related to audio visual equipment of \$4.7 million, \$3.8 million and \$411,000, respectively, which is included in “cost of revenues for audio visual,” and for the years ended December 31, 2019 and 2018, excludes \$1.5 million and \$1.4 million of depreciation expense, respectively, of capitalized software included in “reimbursed expenses” and depreciation expense related to marine vessels of \$441,000 and \$172,000, respectively, which is included in “other” operating expense.

5. Acquisitions

Remington

On November 6, 2019, we completed the acquisition of Remington Lodging’s hotel management business and Marietta for \$275 million in consideration in the form of 11,000,000 shares of Series D Convertible Preferred Stock of Ashford Inc. Remington provides hotel management services primarily to hotels owned by Ashford Trust and Braemar. Hotel management services consist of hotel operations, sales and marketing, revenue management, budget oversight, guest service, asset maintenance (not involving

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

capital expenditures) and related services. The results of operations of Remington are included in our consolidated financial statements from the date of acquisition.

Marietta leases a single hotel and convention center property in Marietta, Georgia, from the City of Marietta and earns revenues from the operation of this hotel property. The hotel property is managed by Remington as part of the Hilton brand of hotels and offers hotel and conference center services. Marietta's revenue and operating expenses are included in "other" revenue and "other" operating expenses, respectively, in the consolidated statements of operations. The lease, which expires on December 31, 2054, was classified as a finance lease. The right-of-use asset was adjusted by approximately \$4.2 million for favorable lease terms compared to market terms. The results of operations of Marietta are included in our consolidated financial statements from the date of acquisition.

The acquisition of Remington was recorded using the acquisition method of accounting in accordance with the authoritative guidance for business combinations, and the purchase price allocation is based on our valuation of the fair value of the tangible and intangible assets acquired and liabilities assumed at the date of acquisition. The fair values of the assets acquired were determined using various valuation techniques, including an income approach. The fair value measurements were primarily based on significant inputs that are not directly observable in the market and are considered Level 3 under the fair value measurements and disclosure framework. Key assumptions include cash flow projections of Remington and the discount rate applied to those cash flows. The excess of the purchase price over the estimated fair values of the identifiable net assets acquired was recorded as goodwill.

We have allocated the purchase price to the assets acquired and liabilities assumed on a preliminary basis using estimated fair value information currently available. We are in the process of evaluating the values assigned to working capital balances, intangible assets and the deferred tax liability. Thus, the balances reflected below are subject to change, and any such changes could result in adjustments to the allocation.

The fair value of the purchase price and preliminary allocation of the purchase price are as follows (in thousands):

Series D Convertible Preferred Stock	\$ 275,000
Preferred stock discount	(2,550)
Working capital adjustments	48
Total fair value of purchase price	<u>\$ 272,498</u>

	Fair Value	Estimated Useful Life
Current assets including cash	\$ 27,661	
Assets acquired under finance leases ⁽¹⁾	44,294	35 years
Property and equipment, net	466	
Operating lease right-of-use assets	24,649	
Goodwill	143,854	
Trademarks	10,300	
Management contracts	148,500	25 years
Total assets acquired	<u>399,724</u>	
Current liabilities	23,740	
Finance lease liabilities, current	331	
Operating lease liabilities, current	2,038	
Deferred tax liability	38,733	
Finance lease liabilities, non-current	39,773	
Operating lease liabilities, non-current	22,611	
Total assumed liabilities	<u>127,226</u>	
Net assets acquired	<u>\$ 272,498</u>	

⁽¹⁾ Assets acquired under finance leases are included in "property and equipment, net."

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

We do not expect any of the goodwill balance to be deductible for tax purposes. The qualitative factors that make up the recorded goodwill include value associated with an assembled workforce and value attributable to growth opportunities to expand Remington's hotel management services to third-party owners in the hospitality industry.

Results of Remington

The results of operations of Remington have been included in our results of operations since the acquisition date. Our consolidated statement of operations for the year ended December 31, 2019 include total revenues from Remington of \$47.3 million. In addition, our consolidated statement of operations for the year ended December 31, 2019 include net loss from Remington of \$626,000. The unaudited pro forma results of operations, as if the acquisition had occurred on January 1, 2018, are included below under "Pro Forma Financial Results."

Sebago

On July 18, 2019, RED completed the acquisition of substantially all of the assets of Sebago, a leading provider of watersports activities and excursion services based in Key West, Florida. After giving effect to the transaction, Ashford Inc. owns an approximately 84% interest in the common equity of RED.

The purchase price consisted of approximately \$2.5 million in cash (excluding transaction costs and working capital adjustments) funded by new RED term loans and \$4.5 million in the form of Ashford Inc. common stock consisting of 135,366 shares issued on July 18, 2019, subject to a six month stock consideration collar. The issued Ashford Inc. shares were determined using a 30-Day VWAP of \$33.24 and had an estimated fair value of approximately \$4.5 million as of the acquisition date. Pursuant to the acquisition agreement, in the event that the 30-Day VWAP of the common stock on the six month anniversary of the closing date of the acquisition is lower than the price of the common stock on July 18, 2019, the Company at its sole discretion will either pay to the sellers a cash payment, if greater than zero, equal to the amount by which the value of the common stock on the six month anniversary of the acquisition is less than \$3.8 million or may repurchase all of the common stock from the seller for \$3.8 million. In the event that the 30-Day VWAP of the common stock on the six month anniversary of the closing date of the acquisition is higher than the price of the common stock on July 18, 2019, the Company may repurchase shares of common stock, such that the stock consideration for the transaction remains \$4.5 million in common stock. A liability resulting from contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved, with changes in fair value recognized in earnings within "other" operating expenses in our consolidated statements of operations. See note 9 for further discussion of the Company's liabilities related to acquisition-related contingent consideration.

The acquisition of Sebago was recorded using the acquisition method of accounting in accordance with the authoritative guidance for business combinations, and the purchase price allocation is based on our valuation of the fair value of the tangible and intangible assets acquired and liabilities assumed at the date of acquisition. The fair values of the assets acquired were determined using various valuation techniques, including an income approach. The fair value measurements were primarily based on significant inputs that are not directly observable in the market and are considered Level 3 under the fair value measurements and disclosure framework. Key assumptions include cash flow projections of Sebago and the discount rate applied to those cash flows. The excess of the purchase price over the estimated fair values of the identifiable net assets acquired was recorded as goodwill.

We have allocated the purchase price to the assets acquired and liabilities assumed on a preliminary basis using estimated fair value information currently available. We are in the process of evaluating the values assigned to marine vessels and intangible assets. Thus, the balances reflected below are subject to change, and any such changes could result in adjustments to the allocation.

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

The fair value of the purchase price and preliminary allocation of the purchase price is as follows (in thousands):

Cash	\$	2,500
Less working capital adjustments		(74)
Fair value of Ashford Inc. common stock issued		4,547
Purchase price consideration	\$	<u>6,973</u>

	<u>Fair Value</u>	<u>Estimated Useful Life</u>
Current assets	\$ 76	
Marine vessels	2,220	20 years
Property and equipment, net	1,530	20 years
Operating lease right-of-use assets	391	
Goodwill	1,235	
Trademarks	490	
Boat slip rights	3,100	20 years
Total assets acquired	<u>9,042</u>	
Current liabilities	291	
Noncurrent liabilities	1,778	
Total assumed liabilities	<u>2,069</u>	
Net assets acquired	<u>\$ 6,973</u>	

We expect approximately \$1.2 million of the goodwill balance to be deductible by Ashford Inc. for tax purposes. The qualitative factors that make up the recorded goodwill include value associated with an assembled workforce and value attributable to expanding Sebago's operations through our relationship with RED.

Results of Sebago

The results of operations of Sebago have been included in our results of operations since the acquisition date. Our consolidated statements of operations for the year ended December 31, 2019 include total revenues from Sebago of \$2.6 million. In addition, our consolidated statements of operations for the year ended December 31, 2019 include net income from Sebago of \$162,000. The unaudited pro forma results of operations, as if the acquisition had occurred on January 1, 2018, are included below under "Pro Forma Financial Results."

BAV

On March 1, 2019, JSAV acquired a privately-held company, BAV. BAV is an audio visual rental, staging, and production company focused on meeting and special event services. As a result of the acquisition, our ownership interest in JSAV, which we consolidate under the voting interest model, increased from 85% to approximately 88%.

Pursuant to the asset purchase agreement, as amended on September 24, 2019, the purchase price consisted of: (i) \$5.0 million in cash (excluding working capital adjustments) funded by an existing JSAV term loan; (ii) \$3.5 million in the form of Ashford Inc. common stock consisting of 61,387 shares issued on March 1, 2019, which was determined based on a 30-Day VWAP of \$57.01 and had an estimated fair value of approximately \$3.7 million as of the acquisition date; (iii) \$500,000 payable in cash or Ashford Inc. common stock at our sole discretion to be issued 18 months after the acquisition date, subject to certain conditions; and (iv) contingent consideration related to the achievement of certain performance targets with an estimated fair value of approximately \$1.4 million, payable, if earned, 12 to 18 months after the acquisition date. Additionally, the transaction includes a stock consideration collar with potential settlements at 12 months, 15 months and 18 months after the acquisition date dependent upon the 30-Day VWAP of Ashford Inc.'s common stock on each respective settlement date. A liability resulting from contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved, with changes in fair value recognized in earnings within "other" operating expenses in our consolidated statements of operations. See note 9 for further discussion of the Company's liabilities related to acquisition-related contingent consideration.

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

The acquisition of BAV was recorded using the acquisition method of accounting in accordance with the authoritative guidance for business combinations, and the purchase price allocation is based on our valuation of the fair value of the tangible and intangible assets acquired and liabilities assumed at the date of acquisition. The fair values of the assets acquired were determined using various valuation techniques, including an income approach. The fair value measurements were primarily based on significant inputs that are not directly observable in the market and are considered Level 3 under the fair value measurements and disclosure framework. Key assumptions include cash flow projections of BAV and the discount rate applied to those cash flows. The excess of the purchase price over the estimated fair values of the identifiable net assets acquired was recorded as goodwill.

We have allocated the purchase price to the assets acquired and liabilities assumed on a preliminary basis using estimated fair value information currently available. We are in the process of evaluating the values assigned to property and equipment, and intangible assets. Thus, the balances reflected below are subject to change, and any such changes could result in adjustments to the allocation.

The fair value of the purchase price and preliminary allocation of the purchase price is as follows (in thousands):

Term loan	\$	5,000
Less working capital adjustments		(733)
Fair value of Ashford Inc. common stock issued		3,748
Consideration payable		500
Fair value of contingent consideration		1,384
Purchase price consideration	<u>\$</u>	<u>9,899</u>

	<u>Fair Value</u>	<u>Estimated Useful Life</u>
Current assets	\$ 754	
Property and equipment, net	1,983	5 years
Operating lease right-of-use assets	165	
Goodwill	4,827	
Trademarks	440	
Customer relationships	2,800	15 years
Total assets acquired	<u>10,969</u>	
Current liabilities	639	
Noncurrent liabilities	431	
Total assumed liabilities	<u>1,070</u>	
Net assets acquired	<u>\$ 9,899</u>	

We expect approximately \$4.8 million of the goodwill balance to be deductible by Ashford Inc. for tax purposes. The qualitative factors that make up the recorded goodwill include value associated with an assembled workforce and value attributable to expanding BAV's operations through our relationship with JSAV.

Results of BAV

The results of operations of BAV have been included in our results of operations since the acquisition date. Our consolidated statements of operations for the year ended December 31, 2019, include total revenues from BAV of \$11.4 million. In addition, our consolidated statements of operations for the year ended December 31, 2019, include net income from BAV of \$1.2 million. The unaudited pro forma results of operations, as if the acquisition had occurred on January 1, 2018, are included below under "Pro Forma Financial Results."

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

Premier

On August 8, 2018, we completed the acquisition of Premier for a total transaction value of \$203.0 million. Premier provides construction management, interior design, architecture, and the purchasing, expediting, warehousing coordination, freight management, and supervision of installation of property and equipment, and related services. The purchase price was paid by issuing 8,120,000 shares of the newly created Series B Convertible Preferred Stock to the sellers. The results of operations of Premier are included in our consolidated financial statements from the date of acquisition.

The acquisition of Premier has been recorded using the acquisition method of accounting in accordance with the authoritative guidance for business combinations. The holding company reorganization that we effected in connection with the Premier acquisition was accounted for as a common control transaction. The purchase price allocation for the acquisition of Premier is based on our valuation of the fair value of the tangible and intangible assets acquired and liabilities assumed at the date of acquisition. The fair values of the assets acquired were determined using various valuation techniques, including an income approach. The fair value measurements were primarily based on significant inputs that are not directly observable in the market and are considered Level 3 under the fair value measurements and disclosure framework. Key assumptions include cash flow projections of Premier and the discount rate applied to those cash flows. The excess of the purchase price over the estimated fair values of the identifiable net assets acquired was recorded as goodwill.

As of December 31, 2019, we have finalized the valuation of the acquired assets and liabilities associated with the acquisition. The final fair value analysis resulted in a \$5.2 million adjustment to increase the value of the acquired management contracts to their estimated fair value and a corresponding decrease to goodwill on our consolidated balance sheets during the third quarter of 2019. We also recorded an adjustment of approximately \$1.2 million to increase our deferred tax liability and a corresponding increase to goodwill on our consolidated balance sheets during the third quarter of 2019.

The fair value of the purchase price and final allocation of the purchase price are as follows (in thousands):

Series B Convertible Preferred Stock ⁽¹⁾	\$	203,000
Preferred stock discount		(2,883)
Total fair value of purchase price	\$	<u>200,117</u>

	Fair Value	Estimated Useful Life
Current assets including cash	\$ 3,878	
Property and equipment, net	47	
Goodwill	49,524	
Management contracts	194,000	30 years
Total assets acquired	<u>247,449</u>	
Current liabilities	2,375	
Deferred tax liability	44,957	
Total assumed liabilities	<u>47,332</u>	
Net assets acquired	<u>\$ 200,117</u>	

⁽¹⁾ In connection with the acquisition of Remington in the fourth quarter of 2019, the \$203.0 million of Series B Convertible Preferred Stock issued to the sellers of Premier was exchanged for \$203.0 million of Series D Convertible Preferred Stock. See note 14.

We do not expect any of the goodwill balance to be deductible for tax purposes. The qualitative factors that make up the recorded goodwill include value associated with an assembled workforce and value attributable to growth opportunities to expand Premier's project management services to other third-party owners, property managers, and institutions in the hospitality industry.

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

Results of Premier

The results of operations of Premier have been included in our results of operations since the acquisition date. Our consolidated statements of operations for the years ended December 31, 2019 and 2018, include total revenue of \$30.6 million and \$10.6 million, respectively. In addition, our consolidated statements of operations for the years ended December 31, 2019 and 2018, include net income of \$21,000 and \$777,000, respectively, from Premier. The unaudited pro forma results of operations, as if the acquisition had occurred on January 1, 2018, are included below under “Pro Forma Financial Results.”

Pro Forma Financial Results

The following table reflects the unaudited pro forma results of operations as if the Remington, Sebago, BAV and Premier acquisitions had occurred and the indebtedness associated with those acquisitions was incurred on January 1, 2018, and the removal of \$10.6 million and \$10.4 million of transaction costs directly attributable to the acquisitions for the years ended December 31, 2019 and 2018, respectively (in thousands):

	Year Ended December 31,	
	2019	2018
Total revenue	\$ 558,664	\$ 525,845
Net income (loss)	(864)	19,777
Net income (loss) attributable to common stockholders	(34,010)	(12,745)

6. Goodwill and Intangible Assets, net

The changes in the carrying amount of goodwill for the years ended December 31, 2019 and 2018, are as follows (in thousands):

	Remington	Premier	JSAV	Corporate and Other ⁽¹⁾	Consolidated
Balance at January 1, 2018	\$ —	\$ —	\$ 12,165	\$ 782	\$ 12,947
Changes in goodwill:					
Additions	—	53,517	—	—	53,517
Adjustments ⁽²⁾	—	—	(6,781)	—	(6,781)
Balance at December 31, 2018	<u>\$ —</u>	<u>\$ 53,517</u>	<u>\$ 5,384</u>	<u>\$ 782</u>	<u>\$ 59,683</u>
Changes in goodwill:					
Additions ⁽³⁾	143,854	—	5,429	1,452	150,735
Adjustments ⁽⁴⁾	—	(3,993)	(602)	(217)	(4,812)
Balance at December 31, 2019	<u>\$ 143,854</u>	<u>\$ 49,524</u>	<u>\$ 10,211</u>	<u>\$ 2,017</u>	<u>\$ 205,606</u>

⁽¹⁾ Corporate and Other prior to January 1, 2018, reflects the goodwill acquired as a result of the acquisition of Pure Wellness.

⁽²⁾ The adjustment of approximately \$6.8 million is the result of finalizing our valuation of assets and liabilities related to the JSAV acquisition.

⁽³⁾ The addition of approximately \$143.9 million, \$5.4 million and \$1.5 million relates to the preliminary valuation of assets and liabilities related to the acquisition of Remington, JSAV’s acquisition of BAV and RED’s acquisition of Sebago, respectively.

⁽⁴⁾ The adjustment to Premier goodwill is the result of finalizing our valuation of the acquired assets and liabilities associated with the acquisition of Premier. The adjustment to JSAV and Corporate and Other goodwill relate to adjustments from our preliminary valuations of the acquired assets and liabilities associated with JSAV’s acquisition of BAV and RED’s acquisition of Sebago, respectively. See note 5.

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

Intangible assets, net as of December 31, 2019 and 2018, are as follows (in thousands):

	December 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:						
Remington management contracts	\$ 148,500	\$ (2,436)	\$ 146,064	\$ —	\$ —	\$ —
Premier management contracts	194,000	(16,830)	177,170	188,800	(4,353)	184,447
JSAV customer relationships	9,319	(2,173)	7,146	6,519	(1,087)	5,432
RED boat slip rights	3,100	(70)	3,030	—	—	—
Pure Wellness customer relationships	175	(96)	79	175	(61)	114
Other	44	(3)	41	—	—	—
	<u>\$ 355,138</u>	<u>\$ (21,608)</u>	<u>\$ 333,530</u>	<u>\$ 195,494</u>	<u>\$ (5,501)</u>	<u>\$ 189,993</u>
Indefinite-lived intangible assets:						
Remington trademarks	\$ 10,300			\$ —		
JSAV trademarks	3,641			3,201		
RED trademarks	490			—		
	<u>\$ 14,431</u>			<u>\$ 3,201</u>		

Amortization expense for definite-lived intangible assets was \$16.1 million, \$5.3 million and \$182,000 for the years ended December 31, 2019, 2018, and 2017 respectively. The useful lives of our customer relationships range from 5 to 15 years. Our Remington management contracts, Premier management contracts and boat slip rights intangible assets were assigned useful lives of 25, 30 and 20 years, respectively.

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

7. Notes Payable, net

Notes payable—Notes payable, net consisted of the following (in thousands):

Indebtedness	Borrower	Maturity	Interest Rate	December 31, 2019	December 31, 2018
Senior revolving credit facility ⁽⁷⁾	Ashford Inc.	March 1, 2021	Base Rate ⁽¹⁾ + 2.00% to 2.50% or LIBOR ⁽²⁾ + 3.00% to 3.50%	\$ 10,000	\$ —
Term loan ⁽⁵⁾⁽⁸⁾	JSAV	November 1, 2022	One-Month LIBOR ⁽³⁾ + 3.25%	12,642	8,917
Revolving credit facility ⁽⁵⁾⁽⁸⁾	JSAV	November 1, 2022	One-Month LIBOR ⁽³⁾ + 3.25%	2,599	1,733
Equipment note ⁽⁵⁾⁽⁹⁾	JSAV	November 1, 2022	One-Month LIBOR ⁽³⁾ + 3.25%	3,393	2,087
Draw term loan ⁽⁵⁾⁽⁹⁾	JSAV	November 1, 2022	One-Month LIBOR ⁽³⁾ + 3.25%	1,750	1,950
Revolving credit facility ⁽⁵⁾⁽¹⁰⁾	OpenKey	April 30, 2020	Prime Rate ⁽⁴⁾ + 2.75%	—	—
Revolving credit facility ⁽⁵⁾⁽¹¹⁾	Pure Wellness	On demand	Prime Rate ⁽⁴⁾ + 1.00%	45	60
Term loan ⁽⁶⁾⁽¹²⁾	RED	April 5, 2025	Prime Rate ⁽⁴⁾ + 1.75%	605	695
Revolving credit facility ⁽⁶⁾⁽¹³⁾	RED	February 5, 2020	Prime Rate ⁽⁴⁾ + 1.75%	106	118
Draw term loan ⁽⁶⁾⁽¹⁴⁾	RED	December 5, 2026	Prime Rate ⁽⁴⁾ + 1.75%	1,400	—
Term loan ⁽⁶⁾⁽¹⁵⁾	RED	February 1, 2029	Prime Rate ⁽⁴⁾ + 2.00%	1,636	1,785
Term loan ⁽⁵⁾⁽¹⁶⁾	RED	July 17, 2029	6.0% ⁽¹⁶⁾	1,674	—
Term loan ⁽⁵⁾⁽¹⁷⁾	RED	July 17, 2022	6.5%	960	—
Notes payable				36,810	17,345
Less deferred loan costs, net				(227)	(234)
Notes payable less net deferred loan costs				36,583	17,111
Less current portion				(3,550)	(2,595)
Notes payable, net - non-current				<u>\$ 33,033</u>	<u>\$ 14,516</u>

- ⁽¹⁾ Base Rate, as defined in the senior revolving credit facility agreement, is the greater of (i) the prime rate set by Bank of America, or (ii) federal funds rate plus 0.50%, or (iii) LIBOR plus 1.00%.
- ⁽²⁾ Ashford Inc. may elect a 1, 2, 3 or 6 month LIBOR period for each borrowing.
- ⁽³⁾ The one-month LIBOR rate was 1.76% and 2.50% at December 31, 2019 and December 31, 2018, respectively.
- ⁽⁴⁾ Prime Rate was 4.75% and 5.50% at December 31, 2019 and December 31, 2018, respectively.
- ⁽⁵⁾ Creditors do not have recourse to Ashford Inc.
- ⁽⁶⁾ Creditors have recourse to Ashford Inc.
- ⁽⁷⁾ The Company has a \$35.0 million senior revolving credit facility with Bank of America, N.A. There is a one-year extension option subject to the satisfaction of certain conditions. The senior revolving credit facility includes the opportunity to expand the borrowing capacity by up to \$40.0 million to an aggregate amount of \$75.0 million, subject to certain conditions. As of December 31, 2019, \$25.0 million of credit was available under the revolving credit facility.
- ⁽⁸⁾ On March 1, 2019, in connection with the acquisition of BAV, JSAV amended the existing term loan and borrowed an additional \$5.0 million. The revolving credit facility was also amended to increase the borrowing capacity from \$3.0 million to \$3.5 million. In connection with the term loan, JSAV entered into an interest rate cap with an initial notional amount totaling \$5.0 million and a strike rate of 4.0%. The fair value of the interest rate cap at December 31, 2019 and December 31, 2018, was not material. As of December 31, 2019, \$901,000 of credit was available under the revolving credit facility.
- ⁽⁹⁾ On March 1, 2019, in connection with the acquisition of BAV, JSAV amended the existing equipment note and draw term note to increase the borrowing capacity to \$8.0 million and \$2.4 million, respectively. All the loans are partially secured by a security interest on all of the assets and equity interests of JSAV.
- ⁽¹⁰⁾ On November 8, 2018, OpenKey renewed the Loan and Security Agreement that expired in October 2018 for a revolving credit facility in the amount of \$1.5 million. The credit facility is secured by all of OpenKey's assets. As of December 31, 2019, OpenKey had no borrowings outstanding and the \$1.5 million revolving credit facility funds were no longer available.
- ⁽¹¹⁾ On April 6, 2017, Pure Wellness entered into a \$100,000 line of credit. As of December 31, 2019, \$55,000 of credit was available under the revolving credit facility.
- ⁽¹²⁾ On March 23, 2018, RED entered into a term loan of \$750,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (13) On February 28, 2019, RED renewed its \$250,000 revolving credit facility. As of December 31, 2019, \$144,000 was available under the revolving credit facility.
- (14) On February 27, 2019, RED entered into a draw term loan in the amount of \$1.4 million. As of December 31, 2019, \$0 was available under the draw term loan.
- (15) On August 31, 2018, RED entered into a term loan of \$1.8 million.
- (16) On July 18, 2019, in connection with the acquisition of Sebago, RED entered into a term loan of \$1.7 million. The interest rate for the term loan is 6.0% for the first five years. After five years, the interest rate is equal to the Prime Rate plus 0.5% with a floor of 6.0%.
- (17) On July 18, 2019, in connection with the acquisition of Sebago, RED entered into a term loan of \$1.1 million.

We are required to maintain certain financial ratios under various debt and related agreements. If we violate covenants in any debt or related agreement, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all. Violations of certain debt covenants may result in our inability to borrow unused amounts under our lines of credit, even if repayment of some or all of our borrowings is not required. As of December 31, 2019, we were in compliance in all material respects with all covenants or other requirements set forth in our debt and related agreements as amended.

Excluding interest, maturities of our long-term debt for each of the next five years and thereafter are as follows (in thousands):

2020	\$ 3,341
2021	13,217
2022	16,355
2023	723
2024	562
Thereafter	2,612
Total	<u>\$ 36,810</u>

8. Lease Commitments

We lease certain office space, warehouse facilities, vehicles and equipment under operating leases. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 10 years. The exercise of lease renewal options is at our sole discretion. Operating lease obligations expire at various dates with the latest maturity in 2028. Certain of our lease agreements include rental payments adjusted periodically for inflation. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. For the years ended December 31, 2018 and 2017, we recorded rental expense of \$2.1 million and \$307,000, respectively.

The Company leases office space from Remington Hotel Corporation (“RHC”), an affiliate owned by the Bennetts, at our corporate headquarters in Dallas, Texas. During the second quarter of 2019, we exercised our option to modify our corporate office lease agreement for the remainder of the lease term to reduce the amount of office space and the annual lease payment. This modification resulted in a reduction of the operating lease right-of-use asset and operating lease liability by approximately \$4.1 million. Upon the Company’s acquisition of Remington in November of 2019, the Company modified our agreement with RHC to include additional office space for Remington operations resulting in an increase in the operating lease right-of-use asset and operating lease liability of approximately \$10.0 million.

Our acquisition of Remington Lodging in November of 2019 included a lease of a single hotel and convention center property in Marietta, Georgia, from the City of Marietta. The lease is considered to be a finance lease and resulted in an increase to property and equipment and finance lease liabilities of approximately \$44.3 million and \$40.1 million, respectively.

In addition to our lease with the City of Marietta, we lease certain equipment and boat slips which are considered finance leases. The net book value of the assets considered finance leases was approximately \$46.2 million and \$807,000 as of December 31, 2019 and 2018, respectively. The net book value of these assets is included in property and equipment, net in our consolidated balance sheets. Amortization of assets under finance leases is included in depreciation and amortization expense in our consolidated statements of operations.

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

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

Leases	Classification	December 31, 2019	
Assets			
Operating lease assets	Operating lease right-of-use assets	\$	31,699
Finance lease assets	Property and equipment, net		46,233
Total leased assets		<u>\$</u>	<u>77,932</u>
Liabilities			
Current			
Operating	Operating lease liabilities	\$	3,207
Finance	Finance lease liabilities		572
Noncurrent			
Operating	Operating lease liabilities		28,519
Finance	Finance lease liabilities		41,482
Total leased liabilities		<u>\$</u>	<u>73,780</u>

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

Lease Cost	Classification	Year Ended December 31, 2019	
Operating lease cost			
Rent expense	General and administrative	\$	3,324
Rent expense	Cost of revenues for project management		127
Finance lease cost			
Amortization of leased assets	Depreciation and amortization		384
Interest on lease liabilities	Interest expense		443
Total lease cost		<u>\$</u>	<u>4,278</u>

For the year ended December 31, 2019, cash paid amounts included in the measurement of lease liabilities included (in thousands):

Lease Payments	Year Ended December 31, 2019	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	2,021
Financing cash flows from finance leases		627

As of December 31, 2019, future minimum lease payments on operating and finance leases were as follows (in thousands):

	Operating Leases	Finance Leases
2020	\$ 4,795	\$ 3,164
2021	4,656	3,062
2022	4,385	3,044
2023	4,152	2,991
2024	3,928	2,971
Thereafter	20,441	86,188
Total minimum lease payments	<u>\$ 42,357</u>	<u>\$ 101,420</u>
Imputed interest	(10,631)	(59,366)
Present value of minimum lease payments	<u>\$ 31,726</u>	<u>\$ 42,054</u>

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

As of December 31, 2018, future minimum lease payments on operating and capital leases under ASC 840 were as follows (in thousands):

	Operating Leases	Capital Leases
2019.....	\$ 3,529	\$ 541
2020.....	3,532	105
2021.....	3,329	33
2022.....	3,172	7
2023.....	3,059	—
Thereafter.....	13,999	—
Total minimum lease payments.....	<u>\$ 30,620</u>	<u>\$ 686</u>
Imputed interest.....	—	(25)
Present value of minimum lease payments.....	<u>\$ 30,620</u>	<u>\$ 661</u>

Our weighted-average remaining lease terms (in years) and discount rates consisted of the following:

	December 31, 2019
Lease term and discount rate	
Weighted-average remaining lease term	
Operating leases ⁽¹⁾	10.95
Finance leases ⁽²⁾	34.09
Weighted-average discount rate	
Operating leases.....	5.2%
Finance leases.....	6.2%

⁽¹⁾ The weighted-average remaining lease term includes two optional 10 year extension periods for our JSAV headquarters in Irving, Texas, as failure to renew the lease would result in JSAV incurring significant relocation costs.

⁽²⁾ The weighted-average remaining lease term includes the lease term of our finance lease with the City of Marietta which terminates December 31, 2054.

9. Fair Value Measurements

Fair Value Hierarchy—Our financial instruments measured at fair value, either on a recurring or a non-recurring basis, are classified in a hierarchy for disclosure purposes consisting of three levels based on the observability of inputs in the market place as discussed below:

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2019				
Assets				
Restricted investment:				
Ashford Trust common stock	\$ 768 ⁽³⁾	\$ —	\$ —	\$ 768
Braemar common stock	427 ⁽³⁾	—	—	427
Total	<u>\$ 1,195</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,195</u>
Liabilities				
Contingent consideration	\$ (2,668) ⁽¹⁾	\$ —	\$ (2,959) ⁽²⁾	\$ (5,627)
Subsidiary compensation plan	—	(415) ⁽³⁾	—	(415)
Deferred compensation plan	(4,729)	—	—	(4,729)
Total	<u>\$ (7,397)</u>	<u>\$ (415)</u>	<u>\$ (2,959)</u>	<u>\$ (10,771)</u>

⁽¹⁾ Represents the fair value of the contingent consideration liability of \$1.6 million related to the stock consideration collar associated with JSAV's acquisition of BAV and \$1.0 million related to the stock consideration collar associated with RED's acquisition of Sebago. The contingent consideration liabilities related to BAV and Sebago are reported as "other liabilities" in our consolidated balance sheets. See notes 1 and 5.

⁽²⁾ Represents the fair value of the contingent consideration liability related to the achievement of certain performance targets associated with the acquisition of BAV, which is reported within "other liabilities" in our consolidated balance sheets. See notes 1 and 5.

⁽³⁾ The assets acquired in our acquisition of Remington Lodging included shares of common stock of Ashford Trust and Braemar purchased by Remington Lodging on the open market and held for the purpose of providing compensation to certain employees. The compensation agreement liability is based on ratably accrued vested shares through December 31, 2019, which are exercisable upon vesting. The liability is the total accrued vested shares multiplied by the fair value of the quoted market price of the underlying investment.

	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2018				
Liabilities				
Deferred compensation plan	\$ (10,574)	\$ —	\$ —	\$ (10,574)
Total	<u>\$ (10,574)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (10,574)</u>

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

The following table presents our rollforward of our Level 3 contingent consideration liability (in thousands):

	Contingent Consideration Liability
Balance at December 31, 2017 ⁽¹⁾	\$ (2,262)
Acquisitions	—
Gains (losses) included in earnings ⁽²⁾	(338)
Dispositions and settlements	2,600
Transfers into/out of Level 3	—
Balance at December 31, 2018	<u>\$ —</u>
Acquisitions ⁽³⁾	(1,384)
Gains (losses) included in earnings ⁽²⁾	(1,575)
Dispositions and settlements	—
Transfers into/out of Level 3	—
Balance at December 31, 2019	<u>\$ (2,959)</u>

⁽¹⁾ Includes Ashford Inc.'s contingent consideration associated with the acquisition of JSAV. The liability was settled in the third quarter of 2018. The fair value was estimated using significant inputs that are not observable in the market and thus represent Level 3 fair value measurements. The significant input in the Level 3 measurement of the contingent consideration is the risk adjusted discount rate used to discount the future payment.

⁽²⁾ Reported as "other" operating expense in the consolidated statements of operations.

⁽³⁾ Includes JSAV's contingent consideration associated with the acquisition of BAV in March of 2019, which is carried at fair value in our consolidated balance sheets within "other liabilities". The fair value was estimated using significant inputs that are not observable in the market and thus represent Level 3 fair value measurements. The significant inputs in the Level 3 measurement of the contingent consideration include the timing and amount of the ultimate payout based on our estimate of BAV operating performance during the earn-out period, calculated in accordance with the applicable agreement, and the risk adjusted discount rate used to discount the future payment.

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

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

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

	Gain (Loss) Recognized		
	Year Ended December 31,		
	2019	2018	2017
Assets			
Options on futures contracts.....	\$ —	\$ —	\$ (91)
Total.....	\$ —	\$ —	\$ (91)
Liabilities			
Contingent consideration.....	\$ (4,244) ⁽¹⁾	\$ (338) ⁽²⁾	\$ (1,066) ⁽²⁾
Subsidiary compensation plan ⁽³⁾	(47)	—	—
Deferred compensation plan ⁽³⁾	5,732	8,444	(10,410)
Total.....	\$ 1,441	\$ 8,106	\$ (11,476)
Net.....	\$ 1,441	\$ 8,106	\$ (11,567)
Total combined			
Unrealized gain (loss) on investments.....	\$ —	\$ —	\$ 203
Realized gain (loss) on investments.....	—	—	(294)
Contingent consideration.....	(4,244) ⁽¹⁾	(338) ⁽²⁾	(1,066) ⁽²⁾
Subsidiary compensation plan ⁽³⁾	(47)	—	—
Deferred compensation plan ⁽³⁾	5,732	8,444	(10,410)
Total.....	\$ 1,441	\$ 8,106	\$ (11,567)

⁽¹⁾ Represents the changes in fair value of the contingent consideration liabilities related to the achievement of certain performance targets of BAV and stock consideration collars associated with the acquisitions of BAV and Sebago reported as a component of “other” operating expense in our consolidated statements of operations. See notes 1 and 5.

⁽²⁾ Represents the accretion of contingent consideration associated with the acquisition of JSAV in November of 2017, which was settled in the third quarter of 2018. Amounts are reported as “other” operating expense in our consolidated statements of operations.

⁽³⁾ Reported as a component of “salaries and benefits” in our consolidated statements of operations.

Restricted Investment

The historical cost and approximate fair values, together with gross unrealized gains and losses, of securities restricted for use in our subsidiary compensation plan are as follows (in thousands):

	Historical Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
December 31, 2019:				
Equity securities ⁽¹⁾	\$ 1,309	\$ —	\$ (114)	\$ 1,195

⁽¹⁾ No distributions of available-for-sale securities occurred for the year end December 31, 2019. Unrealized losses of \$114,000 associated with the available-for-sale securities included within “accumulated other comprehensive income” in our consolidated balance sheets.

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

10. Summary of Fair Value of Financial Instruments

Certain of our financial instruments are not measured at fair value on a recurring basis. The estimates presented are not necessarily indicative of the amounts at which these instruments could be purchased, sold or settled. The carrying amounts and estimated fair values of financial instruments were as follows (in thousands):

	December 31, 2019		December 31, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets measured at fair value:				
Restricted investment.....	\$ 1,195	\$ 1,195	\$ —	\$ —
Financial liabilities measured at fair value:				
Deferred compensation plan.....	\$ 4,729	\$ 4,729	\$ 10,574	\$ 10,574
Contingent consideration.....	5,627	5,627	—	—
Financial assets not measured at fair value:				
Cash and cash equivalents.....	\$ 35,349	\$ 35,349	\$ 51,529	\$ 51,529
Restricted cash.....	17,900	17,900	7,914	7,914
Accounts receivable, net.....	7,241	7,241	4,928	4,928
Due from affiliates.....	357	357	45	45
Due from Ashford Trust.....	4,805	4,805	5,293	5,293
Due from Braemar.....	1,591	1,591	1,996	1,996
Investments in unconsolidated entities.....	3,476	3,476	500	500
Financial liabilities not measured at fair value:				
Accounts payable and accrued expenses.....	\$ 39,160	\$ 39,160	\$ 24,880	\$ 24,880
Dividends payable.....	4,725	4,725	—	—
Due to affiliates.....	1,011	1,011	2,032	2,032
Other liabilities.....	13,868	13,868	8,418	8,418
Notes payable.....	36,810	34,705 to 38,359	17,345	16,071 to 17,763

Restricted investment. These financial assets are carried at fair value based on based on quoted market prices of the underlying investments. This is considered a Level 1 valuation technique.

Deferred compensation plan. The liability resulting from the deferred compensation plan is carried at fair value based on the closing prices of the underlying investments. This is considered a Level 1 valuation technique.

Contingent consideration. The liability associated with JSAV's acquisition of BAV and RED's acquisition of Sebago is carried at fair value based on the terms of the acquisition agreements and any changes to fair value are recorded in "other" operating expenses in our consolidated statements of operations. See note 9.

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

Accounts receivable, net, due from affiliates, due from Ashford Trust OP, due from Braemar OP, accounts payable and accrued expenses, dividends payable, due to affiliates and other liabilities. The carrying values of these financial instruments approximate their fair values due primarily to the short-term nature of these financial instruments. This is considered a Level 1 valuation technique.

Investments in unconsolidated entities. The carrying value of the asset resulting from investment in unconsolidated entities approximates fair value based on recent observable transactions. This is considered a level 2 valuation technique.

Notes payable. The fair value of notes payable is based on credit spreads on observable transactions of a similar nature and is considered a Level 2 valuation technique.

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

11. Commitments and Contingencies

Purchase Commitment—As of December 31, 2019, we had approximately \$11.4 million of remaining purchase commitments related to our Ashford Trust ERFP Agreement and \$0 of remaining purchase commitments related to our Braemar ERFP Agreement. See note 17.

Contingent Consideration—We had total acquisition-related contingent consideration liabilities outstanding of approximately \$5.6 million and \$0 primarily related to achievement of certain performance targets and stock consideration collars, as of December 31, 2019 and December 31, 2018, respectively. See note 5.

Litigation—The Company is engaged in various legal proceedings which have arisen but have not been fully adjudicated. The likelihood of loss for these legal proceedings, based on definitions within contingency accounting literature, ranges from remote to reasonably possible and to probable. Based on estimates of the range of potential losses associated with these matters, management does not believe the ultimate resolution of these proceedings, either individually or in the aggregate, will have a material adverse effect upon the financial position or results of operations of the Company. However, the adjudication of legal proceedings is difficult to predict, and if the Company failed to prevail in one or more of these legal matters, and the associated realized losses were to exceed the Company's current estimates of the range of potential losses, the Company's financial position or results of operations could be materially adversely affected in future periods.

12. Income Taxes

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

	Year Ended December 31,		
	2019	2018	2017
Income tax benefit at federal statutory income tax rate	\$ 2,955	\$ 534	\$ 3,665
State income tax expense, net of federal income tax benefit	(1,768)	804	(388)
Income passed through to common unit holders and noncontrolling interests	38	(36)	(2)
Permanent differences	(1,299)	(66)	(201)
Valuation allowance	(1,043)	8,887	(12,725)
Effect of the Tax Cuts and Jobs Act	—	—	(303)
Other	(423)	241	231
Total income tax (expense) benefit	<u>\$ (1,540)</u>	<u>\$ 10,364</u>	<u>\$ (9,723)</u>

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

	Year Ended December 31,		
	2019	2018	2017
Current:			
Federal	\$ (1,309)	\$ (439)	\$ (3,305)
Foreign	(809)	(437)	(47)
State	(1,352)	(1,000)	(369)
Total current	<u>(3,470)</u>	<u>(1,876)</u>	<u>(3,721)</u>
Deferred:			
Federal	2,828	10,646	(5,854)
Foreign	(189)	—	—
State	(709)	1,594	(148)
Total deferred	<u>1,930</u>	<u>12,240</u>	<u>(6,002)</u>
Total income tax (expense) benefit	<u>\$ (1,540)</u>	<u>\$ 10,364</u>	<u>\$ (9,723)</u>

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

Interest and penalties of \$11,000, \$6,000 and \$1,000 were paid or were due to taxing authorities for the years ended December 31, 2019, 2018 and 2017, respectively.

At December 31, 2019 and 2018, our net deferred tax asset (liability) and related valuation allowance on the consolidated balance sheets, consisted of the following (in thousands):

	December 31,	
	2019	2018
Prepaid expenses	\$ (431)	\$ (274)
Investments in unconsolidated entities and joint ventures	(2,430)	(488)
Capitalized acquisition costs	6,139	4,030
Deferred compensation	1,269	2,462
Accrued expenses	2,573	757
Equity-based compensation	8,722	6,282
Property and equipment	(7,940)	(3,418)
Intangibles	(79,295)	(41,931)
Deferred revenue	2,377	2,189
Net operating loss	4,307	2,835
Deferred tax asset	(64,709)	(27,556)
Valuation allowance	(4,812)	(3,950)
Net deferred tax asset (liability)	<u>\$ (69,521)</u>	<u>\$ (31,506)</u>

As of December 31, 2019, the Company has net operating loss carryforwards of approximately \$17.5 million for tax purposes, which will be available to offset future taxable income. If not used, these carryforwards will expire between 2036 and 2037.

We evaluate the recoverability of our deferred tax assets quarterly to determine if valuation allowances are required or should be adjusted. We assess whether valuation allowances should be established against deferred tax assets based on consideration of all available evidence, both positive and negative, using a “more likely than not” standard. The analysis utilized in determining the valuation allowance involves considerable judgment and assumptions

During the third quarter of 2018, we determined that it was more likely than not that we would realize a significant portion of our deferred tax assets because we recorded a \$43.7 million deferred tax liability in the third quarter of 2018, and the future reversal of deferred tax liabilities is a source of future taxable income that allows us to utilize our deferred tax assets. Accordingly, in the third quarter of 2018, we reversed the valuation allowance on our deferred tax assets by recording a \$15.1 million deferred income tax benefit in the consolidated statement of operations. The deferred tax liability related to our Premier acquisition, and it is the result of recording our book basis in Premier’s acquired intangible assets at fair value while the tax basis of these assets was recorded using the seller’s carryover basis, which is lower than fair value.

At December 31, 2018, we recorded a \$4.0 million valuation allowance related primarily to Mexico and OpenKey deferred tax assets, which did not meet the more likely than not standard for recognition. We are able to recognize our remaining deferred tax assets based on future taxable income from reversing taxable temporary differences associated with the deferred tax liability recognized as a result of the Premier acquisition in the third quarter of 2018.

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

A reconciliation of the unrecognized tax benefit is as follows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Balance at the beginning of the year	\$ —	\$ —	\$ —
Gross increases for tax positions of prior years	218	—	—
Gross decreases for tax positions of prior years	—	—	—
Gross increases for tax positions of current year	253	—	—
Gross decreases for tax positions of current year	—	—	—
Settlements with taxing authorities	—	—	—
Statute of limitations expirations	—	—	—
Balance at the end of year	<u>\$ 471</u>	<u>\$ —</u>	<u>\$ —</u>

The total amount of unrecognized tax benefits that could affect the Company's effective tax rate if recognized was \$471,000 as of December 31, 2019. The Company's policy is to record penalty and interest as a component of income tax expense. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and cities, and, beginning November 1, 2017, in Mexico and the Dominican Republic. Tax years 2014 through 2019 remain subject to potential examination by certain federal and state taxing authorities.

13. Equity

Equity Offering—For the year ended December 31, 2018, net proceeds from the public offering of our common stock after underwriting discount and offering expenses were approximately \$18.9 million. On September 28, 2018, we completed a public offering of 270,000 shares of common stock at a price to the public of \$74.50 per share, resulting in gross proceeds of \$20.1 million. The net proceeds from the sale of the shares, after discounts and commissions to the underwriters and offering expenses, were approximately \$18.2 million. We also sold an additional 10,000 shares of common stock to the underwriters on October 10, 2018, in connection with the underwriters' partial exercise of their over-allotment option that had been granted to them in connection with the transaction. The net proceeds from the sale of the over-allotment shares, after discounts and commissions to the underwriters, were approximately \$700,000.

Capital Stock—In accordance with Ashford Inc.'s charter, we are authorized to issue 200 million shares of capital stock, consisting of 100 million shares common stock, par value \$0.001 per share, 50 million shares blank check common stock, par value \$0.001 per share, and 50 million shares preferred stock, par value \$0.001 per share, 19,120,000 of which is designated as Series D Convertible Preferred Stock.

Noncontrolling Interests in Consolidated Entities—See note 2 for details regarding ownership interests, carrying values and allocations related to noncontrolling interests in our consolidated subsidiaries.

The following table summarizes the (income) loss allocated to noncontrolling interests for each of our consolidated entities (in thousands):

	Year Ended December 31,		
	2019	2018	2017
(Income) loss allocated to noncontrolling interests:			
JSAV	\$ —	\$ 58	\$ (49)
OpenKey	624	826	515
RED	(105)	68	—
Pure Wellness	(9)	(28)	38
Other	26	—	(146)
Total net (income) loss allocated to noncontrolling interests	<u>\$ 536</u>	<u>\$ 924</u>	<u>\$ 358</u>

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

14. Mezzanine Equity

Redeemable Noncontrolling Interests—Redeemable noncontrolling interests are included in the mezzanine section of our consolidated balance sheets as the ownership interests are redeemable for cash or registered shares outside of the Company’s control. See note 2 for tables summarizing the redeemable noncontrolling ownership interests and carrying values.

Redeemable noncontrolling interests in Ashford Holdings represents certain members’ proportionate share of equity and their allocable share of equity in earnings/loss of Ashford Holdings, which is an allocation of net income/loss attributable to the members based on the weighted average ownership percentage of these members’ interest. Beginning one year after issuance, each common unit of membership interest may be redeemed by the holder, for cash or registered shares in certain cases outside the Company’s control. Prior to April 6, 2017, the noncontrolling interests represented certain members’ proportionate share of equity and their allocable share of equity in earnings/loss of Ashford LLC. See note 1.

In connection with our spin-off, Ashford Trust OP unit holders received one common unit in Ashford LLC for every 55 common units held in Ashford Trust OP. Each holder of common units of Ashford LLC could then exchange up to 99% of the Ashford LLC common units for shares of Ashford Inc. common stock. During the year ended December 31, 2014, approximately 356,000 common units were exchanged for shares of Ashford Inc. common stock at the rate of one share of Ashford Inc. common stock for every 55 Ashford LLC common units. Following the completion of the exchange offer, Ashford LLC effected a reverse stock split of its common units such that each common unit was automatically converted into 1/55 of a common unit.

A summary of the activity of the member interest units is as follow (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Units outstanding at beginning of year	4	4	4
Units redeemed for cash	—	—	—
Units outstanding at end of year	4	4	4
Units convertible/redeemable at end of year	4	4	4

Redeemable noncontrolling interest in other subsidiary common stock represented redeemable ownership interests in our consolidated subsidiaries, JSAV and OpenKey, for the years ended December 31, 2019 and 2018. See also notes 2, 5, 13 and 17 to our consolidated financial statements.

The following table summarizes the net (income) loss allocated to our redeemable noncontrolling interests (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Net (income) loss allocated to redeemable noncontrolling interests:			
Ashford Holdings ⁽¹⁾	\$ 54	\$ (9)	\$ 19
JSAV	247	361	136
OpenKey	682	1,086	1,329
Total net (income) loss allocated to redeemable noncontrolling interests	<u>\$ 983</u>	<u>\$ 1,438</u>	<u>\$ 1,484</u>

⁽¹⁾ Represents the 0.2% interest in Ashford LLC prior to our legal entity restructuring in April 6, 2017 and 0.2% in Ashford Holdings thereafter.

Convertible Preferred Stock—Our convertible preferred stock is included in the mezzanine section of our consolidated balance sheets as the ownership interests are redeemable outside of the Company’s control.

On November 6, 2019, we completed the acquisition of Remington Lodging’s hotel management business and Marietta for \$275 million, payable by the issuance of \$275 million of a new Ashford Inc. Series D Convertible Preferred Stock. In the previous transaction for Remington Lodging’s project management business, the sellers received \$203 million of Maryland Ashford’s

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

Series B Convertible Preferred Stock. For this transaction involving Remington Lodging’s hotel management business, that \$203 million of Maryland Ashford’s Series B Convertible Preferred Stock was exchanged, pursuant to a merger transaction whereby Maryland Ashford became our wholly-owned subsidiary, for \$203 million of Series D Convertible Preferred Stock (such that, after the transactions, \$478 million of Series D Convertible Preferred Stock, and no Series B Convertible Preferred Stock, is outstanding).

Each share of Series D Convertible Preferred Stock (i) has a liquidation value of \$25 per share, (ii) accrues cumulative preferred dividends at the rate of (a) 6.59% per annum until the first anniversary of the closing of the Transactions; (b) 6.99% per annum from the first anniversary of the closing of the Transactions until the second anniversary of the closing of the Transactions; and (c) 7.28% per annum thereafter, (iii) will participate in any dividend or distribution on the common stock in addition to the preferred dividends, (iv) is convertible into voting common stock at \$117.50 per share, and (v) provides for customary anti-dilution protections.

The Series D Convertible Preferred Stock is entitled to vote alongside our voting common stock on an as-converted basis, subject to the applicable voting limitations.

After June 30, 2026, we will have the option to purchase all or any portion of the Series D Convertible Preferred Stock, in \$25.0 million increments, on a pro rata basis among all holders of the Series D Convertible Preferred Stock (subject to the ability of the holders to provide for an alternative allocation amongst themselves), at a price per share equal to (i) \$25.125, plus (ii) all accrued and unpaid dividends (provided any holder of Series D Convertible Preferred Stock shall be entitled to exercise its right to convert its shares of Series D Convertible Preferred Stock into common stock not fewer than five business days before such purchase is scheduled to close).

The Series B Convertible Preferred Stock that was issued August 8, 2018, was exchanged for Series D Convertible Preferred Stock on November 6, 2019, in connection with the acquisition of Remington Lodging’s hotel management business and Marietta. The extinguishment of the Series B Convertible Preferred Stock resulted in a deemed contribution of \$1.2 million based on the fair value of the exchanged Series D Convertible Preferred Stock of \$201.1 million when compared to the book value of the Series B Convertible Preferred Stock of \$202.3 million as of the acquisition date. Preferred dividends on the Series B Convertible Preferred Stock previously accrued at an annual rate of 5.50% in the first year, 6.00% in the second year, and 6.50% in the third year and each year thereafter.

Under the applicable authoritative accounting guidance, this increasing dividend rate feature results in a discount that must be reflected in the fair value of the preferred stock, which was reflected in “Series D Convertible Preferred Stock, net of discount” and “Series B Convertible Preferred Stock, net of discount” on our consolidated balance sheets. For the years ended December 31, 2019 and December 31, 2018, we recorded \$1.9 million and \$730,000, respectively, of amortization related to preferred stock discounts.

Declared convertible preferred stock cumulative dividends for all issued and outstanding shares were as follows:

	Year Ended December 31,		
	2019	2018	2017
Preferred dividends	\$ 14,435	\$ 4,466	\$ —
Preferred dividends per share	\$ 1.4775	\$ 0.5500	\$ —

15. Equity-Based Compensation

Under our 2014 Incentive Plan, we are authorized to grant 2,162,745 incentive stock awards in the form of shares of our common stock or securities convertible into shares of our common stock. As of December 31, 2019, 262,989 incentive stock award shares were available for future issuance under the 2014 Incentive Plan. As defined by the 2014 Incentive Plan, authorized shares automatically increase on January 1 of each year in an amount equal to 15% of the sum of (i) the fully diluted share count and (ii) the shares of common stock reserved for issuance under the Company’s deferred compensation plan less shares available under the 2014 Incentive Plan as of December 31 of the previous year. Pursuant to the plan, we have 592,230 shares of our common stock, or securities convertible into 592,230 shares of our common stock, available for issuance under our 2014 Incentive Plan, as of January 1, 2020.

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

Equity-based compensation expense is primarily recorded in “salaries and benefits” expense in our consolidated statements of operations. The components of equity-based compensation expense for the years ended December 31, 2019, 2018 and 2017 are presented below by award type (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Equity-based compensation			
Stock option amortization ⁽¹⁾	\$ 8,313	\$ 9,580	\$ 7,535
Employee equity grant expense ⁽²⁾	95	—	—
Director and other non-employee equity grants expense ⁽³⁾	466	439	250
Pre-spin equity grants expense ⁽⁴⁾	—	—	684
Total equity-based compensation	<u>\$ 8,874</u>	<u>\$ 10,019</u>	<u>\$ 8,469</u>
Other equity-based compensation			
REIT equity-based compensation ⁽⁵⁾	\$ 25,987	\$ 31,899	9,394
	<u>\$ 34,861</u>	<u>\$ 41,918</u>	<u>\$ 17,863</u>

⁽¹⁾ See *Stock Options* discussion below. As of December 31, 2019, the Company had approximately \$10.6 million of total unrecognized compensation expense related to stock options that will be recognized over a weighted average period of 1.3 years. During the year ended December 31, 2018, we recorded approximately \$2.5 million of equity-based compensation expense related to accelerated vesting of stock options, in accordance with the terms of the awards, as a result of the passing of an executive in March 2018.

⁽²⁾ As of December 31, 2019, the Company had approximately \$115,000 of total unrecognized compensation expense related to restricted shares that will be recognized over a weighted average period of 2.3 years.

⁽³⁾ Grants to independent directors are recorded at fair value based on the market price of our shares at grant date, and this amount is fully expensed in general and administrative expense as the grants are fully vested on the date of grant. See *Restricted Stock* discussion below.

⁽⁴⁾ As a result of the spin-off, we assumed all of the unrecognized equity-based compensation associated with prior Ashford Trust equity grants of common stock and LTIP units. We recognized the equity-based compensation expense related to these assumed Ashford Trust equity grants through the April 2017 final vesting date. As of December 31, 2017, these equity grants were fully vested. See *Restricted Stock* discussion below.

⁽⁵⁾ REIT equity-based compensation expense is associated with equity grants of Ashford Trust’s and Braemar’s common stock and LTIP units awarded to officers and employees of Ashford Inc. During the year ended December 31, 2018, REIT equity-based compensation included \$6.7 million of expense related to accelerated vesting, in accordance with the terms of the awards, as a result of the passing of an executive in March 2018. See notes 2 and 17.

As of December 31, 2019, we had outstanding stock option awards and restricted stock awards, as follows:

Stock Options—During the years ended December 31, 2019, 2018 and 2017, we granted 300,000, 267,000 and 334,000 stock options to employees with grant date fair values of \$7.9 million, \$10.4 million and \$8.5 million, respectively. The grant price of the options was the market value of our stock on the date of grant. The options vest three years from the grant date with a maximum option term of ten years. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. Due to our lack of history, we do not have adequate historical exercise/cancellation behavior on which to base the expected life assumption. We were not able to use the “simplified” method as described in SAB 107 and 110 because the options remain exercisable for the full contractual term upon termination. Therefore, we used an adjusted simplified method, where any options expected to be forfeited over the term of the option were assumed to be exercised at full term and all other options were assumed to be exercised at the midpoint of the average time-to-vest and the full contractual term. We will continue to evaluate the expected life as we accumulate more data. Additionally, we do not have adequate historical stock price information on which to base the expected volatility assumption. In order to estimate volatility, we utilized the weighted average of our own stock price volatility based on daily data points over our full trading history and the average of the most recent historical volatilities of our peer group commensurate with the option’s expected life (or full history if the peer had insufficient trading history).

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

The weighted average assumptions used to value grant options are detailed below:

	Year Ended December 31,		
	2019	2018	2017
Weighted-average grant date fair value	\$ 26.42	\$ 38.93	\$ 25.29
Weighted average assumptions used:			
Expected volatility	39.0%	35.8%	34.9%
Expected term (in years)	6.5	6.5	6.5
Risk-free interest rate	2.6%	2.7%	2.0%
Expected dividend yield	—%	—%	—%

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value of In-the Money Options
	(In thousands)	(per share)	(In years)	(In thousands)
Outstanding, January 1, 2017	639	\$ 64.53	7.70	\$ —
Granted	334	57.61	10.00	11,837
Exercised	—	—	—	—
Forfeited, canceled or expired	(1)	50.15	9.22	80
Outstanding, December 31, 2017	972	\$ 62.17	7.67	\$ 29,974
Granted	267	94.96	10.00	—
Exercised	—	45.59	7.53	3
Forfeited, canceled or expired	(3)	62.28	8.82	7
Outstanding, December 31, 2018	1,236	\$ 69.26	7.21	\$ 2,126
Granted	300	61.12	10.00	—
Exercised	—	—	—	—
Forfeited, canceled or expired	(2)	70.67	9.10	—
Outstanding, December 31, 2019	1,534	67.66	6.79	—
Options exercisable at December 31, 2019	708	\$ 65.63	5.01	\$ —

The aggregate intrinsic value represents the difference between the exercise price of the stock options and the quoted closing common stock price as of the end of the period. At December 31, 2019, the Company had approximately \$10.6 million of total unrecognized compensation expense, related to stock options that will be recognized over the weighted average period of 1.3 years.

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

Restricted Stock—A summary of our restricted stock activity, as it relates to equity-based compensation, is as follows (shares in thousands):

	Year Ended December 31,					
	2019		2018		2017	
	Restricted Shares	Weighted Average Price Per Share at Grant	Restricted Shares	Weighted Average Price Per Share at Grant	Restricted Shares	Weighted Average Price Per Share at Grant
Outstanding at beginning of year.....	—	\$ —	—	\$ —	1	\$ 56.20
Restricted shares granted ⁽¹⁾	5	31.79	6	73.02	5	52.89
Restricted shares vested.....	(5)	31.79	(6)	73.02	(6)	53.64
Restricted shares forfeited.....	—	—	—	—	—	—
Outstanding at end of year.....	—	\$ —	—	\$ —	—	\$ —

⁽¹⁾ Equity-based compensation expense of \$150,000, \$405,000 and \$250,000 was recognized in connection with stock grants of 5,000, 6,000 and 5,000 immediately vested restricted shares to our independent directors for the years ended December 31, 2019, 2018 and 2017, respectively. The restricted stock/units that vested during 2019 had a fair value of \$150,000 at the date of vesting.

As a result of the spin-off, we assumed all of the unrecognized equity-based compensation associated with prior Ashford Trust equity grants. We recognized the equity-based compensation expense related to these assumed Ashford Trust equity grants through the April 2017 final vesting date. As of December 31, 2017, these equity grants were fully vested.

Deferred Stock Units—Beginning in 2019 under our existing 2014 Incentive Plan, our independent directors may elect to receive Deferred Stock Units (“DSU”) which allows deferral of immediate vesting common shares granted in the period until the earlier of the end of the director’s service or a change of control in the Company. DSUs are fully vested as of the grant date and may only be settled in the Company’s common stock.

A summary of our DSU activity, as it relates to equity-based compensation, is as follows (shares in thousands):

	Year Ended December 31,					
	2019		2018		2017	
	DSUs	Weighted Average Price Per Share at Grant	DSUs	Weighted Average Price Per Share at Grant	DSUs	Weighted Average Price Per Share at Grant
Outstanding at beginning of year.....	—	\$ —	—	\$ —	—	\$ —
DSUs granted ⁽¹⁾	7	31.79	—	—	—	—
DSUs settled.....	—	—	—	—	—	—
Outstanding at end of year.....	7	\$ —	—	\$ —	—	\$ —

⁽¹⁾ Equity-based compensation expense of \$225,000 was recognized in connection with grants of 7,000 immediately vested DSUs to our independent directors for the year ended December 31, 2019. The DSUs that vested during 2019 had a fair value of \$225,000 at the date of vesting.

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

16. Employee Benefit Plans

Deferred Compensation Plan—We administer a non-qualified DCP for certain executive officers. The plan allows participants to defer up to 100% of their base salary and bonus and select an investment fund for measurement of the deferred compensation obligation. For the periods the DCP was administered by Ashford Trust, the participants elected Ashford Trust common stock as their investment option. In accordance with the applicable authoritative accounting guidance, the deferred amounts and any dividends earned received equity treatment and were included in additional paid-in capital. In connection with our spin-off and the assumption of the DCP obligation by the Company, the DCP was modified to give the participants various investment options, including Ashford Inc. common stock, for measurement that can be changed by the participant at any time. These modifications resulted in the DCP obligation being recorded as a liability in accordance with the applicable authoritative accounting guidance. Distributions under the DCP are made in cash, unless the participant has elected Ashford Inc. common stock as the investment option, in which case any such distributions would be made in Ashford Inc. common stock. Additionally, the DCP obligation is carried at fair value with changes in fair value reflected in “salaries and benefits” in our consolidated statements of operations.

The following table summarizes the DCP activity (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Change in fair value			
Unrealized gain (loss)	\$ 5,732	\$ 8,444	\$ (10,410)
Distributions			
Fair value ⁽¹⁾	\$ 113	\$ 241	\$ 229
Shares ⁽¹⁾	3	3	3

⁽¹⁾ Distributions made to one participant.

As of December 31, 2019 and 2018 the carrying value of the DCP liability was \$4.7 million and \$10.6 million, respectively.

AIM Incentive Awards—Effective January 15, 2015, Ashford Inc. established an incentive awards program (“AIM Incentive Awards”) for certain employees involved in the success of AIM. The awards were intended to be a cash bonus program. The awards were subject to vesting and may be forfeited upon termination of employment prior to the record date for the award period. Effective as of January 1, 2017, the value of the AIM Incentive Awards was fixed for each participant at the value of such participant's award as of the close of business on December 31, 2016. Award amounts were measured as of the month end prior to payment and paid out within 45 days of the applicable award vesting date. As of December 31, 2019, the AIM Incentive Awards program had expired. The AIM Incentive Awards obligation was carried in “accrued expenses” at the amortized fair value as of the end of the period with the related expense reflected as “salaries and benefits” in our consolidated statements of operations. As of December 31, 2019 and 2018, the carrying value of the AIM Incentive Awards liability was \$0 and \$121,000, respectively. For the years ended December 31, 2019, 2018 and 2017, we recorded salaries and benefits expense of \$9,000, \$77,000, and \$200,000 respectively, related to the AIM Incentive Awards. During the years ended December 31, 2019, 2018 and 2017 participants were paid distributions of \$130,000, \$443,000 and \$0, respectively.

401(k) Plan—Ashford LLC sponsors a 401(k) Plan. It is a qualified defined contribution retirement plan that covers employees 21 years of age or older who have completed one year of service and work a minimum of 1,000 hours annually. The 401(k) Plan allows eligible employees to contribute, subject to Internal Revenue Service imposed limitations, to various investment funds. The Company makes matching cash contributions equal to 50% of up to the first 6% of an employee’s eligible compensation contributed to the 401(k) Plan. Participant contributions vest immediately, whereas company matches vest 25% annually. Our consolidated subsidiaries also sponsor qualified defined contributions. These 401(k) Plans cover employees 18 to 21 years of age or older with 0 to 1 year of service and offer company matches in discretionary amounts varying from 0% up to 100% of the first 3% of an employee’s eligible compensation and 50% of the next 2% of an employee’s eligible compensation contributed to the 401(k) Plan, with vesting periods varying from 0 to 6 years. Participant contributions vest immediately. For the years ended December 31, 2019, 2018 and 2017, “salaries and benefits” expense on our consolidated statements of operations included matching expense of \$867,000, \$446,000, and \$304,000, respectively. For the years ended December 31, 2019 and 2018, “cost of revenues for project management” on our consolidated statements of operations included matching expense of \$169,000 and \$47,000, respectively.

Subsidiary Compensation Plan—Our Remington subsidiary has an employee compensation plan under which it awards to employees, subject to vesting, shares of Ashford Trust and Braemar common stock, which were purchased on the open market.

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

The compensation plan liability is based on ratably accrued vested shares through December 31, 2019, which are exercisable upon vesting. As of December 31, 2019, the subsidiary compensation plan accrued liability in the amount of \$415,000 was recorded in “accrued expenses” in our consolidated balance sheets. For the year ended December 31, 2019, the related expense of \$47,000, incurred subsequent to our acquisition of Remington, was included in “salaries and benefits” in our consolidated statements of operations. See note 9.

17. Related Party Transactions

As an asset manager providing advisory services to Ashford Trust and Braemar, as well as holding an ownership interest in other businesses providing products and services to the hospitality industry, including Ashford Trust and Braemar, related party transactions are inherent in our business. Details of our related party transactions are presented below. See note 20 for details regarding concentration of risk and percentage of our consolidated subsidiaries’ total revenues earned from Ashford Trust and Braemar.

We are a party to an amended and restated advisory agreement, as amended, with Ashford Trust and Ashford Trust OP. Prior to June 26, 2018, the base fee was paid quarterly based on a declining sliding scale percentage of Ashford Trust’s total market capitalization plus the Key Money Asset Management Fee (defined as the aggregate gross asset value of all key money assets multiplied by 0.70%), subject to a minimum quarterly base fee, as payment for managing its day-to-day operations in accordance with its investment guidelines. Total market capitalization includes the aggregate principal amount of its consolidated indebtedness (including its proportionate share of debt of any entity that is not consolidated but excluding its joint venture partners’ proportionate share of consolidated debt). The range of base fees on the scale are between 0.50% and 0.70% per annum for total market capitalization that ranges from less than \$6.0 billion to greater than \$10.0 billion. Upon effectiveness of the Ashford Trust ERFPA Agreement on June 29, 2018, the base fee is paid monthly as a percentage of Ashford Trust’s total market capitalization on a declining sliding scale plus the Net Asset Fee Adjustment, as defined in our advisory agreement, subject to a minimum monthly base fee. At December 31, 2019, the quarterly base fee was 0.70% per annum. Reimbursement for overhead, internal audit, risk management advisory services and asset management services, including compensation, benefits and travel expense reimbursements, are billed monthly to Ashford Trust based on a pro rata allocation as determined by the ratio of Ashford Trust’s net investment in hotel properties in relation to the total net investment in hotel properties for both Ashford Trust and Braemar. We also record advisory revenue for equity grants of Ashford Trust common stock and LTIP units awarded to our officers and employees in connection with providing advisory services equal to the grant date fair value of the award in proportion to the requisite service period satisfied during the period, as well as an offsetting expense in an equal amount included in “reimbursed expenses.” We are also entitled to an incentive advisory fee that is measured annually in each year that Ashford Trust’s annual total stockholder return exceeds the average annual total stockholder return for Ashford Trust’s peer group, subject to the FCCR Condition, as defined in our advisory agreement.

In addition to our advisory agreement with Ashford Trust and Ashford Trust OP, Premier is party to a master project management agreement with Ashford Trust OP and Ashford TRS Corporation, a subsidiary of Ashford Trust OP, and certain of its affiliates (collectively, “Ashford Trust TRS”) to provide comprehensive and cost-effective design, development, architectural, and project management services and a related mutual exclusivity agreement with Ashford Trust and Ashford Trust OP.

Ashford Trust entered into hotel master management agreements with Remington Lodging (then wholly-owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr.) governing the terms of Remington Lodging’s provision of hotel management services and project management services with respect to hotels owned or leased by Ashford Trust in 2003, as amended, and 2006. In connection with the Company’s acquisition of Premier from Remington Lodging in August 2018, Ashford Trust amended and restated the original hotel master management agreement to provide only for hotel management services to be provided to Ashford Trust’s TRSs by Remington Lodging by entering into the Consolidated, Amended and Restated Hotel Master Management Agreement dated as of August 8, 2018, which agreement we refer to below as the “Ashford Trust master hotel management agreement.” In connection with the Company’s subsequent acquisition of Remington Lodging on November 6, 2019, Remington Lodging became a subsidiary of the Company, and the Ashford Trust master hotel management agreement between Remington Lodging and Ashford Trust remains in effect.

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

The following table summarizes the revenues and expenses related to Ashford Trust (in thousands):

	Year Ended December 31,		
	2019	2018	2017
REVENUE BY TYPE			
Advisory services revenue			
Base advisory fee	\$ 32,486	\$ 35,482	\$ 34,724
Incentive advisory fee ⁽¹⁾	—	1,809	1,809
Total advisory services revenue	32,486	37,291	36,533
Hotel management:			
Base management fees	3,796	—	—
Incentive management fees	434	—	—
Total hotel management revenue ⁽²⁾	4,230	—	—
Project management fees ⁽³⁾	16,587	5,821	—
Audio visual revenue ⁽⁴⁾	—	88	—
Other revenue			
Debt placement fees ⁽⁵⁾	1,294	5,094	913
Claim management services ⁽⁶⁾	75	76	—
Lease revenue ⁽⁷⁾	3,783	670	558
Other services ⁽⁸⁾	1,784	1,968	997
Total other revenue	6,936	7,808	2,468
Cost reimbursement revenue	71,479	35,581	20,653
Total revenues	\$ 131,718	\$ 86,589	\$ 59,654
REVENUE BY SEGMENT ⁽⁹⁾			
REIT advisory	\$ 63,345	\$ 72,343	\$ 57,744
Remington	44,394	—	—
Premier	20,004	7,096	—
JSAV	—	88	—
OpenKey	111	97	77
Corporate and other	3,864	6,965	1,833
Total revenues	\$ 131,718	\$ 86,589	\$ 59,654
COST OF REVENUES			
Cost of audio visual revenues ⁽⁴⁾	\$ 7,438	\$ 3,444	\$ 90
SUPPLEMENTAL REVENUE INFORMATION			
Audio visual revenues from guests at REIT properties ⁽⁴⁾	\$ 16,897	\$ 7,853	\$ 201

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

- (1) Incentive advisory fee for the year ended December 31, 2018, includes the third year installment of the 2016 incentive advisory fee, which was paid in January 2019. Incentive fee payments are subject to meeting the December 31 FCCR Condition each year, as defined in the Ashford Trust advisory agreement. Ashford Trust's annual total stockholder return did not meet the relevant incentive fee thresholds during the 2019, 2018 and 2017 measurement periods.
- (2) Hotel management revenue is reported within our Remington segment and primarily consists of base management fees and incentive management fees. Base management fees and incentive management fees are recognized when services have been rendered. Remington receives base management fees of 3% of gross hotel revenues for managing the hotel employees and daily operations of the hotels. Remington receives an incentive management fee equal to the lesser of 1% of each hotel's annual gross revenues or the amount by which the respective hotel's gross operating profit exceeds the hotel's budgeted gross operating profit. See note 3 for discussion of the hotel management revenue recognition policy.
- (3) Project management revenue primarily consists of revenue generated within our Premier segment by providing design, development, architectural, and project management services for which Premier receives fees. Project management revenue also includes revenue from reimbursable costs related to accounting, overhead and project manager services provided to projects owned by affiliates of Ashford Trust, Braemar and other owners. See note 3 for discussion of the project management revenue recognition policy.
- (4) JSAV primarily contracts directly with customers to whom it provides audio visual services. JSAV recognizes the gross revenue collected from their customers by the hosting hotel or venue. Commissions retained by the hotel or venue, including Ashford Trust, are recognized in "cost of revenues for audio visual" in our consolidated statements of operations. See note 3 for discussion of the audio visual revenue recognition policy.
- (5) Debt placement fees are earned by Lismore for providing debt placement services.
- (6) Claims management services include revenues earned from providing insurance claim assessment and administration services.
- (7) In connection with our ERFP Agreements and legacy key money transaction with Ashford Trust, we lease FF&E to Ashford Trust rent-free. Our ERFP leases entered into in 2018 commenced on December 31, 2018. Consistent with our accounting treatment prior to adopting ASU 2016-02, a portion of the base advisory fee for leases, which commenced prior to our adoption, is allocated to lease revenue each period equal to the estimated fair value of the lease payments that would have been made.
- (8) Other services revenue is primarily associated with other hotel products and services, such as mobile key applications and hypoallergenic premium rooms, provided to Ashford Trust by our consolidated subsidiaries, OpenKey and Pure Wellness.
- (9) See note 19 for discussion of segment reporting.

The following table summarizes amounts due (to) from Ashford Trust, net at December 31, 2019 and 2018 associated primarily with the advisory services fee and other fees discussed above, as it relates to each of our consolidated entities (in thousands):

	December 31, 2019	December 31, 2018
Ashford LLC	\$ (621)	\$ 2,337
AIM	82	99
Remington	2,093	—
Premier	1,882	1,611
JSAV	1,070	826
OpenKey	2	2
Pure Wellness	297	418
Due from Ashford Trust	<u>\$ 4,805</u>	<u>\$ 5,293</u>

We are also a party to an amended and restated advisory agreement with Braemar and Braemar OP. Prior to January 15, 2019, the base fee was paid monthly calculated as 1/12th of 0.70% of Braemar's total market capitalization plus the Key Money Asset Management Fee (defined in the advisory agreement as the aggregate gross asset value of all key money assets multiplied by 1/12th of 0.70%), subject to a minimum monthly base fee, as payment for managing its day-to-day operations in accordance with its investment guidelines. Total market capitalization includes the aggregate principal amount of Braemar's consolidated indebtedness (including its proportionate share of debt of any entity that is not consolidated but excluding its joint venture partners' proportionate share of consolidated debt). Upon effectiveness of the Braemar ERFP Agreement on January 15, 2019, the base fee is paid monthly calculated as 1/12th of 0.70% of Braemar's total market capitalization plus the Net Asset Fee Adjustment, as defined in our advisory agreement, subject to a minimum monthly base fee. Reimbursement for overhead, internal audit, risk management advisory services and asset management services, including compensation, benefits and travel expense

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

reimbursements, are billed monthly to Braemar based on a pro rata allocation as determined by the ratio of Braemar's net investment in hotel properties in relation to the total net investment in hotel properties for both Ashford Trust and Braemar. We also record advisory revenue for equity grants of Braemar common stock and LTIP units awarded to our officers and employees in connection with providing advisory services equal to the grant date fair value of the award in proportion to the requisite service period satisfied during the period, as well as an offsetting expense in an equal amount included in "reimbursed expenses." We are also entitled to an incentive advisory fee that is measured annually in each year that Braemar's annual total stockholder return exceeds the average annual total stockholder return for Braemar's peer group, subject to the FCCR Condition, as defined in the advisory agreement.

In addition to our advisory agreement with Braemar and Braemar OP, Premier is party to a master project management agreement with Braemar OP and Braemar TRS Yountville LLC, a limited liability company existing under the laws of the state of Delaware and wholly-owned subsidiary of Braemar OP ("Braemar TRS") to provide comprehensive and cost-effective design, development, architectural, and project management services and a related mutual exclusivity agreement with Braemar and Braemar OP.

In 2014, Braemar entered into a hotel master management agreement with Remington Lodging (then wholly-owned by Mr. Monty J. Bennett and Mr. Archie Bennett, Jr.) governing the terms of Remington Lodging's provision of hotel management services and project management services with respect to hotels owned or leased by Braemar. In connection with the Company's acquisition of Premier from Remington Lodging in August 2018, Braemar amended and restated the original hotel master management agreement to provide only for hotel management services to be provided to Braemar's TRSs by Remington Lodging by entering into the Amended and Restated Hotel Master Management Agreement dated as of August 8, 2018, which agreement we refer to below as the "Braemar master hotel management agreement." In connection with the Company's subsequent acquisition of Remington Lodging on November 6, 2019, Remington Lodging became a subsidiary of the Company, and the Braemar master hotel management agreement between Remington Lodging and Braemar remains in effect.

ASHFORD INC. AND SUBSIDIARIES
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The following table summarizes the revenues related to Braemar (in thousands):

	Year Ended December 31,		
	2019	2018	2017
REVENUE BY TYPE			
Advisory services revenue			
Base advisory fee	\$ 10,499	\$ 9,423	\$ 8,799
Incentive advisory fee ⁽¹⁾	678	678	1,274
Other advisory revenue ⁽²⁾	521	521	277
Total advisory services revenue	11,698	10,622	10,350
Hotel management:			
Base management fees	248	—	—
Incentive management fees	38	—	—
Total hotel management revenue ⁽³⁾	286	—	—
Project management fees ⁽⁴⁾	8,547	2,979	—
Audio visual revenue ⁽⁵⁾	—	—	—
Other revenue			
Debt placement fees ⁽⁶⁾	704	999	224
Claims management services ⁽⁷⁾	135	137	—
Lease revenue ⁽⁸⁾	335	335	335
Other services ⁽⁹⁾	1,277	857	41
Total other revenue	2,451	2,328	600
Cost reimbursement revenue	13,556	8,927	422
Total revenues	\$ 36,538	\$ 24,856	\$ 11,372
REVENUE BY SEGMENT ⁽¹⁰⁾			
REIT advisory	\$ 21,334	\$ 19,507	\$ 11,107
Remington	2,754	—	—
Premier	10,123	3,493	—
JSAV ⁽¹¹⁾	—	—	—
OpenKey	52	29	16
Corporate and other	2,275	1,827	249
Total revenue	\$ 36,538	\$ 24,856	\$ 11,372
COST OF REVENUES			
Cost of audio visual revenues ⁽⁵⁾	\$ 561	\$ 3	\$ —
SUPPLEMENTAL REVENUE INFORMATION			
Audio visual revenues from guests at REIT properties ⁽⁵⁾	\$ 1,329	\$ 7	\$ —

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

- (1) Incentive advisory fees for the year ended December 31, 2019, includes the second year installment of the 2018 incentive advisory fee, which will be paid in January 2020. Incentive advisory fees for the year ended December 31, 2018, includes the first year installment of the 2018 incentive advisory fee, which was paid in January 2019. Incentive fee payments are subject to meeting the December 31 FCCR Condition each year, as defined in the Braemar advisory agreement. Braemar's annual total stockholder return did not meet the relevant incentive fee thresholds during the 2019, 2017 and 2016 measurement periods.
- (2) In connection with our Fourth Amended and Restated Braemar Advisory Agreement, a \$5.0 million cash payment was made by Braemar upon approval by Braemar's stockholders, which is recognized over the 10-year initial term.
- (3) Hotel management revenue is reported within our Remington segment and primarily consists of base management fees and incentive management fees. Base management fees and incentive management fees are recognized when services have been rendered. Remington receives base management fees of 3% of gross hotel revenues for managing the hotel employees and daily operations of the hotels. Remington receives an incentive management fee equal to the lesser of 1% of each hotel's annual gross revenues or the amount by which the respective hotel's gross operating profit exceeds the hotel's budgeted gross operating profit. See note 3 for discussion of the hotel management revenue recognition policy.
- (4) Project management revenue primarily consists of revenue generated within our Premier segment by providing design, development, architectural, and project management services for which Premier receives fees. Project management revenue also includes revenue from reimbursable costs related to accounting, overhead and project manager services provided to projects owned by affiliates of Ashford Trust, Braemar and other owners. See note 3 for discussion of the project management revenue recognition policy.
- (5) JSAV primarily contracts directly with customers to whom it provides audio visual services. JSAV recognizes the gross revenue collected from their customers by the hosting hotel or venue. Commissions retained by the hotel or venue, including Braemar, are recognized in "cost of revenues for audio visual" in our consolidated statements of operations. See note 3 for discussion of the audio visual revenue recognition policy.
- (6) Debt placement fees are earned by Lismore for providing debt placement services.
- (7) Claims management services include revenues earned from providing insurance claim assessment and administration services.
- (8) In connection with our legacy key money transaction with Braemar which commenced prior to 2019, we lease FF&E to Braemar rent-free. Consistent with our accounting treatment prior to adopting ASU 2016-02, a portion of the base advisory fee for leases, which commenced prior to our adoption, is allocated to lease revenue each period equal to the estimated fair value of the lease payments that would have been made.
- (9) Other services revenue is primarily associated with other hotel products and services, such as mobile key applications, marine vessel transportation and hypoallergenic premium rooms, provided to Braemar by our consolidated subsidiaries, OpenKey, RED and Pure Wellness.
- (10) See note 19 for discussion of segment reporting.

The following table summarizes amounts due (to) from Braemar, net at December 31, 2019 and 2018 associated primarily with the advisory services fee and other fees discussed above, as it relates to each of our consolidated entities (in thousands):

	December 31, 2019	December 31, 2018
Ashford LLC	\$ 659	\$ 941
Remington	(99)	—
Premier	750	949
JSAV	173	4
OpenKey	—	12
RED	105	60
Pure Wellness	3	30
Due from Braemar	<u>\$ 1,591</u>	<u>\$ 1,996</u>

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

ERFP Commitments—On June 26, 2018, the Company entered into the Ashford Trust ERFP Agreement with Ashford Trust. The independent members of the board of directors of each of the Company and Ashford Trust, with the assistance of separate and independent legal counsel, engaged to negotiate the Ashford Trust ERFP Agreement on behalf of the Company and Ashford Trust, respectively. On January 15, 2019, the Company entered into the Braemar ERFP Agreement (collectively with the Ashford Trust ERFP Agreement, the “ERFP Agreements”) with Braemar. The independent members of the board of directors of each of the Company and Braemar, with the assistance of separate and independent legal counsel, engaged to negotiate the Braemar ERFP Agreement on behalf of the Company and Braemar, respectively. Under the ERFP Agreements, the Company agreed to provide \$50 million (each, an “Aggregate ERFP Amount” and collectively, the “Aggregate ERFP Amounts”) to each of Ashford Trust and Braemar (collectively, the “REITs”), respectively, in connection with each such REIT’s acquisition of hotels recommended by us, with the option to increase each Aggregate ERFP Amount to up to \$100 million upon mutual agreement by the parties to the respective ERFP Agreement. Under each of the ERFP Agreements, the Company will pay each REIT 10% of each acquired hotel’s purchase price in exchange for FF&E at a property owned by such REIT, which will be subsequently leased by us to such REIT rent-free. Each of the REITs must provide reasonable advance notice to the Company to request ERFP funds in accordance with the respective ERFP Agreement. The ERFP Agreements require that the Company acquire the related FF&E either at the time of the property acquisition or at any time generally within two years of the REITs acquisition of the hotel property. The Company recognizes the related depreciation tax deduction at the time such FF&E is purchased by the Company and placed into service at the respective REIT’s hotel properties. However, the timing of the FF&E being purchased and placed into service is subject to uncertainties outside of the Company’s control that could delay the realization of any tax benefit associated with the purchase of FF&E. See notes 2 and 10.

The changes in our ERFP commitments to Ashford Trust and Braemar from inception of the programs in 2018 and 2019, respectively, through December 31, 2019, are as follows (in thousands):

	Ashford Trust	Braemar	Total
ERFP Commitments:			
ERFP Commitments at January 1, 2018	\$ —	\$ —	\$ —
ERFP commitment—Hilton Alexandria Old Town	11,100	—	11,100
ERFP commitment—La Posada de Santa Fe	5,000	—	5,000
ERFP payment—Hilton Alexandria Old Town	(11,100)	—	(11,100)
ERFP payment—La Posada de Santa Fe	(5,000)	—	(5,000)
ERFP Commitments remaining at December 31, 2018	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
ERFP commitment—Hilton Santa Cruz/Scotts Valley	5,000	—	5,000
ERFP commitment—The Embassy Suites New York Manhattan Times Square	19,500	—	19,500
ERFP payment—Hilton Santa Cruz/Scotts Valley	(5,000)	—	(5,000)
ERFP payment—The Embassy Suites New York Manhattan Times Square	(8,089)	—	(8,089)
ERFP commitment—Ritz-Carlton, Lake Tahoe	—	10,300	10,300
ERFP payment—Ritz-Carlton, Lake Tahoe	—	(10,300)	(10,300)
ERFP Commitments remaining at December 31, 2019 ⁽¹⁾	<u>\$ 11,411</u>	<u>\$ —</u>	<u>\$ 11,411</u>

⁽¹⁾ See note 10.

Ashford Securities—On September 25, 2019, the Company announced the formation of Ashford Securities to raise capital in order to grow the Company’s existing and future platforms. Ashford Securities will be a dedicated capital raising platform to fund investment opportunities sponsored and asset-managed by the Company.

In conjunction with the formation of Ashford Securities, Ashford Trust and Braemar entered into a contribution agreement with Ashford Inc. in which Ashford Trust and Braemar agreed to contribute a combined contribution amount of up to \$15.0 million to fund the operations of Ashford Securities. As of December 31, 2019, Ashford Trust and Braemar have funded approximately \$2.5 million and \$801,000, respectively. Of the total \$3.3 million funded by the REITs during 2019, \$1.2 million is recognized as cost reimbursement revenue in our consolidated statements of operations and the remaining \$2.1 million is deferred income in our consolidated balance sheets as of December 31, 2019.

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

Other Related Party Transactions—Prior to our acquisition of Remington Lodging, we reimbursed Remington Lodging and its subsidiaries, which were beneficially owned by Mr. Monty J. Bennett, our chairman and chief executive officer and Mr. Archie Bennett, Jr., Ashford Trust’s chairman emeritus, for various overhead expenses, including rent, payroll, office supplies, travel and accounting. These charges were allocated based on various methodologies, including headcount and actual amounts incurred, and the allocations were approved quarterly by Ashford Inc. and Remington Lodging management. Reimbursements prior to our November 6, 2019 acquisition of Remington Lodging are included in “general and administrative” and “cost of revenues for project management” expenses on the consolidated statements of operations. The charges totaled \$6.6 million, \$6.6 million and \$5.1 million for the years ended December 31, 2019, 2018 and 2017, respectively. The amounts due under these arrangements as of December 31, 2019 and 2018, were included in “due to affiliates” on our consolidated balance sheets.

At the beginning of each year, Ashford Inc.’s Risk Management department collects funds from the Ashford Trust and Braemar properties and their respective management companies of an amount equal to the actuarial forecast of that year’s expected casualty claims and associated fees. These funds are deposited into restricted cash and used to pay casualty claims throughout the year as they are incurred. The claim liability related to the restricted cash balance is included in current “other liabilities” in our consolidated balance sheets. See note 2.

“Equity in earnings (loss) of unconsolidated entities” in our consolidated statement of operations includes equity in earnings of \$266,000 and \$239,000 related to transactions between our unconsolidated entity, REA Holdings and each Ashford Trust and Braemar, respectively, for the year ended December 31, 2019. See note 2.

Ashford Trust held a 17.00% and 16.30% noncontrolling interest in OpenKey, and Braemar held an 8.58% and 8.21% noncontrolling interest in OpenKey as of December 31, 2019 and 2018, respectively. Ashford Trust invested \$647,000, \$667,000 and \$983,000 in OpenKey during the years ended December 31, 2019, 2018 and 2017, respectively. Braemar invested \$332,000, \$2.0 million and \$0 in OpenKey during the years ended December 31, 2019, 2018 and 2017, respectively. See also notes 1, 2, 13, and 14.

The Company or its affiliates provide to the Bennetts or their permitted designees certain services, including, but not limited to, accounting, tax and administrative services pursuant to that certain Transition Cost Sharing Agreement entered into in connection with Company’s acquisition of Remington Lodging from the Bennetts in November 2019. The gross amount of expenses and reimbursements for these transition services for the year ended December 31, 2019 was \$73,000.

Premier, a subsidiary of the Company, provides, from time to time, project management services to Mr. Monty J. Bennett related to the construction or maintenance of Mr. Bennett’s personal residential properties for which we are reimbursed. The gross amount of expenses and reimbursements for these project management services for the year ended December 31, 2019 was \$223,000.

The expenses and reimbursements for transition services and project management services are recorded on a net basis and, therefore, the reimbursed activity does not impact our consolidated statements of operations for the year ended December 31, 2019.

An officer of JSAV owns the JSAV headquarters property including the adjoining warehouse space. JSAV leases this property for \$307,000 per year, with escalating lease payments based on increases in the Consumer Price Index. Rental expense for the years ended December 31, 2019, 2018 and 2017 was \$307,000, \$335,000 and \$50,000, respectively.

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

18. Income (Loss) Per Share

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

	Year Ended December 31,		
	2019	2018	2017
Net income (loss) attributable to common stockholders – basic and diluted:			
Net income (loss) attributable to the Company	\$ (13,855)	\$ 10,182	\$ (18,352)
Less: Dividends on preferred stock and amortization	(16,363)	(5,196)	—
Add: Deemed Contribution on preferred stock	1,161	—	—
Less: Undistributed net (income) allocated to unvested shares	—	(21)	—
Undistributed net income (loss) allocated to common stockholders	(29,057)	4,965	(18,352)
Distributed and undistributed net income (loss) - basic	\$ (29,057)	\$ 4,965	\$ (18,352)
Effect of deferred compensation plan	(5,732)	(8,444)	—
Effect of incremental subsidiary shares	—	(1,447)	(1,465)
Distributed and undistributed net income (loss) - diluted	\$ (34,789)	\$ (4,926)	\$ (19,817)
Weighted average common shares outstanding:			
Weighted average common shares outstanding – basic	2,416	2,170	2,031
Effect of deferred compensation plan shares	152	103	—
Effect of incremental subsidiary shares	—	59	36
Weighted average common shares outstanding – diluted	2,568	2,332	2,067
Income (loss) per share – basic:			
Net income (loss) allocated to common stockholders per share	\$ (12.03)	\$ 2.29	\$ (9.04)
Income (loss) per share – diluted:			
Net income (loss) allocated to common stockholders per share	\$ (13.55)	\$ (2.11)	\$ (9.59)

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

	Year Ended December 31,		
	2019	2018	2017
Net income (loss) allocated to common stockholders is not adjusted for:			
Net income (loss) attributable to unvested restricted shares	\$ —	\$ 21	\$ —
Net income (loss) attributable to redeemable noncontrolling interests in Ashford Holdings	(54)	9	(19)
Net income (loss) attributable to redeemable noncontrolling interests in subsidiary common stock	(929)	—	—
Dividends on preferred stock and amortization	15,202	5,196	—
Total	\$ 14,219	\$ 5,226	\$ (19)
Weighted average diluted shares are not adjusted for:			
Effect of unvested restricted shares	11	9	—
Effect of assumed exercise of stock options	20	163	34
Effect of assumed conversion of Ashford Holdings units	4	4	4
Effect of incremental subsidiary shares	159	—	—
Effect of assumed conversion of preferred stock	1,837	575	—
Total	2,031	751	38

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

19. Segment Reporting

We have two business segments: (i) REIT Advisory, which provides asset management and advisory services to other entities, and (ii) Hospitality Products and Services (“HPS”), which provides products and services to clients primarily in the hospitality industry. HPS includes (a) Remington, which provides hotel management services, (b) Premier, which provides comprehensive and cost-effective design, development, architectural, and project management services, (c) JSAV, which provides event technology and creative communications solutions services, (d) OpenKey, a hospitality focused mobile key platform that provides a universal smartphone app for keyless entry into hotel guest rooms, (e) RED, a provider of watersports activities and other travel and transportation services, (f) Marietta, which holds the leasehold rights to a single hotel and convention center property in Marietta, Georgia, (g) Pure Wellness, which provides hypoallergenic premium rooms in the hospitality industry, (h) Lismore and REA Holdings, a provider of debt placement, real estate advisory and brokerage services. For 2019, OpenKey, RED, Marietta, Pure Wellness and Lismore and REA Holdings do not meet aggregation criteria or the quantitative thresholds to individually qualify as reportable segments. However, we have elected to disclose OpenKey as a reportable segment. Accordingly, we have five reportable segments: REIT Advisory, Remington, Premier, JSAV and OpenKey. We combine the operating results of RED, Marietta, Pure Wellness and Lismore and REA Holdings into an “all other” sixth reportable segment, which we refer to as “Corporate and Other.” See footnote 3 for details of our segments’ material revenue generating activities.

Our chief operating decision maker (“CODM”) uses multiple measures of segment profitability for assessing performance of our business. Our reported measure of segment profitability is net income, although the CODM also focuses on adjusted EBITDA and adjusted net income, which exclude certain gains, losses and charges, to assess performance and allocate resources. Our CODM currently reviews assets at the corporate (consolidated) level and does not currently review segment assets to make key decisions on resource allocations.

Certain information concerning our segments for the years ended December 31, 2019, 2018 and 2017 are presented in the following tables (in thousands). Consolidated subsidiaries are reflected as of their respective acquisition dates or as of the date we were determined to be the primary beneficiary of variable interest entities.

	Year Ended December 31, 2019						
	REIT Advisory	Remington	Premier	JSAV	OpenKey	Corporate and Other	Ashford Inc. Consolidated
REVENUE							
Advisory services	\$ 44,184	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 44,184
Hotel management	—	4,526	—	—	—	—	4,526
Project management fees	—	—	25,584	—	—	—	25,584
Audio visual	—	—	—	110,609	—	—	110,609
Other	4,349	—	—	—	987	15,843	21,179
Cost reimbursement revenue ⁽¹⁾	36,168	42,761	4,996	—	—	1,243	85,168
Total revenues	84,701	47,287	30,580	110,609	987	17,086	291,250
EXPENSES							
Depreciation and amortization	6,778	2,459	12,494	1,995	27	789	24,542
Other operating expenses ⁽²⁾	—	2,555	11,821	110,815	3,399	64,705	193,295
Reimbursed expenses ⁽¹⁾	35,643	42,761	4,996	—	—	1,243	84,643
Total operating expenses	42,421	47,775	29,311	112,810	3,426	66,737	302,480
OPERATING INCOME (LOSS)	42,280	(488)	1,269	(2,201)	(2,439)	(49,651)	(11,230)
Equity in earnings (loss) of unconsolidated entities ..	—	—	—	—	—	(286)	(286)
Interest expense	—	—	—	(1,114)	(2)	(943)	(2,059)
Amortization of loan costs	—	—	—	(55)	(35)	(218)	(308)
Interest income	—	—	—	—	—	46	46
Other income (expense)	—	2	—	30	19	(48)	3
INCOME (LOSS) BEFORE INCOME TAXES	42,280	(486)	1,269	(3,340)	(2,457)	(51,100)	(13,834)
Income tax (expense) benefit	(9,861)	(140)	(1,248)	271	—	9,438	(1,540)
NET INCOME (LOSS)	<u>\$ 32,419</u>	<u>\$ (626)</u>	<u>\$ 21</u>	<u>\$ (3,069)</u>	<u>\$ (2,457)</u>	<u>\$ (41,662)</u>	<u>\$ (15,374)</u>

⁽¹⁾ Our segments are reported net of eliminations upon consolidation. Approximately \$1.4 million of cost reimbursement revenue and reimbursed expenses were eliminated in consolidation primarily for overhead expenses reimbursed to Remington including rent, payroll, office supplies, travel and accounting.

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

(2) Other operating expenses includes salaries and benefits, costs of revenues for project management, cost of revenues for audio visual and general and administrative expenses.

	Year Ended December 31, 2018					
	REIT Advisory	Premier	JSAV	OpenKey	Corporate and Other	Ashford Inc. Consolidated
REVENUE						
Advisory services	\$ 47,913	\$ —	\$ —	\$ —	\$ —	\$ 47,913
Project management fees	—	8,802	—	—	—	8,802
Audio visual	—	—	81,186	—	—	81,186
Other	1,218	—	—	999	10,851	13,068
Cost reimbursement revenue	42,719	1,832	—	—	—	44,551
Total revenues	91,850	10,634	81,186	999	10,851	195,520
EXPENSES						
Depreciation and amortization	706	4,358	2,221	27	607	7,919
Impairment	1,863	—	—	—	56	1,919
Other operating expenses ⁽¹⁾	—	3,428	79,193	4,510	55,043	142,174
Reimbursed expenses	42,515	1,832	—	—	—	44,347
Total operating expenses	45,084	9,618	81,414	4,537	55,706	196,359
OPERATING INCOME (LOSS)	46,766	1,016	(228)	(3,538)	(44,855)	(839)
Interest expense	—	—	(745)	—	(214)	(959)
Amortization of loan costs	—	—	(47)	(25)	(169)	(241)
Interest income	—	—	—	—	329	329
Other income (expense)	—	—	(883)	2	47	(834)
INCOME (LOSS) BEFORE INCOME TAXES	46,766	1,016	(1,903)	(3,561)	(44,862)	(2,544)
Income tax (expense) benefit	(11,146)	(239)	76	—	21,673	10,364
NET INCOME (LOSS)	\$ 35,620	\$ 777	\$ (1,827)	\$ (3,561)	\$ (23,189)	\$ 7,820

(1) Other operating expenses includes salaries and benefits, costs of revenues for project management, cost of revenues for audio visual and general and administrative expenses.

	Year ended December 31, 2017				
	REIT Advisory	JSAV	OpenKey	Corporate and Other	Ashford Inc. Consolidated
REVENUE					
Advisory services	\$ 46,883	\$ —	\$ —	\$ —	\$ 46,883
Audio visual	—	9,186	—	—	9,186
Other	893	—	327	3,209	4,429
Cost reimbursement revenue	21,075	—	—	—	21,075
Total revenues	68,851	9,186	327	3,209	81,573
EXPENSES					
Depreciation and amortization	804	319	25	810	1,958
Impairment	1,041	—	—	31	1,072
Other operating expenses ⁽¹⁾	—	9,655	3,478	54,998	68,131
Reimbursed expenses	20,934	—	—	—	20,934
Total operating expenses	22,779	9,974	3,503	55,839	92,095
OPERATING INCOME (LOSS)	46,072	(788)	(3,176)	(52,630)	(10,522)
Interest expense	—	(68)	—	(15)	(83)
Amortization of loan costs	—	(6)	(19)	(14)	(39)
Interest income	—	—	—	244	244
Other income (expense)	—	(47)	(12)	(12)	(71)
INCOME (LOSS) BEFORE INCOME TAXES	46,072	(909)	(3,207)	(52,427)	(10,471)
Income tax (expense) benefit	(17,915)	252	—	7,940	(9,723)
NET INCOME (LOSS)	\$ 28,157	\$ (657)	\$ (3,207)	\$ (44,487)	\$ (20,194)

(1) Other operating expenses includes salaries and benefits, cost of revenues for audio visual and general and administrative expenses.

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

Geographic Information

For revenues by geographical locations, see note 3. The following table presents property and equipment, net by geographic area as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019	December 31, 2018
United States	\$ 110,972	\$ 42,503
Mexico	4,762	4,996
All other countries	456	448
	<u>\$ 116,190</u>	<u>\$ 47,947</u>

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

20. Concentration of Risk

During the years ended December 31, 2019, 2018 and 2017, our advisory revenue was primarily derived from our advisory agreements with Ashford Trust and Braemar. Additionally, Remington, Premier, OpenKey, RED, Pure Wellness and Lismore generated revenues through contracts with Ashford Trust and Braemar, as summarized in the table below, stated as a percentage of the consolidated subsidiaries' total revenues:

	Year Ended December 31,		
	2019	2018	2017
Percentage of total revenues from Ashford Trust and Braemar ⁽¹⁾			
Remington	99.7%	—%	—%
Premier	98.5%	99.6%	—%
JSAV ⁽²⁾	18.4%	9.8%	2.2%
OpenKey	16.5%	12.6%	28.4%
RED	10.8%	51.7%	—%
Pure Wellness	60.1%	58.8%	45.6%
Lismore	100.0%	100.0%	100.0%

⁽¹⁾ See note 17 for details regarding our related party transactions.

⁽²⁾ Represents percentage of revenues earned by JSAV from customers at Ashford Trust and Braemar hotels. See note 2 for the discussion of audio visual revenue recognition policy.

As of December 31, 2019, our operations include consolidated JSAV net assets of \$2.3 million and \$581,000 located in Mexico and the Dominican Republic, respectively. As of December 31, 2018, our operations include consolidated JSAV net assets of \$1.9 million and \$267,000 located in Mexico and the Dominican Republic, respectively. For discussion of revenues by geographic location see note 3.

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash, cash equivalents and accounts receivable. We are exposed to credit risk with respect to cash held at financial institutions that are in excess of the FDIC insurance limits of \$250,000 and U.S. government treasury bond holdings. Our counterparties are investment grade financial institutions.

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

21. Selected Financial Quarterly Data (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2019 and 2018 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2019					
Total revenue.....	\$ 63,320	\$ 63,466	\$ 56,889	\$ 107,575	\$ 291,250
Total operating expenses.....	60,778	62,523	63,690	115,489	302,480
Operating income (loss).....	\$ 2,542	\$ 943	\$ (6,801)	\$ (7,914)	\$ (11,230)
Net income (loss).....	\$ 568	\$ (329)	\$ (6,591)	\$ (9,022)	\$ (15,374)
Net income (loss) attributable to the Company.....	\$ 710	\$ 112	\$ (6,156)	\$ (8,521)	\$ (13,855)
Net income (loss) attributable to common stockholders.....	\$ (2,572)	\$ (3,163)	\$ (9,428)	\$ (15,055)	\$ (30,218)
Basic:					
Net income (loss) attributable to common stockholders per share ⁽¹⁾	\$ (1.06)	\$ (1.28)	\$ (3.65)	\$ (6.31)	\$ (12.03)
Weighted average common shares outstanding - basic.....	2,419	2,462	2,580	2,202	2,416
Diluted:					
Net income (loss) attributable to common stockholders per share ⁽¹⁾	\$ (1.13)	\$ (3.00)	\$ (3.94)	\$ (6.31)	\$ (13.55)
Weighted average common shares outstanding - diluted.....	2,449	2,717	2,782	2,206	2,568
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2018					
Total revenue.....	\$ 48,168	\$ 54,811	\$ 41,565	\$ 50,976	\$ 195,520
Total operating expenses.....	53,204	43,941	53,069	46,145	196,359
Operating income (loss).....	\$ (5,036)	\$ 10,870	\$ (11,504)	\$ 4,831	\$ (839)
Net income (loss).....	\$ (5,835)	\$ 8,932	\$ 2,006	\$ 2,717	\$ 7,820
Net income (loss) attributable to the Company.....	\$ (5,723)	\$ 8,960	\$ 3,387	\$ 3,558	\$ 10,182
Net income (loss) attributable to common stockholders.....	\$ (5,723)	\$ 8,960	\$ 1,409	\$ 340	\$ 4,986
Basic:					
Net income (loss) attributable to common stockholders per share ⁽¹⁾	\$ (2.73)	\$ 4.26	\$ 0.67	\$ 0.14	\$ 2.29
Weighted average common shares outstanding - basic.....	2,094	2,095	2,109	2,381	2,170
Diluted:					
Net income (loss) attributable to common stockholders per share ⁽¹⁾	\$ (2.84)	\$ 0.93	\$ 0.18	\$ (1.96)	\$ (2.11)
Weighted average common shares outstanding - diluted.....	2,115	2,487	2,337	2,652	2,332

⁽¹⁾ The sum of the basic and diluted income (loss) attributable to common stockholders per share for the four quarters in 2019 and 2018 may differ from the full year basic and diluted income (loss) attributable to common stockholders per share due to the required method of computing the weighted average diluted common shares in the respective periods.

22. Subsequent Events

On January 28, 2020, the Company made a cash payment of \$1.0 million to the sellers of Sebago to settle our contingent consideration liability at the six month anniversary of the date of acquisition. See note 5.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our chief executive officer and chief financial officer, our management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15(e) under the Exchange Act) as of December 31, 2019. Based upon that evaluation, the chief executive officer and chief financial officer concluded that, as of the evaluation date, our disclosure controls and procedures are effective (i) to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of our internal control over financial reporting. The internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and our expenditures are being made only in accordance with authorizations of management and our directors and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making the assessment of the effectiveness of our internal control over financial reporting, management has utilized the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, (2013 framework) (“COSO”).

Based on management's assessment of these criteria, we concluded that, as of December 31, 2019, our internal control over financial reporting is effective. Management excluded Remington, which was acquired by the Company in November 2019, from its assessment of the effectiveness of internal control over financial reporting, as the Company may omit an assessment of an acquired business's internal control over financial reporting from its assessment of the registrant's internal control for up to one year from the acquisition date. As of December 31, 2019, Remington represents 16% of total revenues and 44% of total assets of the consolidated financial statement amounts. The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the fiscal quarter ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Ashford Inc.
14185 Dallas Parkway
Suite 1100
Dallas, Texas 75254

Opinion on Internal Control over Financial Reporting

We have audited Ashford Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated March 12, 2020 expressed an unqualified opinion thereon.

As described in Management's Annual Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Remington Lodging & Hospitality, LLC, which was acquired on November 6, 2019, and whose financial statements constitute 16% of total revenues and 44% of total assets of the consolidated financial statement amounts as of and for the year ended December 31, 2019. Accordingly, our audit did not include the internal control over financial reporting at Remington Lodging & Hospitality, LLC.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Dallas, Texas
March 12, 2020

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officer, and Corporate Governance

The information required in response to this Item 10 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required in response to this Item 11 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required in response to this Item 12 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required in response to this Item 13 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accountant Fees and Services

The information required in response to this Item 14 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

Item 15. Financial Statement Schedules and Exhibits

(a) Financial Statements and Schedules

See “Item 8. Financial Statements and Supplementary Data,” on pages 83 through 146 hereof, for a list of our consolidated financial statements and report of independent registered public accounting firm.

All other financial statement schedules have been omitted because such schedules are not required under the related instructions, such schedules are not significant, or the required information has been disclosed elsewhere in the consolidated financial statements and related notes thereto.

(b) Exhibits

Exhibit	Description
2.1	Separation and Distribution Agreement, dated as of October 31, 2014, by and between Ashford Hospitality Trust, Inc., Ashford OP Limited Partner LLC, Ashford Hospitality Limited Partnership, Ashford Inc. and Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on November 6, 2014) (File No. 001-36400)
2.2	Acquisition Agreement, dated as of September 17, 2015, by and between Archie Bennett, Jr. and Monty J. Bennett, Remington Holdings GP, LLC, MJB Investments, LP, Mark A. Sharkey, Remington Holdings, LP, Ashford Inc., Ashford Advisors, Inc., Remington Hospitality Management, Inc., Ashford GP Holdings I, LLC and Remington GP Holdings, LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on September 18, 2015) (File No. 001-36400)
2.2.1	First Amendment to Acquisition Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 24, 2016) (File No. 001-36400)

Exhibit	Description
2.2.2	Second Amendment to Acquisition Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on September 23, 2016) (File No. 001-36400)
2.2.3	Amendment, Waiver and Consent Agreement, dated as of October 28, 2016 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on November 1, 2016) (File No. 001-36400)
2.3	Agreement and Plan of Merger, dated as of October 28, 2016, by and between Ashford Inc., a Delaware corporation and Ashford Inc., a Maryland corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 1, 2016) (File No. 001-36400)
2.4**	Unit Purchase Agreement, dated as of July 25, 2017, by and among Presentation Technologies, Inc., Monroe Jost, Kevin Jost, Todd Jost and PT Holdco, LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on July 31, 2017) (File No. 001-36400)
2.4.1	Amendment No. 2 to Unit Purchase Agreement, dated as of October 31, 2017, by and among PT Holdco, LLC, PT Intermediate, LLC and Presentation Technologies, LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on November 6, 2017) (File No. 001-36400)
2.5	Combination Agreement, dated as of May 31, 2019, between Monty J. Bennett, Archie Bennett, Jr., Remington Holdings, L.P., Remington Holdings GP, LLC, MJB Investments, LP, Ashford Inc., James L. Cowen, Jeremy J. Welter, Ashford Nevada Holding Corp. and Ashford Merger Sub Inc. (incorporated by reference to Exhibit 2.1 of Form 8-K, filed on June 3, 2019) (File No. 001-36400)
2.5.1	First Amendment to Combination Agreement, dated as of July 17, 2019, between Monty J. Bennett, Archie Bennett, Jr., Remington Holdings, L.P., Remington Holdings GP, LLC, MJB Investments, LP, Ashford Inc., James L. Cowen, Jeremy J. Welter, Ashford Nevada Holding Corp. and Ashford Merger Sub Inc. (incorporated by reference to Exhibit 2.2 of Form 8-K, filed on July 19, 2019) (File No. 001-36400)
2.5.2	Second Amendment to Combination Agreement, dated as of August 28, 2019, between Monty J. Bennett, Archie Bennett, Jr., Remington Holdings, L.P., Remington Holdings GP, LLC, MJB Investments, LP, Ashford Inc., James L. Cowen, Jeremy J. Welter, Ashford Nevada Holding Corp. and Ashford Merger Sub Inc. (incorporated by reference to Exhibit 2.3 of Form 8-K/A, filed on August 30, 2019) (File No. 001-36400)
3.1	Amended and Restated Certificate of Incorporation of Ashford Inc. (incorporated by reference to Exhibit 3.1 of Form 8-K, filed on November 6, 2019) (File No. 001-36400)
3.2	Certificate of Designation of the Series D Convertible Preferred Stock of Ashford Inc. (incorporated by reference to Exhibit 3.2 of Form 8-K, filed on November 6, 2019) (File No. 001-36400)
3.3	Articles of Amendment to the Certificate of Incorporation of Ashford Inc. (incorporated by reference to Exhibit 3.3 of Form 8-K, filed on November 6, 2019) (File No. 001-36400)
3.4	Amended and Restated Bylaws of Ashford Inc. (incorporated by reference to Exhibit 3.4 of Form 8-K, filed on November 6, 2019) (File No. 001-36400)
4.1	Specimen Common Stock Certificate of Ashford Inc. (incorporated by reference to Exhibit 4.1 to Amendment No. 8 to the Registration Statement on Form 10 filed on November 1, 2016)
4.2	Amended and Restated Rights Agreement, dated as of August 12, 2015, between Ashford Inc. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed on August 14, 2015) (File No. 001-36400)
4.2.1	Amendment No. 1 to the Amended and Restated Rights Agreement, dated as of October 31, 2016, between Ashford Inc. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on November 1, 2016) (File No. 001-36400)
4.2.2	Amendment No. 2 to the Amended and Restated Rights Agreement, dated as of April 6, 2018, between Ashford Inc. and Computershare Trust Company, N.A., which includes the Form of Rights Certificate as Exhibit 1 and the Summary of Rights as Exhibit 2 (incorporated by reference to Exhibit 4.1 of Form 8-K filed on April 9, 2018) (File No. 001-36400)
4.3	Rights Agreement, dated as of August 8, 2018, between Ashford Inc. and Computershare Trust Company, N.A., as Rights Agent, which includes the Form of Articles Supplementary of Series C Preferred Stock as Exhibit A, the Form of Rights Certificate as Exhibit B, and the Summary of Rights as Exhibit C (incorporated by reference to Exhibit 4.1 of Form 8-K filed on August 8, 2018) (File No. 001-36400)
4.6	Form of Senior Indenture and (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-3 of Ashford Inc. filed October 5, 2018) (File No. 333-2277729)
4.7	Form of Subordinated Indenture (incorporated by reference to Exhibit 4.5 to the Registration Statement on Form S-3 of Ashford Inc. filed October 5, 2018) (File No. 333-2277729)
4.8	Form of Senior Debt Security (incorporated by reference to Exhibit 4.6 to the Registration Statement on Form S-3 of Ashford Inc. filed October 5, 2018) (File No. 333-2277729)
4.9*	Description of Securities

Exhibit	Description
10.1	Tax Matters Agreement, dated as of October 31, 2014, between Ashford Inc., Ashford Hospitality Advisors LLC, Ashford Hospitality Trust, Inc. and Ashford Hospitality Limited Partnership (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 6, 2014) (File No. 001-36400)
10.2	Advisory Agreement, dated as of November 12, 2014 by and between Ashford Hospitality Trust, Inc., Ashford Hospitality Limited Partnership and Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400)
10.2.1	Amended and Restated Advisory Agreement, dated as of June 10, 2015, by and between Ashford Hospitality Trust, Inc., Ashford Hospitality Limited Partnership, Ashford TRS Corporation, Ashford Inc. and Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 10.1 to the Current Report on 8-K filed on June 12, 2015) (File No. 001-36400)
10.2.2	Enhanced Return Funding Program Agreement and Amendment No. 1 to the Amended and Restated Advisory Agreement, dated as of June 26, 2018, among Ashford Hospitality Trust, Inc., Ashford Hospitality Limited Partnership, Ashford TRS Corporation, Ashford Inc. and Ashford Hospitality Advisors LLC, dated June, 26, 2018, incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on June 26, 2018 (File No. 001-36400).
10.3	Fourth Amended and Restated Advisory Agreement, dated as of January 24, 2017, between Ashford Hospitality Prime, Inc., Ashford Hospitality Prime Limited Partnership, Ashford Prime TRS Corporation, Ashford Inc. and Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 10.1 to the Current Report on 8-K filed on January 25, 2017) (File No. 001-36400)
10.4	Mutual Exclusivity Agreement, dated as of November 12, 2014 by and between Ashford Hospitality Advisors LLC, Ashford Inc. and Remington Lodging & Hospitality, LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400)
10.4.1	Ashford Inc. Amended and Restated Mutual Exclusivity Agreement, dated as of August 8, 2018, by and among Ashford Hospitality Advisors LLC, Ashford Inc. and Remington Lodging & Hospitality LLC, and consented to by Monty J. Bennett (incorporated by reference to Exhibit 10.3 of Form 8-K filed on August 8, 2018) (File No. 001-36400)
10.5	Assignment and Assumption Agreement, dated as of November 12, 2014 by and between Ashford Hospitality Trust, Inc., Ashford Hospitality Limited Partnership and Ashford Hospitality Advisors LLC Re: Ashford Trademarks (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400)
10.6	Licensing Agreement, dated as of November 12, 2014 by and between Ashford Hospitality Advisors LLC, Ashford Hospitality Trust, Inc. and Ashford Hospitality Limited Partnership (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400)
10.7	Registration Rights Agreement, dated as of November 12, 2014 by Ashford Inc. for the benefit of the holders of common units in Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400)
10.8†	Amended and Restated Employment Agreement, dated as of February 20, 2017, by and among Ashford Inc., Ashford Hospitality Advisors, LLC and Douglas A. Kessler (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on February 21, 2017) (File No. 001-36400)
10.8.1†	Employment Agreement, effective November 12, 2014, with Monty J. Bennett (incorporated by reference to Exhibit 10.6.1 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400)
10.8.2†	Amendment to Employment Agreement, dated as of September 13, 2017, by and among Ashford Inc., Ashford Hospitality Advisors, LLC and Monty J. Bennett (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on September 14, 2017) (File No. 001-36400)
10.8.3†	Amended and Restated Employment Agreement, dated as of September 13, 2017, by and among Ashford Inc., Ashford Hospitality Advisors, LLC and David Brooks (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on September 14, 2017) (File No. 001-36400)
10.8.4†	Amended and Restated Employment Agreement, dated as of September 13, 2017, by and among Ashford Inc., Ashford Hospitality Advisors, LLC and Deric Eubanks (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on September 14, 2017) (File No. 001-36400)
10.8.5†	Employment Agreement, dated as of November 2, 2016, by and among Ashford Inc., Ashford Hospitality Advisors, LLC and Richard J. Stockton (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed on November 3, 2016) (File No. 001-36400)
10.9	Form of Indemnification Agreement, dated as of November 6, 2014 between Ashford Inc. and each of its executive officers and directors (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400)
10.9.1	Form of Amended and Restated Indemnification Agreement between Ashford Inc. and each of its executive officers and directors (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 6, 2018) (File No. 001-36400)
10.10†	Ashford Inc. 2014 Incentive Plan (incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400)

Exhibit	Description
10.10.1†	Amendment No. 1 to the Ashford, Inc. 2014 Incentive Plan (incorporated by reference to Exhibit 99.2 to Form S-8 filed on November 2, 2016) (File No. 333-200183)
10.11	Amended and Restated Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400)
10.12	Investment Management Agreement, dated as of December 10, 2014 between AHT SMA, LP and Ashford Investment Management LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 16, 2014) (File No. 001-36400)
10.13	Investment Management Agreement, dated as of December 10, 2014 between AHP SMA, LP and Ashford Investment Management, LLC (incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K filed on March 24, 2015) (File No. 001-36400)
10.14	Investment Management Agreement, dated as of January 19, 2017, between AHT SMA, LP, a Delaware limited partnership, and Ashford Investment Management LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on January 25, 2017) (File No. 001-36400)
10.15	Amended and Restated Limited Liability Company Agreement of Ashford Hospitality Advisors LLC, dated as of October 8, 2014 (incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K filed on March 24, 2015) (File No. 001-36400)
10.16	Amended and Restated Limited Liability Company Agreement of Ashford Hospitality Holdings LLC, dated as of April 6, 2017 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 12, 2017) (File No. 001-36400)
10.17	Letter Agreement, dated as of September 17, 2015 between Ashford Inc. and Ashford Hospitality Trust, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on 8-K filed on September 18, 2015) (File No. 001-36400)
10.18	Letter Agreement, dated as of September 17, 2015 between Ashford Inc. and Ashford Hospitality Prime, Inc. (incorporated by reference to Exhibit 10.2 to the Current Report on 8-K filed on September 18, 2015) (File No. 001-36400)
10.19	Commitment Letter, dated as of June 14, 2017, by and between Ashford Inc. and Comerica Bank (incorporated by reference to Exhibit 10.1 to the Current Report on 8-K filed July 31, 2017) (File No. 001-36400)
10.20	Credit Agreement, dated as of November 1, 2017, by and between Presentation Technologies, LLC and Comerica Bank (incorporated by reference to Exhibit 10.1 to the Current Report on 8-K filed on November 6, 2017) (File No. 001-36400)
10.21	Term Note, dated as of November 1, 2017, made by Presentation Technologies, LLC in favor of Comerica Bank (incorporated by reference to Exhibit 10.2 to the Current Report on 8-K filed on November 6, 2017) (File No. 001-36400)
10.22	Revolving Note, dated as of November 1, 2017, made by Presentation Technologies, LLC in favor of Comerica Bank (incorporated by reference to Exhibit 10.3 to the Current Report on 8-K filed on November 6, 2017) (File No. 001-36400)
10.23	Draw Term Note, dated as of November 1, 2017, made by Presentation Technologies, LLC in favor of Comerica Bank (incorporated by reference to Exhibit 10.4 to the Current Report on 8-K filed on November 6, 2017) (File No. 001-36400)
10.24	Equipment Note, dated as of November 1, 2017, made by Presentation Technologies, LLC in favor of Comerica Bank (incorporated by reference to Exhibit 10.5 to the Current Report on 8-K filed on November 6, 2017) (File No. 001-36400)
10.25	Credit Agreement, dated as of March 1, 2018, by and among Ashford Hospitality Holdings LLC, Ashford Inc., Bank of America, N. A. and the other lenders party thereto (incorporated by reference to Exhibit 10-1 to the Current Report on 8-K filed on March 7, 2018)(File No. 001-36400)
10.25.1	First Amendment to Credit Agreement, dated as of March 21, 2018, effective as of March 1, 2018, by and among Ashford Hospitality Holdings LLC, Ashford Inc., Bank of America, N.A. and the other lenders party thereto (incorporated by reference to Exhibit 99.1 of Form 8-K filed on March 26, 2018) (File No. 001-36400)
10.25.2	Second Consent, Assumption and Modification Agreement, dated as of November 6, 2019, by and among Ashford Hospitality Holdings LLC, Ashford Inc., Bank of America, N.A. and the other lenders party thereto (incorporated by reference to Exhibit 10.3 of Form 8-K/A filed on November 6, 2019 (File No. 001-36400)
10.26	Fifth Amended and Restated Advisory Agreement, dated as of April 23, 2018, among Braemar Hotels & Resorts Inc., Braemar Hospitality Limited Partnership, Braemar TRS Corporation, Ashford Hospitality Advisors LLC and Ashford Inc. (incorporated by reference to Exhibit 10.1 of the Braemar Hotels & Resorts Inc.'s Form 8-K filed on April 23, 2018) (File No. 001-35972).

Exhibit	Description
10.26.1	Enhanced Return Funding Program Agreement and Amendment No. 1 to the Fifth Amended and Restated Advisory Agreement, dated January 15, 2019, by and among Braemar Hotels & Resorts Inc., Braemar Hospitality Limited Partnership, Braemar TRS Corporation, Ashford Inc. and Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 10.1 of Form 8-K filed on January 18, 2019) (File No. 001-36400)
10.27	Investor Rights Agreement, dated as of August 8, 2018, by and among Ashford Holding Corp., Archie Bennett, Jr., Monty J. Bennett, MJB Investments, LP, Mark A. Sharkey, and any other Persons that become parties by joinder as provided herein (incorporated by reference to Exhibit 10.1 of Form 8-K filed on August 8, 2018) (File No. 001-36400)
10.28	Merger and Registration Rights Agreement, dated as of August 8, 2018, by and among Ashford Inc., Ashford Holding Corp., and Ashford Merger Sub Inc., and, solely for the purposes of Article V hereof, Archie Bennett, Jr., MJB Investments, LP and Mark A. Sharkey (incorporated by reference to Exhibit 10.2 of Form 8-K filed on August 8, 2018) (File No. 001-36400)
10.29	Braemar Mutual Exclusivity Agreement, dated as of August 8, 2018, by and among Braemar Hospitality Limited Partnership, Braemar Hotels & Resorts, Inc. and Project Management LLC (incorporated by reference to Exhibit 10.4 of Form 8-K filed on August 8, 2018) (File No. 001-36400)
10.30	Braemar Master Project Management Agreement, dated as of August 8, 2018, by and among Braemar TRS Corporation, CHH III Tenant Parent Corp., RC Hotels (Virgin Islands), Inc., Project Management LLC and Braemar Hospitality Limited Partnership (incorporated by reference to Exhibit 10.5 of Form 8-K filed on August 8, 2018) (File No. 001-36400)
10.31	Mutual Exclusivity Agreement, dated as of August 8, 2018, by and among Ashford Hospitality Limited Partnership, Ashford Hospitality Trust, Inc. and Project Management LLC (incorporated by reference to Exhibit 10.6 of Form 8-K filed on August 8, 2018) (File No. 001-36400)
10.32	Master Project Management Agreement, dated as of August 8, 2018, by and among Ashford TRS Corporation, RI Manchester Tenant Corporation, CY Manchester Tenant Corporation, Project Management LLC and Ashford Hospitality Limited Partnership (incorporated by reference to Exhibit 10.7 of Form 8-K filed on August 8, 2018) (File No. 001-36400)
10.33†	Amended and Restated Employment Agreement dated as of September 13, 2017, by and among Ashford Inc., Ashford Hospitality Advisors, LLC, and Jeremy Welter (incorporated by reference to Exhibit 10.2 of Form 10-Q filed on May 9, 2019) (File No. 001-36400)
10.34†	Amended and Restated Employment Agreement dated as of September 13, 2017, by and among Ashford Inc., Ashford Hospitality Advisors, LLC, and J. Robison Hays, III (incorporated by reference to Exhibit 10.3 of Form 10-Q filed on May 9, 2019) (File No. 001-36400)
10.35†	Amended and Restated Employment Agreement between Ashford Inc., Ashford Hospitality Services, LLC and Jeremy Welter, dated as of December 20, 2019 (incorporated by reference to Exhibit 10.1 of Form 8-K filed on December 23, 2019) (File No. 001-36400)
10.36	Investor Rights Agreement, dated November 6, 2019, by and among Ashford Nevada Holding Corp., Archie Bennett, Jr., Monty J. Bennett, MJB Investments, LP and the parties thereto (incorporated by reference to Exhibit 10.1 of Form 8-K filed on November 6, 2019) (File No. 001-36400)
10.37	Merger Agreement and Registration Rights Agreement, dated November 6, 2019, by and among Ashford, Inc., Ashford Nevada Holding Corp., Ashford Merger Sub Inc., and solely for the purposes of Article V hereof, Archie Bennett, Jr., Monty J. Bennett, MJB Investments, LP and the parties thereto. 1.37 (incorporated by reference to Exhibit 10.2 of Form 8-K filed on November 6, 2019) (File No. 001-36400)
10.38	Non-Competition Agreement, dated November 6, 2019, by and among Ashford Nevada Holding Corp., Archie Bennett, Jr. and Monty J. Bennett (incorporated by reference to Exhibit 10.3 of Form 8-k filed on November 6, 2019) (File No. 001-36400)
10.39	Transition Cost Sharing Agreement, dated November 6, 2019, by and among Archie Bennett, Jr., Monty J. Bennett, MJB Investments, LP, Ashford Nevada Holding Corp. and Remington Holdings, L.P. (incorporated by reference to Exhibit 10.4 of Form 8-K filed on November 6, 2019) (File No. 001-36400)
10.40	Hotel Services Agreement, dated November 6, 2019, by and among Archie Bennett, Jr., Monty J. Bennet, MJB Investments, LP, Ashford Nevada Holding Corp., Remington Holdings, L.P., Ashford Hospitality Services LLC and Premier Project Management LLC (incorporated by reference to Exhibit 10.5 of Form 8-K filed on November 6, 2019) (File No. 001-36400)
10.41*	Form of Restricted Stock Award Agreement
21*	List of subsidiaries of Ashford Inc.
23.1*	Consent of BDO USA, LLP
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as amended
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as amended
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit	Description
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2019 are formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income (Loss); (iv) Consolidated Statements of Equity (Deficit); (v) Consolidated Statements of Cash Flows; and (vi) Notes to the Consolidated Financial Statements. In accordance with Rule 402 of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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

* Filed herewith.

** The disclosure schedules referenced in the Unit Purchase Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Ashford hereby undertakes to furnish supplementally a copy of the omitted disclosure schedules upon request by the SEC.

† Management contract or compensatory plan or arrangement.

Item 16. *Form 10-K Summary*

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 12, 2020.

ASHFORD INC.

By: /s/ MONTY J. BENNETT

Monty J. Bennett

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, by the following persons, on behalf of the Registrant in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MONTY J. BENNETT</u> Monty J. Bennett	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 12, 2020
<u>/s/ DERIC S. EUBANKS</u> Deric S. Eubanks	Chief Financial Officer (Principal Financial Officer)	March 12, 2020
<u>/s/ MARK L. NUNNELEY</u> Mark L. Nunneley	Chief Accounting Officer (Principal Accounting Officer)	March 12, 2020
<u>/s/ JEREMY WELTER</u> Jeremy Welter	Co-President and Chief Operating Officer	March 12, 2020
<u>/s/ J. ROBISON HAYS, III</u> J. Robison Hays, III	Co-President, Chief Strategy Officer and Director	March 12, 2020
<u>/s/ DINESH P. CHANDIRAMANI</u> Dinesh P. Chandiramani	Director	March 12, 2020
<u>/s/ DARRELL T. HAIL</u> Darrell T. Hail	Director	March 12, 2020
<u>/s/ W. MICHAEL MURPHY</u> W. Michael Murphy	Director	March 12, 2020
<u>/s/ BRIAN WHEELER</u> Brian Wheeler	Director	March 12, 2020
<u>/s/ UNO IMMANIVONG</u> Uno Immanivong	Director	March 12, 2020

Officers and Directors

OFFICERS

Monty J. Bennett

Chief Executive Officer and
Chairman of the Board

Douglas A. Kessler

Senior Managing Director

Deric S. Eubanks

Chief Financial Officer

Mark L. Nunneley

Chief Accounting Officer

Jeremy J. Welter

Co-President and
Chief Operating Officer

J. Robison Hays III

Co-President and
Chief Strategy Officer

Robert G. Haiman

Executive Vice President,
General Counsel & Secretary

BOARD OF DIRECTORS

Monty J. Bennett

Chief Executive Officer and
Chairman of the Board

J. Robison Hays III

Co-President and
Chief Strategy Officer

Dinesh P. Chandiramani

Senior Vice President,
Franchise Sales & Development, Americas
Radisson Hotel Group

Darrell T. Hall

President
Women's A.R.C., LLC

Brian Wheeler

Chief Technology Officer
Nieman Printing

Uno Immanivong

Chef and Owner
Red Stix

Michael Murphy

Head of Lodging and Leisure Capital Markets
First Fidelity Mortgage Corporation

Corporate Information

Corporate Office

Ashford Inc.
14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
Telephone: (972) 490-9600
www.ashfordinc.com

Registrar and Transfer Agent

Computershare Trust Company, N.A.
Canton, Massachusetts

Independent Auditors

BDO USA, LLP
Dallas, Texas

Legal Counsel

Cadwalader, Wickersham & Taft, LLP
New York, New York

Annual Report on Form 10-K/Investor Contact

A copy of the Ashford Annual Report on Form 10-K for fiscal 2019, was filed with the Securities and Exchange Commission on March 12, 2020 and is included with this report. Additional copies of the report and copies of the exhibits referenced therein are available from the Company. Requests for these items and other investor contacts should be directed to Joseph Calabrese of Financial Relations Board at (212) 827-3772.

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws. Ashford (the "Company" or "we" or "our") cautions investors that any forward-looking statements presented herein, or which management may make orally or in writing from time to time, are based on management's beliefs and assumptions at that time. Throughout this report, words such as "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "result," and other similar expressions, which do not relate solely to historical matters, are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution investors that while forward-looking statements reflect our good faith beliefs at the time they are made, such statements are not guarantees of future performance and are impacted by actual events that occur after such statements are made. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends. Some of the risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, those discussed in our Annual Report on Form 10-K under the heading "Risk Factors." These risks and uncertainties continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment where new risk factors emerge from time to time. It is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

