

# Section 1: 10-Q (10-Q)

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

FORM 10-Q

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

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)

Maryland

(State or other jurisdiction of incorporation or organization)

82-5237353

(IRS employer identification number)

14185 Dallas Parkway, Suite 1100

Dallas, Texas

(Address of principal executive offices)

75254

(Zip code)

(972) 490-9600

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<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 checked="" 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) of the Exchange Act.

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

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

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

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

Common Stock, \$0.01 par value per share

(Class)

2,470,293

Outstanding at May 7, 2019

ASHFORD INC.  
FORM 10-Q  
FOR THE QUARTER ENDED MARCH 31, 2019

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## ITEM 1. FINANCIAL STATEMENTS (unaudited)

## PART I. FINANCIAL INFORMATION

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

	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 39,953	\$ 51,529
Restricted cash	12,604	7,914
Accounts receivable, net	12,504	4,928
Due from affiliates	75	45
Due from Ashford Trust OP	4,416	5,293
Due from Braemar OP	2,031	1,996
Inventories	1,537	1,202
Prepaid expenses and other	3,713	3,902
Total current assets	76,833	76,809
Investments in unconsolidated entities	3,400	500
Furniture, fixtures and equipment, net	54,647	47,947
Operating lease right-of-use assets	26,151	—
Goodwill	65,112	59,683
Intangible assets, net	192,755	193,194
Other assets	1,208	872
Total assets	\$ 420,106	\$ 379,005
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 21,696	\$ 24,880
Due to affiliates	1,176	2,032
Deferred income	68	148
Deferred compensation plan	160	173
Notes payable, net	2,933	2,595
Operating lease liabilities	2,396	—
Other liabilities	12,576	8,418
Total current liabilities	41,005	38,246
Deferred income	13,103	13,396
Deferred tax liability, net	31,806	31,506
Deferred compensation plan	11,108	10,401
Notes payable, net	21,672	15,177
Operating lease liabilities	23,767	—
Other liabilities	1,902	—
Total liabilities	144,363	108,726
Commitments and contingencies (note 10)		
<b>MEZZANINE EQUITY</b>		
Series B cumulative convertible preferred stock, \$25 par value, 8,120,000 shares issued and outstanding, net of discount at March 31, 2019 and December 31, 2018	201,338	200,847
Redeemable noncontrolling interests	3,810	3,531
<b>EQUITY</b>		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized:		
Series A cumulative preferred stock, no shares issued and outstanding at March 31, 2019 and December 31, 2018	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized, 2,470,293 and 2,391,541 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	25	24
Additional paid-in capital	287,129	280,159
Accumulated deficit	(216,703)	(214,242)
Accumulated other comprehensive income (loss)	(483)	(498)
Total stockholders' equity of the Company	69,968	65,443
Noncontrolling interests in consolidated entities	627	458
Total equity	70,595	65,901
Total liabilities and equity	\$ 420,106	\$ 379,005

*See Notes to Condensed Consolidated Financial Statements.*

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

	Three Months Ended March 31,	
	2019	2018
<b>REVENUE</b>		
Advisory services	\$ 19,187	\$ 22,532
Audio visual	30,975	23,310
Project management	7,790	—
Other	5,368	2,326
Total revenue	<u>63,320</u>	<u>48,168</u>
<b>EXPENSES</b>		
Salaries and benefits	22,700	26,517
Cost of revenues for audio visual	21,439	16,587
Cost of revenues for project management	2,791	—
Depreciation and amortization	4,527	1,040
General and administrative	7,982	6,295
Impairment	—	1,919
Other	1,339	846
Total expenses	<u>60,778</u>	<u>53,204</u>
<b>OPERATING INCOME (LOSS)</b>	2,542	(5,036)
Equity in earnings (loss) of unconsolidated entities	(275)	—
Interest expense	(297)	(143)
Amortization of loan costs	(69)	(23)
Interest income	20	112
Other income (expense)	(53)	(39)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	1,868	(5,129)
Income tax (expense) benefit	(1,300)	(706)
<b>NET INCOME (LOSS)</b>	568	(5,835)
(Income) loss from consolidated entities attributable to noncontrolling interests	163	173
Net (income) loss attributable to redeemable noncontrolling interests	(21)	(61)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY</b>	710	(5,723)
Preferred dividends	(2,791)	—
Amortization of preferred stock discount	(491)	—
<b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<u>\$ (2,572)</u>	<u>\$ (5,723)</u>
<b>INCOME (LOSS) PER SHARE - BASIC AND DILUTED</b>		
<b>Basic:</b>		
Net income (loss) attributable to common stockholders	\$ (1.06)	\$ (2.73)
Weighted average common shares outstanding - basic	<u>2,419</u>	<u>2,094</u>
<b>Diluted:</b>		
Net income (loss) attributable to common stockholders	\$ (1.13)	\$ (2.84)
Weighted average common shares outstanding - diluted	<u>2,449</u>	<u>2,115</u>

*See Notes to Condensed Consolidated Financial Statements.*

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

	Three Months Ended March 31,	
	2019	2018
<b>NET INCOME (LOSS)</b>	\$ 568	\$ (5,835)
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>		
Foreign currency translation adjustment	30	(114)
<b>COMPREHENSIVE INCOME (LOSS)</b>	598	(5,949)
Comprehensive (income) loss attributable to noncontrolling interests	163	190
Comprehensive (income) loss attributable to redeemable noncontrolling interests	(34)	(61)
<b>COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY</b>	\$ 727	\$ (5,820)

*See Notes to Condensed Consolidated Financial Statements.*

**ASHFORD INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
(unaudited, in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Consolidated Entities	Total	Convertible Preferred Stock		Redeemable Noncontrolling Interests
	Shares	Amount						Shares	Amount	
Balance at December 31, 2018	2,392	\$ 24	\$ 280,159	\$ (214,242)	\$ (498)	\$ 458	\$ 65,901	8,120	\$200,847	\$ 3,531
Equity-based compensation	—	—	2,155	—	—	3	2,158	—	—	—
Acquisition of BAV Services	60	1	3,754	—	—	—	3,755	—	—	—
Investment in Real Estate Advisory Holdings LLC	17	—	1,000	—	—	—	1,000	—	—	—
Amortization of preferred stock discount	—	—	—	(491)	—	—	(491)	—	491	—
Dividends declared - preferred stock	—	—	—	(2,791)	—	—	(2,791)	—	—	—
Deferred compensation plan distribution	1	—	46	—	—	—	46	—	—	—
Employee advances	—	—	249	—	—	—	249	—	—	—
Contributions from noncontrolling interests	—	—	—	—	—	455	455	—	—	—
Reallocation of carrying value	—	—	(234)	—	—	(122)	(356)	—	—	356
Redemption value adjustment	—	—	—	111	—	—	111	—	—	(111)
Distributions to consolidated noncontrolling interests	—	—	—	—	—	(4)	(4)	—	—	—
Foreign currency translation adjustment	—	—	—	—	15	—	15	—	—	13
Net income (loss)	—	—	—	710	—	(163)	547	—	—	21
Balance at March 31, 2019	<u>2,470</u>	<u>\$ 25</u>	<u>\$ 287,129</u>	<u>\$ (216,703)</u>	<u>\$ (483)</u>	<u>\$ 627</u>	<u>\$ 70,595</u>	<u>8,120</u>	<u>\$201,338</u>	<u>\$ 3,810</u>

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Consolidated Entities	Total	Convertible Preferred Stock		Redeemable Noncontrolling Interests
	Shares	Amount						Shares	Amount	
Balance at December 31, 2017	2,094	\$ 21	\$ 249,695	\$ (219,396)	\$ (135)	\$ 772	\$ 30,957	—	\$ —	\$ 5,111
Equity-based compensation	—	—	3,789	—	—	8	3,797	—	—	—
Deferred compensation plan distribution	—	—	80	—	—	—	80	—	—	—
Employee advances	—	—	105	—	—	—	105	—	—	—
Purchase of OpenKey shares from noncontrolling interest holder	9	—	838	—	—	—	838	—	—	(838)
Contributions from noncontrolling interests	—	—	—	—	—	2,666	2,666	—	—	—
Reallocation of carrying value	—	—	530	—	—	(1,696)	(1,166)	—	—	1,166
Redemption value adjustment	—	—	—	838	—	—	838	—	—	(838)
Foreign currency translation adjustment	—	—	—	—	(97)	(17)	(114)	—	—	—
Net income (loss)	—	—	—	(5,723)	—	(173)	(5,896)	—	—	61
Balance at March 31, 2018	<u>2,103</u>	<u>\$ 21</u>	<u>\$ 255,037</u>	<u>\$ (224,281)</u>	<u>\$ (232)</u>	<u>\$ 1,560</u>	<u>\$ 32,105</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 4,662</u>

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2019	2018
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	\$ 568	\$ (5,835)
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:		
Depreciation and amortization	5,563	1,671
Change in fair value of deferred compensation plan	740	561
Equity-based compensation	2,158	3,797
Equity in (earnings) loss in unconsolidated entities	275	—
Deferred tax expense (benefit)	300	—
Change in fair value of contingent consideration	18	213
Impairment of furniture, fixtures and equipment	—	1,919
Amortization of loan costs	69	23
Changes in operating assets and liabilities, exclusive of the effect of acquisitions:		
Accounts receivable	(6,851)	(1,908)
Due from affiliates	(30)	—
Due from Ashford Trust OP	522	1,970
Due from Braemar OP	(35)	1,642
Inventories	(335)	(54)
Prepaid expenses and other	338	45
Operating lease right-of-use assets	412	—
Other assets	—	(587)
Accounts payable and accrued expenses	(4,448)	(2,752)
Due to affiliates	(734)	(420)
Other liabilities	4,512	4,903
Operating lease liabilities	(400)	—
Deferred income	(373)	(759)
Net cash provided by (used in) operating activities	2,269	4,429
<b>Cash Flows from Investing Activities</b>		
Purchases of furniture, fixtures and equipment under the Ashford Trust ERFPA Agreement	(5,000)	—
Additions to furniture, fixtures and equipment	(1,736)	(2,663)
Acquisition of BAV Services	(4,332)	—
Investment in Real Estate Advisory Holdings LLC	(2,176)	—
Acquisition of assets related to RED Hospitality and Leisure LLC	(499)	(1,220)
Net cash provided by (used in) investing activities	(13,743)	(3,883)
<b>Cash Flows from Financing Activities</b>		
Payments for dividends on preferred stock	(2,791)	—
Payments on revolving credit facilities	(6,890)	(4,815)
Borrowings on revolving credit facilities	7,617	5,259
Proceeds from notes payable	6,577	1,350
Payments on notes payable and capital leases	(581)	(494)
Payments of loan costs	(41)	(15)
Employee advances	249	105
Contributions from noncontrolling interest	455	2,666
Distributions to noncontrolling interests in consolidated entities	(4)	—
Net cash provided by (used in) financing activities	4,591	4,056
Effect of foreign exchange rate changes on cash and cash equivalents	(3)	(203)
Net change in cash, cash equivalents and restricted cash	(6,886)	4,399
Cash, cash equivalents and restricted cash at beginning of period	59,443	45,556
Cash, cash equivalents and restricted cash at end of period	\$ 52,557	\$ 49,955



	Three Months Ended March 31,	
	2019	2018
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 211	\$ 113
Income taxes paid	91	143
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Distribution from deferred compensation plan	46	80
Capital expenditures accrued but not paid	852	1,953
Capital lease additions	137	—
Ashford Inc. common stock consideration for purchase of OpenKey shares	—	838
Amortization of discount on preferred stock	491	—
Ashford Inc. common stock consideration for BAV acquisition	3,755	—
Ashford Inc. common stock consideration for investment in REA Holdings	890	—
<b>Supplemental Disclosure of Cash, Cash Equivalents and Restricted Cash</b>		
Cash and cash equivalents at beginning of period	\$ 51,529	\$ 36,480
Restricted cash at beginning of period	7,914	9,076
Cash, cash equivalents and restricted cash at beginning of period	<u>\$ 59,443</u>	<u>\$ 45,556</u>
Cash and cash equivalents at end of period	\$ 39,953	\$ 34,910
Restricted cash at end of period	12,604	15,045
Cash, cash equivalents and restricted cash at end of period	<u>\$ 52,557</u>	<u>\$ 49,955</u>

*See Notes to Condensed Consolidated Financial Statements.*

**ASHFORD INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**1. Organization and Description of Business**

Ashford Inc. (the “Company”) is a Maryland corporation that provides asset management services, advisory services and other products and services primarily to clients in the hospitality industry. We became a public company in November 2014, when Ashford Hospitality Trust, Inc. (“Ashford Trust”) completed the spin-off of Ashford Inc. through the distribution of approximately 70% of our outstanding common stock to Ashford Trust stockholders and unitholders in Ashford Trust’s operating partnership, collectively. Our common stock is listed on the NYSE American LLC (“NYSE American”). As of March 31, 2019, Ashford Trust held approximately 598,000 shares of our common stock, which represented an approximate 24.2% ownership interest in Ashford Inc., and Braemar Hotels & Resorts Inc. (“Braemar”) held approximately 195,000 shares, which represented an approximate 7.9% ownership interest in the Company.

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, in each case subject to the supervision and oversight of the respective board of directors of Ashford Trust and Braemar. Ashford Trust commenced operating in August 2003 and 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. Braemar became a publicly traded company in November 2013 upon the completion of its spin-off from Ashford Trust. Each of Ashford Trust and Braemar is a real estate investment trust (“REIT”) as defined in the Internal Revenue Code, and the common stock of each of Ashford Trust and Braemar is traded on 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. 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.

We conduct our advisory business primarily through an operating entity, Ashford Hospitality Advisors LLC (“Ashford LLC”), our hospitality products and services business primarily through an operating entity, Ashford Hospitality Services LLC (“Ashford Services”), and our project management business through an operating entity, Premier Project Management LLC (“Premier”). We own substantially all of our assets and conduct substantially all of our business through Ashford LLC, Ashford Services and Premier.

On January 16, 2018, the Company closed on the acquisition of a passenger vessel and other assets related to RED Hospitality & Leisure LLC (“RED”), a provider of watersports activities and other travel and transportation services. The Company paid \$970,000 in cash, comprised of a \$750,000 deposit paid on December 11, 2017, which was reflected on our condensed consolidated balance sheet as “other assets” as of December 31, 2017, and an additional \$220,000 paid on January 16, 2018. This transaction was accounted for as an asset acquisition recorded at cost, and did not result in the recognition of goodwill. During 2018, our RED operating subsidiary acquired additional passenger vessels for \$2.4 million, a ferry for \$2.5 million, and paid a \$400,000 deposit for a new passenger vessel. The Company owns an 80.0% interest in RED. See notes 2, 11 and 15.

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 ERFPA 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 ERFPA Agreement on behalf of the Company and Ashford Trust, respectively. Under the Ashford Trust ERFPA Agreement, the Company agreed to provide \$50 million (the “ERFPA Commitment”) to Ashford Trust in connection with the Ashford Trust’s acquisition of hotels recommended by us, with the option to increase the ERFPA Commitment to up to \$100 million upon mutual agreement by the parties. Under the Ashford Trust ERFPA Agreement, the Company’s ERFPA Commitment will be fulfilled as 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 ERFPA funds in accordance with the Ashford Trust ERFPA Agreement. The Ashford Trust 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 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, 10 and 15.

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

On August 8, 2018, we completed the acquisition of Premier, the project management business formerly conducted by certain affiliates of Remington, 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 Monty J. Bennett, our Chief Executive Officer and Chairman of our board of directors), and his father Archie Bennett, Jr., the Chairman Emeritus of Ashford Trust (together, the “Bennetts”). The Series B Convertible Preferred Stock has a conversion price of \$140 per share and would convert into 1,450,000 shares of our common stock. Dividends on the Series B Convertible Preferred Stock are payable 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 vote 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 are 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 have certain conversion rights upon certain events constituting a change of control of the Company. See notes 4 and 12.

In connection with the acquisition of Premier, 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 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.”

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 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 “ERFP Commitment”) to Braemar in connection with Braemar’s acquisition of hotels recommended by us, with the option to increase the ERFP Commitment to up to \$100 million upon mutual agreement by the parties. Under the Braemar ERFP Agreement, the Company’s ERFP Commitment will be fulfilled as the Company pays 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. See notes 2, 10 and 15.

**ASHFORD INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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On March 1, 2019, J&S, our consolidated subsidiary, acquired a privately-held company that conducts the business of BAV Services in the United States (“BAV”) for approximately \$10.0 million. 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 J&S, which we consolidate under the voting interest model, increased from 85% to approximately 88%. The purchase price consisted of: (i) \$5.0 million in cash (excluding working capital adjustments) funded by an existing term loan; (ii) \$4.0 million in the form of Ashford Inc. common stock consisting of (a) 61,387 shares issued on March 1, 2019, which was determined based on an agreed upon value of \$3.5 million using a thirty-day volume weighted average price per share of \$57.01 and had an estimated fair value of \$3.8 million as of the acquisition date and (b) \$500,000 of stock to be issued 18 months after the acquisition date, subject to certain conditions; and (iii) contingent consideration with an estimated fair value of approximately \$1.4 million, payable, if earned, 12 to 18 months after the acquisition date. See note 4.

The accompanying condensed 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 condensed consolidated financial statements.

**2. Significant Accounting Policies**

***Basis of Presentation and Principles of Consolidation***—The accompanying historical unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These condensed 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 condensed consolidated financial statements. We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP in the accompanying unaudited condensed consolidated financial statements. We believe the disclosures made herein are adequate to prevent the information presented from being misleading. However, the condensed consolidated financial statements and related notes should be read in conjunction with the financial statements and notes thereto included in our 2018 Annual Report on Form 10-K filed with the SEC on March 8, 2019.

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**Noncontrolling Interests**—The following tables present information about noncontrolling interests in our consolidated subsidiaries, including those related to consolidated VIEs, as of March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019				
	Ashford Holdings	J&S <sup>(3)</sup>	OpenKey <sup>(4)</sup>	Pure Wellness <sup>(5)</sup>	RED <sup>(6)</sup>
Ashford Inc. ownership interest	99.83%	88.20%	46.59%	70.00%	80.00%
Redeemable noncontrolling interests <sup>(1)(2)</sup>	0.17%	11.80%	28.15%	—%	—%
Noncontrolling interests in consolidated entities	—%	—%	25.26%	30.00%	20.00%
	<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	\$ 230	\$ 2,100	\$ 1,480	n/a	n/a
Redemption value adjustment, year-to-date	20	—	(131)	n/a	n/a
Redemption value adjustment, cumulative	198	—	1,902	n/a	n/a
Carrying value of noncontrolling interests	—	—	466	195	(34)
Assets, available only to settle subsidiary's obligations <sup>(7)</sup>	n/a	62,112	2,142	2,283	8,158
Liabilities <sup>(8)</sup>	n/a	44,320	552	2,139	3,793
Notes payable <sup>(8)</sup>	n/a	19,250	—	—	2,977
Revolving credit facility <sup>(8)</sup>	n/a	2,638	—	—	—

	December 31, 2018				
	Ashford Holdings	J&S <sup>(3)</sup>	OpenKey <sup>(4)</sup>	Pure Wellness <sup>(5)</sup>	RED <sup>(6)</sup>
Ashford Inc. ownership interest	99.83%	85.00%	45.61%	70.00%	80.00%
Redeemable noncontrolling interests <sup>(1)(2)</sup>	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>
Carrying value of redeemable noncontrolling interests	\$ 215	\$ 1,858	\$ 1,458	n/a	n/a
Redemption value adjustment, year-to-date	(180)	—	12	n/a	n/a
Redemption value adjustment, cumulative	178	—	2,033	n/a	n/a
Carrying value of noncontrolling interests	—	—	308	218	(68)
Assets, available only to settle subsidiary's obligations <sup>(7)</sup>	n/a	37,141	1,410	2,267	6,807
Liabilities <sup>(8)</sup>	n/a	24,836	421	1,977	2,839
Notes payable <sup>(8)</sup>	n/a	13,614	—	—	2,480
Revolving credit facility <sup>(8)</sup>	n/a	1,733	—	60	118

<sup>(1)</sup> Redeemable noncontrolling interests are included in the “mezzanine” section of our condensed 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.

<sup>(2)</sup> 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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- (3) Represents ownership interests in J&S, which we consolidate under the voting interest model. J&S provides audio visual products and services in the hospitality industry. See also notes 1, 11 and 12.
- (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, 11 and 12.
- (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 11.
- (6) Represents ownership interests in RED, a VIE for which we are considered the primary beneficiary and therefore we consolidated it. We are provided a preferred return on our investment in RED which is accounted for in our income allocation based on the applicable partnership agreement. RED is a provider of watersports activities and other travel and transportation services. See also notes 1 and 11.
- (7) Total assets primarily consist of cash and cash equivalents and other assets that can only be used to settle the subsidiaries' obligations.
- (8) 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, for which the creditor has recourse to Ashford Inc.

**Investments in Unconsolidated Entities**—We hold “investments in unconsolidated entities” in our condensed 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 three months ended March 31, 2019 and 2018.

We held an investment in an unconsolidated variable interest entity with a carrying value of \$500,000 at both March 31, 2019 and 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 three months ended March 31, 2019 and 2018.

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.

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

	<b>March 31, 2019</b>	
Carrying value of the investment in REA Holdings	\$	2,900
Ownership interest in REA Holdings		30%

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

	<b>Three Months Ended March 31, 2019</b>	
Equity in earnings (loss) in unconsolidated entities	\$	(275)

**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

**ASHFORD INC. AND SUBSIDIARIES**  
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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 the condensed 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 condensed 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 condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Furniture, Fixtures and Equipment, net***—We record FF&E at cost. We also 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. Assets are depreciated using the straight-line method over the estimated useful lives of the assets. As of March 31, 2019 and December 31, 2018, FF&E, net of accumulated depreciation, included ERF assets of \$20.5 million and \$16.1 million, audio visual equipment at our J&S subsidiary of \$16.7 million and \$13.4 million and marine vessels at our RED subsidiary of \$5.7 million and \$5.7 million, respectively.

***Impairment of Furniture, Fixtures and Equipment***—FF&E 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 impairment charges of \$0 and \$1.9 million for the three months ended March 31, 2019 and 2018, respectively. The impairment in 2018 was recognized upon determination that a portion of capitalized software that was not eligible for reimbursement would 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 J&S. 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

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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 annual impairment assessments through March 31, 2019.

**Definite-Lived Intangible Assets**—Definite-lived intangible assets primarily include customer relationships and management contracts resulting from our acquisitions of Premier, J&S and Pure Wellness. The Premier assets 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 30 years. The J&S 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 March 31, 2019.

**Other Liabilities**—As of March 31, 2019 and December 31, 2018, other current liabilities included reserves in the amount of \$12.4 million and \$7.8 million, respectively, related 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. Other non-current liabilities were \$1.9 million and \$0 as of March 31, 2019 and December 31, 2018, respectively. As of March 31, 2019, other non-current liabilities included our remaining consideration of \$500,000 and the fair value of contingent consideration of \$1.4 million due to the sellers of BAV resulting from J&S's acquisition of BAV in March of 2019.

**Revenue Recognition**—See note 3.

**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 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 14.

**Depreciation and Amortization**—Our FF&E 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. Furniture 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 "salaries and benefits," equal to the 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 "advisory services" 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) and foreign currency translation adjustments. The foreign currency translation adjustment represents the unrealized impact of translating the financial statements of the J&S 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



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of the foreign businesses. The accumulated other comprehensive income (loss) is presented on the condensed consolidated balance sheets as of March 31, 2019 and December 31, 2018.

**Due to Affiliates**—Due to affiliates represents current payables resulting primarily from general and administrative expense, FF&E reimbursements and contingent consideration associated with the acquisition of J&S which was settled in 2018. Due to affiliates is generally settled within a period not exceeding one year.

**Leases**—We determine if an arrangement is a lease at the inception of the contract. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at 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 is recognized on a straight-line basis 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 7.

**Income Taxes**—We are a taxable corporation for federal and state income tax purposes. Income tax expense includes U.S. federal and state income taxes and, beginning November 1, 2017, Mexico and Dominican Republic 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 condensed 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 2018 remain subject to potential examination by certain federal and state taxing authorities.

**Recently Adopted Accounting Standards**—In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASU 2016-02”). The new standard establishes a 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 condensed 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 ERF leases are rent-free. For historical leases related to our

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key money and ERF program 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 7.

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

### 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.

**ASHFORD INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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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 and expense reimbursements 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, the base fee was paid monthly and was fixed at 0.70% of Braemar's total market capitalization plus, prior to January 15, 2019, 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. Reimbursements for overhead, internal audit, risk management advisory services and asset management services, including compensation, benefits and travel expense reimbursements, are recognized when services have been rendered. We record advisory 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, as well as an offsetting expense in an equal amount included in "salaries and benefits."

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.

*Audio Visual Revenue*

Audio visual revenue primarily consists of revenue generated within our J&S 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.

ASHFORD INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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*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. Project management revenue also includes revenue from reimbursable costs for accounting, overhead and project manager services provided to projects owned by affiliates of Ashford Trust, Braemar and other owners.

*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 provision of ferry 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, 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 Braemar, we lease FF&E to Ashford Trust and Braemar rent-free. For leases which commenced prior to our adoption of ASC 842, a portion of the base advisory fee is allocated to lease revenue each period equal to the estimated fair value of the lease payments that would have been made.

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.

**ASHFORD INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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*Deferred Revenue and Contract Balances*

Deferred revenue primarily consists of customer billings in advance of revenues being recognized from our advisory agreements and other hospitality products and services contracts. Generally, deferred revenue that could result in a cash payment within the next twelve-month period is recorded as current deferred revenue and the remaining portion is recorded as noncurrent. The increase in the deferred revenue 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 revenue balance at the beginning of the period. The following tables summarize our consolidated deferred revenue activity (in thousands):

	<b>Deferred Revenue</b>	
Balance as of January 1, 2019	\$	13,544
Increases to deferred revenue		2,072
Recognition of revenue <sup>(1)</sup>		(2,445)
Balance as of March 31, 2019	\$	<u>13,171</u>

<sup>(1)</sup> Includes (a) \$770,000 of advisory revenue primarily related to our advisory agreements with Ashford Trust and Braemar, (b) \$1.0 million of audio visual revenue and (c) \$636,000 of "other services" revenue earned by our hospitality products and services companies.

	<b>Deferred Revenue</b>	
Balance as of January 1, 2018	\$	13,899
Increases to deferred revenue		2,032
Recognition of revenue <sup>(1)</sup>		(2,737)
Balance as of March 31, 2018	\$	<u>13,194</u>

<sup>(1)</sup> Includes (a) \$346,000 of advisory revenue primarily related to our advisory agreements with Ashford Trust and Braemar, (b) \$1.9 million of audio visual revenue and (c) \$510,000 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 March 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 revenue until the performance obligations are satisfied. We had receivables related to revenues from contracts with customers of \$12.5 million and \$4.9 million included in "accounts receivable, net" primarily related to our hospitality products and services segment, \$4.4 million and \$5.3 million in "due from Ashford Trust OP", and \$2.0 million and \$2.0 million included in "due from Braemar OP" related to REIT advisory services at March 31, 2019 and 2018, respectively. We had no significant impairments related to these receivables during the three months ended March 31, 2019.

**ASHFORD INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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*Disaggregated Revenue*

Our revenues were comprised of the following for the three months ended March 31, 2019 and 2018 (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Advisory services revenue:</b>		
Base advisory fee	\$ 10,622	\$ 10,711
Incentive advisory fee	170	452
Reimbursable expenses	2,509	1,949
Equity-based compensation	5,758	9,292
Other advisory revenue	128	128
<b>Total advisory services revenue <sup>(2)</sup></b>	<b>19,187</b>	<b>22,532</b>
<b>Audio visual revenue</b>	<b>30,975</b>	<b>23,310</b>
<b>Project management revenue</b>	<b>7,790</b>	<b>—</b>
<b>Other revenue:</b>		
Investment management reimbursements <sup>(2)</sup>	358	182
Debt placement fees <sup>(3)</sup>	1,354	632
Claims management services <sup>(2)</sup>	41	55
Lease revenue <sup>(2)</sup>	1,030	252
Other services <sup>(3)</sup>	2,585	1,205
<b>Total other revenue</b>	<b>5,368</b>	<b>2,326</b>
<b>Total revenue</b>	<b>\$ 63,320</b>	<b>\$ 48,168</b>
<b>REVENUE BY SEGMENT <sup>(1)</sup></b>		
REIT advisory	\$ 20,616	\$ 23,021
Premier	7,790	—
J&S	30,975	23,310
OpenKey	257	319
Corporate and other	3,682	1,518
<b>Total revenue</b>	<b>\$ 63,320</b>	<b>\$ 48,168</b>

<sup>(1)</sup> We have four reportable segments: REIT Advisory, Premier, J&S and OpenKey. We combine the operating results of RED, Pure Wellness and Lismore into an “all other” category, which we refer to as “Corporate and Other.” See note 17 for discussion of segment reporting.

<sup>(2)</sup> Indicates REIT advisory revenue.

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

**ASHFORD INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**Geographic Information**

Our REIT Advisory, Premier, OpenKey, and Corporate and Other reporting segments conduct their business within the United States. Our J&S reporting segment conducts business in the United States, Mexico, and the Dominican Republic. The following table presents revenue from our J&S reporting segment geographically for the three months ended March 31, 2019 and 2018, respectively (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
United States	\$ 23,142	\$ 15,952
Mexico	5,728	5,460
Dominican Republic	2,105	1,898
	<u>\$ 30,975</u>	<u>\$ 23,310</u>

**4. Acquisitions****BAV**

On March 1, 2019, J&S, our consolidated subsidiary, acquired a privately-held company that conducts the business of BAV Services in the United States (“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 J&S, which we consolidate under the voting interest model, increased from 85% to approximately 88%.

The purchase price consisted of (i) \$5.0 million in cash (excluding working capital adjustments) funded by an existing J&S term loan; (ii) \$4.0 million in the form of Ashford Inc. common stock consisting of (a) 61,387 shares issued on March 1, 2019, which was determined based on an agreed upon value of \$3.5 million using a thirty-day volume weighted average price per share of \$57.01 and had an estimated fair value of approximately \$3.8 million as of the acquisition date and (b) \$500,000 of stock to be issued 18 months after the acquisition date, subject to certain conditions; and (iii) contingent consideration with an estimated fair value of approximately \$1.4 million, payable, if earned, 12 to 18 months after the acquisition date.

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 working capital balances, furniture, fixtures 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.

**ASHFORD INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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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		(668)
Fair value of Ashford Inc. common stock issued		3,755
Stock consideration payable		500
Fair value of contingent consideration		1,384
Purchase price consideration	\$	<u>9,971</u>

	Fair Value	Estimated Useful Life
Current assets	\$ 754	
Furniture, fixtures and equipment	2,055	5 years
Goodwill	5,429	
Trademarks	350	
Customer relationships	2,200	
Total assets acquired	<u>10,788</u>	
Current liabilities	567	
Noncurrent liabilities	250	
Total assumed liabilities	<u>817</u>	
Net assets acquired	<u>\$ 9,971</u>	

We expect approximately \$5.4 million 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 expanding BAV's operations through our relationship with J&S.

#### ***Results of BAV***

The results of operations of BAV have been included in our results of operations since the acquisition date. Our condensed consolidated statements of operations for the three months ended March 31, 2019, include total revenues of \$1.7 million. In addition, our condensed consolidated statements of operations for the three months ended March 31, 2019, include net income from BAV of \$253,000. 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."

#### ***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, architectural oversight, and the purchasing, expediting, warehousing coordination, freight management, and supervision of installation of FF&E, 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. See note 12 for further discussion of the Series B Convertible Preferred Stock. The results of operations of Premier are included in our condensed 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. We have completed our preliminary valuation to determine the fair value of the identifiable assets acquired and liabilities assumed. 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.



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

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 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 the preliminary allocation of the purchase price is as follows (in thousands):

Series B cumulative convertible preferred stock	\$	203,000
Preferred stock discount		(2,883)
Total fair value of purchase price	\$	<u>200,117</u>

	<b>Fair Value</b>	<b>Estimated Useful Life</b>
Current assets including cash	\$ 3,878	
Furniture, fixtures and equipment	47	
Goodwill	53,517	
Management contracts	188,800	30 years
Total assets acquired	<u>246,242</u>	
Current liabilities	2,378	
Deferred tax liability	43,747	
Total assumed liabilities	<u>46,125</u>	
Net assets acquired	<u>\$ 200,117</u>	

We do not expect any of the goodwill balance to be deductible for tax purposes.

**Results of Premier**

The results of operations of Premier have been included in our results of operations since the acquisition date. Our condensed consolidated statement of operations for the three months ended March 31, 2019, include total revenue of \$7.8 million. In addition, our condensed consolidated statements of operations for the three months ended March 31, 2019, include net income of \$576,000 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 Premier and BAV acquisitions had occurred and the indebtedness associated with those acquisitions was incurred on January 1, 2018, and the removal of \$400,000 and \$900,000 of transaction costs directly attributable to the acquisitions for three months ended March 31, 2019 and 2018 (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Total revenue	\$ 65,239	\$ 59,269
Net income (loss)	931	(3,267)
Net income (loss) attributable to the Company	1,016	(3,272)

The acquisition of certain assets related to RED on January 16, 2018, was treated as an acquisition of property and equipment so the pro forma results of operations of RED are not included above.

**ASHFORD INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**5. Goodwill and Intangible Assets, net**

The changes in the carrying amount of goodwill for the three months ended March 31, 2019, are as follows (in thousands):

	Premier	J&S	Corporate and Other	Consolidated
Balance at December 31, 2018	\$ 53,517	\$ 5,384	\$ 782	\$ 59,683
Changes in goodwill:				
Additions <sup>(1)</sup>	—	5,429	—	5,429
Adjustments	—	—	—	—
Balance at March 31, 2019	<u>\$ 53,517</u>	<u>\$ 10,813</u>	<u>\$ 782</u>	<u>\$ 65,112</u>

<sup>(1)</sup> The addition of approximately \$5.4 million relates to the preliminary valuation of assets and liabilities related to J&S' acquisition of BAV.

Intangible assets, net as of March 31, 2019 and December 31, 2018, are as follows (in thousands):

	March 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:						
Pure Wellness customer relationships	\$ 175	\$ (70)	\$ 105	\$ 175	\$ (61)	\$ 114
J&S customer relationships	8,719	(1,332)	7,387	6,519	(1,087)	5,432
Premier management contracts	188,800	(7,088)	181,712	188,800	(4,353)	184,447
	<u>\$ 197,694</u>	<u>\$ (8,490)</u>	<u>\$ 189,204</u>	<u>\$ 195,494</u>	<u>\$ (5,501)</u>	<u>\$ 189,993</u>
Indefinite-lived intangible assets:						
J&S trademarks	\$ 3,551			\$ 3,201		
	<u>\$ 3,551</u>			<u>\$ 3,201</u>		

Amortization expense for definite-lived intangible assets was \$3.0 million and \$241,000 for the three months ended March 31, 2019 and 2018, respectively. Customer relationships and management contracts for Pure Wellness and Premier were assigned a useful life of 5 years and 30 years, respectively. Customer relationships for J&S were assigned a useful life of 7 years. We are in the process of evaluating the useful life of BAV customer relationships.

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

**6. Notes Payable, net**

*Notes payable*—Notes payable, net consisted of the following (in thousands):

Indebtedness	Borrower	Maturity	Interest Rate	March 31, 2019	December 31, 2018
Senior revolving credit facility <sup>(7)</sup>	Ashford Inc.	March 1, 2021	Base Rate <sup>(1)</sup> + 2.00% to 2.50% or LIBOR <sup>(2)</sup> + 3.00% to 3.50%	\$ —	\$ —
Term loan <sup>(5) (8)</sup>	J&S	November 1, 2022	One-Month LIBOR <sup>(3)</sup> + 3.25%	13,667	8,917
Revolving credit facility <sup>(5) (8)</sup>	J&S	November 1, 2022	One-Month LIBOR <sup>(3)</sup> + 3.25%	2,638	1,733
Capital lease obligations <sup>(5)</sup>	J&S	Various	Various - fixed	630	661
Equipment note <sup>(5) (9)</sup>	J&S	November 1, 2022	One-Month LIBOR <sup>(3)</sup> + 3.25%	3,054	2,087
Draw term loan <sup>(5) (9)</sup>	J&S	November 1, 2022	One-Month LIBOR <sup>(3)</sup> + 3.25%	1,900	1,950
Revolving credit facility <sup>(5) (10)</sup>	OpenKey	April 30, 2020	Prime Rate <sup>(4)</sup> + 2.75%	—	—
Revolving credit facility <sup>(5) (11)</sup>	Pure Wellness	On demand	Prime Rate <sup>(4)</sup> + 1.00%	—	60
Term loan <sup>(6) (12)</sup>	RED	April 5, 2025	Prime Rate <sup>(4)</sup> + 1.75%	673	695
Revolving credit facility <sup>(6) (13)</sup>	RED	February 5, 2020	Prime Rate <sup>(4)</sup> + 1.75%	—	118
Draw term loan <sup>(6) (14)</sup>	RED	December 5, 2026	Prime Rate <sup>(4)</sup> + 1.75%	533	—
Term loan <sup>(6) (15)</sup>	RED	February 1, 2029	Prime Rate <sup>(4)</sup> + 2.00%	1,770	1,785
Notes payable				24,865	18,006
Less deferred loan costs, net				(260)	(234)
Notes payable less net deferred loan costs				24,605	17,772
Less current portion				(2,933)	(2,595)
Notes payable, net - non-current				21,672	15,177

<sup>(1)</sup>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%.

<sup>(2)</sup> Ashford Inc. may elect a 1, 2, 3 or 6 month LIBOR period for each borrowing.

<sup>(3)</sup> The one-month LIBOR rate was 2.49% and 2.50% at March 31, 2019 and December 31, 2018, respectively.

<sup>(4)</sup> Prime Rate was 5.50% and 5.50% at March 31, 2019 and December 31, 2018, respectively.

<sup>(5)</sup> Creditors do not have recourse to Ashford Inc.

<sup>(6)</sup> Creditors have recourse to Ashford Inc.

<sup>(7)</sup> On March 1, 2018, the Company entered into a \$35.0 million senior revolving credit facility with Bank of America, N.A. The credit facility provides for a three-year revolving line of credit. There is a one-year extension option subject to the satisfaction of certain conditions. The new 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 March 21, 2018, Ashford Inc. entered into the First Amendment (the "Amendment") to the Credit Agreement dated March 1, 2018 (the "Credit Facility"), Bank of America, N.A., as administrative agent and letters of credit issuer, and the lenders from time to time party thereto. The Amendment is effective as of March 1, 2018, which is the date the Credit Facility became effective. Pursuant to the Amendment, the financial covenant of consolidated tangible net worth was replaced with the consolidated net worth, and Ashford Inc. is required to maintain consolidated net worth not less than 75% of the consolidated net worth as of December 31, 2017, plus 75% of the net equity proceeds of any future equity issuances by Ashford Inc.

<sup>(8)</sup> On March 1, 2019, in connection with the acquisition of BAV, our J&S operating subsidiary 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. Net deferred loan costs associated with this financing of \$198,000 and \$183,000, respectively, are included as a reduction to "notes payable, net" on the condensed consolidated balance sheets as of March 31, 2019 and December 31, 2018. As of March 31, 2019 and December 31, 2018, \$1.4 million and \$1.0 million, respectively, of the term

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loan was recorded in current portion of notes payable, net. In connection with the term loan, the subsidiary 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 March 31, 2019 and December 31, 2018, was not material. As of March 31, 2019, \$862,000 of credit was available under the revolving credit facility.

- <sup>(9)</sup> On March 1, 2019, in connection with the acquisition of BAV, our J&S operating subsidiary 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 our J&S operating subsidiary.
- <sup>(10)</sup> 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. In connection with the 2018 renewal, OpenKey granted the creditors a 10-year warrant to purchase approximately 23,000 shares of OpenKey's preferred stock at \$1.61 per share with an estimated fair value of \$26,000. The fair value of the warrants was recorded in noncontrolling interests in consolidated entities and debt issuance costs, which is amortized over the remaining term of the line of credit and included in "amortization of loan costs" in our condensed consolidated statement of operations. As of March 31, 2019, OpenKey had no borrowings outstanding and the \$1.5 million revolving credit facility funds were no longer available.
- <sup>(11)</sup> On April 6, 2017, Pure Wellness entered into a \$100,000 line of credit. In February 2019, we paid off the remaining \$60,000 balance on the line of credit.
- <sup>(12)</sup> On March 23, 2018, our RED operating subsidiary entered into a term loan of \$750,000.
- <sup>(13)</sup> On February 28, 2019, our RED operating subsidiary renewed its \$250,000 revolving credit facility. The revolving credit facility provides RED with available borrowings up to a total of \$250,000. As of March 31, 2019, \$250,000 was available under the revolving credit facility.
- <sup>(14)</sup> On February 27, 2019, our RED operating subsidiary entered into a draw term loan in the amount of \$1.4 million. As of March 31, 2019, \$867,000 was available under the draw term loan.
- <sup>(15)</sup> On August 31, 2018, our RED operating subsidiary entered into a term loan of \$1.8 million.

**7. Leases**

We lease certain office space, warehouse facilities, vehicles and equipment. 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 three months ended March 31, 2018, we recorded rental expense of \$342,000.

We lease certain equipment under finance leases. The net book value of these assets was approximately \$996,000 and \$807,000 as of March 31, 2019 and December 31, 2018, respectively. The net book value of these assets is included in "furniture, fixtures and equipment, net" in our condensed consolidated balance sheets. Amortization of assets under finance leases is included in "depreciation and amortization" expense in our condensed consolidated statement of operations.

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

Leases	Classification	March 31, 2019
<b>Assets</b>		
Operating lease assets	Operating lease right-of-use assets	\$ 26,151
Finance lease assets	Furniture, fixtures and equipment, net	996
Total leased assets		<u>\$ 27,147</u>
<b>Liabilities</b>		
Current		
Operating	Operating lease liabilities	\$ 2,396
Finance	Notes payable, net	445
Noncurrent		
Operating	Operating lease liabilities	23,767
Finance	Notes payable, net	185
Total leased liabilities		<u>\$ 26,793</u>

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

Lease Cost	Classification	Three Months Ended March 31, 2019
Operating lease cost <sup>(1)</sup>	General and administrative	\$ 777
Finance lease cost		
Amortization of leased assets	Depreciation and amortization	68
Interest on lease liabilities	Interest expense	7
Total lease cost		<u>\$ 852</u>

<sup>(1)</sup> Includes short-term and variable lease expense which were immaterial for the three months ended March 31, 2019.

For the three months ended March 31, 2019, cash paid amounts included in the measurement of lease liabilities included (in thousands):

Lease Payments	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 777
Financing cash flows from finance leases	168

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As of March 31, 2019, future minimum lease payments on operating and financing leases were as follows (in thousands):

	Operating Leases	Financing Leases
2019	\$ 2,846	\$ 410
2020	3,685	132
2021	3,504	60
2022	3,287	42
2023	3,115	10
Thereafter	20,160	—
<b>Total minimum lease payments</b>	<b>\$ 36,597</b>	<b>\$ 654</b>
Imputed interest	(10,434)	(24)
<b>Present value of minimum lease payments</b>	<b>\$ 26,163</b>	<b>\$ 630</b>

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	—
<b>Total minimum lease payments</b>	<b>\$ 30,620</b>	<b>\$ 686</b>
Imputed interest	—	(25)
<b>Present value of minimum lease payments</b>	<b>\$ 30,620</b>	<b>\$ 661</b>

Our weighted-average remaining lease terms (in years) and discount rates consisted of the following:

	March 31, 2019
<b>Lease term and discount rate</b>	
<b>Weighted-average remaining lease term</b>	
Operating leases <sup>(1)</sup>	12.2
Finance leases	1.6
<b>Weighted-average discount rate <sup>(2)</sup></b>	
Operating leases	5.6%
Finance leases	6.5%

<sup>(1)</sup> The weighted-average remaining lease term for our operating leases includes two optional 10 year extension periods for our J&S headquarters in Irving, Texas, as failure to renew the lease would result in J&S incurring significant relocation costs.

<sup>(2)</sup> Calculated using the interest rate for each lease.

**8. Fair Value Measurements**

**Fair Value Hierarchy**—Our financial instruments measured at fair value, either on a recurring or a non-recurring basis, are classified in a hierarchy for disclosure purposes consisting of three levels based on the observability of inputs in the 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.

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- 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.

***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):

	<b>Quoted Market Prices (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
<b>March 31, 2019</b>				
<b>Liabilities</b>				
Contingent consideration	\$ —	\$ —	\$ (1,402)	\$ (1,402) <sup>(1)</sup>
Deferred compensation plan	\$ (11,268)	\$ —	\$ —	\$ (11,268)
<b>Total</b>	<b>\$ (11,268)</b>	<b>\$ —</b>	<b>\$ (1,402)</b>	<b>\$ (12,670)</b>

<sup>(1)</sup> Reported as other noncurrent liabilities in the condensed consolidated balance sheets.

	<b>Quoted Market Prices (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
<b>December 31, 2018</b>				
<b>Liabilities</b>				
Deferred compensation plan	(10,574)	—	—	(10,574)
<b>Total</b>	<b>\$ (10,574)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (10,574)</b>

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The following tables presents the rollforward of our Level 3 contingent consideration liability (in thousands):

	<b>Contingent Consideration Liability</b> <small>(1)</small>
Balance at December 31, 2018	\$ —
Acquisitions	(1,384)
Gains (losses) included in earnings <sup>(2)</sup>	(18)
Dispositions and settlements	—
Transfers into/out of Level 3	—
Balance at March 31, 2019	\$ (1,402)

<sup>(1)</sup> Includes J&S's contingent consideration associated with the acquisition of BAV in March of 2019, which is carried at fair value in the condensed consolidated balance sheets within "other liabilities, noncurrent." 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.

<sup>(2)</sup> Reported as "other" operating expense in the condensed consolidated statements of operations.

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

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

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Liabilities</b>		
Contingent consideration	(18) <sup>(1)</sup>	(213) <sup>(2)</sup>
Deferred compensation plan <sup>(3)</sup>	(740)	(561)
Total	\$ (758)	\$ (774)

<sup>(1)</sup> Represents the accretion of contingent consideration associated with the acquisition of BAV in March of 2019. Reported as a component of "other operating expense" in the condensed consolidated statements of operations.

<sup>(2)</sup> Represents the accretion of contingent consideration associated with the acquisition J&S in November of 2017, which was settled in the third quarter of 2018. Reported as "other operating expense" in the condensed consolidated statements of operations.

<sup>(3)</sup> Reported as a component of "salaries and benefits" in the condensed consolidated statements of operations.



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**9. 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):

	March 31, 2019		December 31, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<b>Financial liabilities measured at fair value:</b>				
Deferred compensation plan	\$ 11,268	\$ 11,268	\$ 10,574	\$ 10,574
Contingent consideration	1,402	1,402	—	—
<b>Financial assets not measured at fair value:</b>				
Cash and cash equivalents	\$ 39,953	\$ 39,953	\$ 51,529	\$ 51,529
Restricted cash	12,604	12,604	7,914	7,914
Accounts receivable, net	12,504	12,504	4,928	4,928
Due from affiliates	75	75	45	45
Due from Ashford Trust OP	4,416	4,416	5,293	5,293
Due from Braemar OP	2,031	2,031	1,996	1,996
Investments in unconsolidated entities	3,400	3,400	500	500
<b>Financial liabilities not measured at fair value:</b>				
Accounts payable and accrued expenses	\$ 21,696	\$ 21,696	\$ 24,880	\$ 24,880
Due to affiliates	1,176	1,176	2,032	2,032
Other liabilities	14,478	14,478	8,418	8,418
Notes payable	24,865	23,362 to 25,821	18,006	16,681 to 18,437

*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 J&S' acquisition of BAV is carried at fair value based on the terms of the acquisition agreement and any changes to fair value are recorded in "other" operating expenses in the condensed consolidated statements of operations.

*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, 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.

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**10. Commitments and Contingencies**

**Purchase Commitment**—As of March 31, 2019, we had approximately \$28.9 million of remaining purchase commitments related to our Ashford Trust ERFP Agreement and \$50.0 million of remaining purchase commitments related to our Braemar ERFP Agreement which are contingent upon Ashford Trust and Braemar acquiring additional hotels and identifying the FF&E for us to acquire, in accordance with the agreements. See note 15.

**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.

**11. Equity**

**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):

	Three Months Ended March 31,	
	2019	2018
<b>(Income) loss allocated to noncontrolling interests:</b>		
J&S	\$ —	\$ (11)
OpenKey	177	156
RED	(34)	(7)
Pure Wellness	20	35
Total net (income) loss allocated to noncontrolling interests	<u>\$ 163</u>	<u>\$ 173</u>

**12. Mezzanine Equity**

**Redeemable Noncontrolling Interests**—Redeemable noncontrolling interests are included in the mezzanine section of our condensed 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.

The following table summarizes the net (income) loss allocated to our redeemable noncontrolling interests (in thousands):

	Three Months Ended March 31,	
	2019	2018
<b>Net (income) loss allocated to redeemable noncontrolling interests:</b>		
Ashford Holdings	\$ 4	\$ 12
J&S	(227)	(355)
OpenKey	202	282
Total net (income) loss allocated to redeemable noncontrolling interests	<u>\$ (21)</u>	<u>\$ (61)</u>

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**Preferred Stock**—On August 8, 2018, we completed the acquisition of Premier for a total transaction value of \$203 million. The purchase price was paid by issuing 8,120,000 shares of Series B Convertible Preferred Stock to the Remington Sellers. The Series B Convertible Preferred Stock has a conversion price of \$140 per share and, if converted, would convert into 1,450,000 shares of our common stock. Dividends on the Series B Convertible Preferred Stock are payable 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. 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 is reflected in “Series B cumulative convertible preferred stock, net of discount” on our condensed consolidated balance sheets. For the three months ended March 31, 2019, we recorded \$491,000 of amortization related to the preferred stock discount.

The Series B Convertible Preferred Stock is included in the mezzanine section of our condensed consolidated balance sheets as the ownership interests are redeemable outside of the Company’s control. The Series B Convertible Preferred Stock is redeemable at the option of the holder for cash in the event of a change of control. Each share of our Series B Convertible Preferred Stock is convertible at any time, at the option of the holder, into a number of whole or partial shares of common stock, pursuant to the agreements. The Series B Convertible Preferred Stock is also subject to conversion upon certain events constituting a change of control.

In addition to certain separate class voting rights, the holders of the Series B Convertible Preferred Stock vote 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 selling stockholders and their transferees will generally be subject to certain voting restrictions with respect to shares in excess of 25% of the combined voting power of our outstanding capital stock.

After the seventh anniversary of the closing of the acquisition of Premier, we have the option to redeem all or any portion of the Series B Convertible Preferred Stock in \$25.0 million increments on a pro rata basis among all covered investors unless, no less than 15 days before the closing of the purchase transaction, the participating covered investors specify an alternative allocation of the Series B Convertible Preferred Stock subject to the redemption (the “Call Option”), at a price per share equal to the sum of (i) \$25.125 (as adjusted for any applicable stock splits or similar transactions) plus (ii) all accrued but unpaid dividends. The purchase price is payable only in cash. The notice of exercise of the Call Option does not limit or restrict any covered investor’s right to convert the Series B Convertible Preferred Stock into shares of our common stock prior to the closing of the Call Option.

The Series B Convertible Preferred Stock quarterly dividend for all issued and outstanding shares was \$0.3438 for the three months ended March 31, 2019. The Company declared and paid dividends as presented below:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Preferred dividends	\$ 2,791	\$ —

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**13. Equity-Based Compensation**

Equity-based compensation expense is primarily recorded in “salaries and benefits expense” in our condensed consolidated statements of operations and comprehensive income (loss). The components of equity-based compensation expense for the three months ended March 31, 2019 and 2018 are presented below by award type (in thousands):

	Three Months Ended March 31,	
	2019	2018
<b>Equity-based compensation</b>		
Stock option amortization <sup>(1)</sup>	\$ 2,151	\$ 3,757
Director and other non-employee equity grants expense	7	40
Total equity-based compensation	<u>\$ 2,158</u>	<u>\$ 3,797</u>
<b>Other equity-based compensation</b>		
REIT equity-based compensation <sup>(2)</sup>	\$ 5,868	\$ 9,292
	<u>\$ 8,026</u>	<u>\$ 13,089</u>

<sup>(1)</sup> As of March 31, 2019, the Company had approximately \$16.8 million of total unrecognized compensation expense related to stock options that will be recognized over a weighted average period of 2.0 years. During the three months ended March 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 death of an executive in March 2018.

<sup>(2)</sup> 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. and Premier. During the three months ended March 31, 2019, \$30,000 and \$79,000 of equity based compensation expense related to REIT awards to the employees of Premier was included in “salaries and benefits” and “cost of revenues for project management”, respectively, on our condensed consolidated statements of operations. During the three months ended March 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 death of an executive in March 2018. See notes 2 and 15.

**14. Deferred Compensation Plan**

We administer a non-qualified deferred compensation plan (“DCP”) for certain executive officers. 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. 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 condensed consolidated statements of operations and comprehensive income (loss).

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The following table summarizes the DCP activity (in thousands):

	Three Months Ended March 31,	
	2019	2018
<b>Change in fair value</b>		
Unrealized gain (loss)	\$ (740)	\$ (561)
<b>Distributions</b>		
Fair value <sup>(1)</sup>	\$ 46	\$ 80
Shares <sup>(1)</sup>	1	—

<sup>(1)</sup> Distributions made to one participant.

As of March 31, 2019 and December 31, 2018 the carrying value of the DCP liability was \$11.3 million and \$10.6 million, respectively.

#### 15. 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.

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 ERF 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 March 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 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 "salaries and benefits." 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, our consolidated subsidiary, is party to a master project management agreement with Ashford Trust OP and 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.

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The following table summarizes the revenues and expenses related to Ashford Trust OP (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>REVENUE BY TYPE</b>		
<b>Advisory services revenue</b>		
Base advisory fee	\$ 8,045	\$ 8,604
Reimbursable expenses <sup>(1)</sup>	2,040	1,529
Equity-based compensation <sup>(2)</sup>	4,289	6,745
Incentive advisory fee <sup>(3)</sup>	—	452
Total advisory services revenue	14,374	17,330
<b>Audio visual revenue <sup>(4)</sup></b>	—	—
<b>Project management revenue <sup>(5)</sup></b>	4,939	—
<b>Other revenue</b>		
Investment management reimbursements <sup>(6)</sup>	358	182
Debt placement fees <sup>(7)</sup>	1,079	632
Claim management services <sup>(8)</sup>	11	18
Lease revenue <sup>(9)</sup>	946	168
Other services <sup>(10)</sup>	467	300
Total other revenue	2,861	1,300
<b>Total revenue</b>	<b>\$ 22,174</b>	<b>\$ 18,630</b>
<b>REVENUE BY SEGMENT <sup>(11)</sup></b>		
REIT advisory	\$ 15,689	\$ 17,698
Premier	4,939	—
J&S	—	—
OpenKey	28	24
Corporate and other	1,518	908
<b>Total revenue</b>	<b>\$ 22,174</b>	<b>\$ 18,630</b>
<b>COST OF REVENUES</b>		
<b>Cost of audio visual revenues <sup>(4)</sup></b>	<b>\$ 1,684</b>	<b>\$ 354</b>

<sup>(1)</sup> Reimbursable expenses include overhead, internal audit, risk management advisory and asset management services. During the three months ended March 31, 2019 and 2018, we recognized \$597,000 and \$202,000, respectively, of deferred income from reimbursable expenses related to software implementation costs.

<sup>(2)</sup> Equity-based compensation revenue is associated with equity grants of Ashford Trust's common stock and LTIP units awarded to officers and employees of Ashford Inc. For the three months ended March 31, 2018, equity-based compensation revenue from Ashford Trust included \$4.5 million of expense related to accelerated vesting, in accordance with the terms of the awards, as a result of the death of an executive in March 2018.

<sup>(3)</sup> Incentive advisory fee for the three months ended March 31, 2018, includes the pro-rata portion of 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

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**(unaudited)**

stockholder return did not meet the relevant incentive fee thresholds during the 2018 and 2017 measurement periods. See note 3.

- (4) J&S primarily contracts directly with customers to whom it provides audio visual services. J&S 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 condensed consolidated statements of operations. See note 3 for discussion of the audio visual revenue recognition policy.
- (5) 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.
- (6) Investment management reimbursements include AIM’s management of 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.
- (7) 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 Braemar, we lease FF&E to Ashford Trust and Braemar rent-free. For leases which commenced prior to our adoption of ASC 842, a portion of the base advisory fee is allocated to lease revenue each period equal to the estimated fair value of the lease payments that would have been made.
- (10) Other services revenue is associated with other hotel products and services, such as mobile key applications, marine vessel transportation and hypoallergenic premium rooms, provided to Ashford Trust by our consolidated subsidiaries, OpenKey and Pure Wellness.
- (11) See note 17 for discussion of segment reporting.

The following table summarizes amounts due (to) from Ashford Trust OP, net at March 31, 2019 and December 31, 2018 associated primarily with the advisory services fee and other fees discussed above, as it relates to each of our consolidated entities (in thousands):

	March 31, 2019	December 31, 2018
Ashford LLC	\$ 1,119	\$ 2,337
AIM	139	99
Premier	1,559	1,611
J&S	1,123	826
Pure Wellness	469	418
OpenKey	7	2
RED	—	—
Due from Ashford Trust OP	<u>\$ 4,416</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 ERFPA 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 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

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

with providing advisory services equal to the 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 "salaries and benefits." 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, our consolidated subsidiary, is party to a master project management agreement with Braemar OP and 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.



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

The following table summarizes the revenues related to Braemar OP (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>REVENUE BY TYPE</b>		
<b>Advisory services revenue</b>		
Base advisory fee	\$ 2,577	\$ 2,107
Reimbursable expenses <sup>(1)</sup>	469	420
Equity-based compensation <sup>(2)</sup>	1,469	2,547
Incentive advisory fee <sup>(3)</sup>	170	—
Other advisory revenue <sup>(4)</sup>	128	128
Total advisory services revenue	4,813	5,202
<b>Audio visual revenue <sup>(5)</sup></b>	—	—
<b>Project management revenue <sup>(6)</sup></b>	2,747	—
<b>Other revenue</b>		
Debt placement fees <sup>(7)</sup>	275	—
Claims management services <sup>(8)</sup>	30	37
Lease revenue <sup>(9)</sup>	84	84
Other services <sup>(10)</sup>	269	211
Total other revenue	658	332
<b>Total revenue</b>	<b>\$ 8,218</b>	<b>\$ 5,534</b>
<b>REVENUE BY SEGMENT <sup>(11)</sup></b>		
REIT advisory	\$ 4,927	\$ 5,323
Premier	2,747	—
J&S <sup>(11)</sup>	—	—
OpenKey	20	5
Corporate and other	524	206
<b>Total revenue</b>	<b>\$ 8,218</b>	<b>\$ 5,534</b>
<b>COST OF REVENUES</b>		
<b>Cost of audio visual revenues <sup>(5)</sup></b>	<b>\$ 86</b>	<b>\$ —</b>

<sup>(1)</sup> Reimbursable expenses include overhead, internal audit, risk management advisory and asset management services. During the three months ended March 31, 2019 and 2018, we recognized \$44,000 and \$15,000, respectively, of deferred income from reimbursable expenses related to software implementation costs.

<sup>(2)</sup> Equity-based compensation revenue is associated with equity grants of Braemar's common stock and LTIP units awarded to officers and employees of Ashford Inc. For the three months ended March 31, 2018, equity-based compensation revenue from Braemar included \$2.2 million of expense related to accelerated vesting, in accordance with the terms of the awards, as a result of the death of an executive in March 2018.

<sup>(3)</sup> Incentive advisory fee for the three months ended March 31, 2019, includes the pro-rata portion of the second year installment of the 2018 incentive advisory fee, which will be paid in January 2020. Incentive fee payments are subject to meeting the December 31 FCCR Condition each year, as defined in the Braemar advisory agreement. For the three months ended March

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

31, 2018, no incentive advisory fee was recognized as Braemar's annual total stockholder return did not meet the relevant incentive fee thresholds during the 2017 and 2016 measurement periods. See note 3.

- (4) 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.
- (5) J&S primarily contracts directly with customers to whom it provides audio visual services. J&S 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 condensed consolidated statements of operations. See note 3 for discussion of the audio visual revenue recognition policy.
- (6) 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.
- (7) 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 Braemar, we lease FF&E to Ashford Trust and Braemar rent-free. For leases which commenced prior to our adoption of ASC 842, a portion of the base advisory fee is allocated to lease revenue each period equal to the estimated fair value of the lease payments that would have been made.
- (10) Other services revenue is associated with other hotel products and services, such as mobile key applications, marine vessel transportation and hypoallergenic premium rooms, provided to Ashford Trust by our consolidated subsidiaries, OpenKey, RED and Pure Wellness.
- (11) See note 17 for discussion of segment reporting.

The following table summarizes amounts due (to) from Braemar OP, net at March 31, 2019 and December 31, 2018 associated primarily with the advisory services fee and other fees discussed above, as it relates to each of our consolidated entities (in thousands):

	March 31, 2019	December 31, 2018
Ashford LLC	\$ 573	\$ 941
Premier	1,265	949
J&S	71	4
Pure Wellness	18	30
OpenKey	15	12
RED	89	60
Due from Braemar OP	<u>\$ 2,031</u>	<u>\$ 1,996</u>

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

**ERFP Commitments**—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 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 “ERFP Commitment” and collectively, the “ERFP Commitments”) to each of Ashford Trust and Braemar (collectively, the “REITs”), respectively, in connection with each such REITs’ acquisition of hotels recommended by us, with the option to increase each ERFP Commitment to up to \$100 million upon mutual agreement by the parties to the respective ERFP Agreement. Under each of the ERFP Agreements, the Company’s ERFP Commitment to such REIT will be fulfilled as the Company pays each such 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 REITs’ 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 March 31, 2019, as well as the unfunded ERFP Commitments as of March 31, 2019, for hotels acquired by the REITs are as follows (in thousands):

	Ashford Trust	Braemar	Total
<b>ERFP Commitments:</b>			
<b>ERFP Commitments at January 1, 2018</b>	\$ —	\$ —	\$ —
Initial ERFP Commitment	50,000	—	50,000
ERFP payment—Hilton Alexandria Old Town	(11,100)	—	(11,100)
ERFP payment—La Posada de Santa Fe	\$ (5,000)	\$ —	\$ (5,000)
<b>ERFP Commitments remaining at December 31, 2018</b>	<b>\$ 33,900</b>	<b>\$ —</b>	<b>\$ 33,900</b>
Initial ERFP Commitment	—	50,000	50,000
ERFP payment—Hilton Santa Cruz/Scotts Valley	(5,000)	—	(5,000)
<b>ERFP Commitments remaining at March 31, 2019 <sup>(1)</sup></b>	<b>\$ 28,900</b>	<b>\$ 50,000</b>	<b>\$ 78,900</b>
<b>Unfunded ERFP Commitments for hotels acquired by REITs:</b>			
Embassy Suites New York Midtown Manhattan	\$ 19,500	\$ —	\$ 19,500
Ritz-Carlton, Lake Tahoe	—	10,300	10,300
<b>Unfunded ERFP Commitments at March 31, 2019</b>	<b>\$ 19,500</b>	<b>\$ 10,300</b>	<b>\$ 29,800</b>

<sup>(1)</sup> See note 10.

**Other Related Party Transactions**—Ashford Trust and Braemar have management agreements with Remington and its subsidiaries, which are beneficially owned by our Chairman and Chief Executive Officer and Ashford Trust’s Chairman Emeritus. Transactions related to these agreements are included in the accompanying condensed consolidated financial statements. Under the agreements, we pay Remington Lodging general and administrative expense reimbursements, approved by the independent directors of Ashford Trust and Braemar, including rent, payroll, office supplies, travel and accounting. These charges are allocated based on various methodologies, including headcount and actual amounts incurred, which are then rebilled to Ashford Trust and

**ASHFORD INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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Braemar. These reimbursements are included in “general and administrative” expenses on the condensed consolidated statements of operations. The charges totaled \$1.8 million and \$1.2 million, for the three months ended March 31, 2019 and 2018, respectively. The amounts due under these arrangements as of March 31, 2019 and December 31, 2018, are included in “due to affiliates” on our condensed consolidated balance sheets.

Pursuant to our advisory agreements with each of Ashford Trust and Braemar, we secure certain casualty insurance policies to cover Ashford Trust, Braemar and their respective property managers, as needed. Ashford Trust and Braemar bear the economic burden for the casualty insurance coverage. Our risk management department manages the shared casualty insurance program. At the beginning of each year, funds are collected from Ashford Trust and Braemar, as needed, on an allocated basis based on their risk exposures. These funds are deposited into restricted cash and used to pay casualty claims and other insurance costs throughout the year as incurred. We record the funds received from Ashford Trust and Braemar and the related liability in our condensed consolidated balance sheets in “restricted cash” and “other liabilities,” respectively.

Ashford Trust held a 16.64% and 16.30% noncontrolling interest in OpenKey, and Braemar held an 8.40% and 8.21% noncontrolling interest in OpenKey as of March 31, 2019 and December 31, 2018, respectively. During the three months ended March 31, 2019 and 2018, Ashford Trust invested \$299,000 and \$667,000, respectively, and Braemar invested \$156,000 and \$2.0 million, respectively in OpenKey. See also notes 1, 2, 11, and 12.

An officer of J&S owns the J&S headquarters property including the adjoining warehouse space. J&S leases this property for approximately \$307,000 per year, with escalating lease payments based on the Consumer Price Index. Rental expense for the three months ended March 31, 2019 and 2018, was \$84,000, and \$84,000, respectively.

**16. 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):

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b><u>Net income (loss) attributable to common stockholders – basic and diluted:</u></b>		
Net income (loss) attributable to the Company	\$ 710	\$ (5,723)
Less: Dividends on preferred stock and amortization	(3,282)	—
Undistributed net income (loss) allocated to common stockholders	(2,572)	(5,723)
<b>Distributed and undistributed net income (loss) - basic</b>	<b>\$ (2,572)</b>	<b>\$ (5,723)</b>
Effect of incremental subsidiary shares	(202)	(282)
Net income (loss) attributable to redeemable noncontrolling interests in Ashford Holdings	—	(12)
<b>Distributed and undistributed net income (loss) - diluted</b>	<b>\$ (2,774)</b>	<b>\$ (6,017)</b>
<b><u>Weighted average common shares outstanding:</u></b>		
Weighted average common shares outstanding – basic	2,419	2,094
Effect of incremental subsidiary shares	30	17
Effect of assumed conversion of operating partnership units	—	4
Weighted average common shares outstanding – diluted	2,449	2,115
<b><u>Income (loss) per share – basic:</u></b>		
Net income (loss) allocated to common stockholders per share	\$ (1.06)	\$ (2.73)
<b><u>Income (loss) per share – diluted:</u></b>		
Net income (loss) allocated to common stockholders per share	\$ (1.13)	\$ (2.84)

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

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):

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Net income (loss) allocated to common stockholders is not adjusted for:		
Net income (loss) attributable to redeemable noncontrolling interests in Ashford Holdings	(4)	—
Net income (loss) attributable to redeemable noncontrolling interests in subsidiary common stock	227	355
Dividends on preferred stock and amortization	3,282	—
Total	<u>\$ 3,505</u>	<u>\$ 355</u>
Weighted average diluted shares are not adjusted for:		
Effect of unvested restricted shares	9	9
Effect of assumed exercise of stock options	65	234
Effect of assumed conversion of Ashford Holdings units	4	—
Effect of incremental subsidiary shares	46	27
Effect of assumed conversion of preferred stock	1,450	—
Total	<u>1,574</u>	<u>270</u>

### 17. 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) Premier, which provides comprehensive and cost-effective design, development, architectural, and project management services, (b) J&S, which provides event technology and creative communications solutions services, (c) OpenKey, a hospitality focused mobile key platform that provides a universal smartphone app for keyless entry into hotel guest rooms, (d) RED, a provider of watersports activities and other travel and transportation services, (e) Pure Wellness, which provides hypoallergenic premium rooms in the hospitality industry, and (f) Lismore, a provider of debt placement services. For 2019, OpenKey, RED, Pure Wellness and Lismore operating segments 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 four reportable segments: REIT Advisory, Premier, J&S and OpenKey. We combine the operating results of RED, Pure Wellness and Lismore into an “all other” category, which we refer to as “Corporate and Other.”

See footnote 3 for details of our segments’ material revenue generating activities. As of March 31, 2019 and 2018, there were no material intercompany revenues or expenses between our operating segments.

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.

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

Certain information concerning our segments for the three months ended March 31, 2019 and 2018 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.

	Three Months Ended March 31, 2019						Three Months Ended March 31, 2018					
	REIT Advisory	Premier	J&S	OpenKey	Corporate and Other	Ashford Inc. Consolidated	REIT Advisory	Premier	J&S	OpenKey	Corporate and Other	Ashford Inc. Consolidated
<b>REVENUE</b>												
Advisory services	\$ 19,187	\$ —	\$ —	\$ —	\$ —	\$ 19,187	\$ 22,532	\$ —	\$ —	\$ —	\$ —	\$ 22,532
Audio visual	—	—	30,975	—	—	30,975	—	—	23,310	—	—	23,310
Project Management	—	7,790	—	—	—	7,790	—	—	—	—	—	—
Other	1,429	—	—	257	3,682	5,368	489	—	—	319	1,518	2,326
Total revenue	20,616	7,790	30,975	257	3,682	63,320	23,021	—	23,310	319	1,518	48,168
<b>EXPENSES</b>												
Depreciation and amortization	1,183	2,738	455	7	144	4,527	390	—	454	6	190	1,040
Impairment	—	—	—	—	—	—	1,863	—	—	—	56	1,919
Other operating expenses <sup>(1)</sup>	8,267	4,050	28,008	950	14,976	56,251	11,241	—	19,803	1,171	18,030	50,245
Total expenses	9,450	6,788	28,463	957	15,120	60,778	13,494	—	20,257	1,177	18,276	53,204
<b>OPERATING INCOME (LOSS)</b>	11,166	1,002	2,512	(700)	(11,438)	2,542	9,527	—	3,053	(858)	(16,758)	(5,036)
Equity in earnings (loss) of unconsolidated entities	—	—	—	—	(275)	(275)	—	—	—	—	—	—
Interest expense	—	—	(214)	—	(83)	(297)	—	—	(139)	—	(4)	(143)
Amortization of loan costs	—	—	(12)	(7)	(50)	(69)	—	—	(12)	(6)	(5)	(23)
Interest income	—	—	—	—	20	20	—	—	—	—	112	112
Other income (expense)	—	—	(107)	6	48	(53)	19	—	(58)	(1)	1	(39)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	11,166	1,002	2,179	(701)	(11,778)	1,868	9,546	—	2,844	(865)	(16,654)	(5,129)
Income tax (expense) benefit	(2,489)	(426)	(887)	—	2,502	(1,300)	(2,116)	—	(746)	—	2,156	(706)
<b>NET INCOME (LOSS)</b>	\$ 8,677	\$ 576	\$ 1,292	\$ (701)	\$ (9,276)	\$ 568	\$ 7,430	\$ —	\$ 2,098	\$ (865)	\$ (14,498)	\$ (5,835)

<sup>(1)</sup> Other operating expenses includes salaries and benefits, cost of revenues for audio visual, costs of revenues for project management and general and administrative expenses. Other operating expenses of REIT Advisory represent expenses for which there is generally a direct offsetting amount included in revenues, including REIT equity-based compensation expense and reimbursable expenses.

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

As used in this Quarterly Report on Form 10-Q, unless the context otherwise indicates, the references to "we," "us," "our," and the "Company" refer to Ashford Inc., a Maryland 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"; and Ashford Hospitality Services LLC, a Delaware limited liability company, which we refer to as "Ashford Services"; and Premier Project Management LLC, a Maryland limited liability company, which we refer to as "Premier Project Management," or "Premier." "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." "Remington Lodging" refers to Remington Lodging & Hospitality, LLC, a Delaware limited liability company, and, as the context may require, its consolidated subsidiaries, a property management company owned by Mr. Monty J. Bennett, our chief executive officer and chairman, and his father, Mr. Archie Bennett, Jr., chairman emeritus of Ashford Trust.

## **FORWARD-LOOKING STATEMENTS**

This Form 10-Q contains 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:

- 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 project management business formerly conducted by certain affiliates of Remington, and new 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 risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2018 (the “Annual Report”), as filed with the Securities and Exchange Commission (the “SEC”) on March 8, 2019, including 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;”
- 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 Remington Lodging, 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 and from new business initiatives, including the ERFP Agreements with Ashford Trust and Braemar;
- disruptions relating to the acquisition or integration of Premier 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 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 under “Item 1A. Risk Factors” of our Annual Report and the discussion in this Management’s Discussion and Analysis of Financial Conditions and Results of Operations, and elsewhere which 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 Form 10-Q. Furthermore, we do not intend to update any of our forward-looking statements after the date of this Form 10-Q to conform these statements to actual results and performance, except as may be required by applicable law.

## Overview

Ashford Inc. is a Maryland corporation that provides asset management services, advisory services and other products and services primarily to clients in the hospitality industry. We became a public company in November 2014, when Ashford Trust completed the spin-off of Ashford Inc. through the distribution of approximately 70% of our outstanding common stock to Ashford Trust stockholders and unitholders in Ashford Trust's operating partnership, collectively. Our common stock is listed on the NYSE American. As of May 7, 2019, Ashford Trust held approximately 598,000 shares of our common stock which represented an approximate 24.2% ownership interest in Ashford Inc. and Braemar held approximately 195,000 shares, which represented an approximate 7.9% ownership interest in Ashford Inc. As of May 7, 2019, 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, owned approximately 313,850 shares of our common stock, which represented an approximate 12.7% ownership interest in Ashford Inc., and owned 7,520,000 shares of our Series B Cumulative Convertible Preferred Stock (the "Series B Convertible Preferred Stock"), which is exercisable (at an exercise price of \$140 per share) into an additional approximate 1,342,857 shares of Ashford Inc. common stock, which if exercised as of March 31, 2019 would have increased Mr. Bennett and Mr. Bennett, Jr.'s ownership interest in Ashford Inc. to 43.4%.

Our principal business objective is to provide asset management, advisory and other products and services to other entities primarily in the hospitality industry. The Company seeks to grow in three primary areas: (i) expanding its existing REIT platforms accretively and accelerating performance to earn incentive fees; (ii) starting new REIT platforms for additional base and incentive fees; and (iii) acquiring, investing in or incubating strategic businesses that can achieve accelerated growth through doing business with our REIT platforms and by leveraging our deep knowledge and extensive relationships within the hospitality sector.

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, in each case subject to the supervision and oversight of the respective board of directors of Ashford Trust and Braemar. Ashford Trust commenced operating in August 2003 and 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. Braemar became a publicly traded company in November 2013 upon the completion of its spin-off from Ashford Trust. Each of Ashford Trust and Braemar is a REIT as defined in the Internal Revenue Code, and the common stock of each of Ashford Trust and Braemar is traded on the NYSE.

We provide the personnel and services that we believe are necessary to assist each of Ashford Trust and Braemar in conducting their respective businesses. We may also perform similar functions for new or additional platforms. 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.

We conduct our advisory business primarily through an operating entity, Ashford LLC, our project management business through an operating entity, Premier, and our hospitality products and services business primarily through an operating entity, Ashford Services. We own substantially all of our assets and conduct substantially all of our business through Ashford LLC, Premier, and Ashford Services.

As required for disclosure under the Enhanced Return Funding Program Agreement and Amendment No. 1 to the Fifth Amended and Restated Advisory Agreement, for the trailing twelve months ended March 31, 2019, the total incremental expenses incurred (including all reimbursable expenses), as reasonably determined, in connection with providing services to Braemar under the agreement was \$9.1 million.

## Recent 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 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 "ERFPA Commitment") to Braemar in connection with Braemar's acquisition of hotels recommended by us, with the option to increase the ERFPA Commitment to up to \$100 million upon mutual agreement by the parties. Under the Braemar ERFPA Agreement, the Company's ERFPA Commitment will be fulfilled as the Company pays 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.

On January 15, 2019, Braemar acquired The Ritz-Carlton Lake Tahoe for an allocated purchase price of \$103.0 million which therefore requires 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 March 31, 2019, the Company's remaining unfunded ERFPA Commitment under the Braemar ERFPA Agreement includes \$10.3 million related to The Ritz-Carlton Lake Tahoe.

On January 22, 2019, Ashford Trust acquired The Embassy Suites New York Midtown Manhattan 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 March 31, 2019, the Company's remaining unfunded ERFPA Commitment under the Ashford Trust ERFPA Agreement includes \$19.5 million related to The Embassy Suites New York Midtown Manhattan.

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 requires 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 March 31, 2019, the Company had reduced its remaining commitment under the Ashford Trust ERFPA Agreement by providing \$5.0 million to Ashford Trust in exchange for FF&E at Ashford Trust's hotel properties that was subsequently leased back to Ashford Trust rent-free, in connection with Ashford Trust's acquisition of the hotel.

On February 27, 2019, our RED operating subsidiary entered into a draw term loan in the amount of \$1.4 million for which the creditor has recourse to Ashford Inc. The term loan bears interest at the Prime Rate plus 1.75% and matures on December 5, 2026.

On February 28, 2019, our RED operating subsidiary renewed its revolving credit facility for which the creditor has recourse to Ashford Inc. The revolving credit facility provides RED with available borrowings up to a total of \$250,000, bears interest at the Prime Rate plus 1.75% and matures on February 5, 2020.

On March 1, 2019, J&S, our consolidated subsidiary, acquired a privately-held company that conducts the business of BAV Services in the United States ("BAV") for approximately \$10.0 million. 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 J&S, which we consolidate under the voting interest model, increased from 85% to approximately 88%. The purchase price consisted of: (i) \$5.0 million in cash (excluding working capital adjustments) funded by an existing term loan; (ii) \$4.0 million in the form of Ashford Inc. common stock consisting of (a) 61,387 shares issued on March 1, 2019, which was determined based on an agreed upon value of \$3.5 million using a thirty-day volume weighted average price per share of \$57.01 and had an estimated fair value of \$3.8 million as of the acquisition date and (b) \$500,000 of stock to be issued 18 months after the acquisition date, subject to certain conditions; and (iii) contingent consideration with an estimated fair value of approximately \$1.4 million, payable, if earned, 12 to 18 months after the acquisition date.

#### **Discussion of Presentation**

The discussion below relates to the financial condition and results of operations of Ashford Inc. and entities which it controls. The historical financial information is not necessarily indicative of our future results of operations, financial position and cash flows.

## RESULTS OF OPERATIONS

### Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

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

	Three Months Ended March 31,		Favorable (Unfavorable)	
	2019	2018	\$ Change	% Change
<b>REVENUE</b>				
Advisory services	\$ 19,187	\$ 22,532	\$ (3,345)	(14.8)%
Audio visual	30,975	23,310	7,665	32.9 %
Project management	7,790	—	7,790	
Other	5,368	2,326	3,042	130.8 %
Total revenue	63,320	48,168	15,152	31.5 %
<b>EXPENSES</b>				
Salaries and benefits	22,700	26,517	3,817	14.4 %
Cost of revenues for audio visual	21,439	16,587	(4,852)	(29.3)%
Cost of revenues for project management	2,791	—	(2,791)	
Depreciation and amortization	4,527	1,040	(3,487)	(335.3)%
General and administrative	7,982	6,295	(1,687)	(26.8)%
Impairment	—	1,919	1,919	100.0 %
Other	1,339	846	(493)	(58.3)%
Total expenses	60,778	53,204	(7,574)	(14.2)%
<b>OPERATING INCOME (LOSS)</b>	2,542	(5,036)	7,578	150.5 %
Equity in earnings (loss) of unconsolidated entities	(275)	—	(275)	
Realized gain (loss) on investment in unconsolidated entity	—	—	—	
Unrealized gain (loss) on investment in unconsolidated entity	—	—	—	
Interest expense	(297)	(143)	(154)	(107.7)%
Amortization of loan costs	(69)	(23)	(46)	(200.0)%
Interest income	20	112	(92)	(82.1)%
Other income (expense)	(53)	(39)	(14)	(35.9)%
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	1,868	(5,129)	6,997	136.4 %
Income tax (expense) benefit	(1,300)	(706)	(594)	(84.1)%
<b>NET INCOME (LOSS)</b>	568	(5,835)	6,403	109.7 %
(Income) loss from consolidated entities attributable to noncontrolling interests	163	173	(10)	(5.8)%
Net (income) loss attributable to redeemable noncontrolling interests	(21)	(61)	40	65.6 %
<b>NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY</b>	710	(5,723)	6,433	112.4 %
Preferred dividends	(2,791)	—	(2,791)	
Amortization of preferred stock discount	(491)	—	(491)	
<b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	\$ (2,572)	\$ (5,723)	\$ 3,151	55.1 %

*Net Income (Loss) Attributable to Common Stockholders.* Net loss attributable to common stockholders changed \$3.2 million, or 55.1%, to \$2.6 million for the three months ended March 31, 2019 (“the 2019 quarter”) compared to the three months ended March 31, 2018 (“the 2018 quarter”) as a result of the factors discussed below.

**Total Revenue.** Total revenue increased by \$15.2 million, or 31.5%, to \$63.3 million for the 2019 quarter compared to the 2018 quarter due to the following (in thousands):

	Three Months Ended March 31,		Favorable (Unfavorable)	
	2019	2018	\$ Change	% Change
<b>Advisory services revenue:</b>				
Base advisory fee <sup>(1)</sup>	\$ 10,622	\$ 10,711	\$ (89)	(0.8)%
Incentive advisory fee <sup>(2)</sup>	170	452	(282)	(62.4)%
Reimbursable expenses <sup>(3)</sup>	2,509	1,949	560	28.7 %
Non-cash stock/unit-based compensation <sup>(4)</sup>	5,758	9,292	(3,534)	(38.0)%
Other advisory revenue <sup>(5)</sup>	128	128	—	— %
<b>Total advisory services revenue <sup>(13)</sup></b>	<b>19,187</b>	<b>22,532</b>	<b>(3,345)</b>	<b>(14.8)%</b>
Audio visual revenue <sup>(6)</sup>	30,975	23,310	7,665	32.9 %
Project management revenue <sup>(7)</sup>	7,790	—	7,790	
<b>Other revenue:</b>				
Investment management reimbursements <sup>(8) (13)</sup>	358	182	176	96.7 %
Debt placement fees <sup>(9)</sup>	1,354	632	722	114.2 %
Claims management services <sup>(10) (13)</sup>	41	55	(14)	(25.5)%
Lease revenue <sup>(11) (13)</sup>	1,030	252	778	308.7 %
Other services <sup>(12)</sup>	2,585	1,205	1,380	114.5 %
<b>Total other revenue</b>	<b>5,368</b>	<b>2,326</b>	<b>3,042</b>	<b>130.8 %</b>
<b>Total revenue</b>	<b>\$ 63,320</b>	<b>\$ 48,168</b>	<b>\$ 15,152</b>	<b>31.5 %</b>
<b>REVENUE BY SEGMENT <sup>(14)</sup></b>				
REIT advisory	\$ 20,616	\$ 23,021	\$ (2,405)	(10.4)%
Premier	7,790	—	7,790	
J&S	30,975	23,310	7,665	32.9 %
OpenKey	257	319	(62)	(19.4)%
Corporate and other	3,682	1,518	2,164	142.6 %
<b>Total revenue</b>	<b>\$ 63,320</b>	<b>\$ 48,168</b>	<b>\$ 15,152</b>	<b>31.5 %</b>

<sup>(1)</sup> The decrease in base advisory fee is due to lower revenue of \$559,000 from Ashford Trust and higher revenue of \$470,000 from Braemar.

<sup>(2)</sup> The decrease in incentive advisory fee is due to lower revenue of \$452,000 from Ashford Trust, partially offset by higher revenue of \$170,000 from Braemar. The \$170,000 of incentive advisory fee recognized in the 2019 quarter includes the pro-rata portion of the second year installment of the Braemar 2018 incentive advisory fee which will be paid in January 2020. The incentive advisory fee for the 2018 quarter includes the pro-rata portion of the third year installment of the Ashford Trust 2016 incentive advisory fee in the amount of \$452,000, 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 2018 and 2017 measurement periods. Braemar's annual total stockholder return did not meet the relevant incentive fee thresholds during the 2017 and 2016 measurement periods.

<sup>(3)</sup> The increase in reimbursable expenses revenue is due to higher revenue of \$511,000 from Ashford Trust and higher revenue of \$49,000 from Braemar. Reimbursable expenses include overhead, internal audit, risk management advisory and asset

management services. During the three months ended March 31, 2019, we recognized income from reimbursable expenses related to software implementation costs from Ashford Trust and Braemar of \$597,000 and \$44,000, respectively. During the three months ended March 31, 2018, we recognized income from reimbursable expenses related to software implementation costs from Ashford Trust and Braemar of \$202,000 and \$15,000, respectively. See note 15 to our condensed consolidated financial statements.

- (4) The decrease in non-cash stock/unit-based compensation revenue is due to lower revenue of \$2.5 million from Ashford Trust and lower revenue of \$1.1 million from Braemar. Non-cash stock/unit-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 "salaries and benefits." During the 2018 quarter, \$6.7 million of non-cash stock/unit-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.
- (5) 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 condensed consolidated balance sheet and is being recognized on a quarterly basis over the initial ten-year term of the agreement.
- (6) The \$7.7 million increase in audio visual revenue is due to the growth of J&S.
- (7) The increase in project management revenue is due to our acquisition of Premier in August 2018.
- (8) The increase in investment management reimbursements is due to higher revenue of \$176,000 from Ashford Trust. Investment management reimbursements include AIM's management of Ashford Trust's excess cash under the Investment Management Agreement executed in 2017. AIM is not compensated for its services but is reimbursed for all costs and expenses.
- (9) The increase in debt placement fee revenue is due to higher revenue of \$447,000 from Ashford Trust and higher revenue of \$275,000 from Braemar. Debt placement fees include revenues earned from providing debt placement services by Lismore Capital, our wholly-owned subsidiary.
- (10) Claims management services include revenues earned from providing insurance claim assessment and administration services.
- (11) In connection with our ERFPA Agreements and legacy key money transaction with Ashford Trust and Braemar, we lease FF&E to Ashford Trust and Braemar rent-free. For leases which commenced prior to our adoption of ASC 842, a portion of the base advisory fee is allocated to lease revenue each period equal to the estimated fair value of the lease payments that would have been made.
- (12) The increase in other services revenue is due to higher revenue of \$167,000 from Ashford Trust, higher revenue of \$58,000 from Braemar and higher revenue of \$1.2 million from third parties. Other services revenue relates to other hotel services provided by our consolidated subsidiaries, OpenKey, RED and Pure Wellness, to Ashford Trust, Braemar and other third parties.
- (13) Indicates REIT advisory revenue.
- (14) See note 19 for discussion of segment reporting.

**Salaries and Benefits Expense.** Salaries and benefits expense decreased by \$3.8 million, or 14.4%, to \$22.7 million for the 2019 quarter compared to the 2018 quarter. The change in salaries and benefits expense consisted of the following (in thousands):

	Three Months Ended March 31,		\$ Change
	2019	2018	
<b>Cash salaries and benefits:</b>			
Salary expense	\$ 8,454	\$ 6,258	\$ 2,196
Bonus expense	3,520	4,475	(955)
Benefits related expenses	2,046	2,174	(128)
Total cash salaries and benefits <sup>(1)</sup>	14,020	12,907	1,113
<b>Non-cash equity-based compensation:</b>			
Stock option grants <sup>(2)</sup>	2,151	3,757	(1,606)
Ashford Trust & Braemar equity grants <sup>(3)</sup>	5,789	9,292	(3,503)
Total non-cash equity-based compensation	7,940	13,049	(5,109)
Non-cash (gain) loss in deferred compensation plan <sup>(4)</sup>	740	561	179
<b>Total salaries and benefits</b>	<b>\$ 22,700</b>	<b>\$ 26,517</b>	<b>\$ (3,817)</b>

<sup>(1)</sup> 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 the 2018 quarter 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.

<sup>(2)</sup> The decrease 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 March of 2018, in accordance with the terms of the awards, partially offset by forfeitures. See notes 2, 13 and 15 to our condensed consolidated financial statements.

<sup>(3)</sup> Equity grants of Ashford Trust's and Braemar's common stock and LTIP units are awarded to our officers and employees as part of our advisory agreements with each company, for which we record offsetting revenue in an equal amount. The decrease is primarily attributable to \$6.7 million of compensation expense related to the accelerated vesting of equity awards upon the death of one of our executive officers in March of 2018, in accordance with the terms of the awards, partially offset by an increase in the fair value of equity grants. See notes 2 and 13 to our condensed consolidated financial statements.

<sup>(4)</sup> The DCP obligation is recorded as a liability at fair value with changes in fair value reflected in earnings. The losses in the 2019 quarter and the 2018 quarter are primarily attributable to increases in the fair value of the DCP obligation. See note 14 to our condensed consolidated financial statements.

**Cost of Revenues for Audio Visual.** Cost of revenues for audio visual was \$21.4 million during the 2019 quarter compared to \$16.6 million for the 2018 quarter, due to the growth of J&S.

**Cost of Revenues for Project Management.** Cost of revenues for project management was \$2.8 million during the 2019 quarter compared to \$0 for the 2018 quarter, due to costs associated with project management revenues from the acquisition of Premier in August 2018.

**Depreciation and Amortization Expense.** Depreciation and amortization expense increased by \$3.5 million, or 335.3%, to \$4.5 million for the 2019 quarter compared to the 2018 quarter, primarily as a result of \$2.7 million in amortization related to the acquisition of Premier's definite-lived intangible assets in August of 2018 and \$598,000 depreciation related to ERFPA assets. See note 4 to our condensed consolidated financial statements. Depreciation and amortization expense for the 2019 quarter and the 2018 quarter excludes depreciation expense related to audio visual equipment of \$968,000 and \$430,000, respectively, which is included in "cost of revenues for audio visual" and also excludes depreciation expense for the 2019 quarter related to marine vessels and other vehicles in the amount of \$65,000 and \$7,000, respectively, which is included in "other" operating expense.

**General and Administrative Expense.** General and administrative expenses increased by \$1.7 million, or 26.8%, to \$8.0 million for the 2019 quarter compared to the 2018 quarter. The change in general and administrative expense consisted of the following (in thousands):

	Three Months Ended March 31,		\$ Change
	2019	2018	
Professional fees	\$ 2,504	\$ 2,486	\$ 18
Office expense <sup>(1)</sup>	2,691	1,949	742
Public company costs	268	230	38
Director costs	262	275	(13)
Travel and other expense <sup>(1)</sup>	1,969	1,328	641
Non-capitalizable - software costs	288	27	261
Total general and administrative	<u>\$ 7,982</u>	<u>\$ 6,295</u>	<u>\$ 1,687</u>

<sup>(1)</sup> The increase in expense is primarily due to our investments in Premier, J&S and RED.

**Impairment.** Impairment of capitalized software implementation costs was \$0 during the 2019 quarter compared to \$1.9 million for the 2018 quarter. The impairment in 2018 was recognized upon determination that a portion of capitalized software that was not eligible for reimbursement would not be placed into service. See notes 2 and 15 to our condensed consolidated financial statements.

**Other.** Other operating expense was \$1.3 million and \$846,000 for the 2019 quarter and the 2018 quarter, respectively. Other operating expense includes cost of goods sold and royalties associated with OpenKey, RED, and Pure Wellness as well as expense from the changes in the fair value of contingent consideration related to acquisitions. See notes 4 and 8 to our condensed consolidated financial statements.

**Equity in Earnings (Loss) of Unconsolidated Entities.** Equity in loss of unconsolidated entities changed \$275,000 for the 2019 quarter due to our investment in REA Holdings in January of 2019. See notes 1 and 2 to our condensed consolidated financial statements.

**Interest Expense.** Interest expense was \$297,000 and \$143,000 for the 2019 quarter and the 2018 quarter, respectively, related to the notes payable, lines of credit and capital leases held by our consolidated subsidiaries. See notes 2 and 6 to our condensed consolidated financial statements.

**Amortization of Loan Costs.** Amortization of loan costs was \$69,000 and \$23,000 for the 2019 quarter and the 2018 quarter, respectively, related to the notes payable and lines of credit held by our consolidated subsidiaries. See notes 2 and 6 to our condensed consolidated financial statements.

**Interest Income.** Interest income was \$20,000 and \$112,000 for the 2019 quarter and the 2018 quarter, respectively.

**Other Income (Expense).** Other expense was \$53,000 and \$39,000 in the 2019 quarter and the 2018 quarter, respectively.

**Income Tax (Expense) Benefit.** Income tax expense increased by \$594,000, from \$706,000 expense in the 2018 quarter to \$1.3 million expense in the 2019 quarter. Current tax expense increased by \$287,000, from \$706,000 in the 2018 quarter to \$993,000 in the 2019 quarter, mainly due to an increase in state tax liability which was the result of the Company expanding its operations through various acquisitions in 2017-2019 and establishing nexus and increasing operations in various states. Deferred tax expense increased by \$300,000 from \$0 in the 2018 quarter to \$300,000 in the 2019 quarter. The 2018 period did not record any deferred expense due to the April 2017 legal entity restructuring of the Company, as a result of which, a full valuation allowance was established. In the third quarter of 2018 the valuation allowance was released due to the acquisition of Premier.

**(Income) Loss from Consolidated Entities Attributable to Noncontrolling Interests.** The noncontrolling interests in consolidated entities were allocated a loss of \$163,000 in the 2019 quarter and a loss of \$173,000 in the 2018 quarter. See notes 2, 11 and 15 to our condensed 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 \$21,000 in the 2019 quarter and a loss of \$61,000 in the 2018 quarter. Redeemable noncontrolling interests represented ownership interests in Ashford Holdings and certain of our consolidated subsidiaries. See note 1 to our condensed consolidated financial statements. For a summary of ownership interests, carrying values and allocations, see notes 2, 12, and 15 to our condensed consolidated financial statements.

## LIQUIDITY AND CAPITAL RESOURCES

Our short-term liquidity requirements consist primarily of funds necessary for operating expenses primarily attributable to paying our employees, funding our ERFP Commitments, 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 facility, 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, and our ERFP, dividends on preferred stock and certain recent subsidiary financing transactions noted below. 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 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 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 “ERFP Commitment” and collectively, the “ERFP Commitments”) to each of Ashford Trust and Braemar (collectively, the “REITs”), respectively, in connection with each such REITs’ acquisition of hotels recommended by us, with the option to increase each ERFP Commitment to up to \$100 million upon mutual agreement by the parties to the respective ERFP Agreement. Under each of the ERFP Agreements, the Company’s ERFP Commitment to such REIT will be fulfilled as the Company pays each such 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 REITs’ 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 ERFPP commitments to Ashford Trust and Braemar from inception of the programs in 2018 and 2019, respectively, through March 31, 2019, as well as the unfunded ERFPP Commitments as of March 31, 2019, for hotels acquired by the REITs are as follows (in thousands):

	Ashford Trust	Braemar	Total
<b>ERFP Commitments:</b>			
<b>ERFP Commitments at January 1, 2018</b>	\$ —	\$ —	\$ —
Initial ERFP Commitment	50,000	—	50,000
ERFP payment—Hilton Alexandria Old Town	(11,100)	—	(11,100)
ERFP payment—La Posada de Santa Fe	\$ (5,000)	\$ —	\$ (5,000)
<b>ERFP Commitments remaining at December 31, 2018</b>	<u>\$ 33,900</u>	<u>\$ —</u>	<u>\$ 33,900</u>
Initial ERFP Commitment	—	50,000	50,000
ERFP payment—Hilton Santa Cruz/Scotts Valley	(5,000)	—	(5,000)
<b>ERFP Commitments remaining at March 31, 2019 (1)</b>	<u>\$ 28,900</u>	<u>\$ 50,000</u>	<u>\$ 78,900</u>

	Ashford Trust	Braemar	Total
<b>Unfunded ERFP Commitments for hotels acquired by REITs:</b>			
Embassy Suites New York Midtown Manhattan	\$ 19,500	\$ —	\$ 19,500
Ritz-Carlton, Lake Tahoe	—	10,300	10,300
<b>Unfunded ERFP Commitments at March 31, 2019</b>	<u>\$ 19,500</u>	<u>\$ 10,300</u>	<u>\$ 29,800</u>

**Other liquidity considerations**—On March 1, 2019, J&S, our consolidated subsidiary, acquired a privately-held company that conducts the business of BAV Services in the United States (“BAV”) for approximately \$10.0 million. 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 J&S, which we consolidate under the voting interest model, increased from 85% to approximately 88%. The purchase price consisted of: (i) \$5.0 million in cash (excluding working capital adjustments) funded by an existing term loan; (ii) \$4.0 million in the form of Ashford Inc. common stock consisting of (a) 61,387 shares issued on March 1, 2019, which was determined based on an agreed upon value of \$3.5 million using a thirty-day volume weighted average price per share of \$57.01 and had an estimated fair value of \$3.8 million as of the acquisition date and (b) \$500,000 of stock to be issued 18 months after the acquisition date, subject to certain conditions; and (iii) contingent consideration with an estimated fair value of approximately \$1.4 million, payable, if earned, 12 to 18 months after the acquisition date.

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 \$0.01 per share having an aggregate value of up to \$20 million. No shares were repurchased during the three months ended March 31, 2019.

On March 1, 2018, the Company and its subsidiary Ashford Hospitality Holdings LLC entered into a \$35.0 million senior revolving credit facility with Bank of America, N.A. The credit facility provides for a three-year revolving line of credit. There is a one-year extension option subject to the satisfaction of certain conditions. The new 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 March 21, 2018, Ashford Inc. entered into the First Amendment (the “Amendment”) to the Credit Agreement dated March 1, 2018 (the “Credit Facility”), with Ashford Hospitality Holdings LLC, a subsidiary of Ashford Inc., Bank of America, N.A., as administrative agent and letters of credit issuer, and the lenders from time to time party thereto. The Amendment is effective as of March 1, 2018, which is the date the Credit Facility became effective. Pursuant to the Amendment, the financial covenant of consolidated tangible net worth was replaced with the consolidated net worth, and Ashford Inc. is required to maintain consolidated net worth not less than 75% of the consolidated net worth as of December 31, 2017, plus 75% of the net equity proceeds of any future equity issuances by Ashford Inc.

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 \$24.6 million and \$17.8 million as of March 31, 2019 and December 31, 2018, respectively. As of March 31, 2019, our subsidiaries were in compliance with all financial debt covenants. For further discussion see note 6 to our condensed consolidated financial statements.



## Sources and Uses of Cash

As of March 31, 2019 and December 31, 2018, we had \$40.0 million and \$51.5 million of cash and cash equivalents, respectively, and \$12.6 million and \$7.9 million of restricted cash, respectively.

**Net Cash Flows Provided by (Used in) Operating Activities.** Operating activities provided net cash flows of \$2.3 million and \$4.4 million for the three months ended March 31, 2019 and 2018, respectively. The lower cash flows provided by operating activities in the three months ended March 31, 2019, were due primarily to the timing of payments to vendors and timing of operating subsidiaries' receipt of revenues, partially offset by an increase in earnings.

**Net Cash Flows Provided by (Used in) Investing Activities.** For the three months ended March 31, 2019, net cash flows used in investing activities were \$13.7 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) and the \$2.2 million investment in REA Holdings. Capital expenditures include \$5.0 million related to our ERFPA agreement with Ashford Trust, \$1.7 million of audio visual equipment and FF&E, and \$499,000 for RED marine vessels.

For the three months ended March 31, 2018, net cash flows used in investing activities were \$3.9 million due to capital expenditures of \$2.7 million related to purchases of FF&E, including audio visual equipment and computer software, and \$1.2 million for RED marine vessels.

**Net Cash Flows Provided by (Used in) Financing Activities.** For the three months ended March 31, 2019, net cash flows provided by financing activities were \$4.6 million. These cash flows consisted of \$6.6 million of proceeds from borrowings on notes payable, \$727,000 of net borrowings on our revolving credit facilities, \$455,000 of contributions from noncontrolling interests in a consolidated entity, and net repayments in advances to employees of \$249,000 associated with tax withholdings for restricted stock vesting. These were offset by \$2.8 million of payments for dividends on our preferred stock, \$581,000 of payments on notes payable and capital leases, \$4,000 in distributions to non-controlling interests, and \$41,000 of loan cost payments.

For the three months ended March 31, 2018, net cash flows provided by financing activities were \$4.1 million. These cash flows consisted of \$2.7 million of contributions from noncontrolling interests in a consolidated entity, \$1.4 million of proceeds from borrowings on notes payable, \$412,000 of net borrowings on the J&S revolving credit facility, and net repayments in advances to employees of \$105,000 associated with tax withholdings for restricted stock vestings, partially offset by \$494,000 of payments on notes payable and \$15,000 of loan cost payments.

## 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 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 condensed consolidated financial statements.

## Contractual Obligations and Commitments

There have been no material changes since December 31, 2018, outside the ordinary course of business, to contractual obligations and commitments included in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2018 Form 10-K, except with respect to the Braemar ERFPA Agreement described elsewhere in this MD&A in "Recent Developments".

## Critical Accounting Policies

Our accounting policies that are critical or most important to understanding our financial condition and results of operations and that require management to make the most difficult judgments are described in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2018 Form 10-K.

There have been no material changes in these critical accounting policies other than as discussed in note 2 to the condensed consolidated financial statements with respect to leases.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE 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 March 31, 2019, our total indebtedness of \$24.9 million included \$24.2 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 March 31, 2019, would be approximately \$242,000 annually. Interest rate changes have no impact on the remaining \$630,000 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 March 31, 2019, it does not consider exposures or positions that could arise after that date. Accordingly, the information presented herein has limited predictive value. As a result, the ultimate realized gain or loss with respect to interest rate fluctuations will depend on exposures that arise during the period, the hedging strategies at the time, and the related interest rates.

**Foreign Exchange Risk**—The majority of our revenues, expenses and capital purchases are transacted in U.S. dollars. We own a controlling interest in J&S Audiovisual, 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 immaterial 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.

#### **ITEM 4. CONTROLS AND PROCEDURES**

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 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.

During the quarter ended March 31, 2019, we implemented controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new lease accounting standard on our financial statements to facilitate the adoption of the standard on January 1, 2019. Our subsidiaries have implemented procedures to support the accounting at each subsidiary and we have implemented processes and controls to review the subsidiary level output on a quarterly basis. Additionally, we have implemented tools to calculate and controls to review our accounting for leases at the corporate level.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal controls over financial reporting during the fiscal quarter ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II. OTHER INFORMATION**

#### **ITEM 1. LEGAL PROCEEDINGS**

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 1A. RISK FACTORS**

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

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

On January 1, 2019, we issued 16,529 shares of Ashford Inc. common stock in connection with the purchase of a 30% noncontrolling ownership interest in REA Holdings. 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 to the acquisition by J&S, 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 of 1933, as amended (the "Securities Act") provided under Section 4(a)(2) thereunder.

**ITEM 3. DEFAULT UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

None.

ITEM 6. EXHIBITS

Exhibit	Description
3.1	<a href="#">Amended and Restated Articles of Incorporation of Ashford Inc. (incorporated by reference to Exhibit 3.1 of Form 8-K, filed on August 8, 2018) (File No. 001-36400)</a>
3.2	<a href="#">Ashford Inc. Articles of Amendment (incorporated by reference to Exhibit 3.2 of Form 8-K, filed on August 8, 2018) (File No. 001-36400)</a>
3.3	<a href="#">Articles Supplementary of establishing the Series B Convertible Preferred Stock of Ashford Inc. (incorporated by reference to Exhibit 3.3 of Form 8-K, filed on August 8, 2018) (File No. 001-36400)</a>
3.4	<a href="#">Articles Supplementary establishing the Series C Preferred Stock of Ashford Inc. (incorporated by reference to Exhibit 3.4 of Form 8-K, filed on August 8, 2018) (File No. 001-36400)</a>
3.5	<a href="#">Amended and Restated Bylaws of Ashford Inc. (incorporated by reference to Exhibit 3.5 of Form 8-K, filed on August 8, 2018) (File No. 001-36400)</a>
10.1	<a href="#">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 &amp; 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)</a>
10.2*	<a href="#">Amended and Restated Employment Agreement dated as of September 13, 2017, by and among Ashford Inc., Ashford Hospitality Advisors, LLC, and Jeremy Welter</a>
10.3*	<a href="#">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</a>
31.1*	<a href="#">Certifications of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of Securities Exchange Act of 1934, as amended</a>
31.2*	<a href="#">Certifications of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of Securities Exchange Act of 1934, as amended</a>
32.1*	<a href="#">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</a>
32.2*	<a href="#">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</a>

The following materials from the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2019, are formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statements of Comprehensive Income (Loss); (iv) Condensed Consolidated Statement of Equity; (v) Condensed Consolidated Statements of Cash Flows; and (vi) Notes to Condensed Consolidated Financial Statements. In accordance with Rule 402 of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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

\* Filed herewith.

## SIGNATURES

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

ASHFORD INC.

Date: May 9, 2019

By: /s/ MONTY J. BENNETT

Monty J. Bennett  
Chief Executive Officer

Date: May 9, 2019

By: /s/ DERIC S. EUBANKS

Deric S. Eubanks  
Chief Financial Officer

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## Section 2: EX-10.2 (EXHIBIT 10.2)

### EXHIBIT 10.2

#### AMENDED AND RESTATED EMPLOYMENT AGREEMENT

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

#### RECITALS:

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

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

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

#### 1. EMPLOYMENT.

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

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

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

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

3. SALARY. The Company shall pay the Executive a Base Salary which shall be payable in periodic installments, less statutory deductions and withholdings, according to the Company's normal payroll practices. Effective as of January 1, 2017, the Executive's base salary shall be FIVE HUNDRED TWENTY FIVE THOUSAND DOLLARS (\$525,000) per year. The AINC Board or a compensation committee duly appointed by the AINC Board (the "Compensation Committee") shall thereafter review the Executive's Base Salary annually to determine within its sole discretion whether and to what extent the Executive's salary may be increased, but in no event shall it be decreased (for the purposes of this Agreement, the term "Base Salary" shall mean the amount established and adjusted from time to time pursuant to this Section 3).

#### 4. ANNUAL INCENTIVE AWARDS.

(a) INCENTIVE BONUS. The Executive shall be entitled to receive an annual cash incentive bonus (the "Incentive Bonus") for each calendar year during the Term of this Agreement based on the level of accomplishment of management and performance objectives as established by the AINC CEO, the AINC Board or the Compensation Committee. Except as otherwise provided in Section 7, if the Executive is not employed for the full calendar year, the Executive shall be paid a pro-rated Incentive Bonus in an amount equal to the product of (x) the amount of the Incentive Bonus for the calendar year to which the Executive would have been entitled if the Executive had remained employed for the entire calendar year and (y) a fraction, the numerator of which is the

number of days in the applicable calendar year for which the Executive was employed through the last day of his employment and the denominator of which is the 365 days of the calendar year. The targeted Incentive Bonus for the Term commencing January 1, 2017, is 60% to 175% of Base Salary (as determined by the Compensation Committee), and in no event shall such targeted Incentive Bonus be decreased. The Incentive Bonus shall be paid as soon as reasonably practical following each calendar year but not later than June 1<sup>st</sup> of the following year.

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

#### 5. BENEFITS.

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

(i) the assignment to the Executive of any duties, responsibilities, or reporting requirements inconsistent with Section 1(b) or with his position as Chief Strategy Officer of the Company or Ashford Inc., or any material diminishment, on a cumulative basis, of the Executive’s overall duties, responsibilities, or status, including

failure of Ashford Inc. or the Company to recommend to the board of directors of each of Ashford Trust and Ashford Prime that the Executive serve as the Chief Strategy Officer of such entities without the Executive's prior written consent;

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

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

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

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

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

#### 7. EFFECTS OF TERMINATION.

(a) TERMINATION BY THE COMPANY WITHOUT CAUSE; OR NON-RENEWAL BY THE COMPANY. If the employment of the Executive should terminate by reason of (i)

termination by the Company for any reason (other than Cause) or (ii) the Company's failure to renew this Agreement, then all compensation and benefits for the Executive shall be as follows:

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

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

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

organization, any employee welfare benefits received by the Executive in consideration of such employment which are similar in nature to the Other Benefits provided by the Company will relieve the Company of its obligation under this Section 7(a)(iii) to provide comparable benefits to the extent of the benefits so received, and such benefit hereunder shall be forfeited.

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

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

(c) **TERMINATION BY EXECUTIVE WITHOUT GOOD REASON.** If the Executive's employment is terminated by the Executive without Good Reason including a

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

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

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

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

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

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

("short-term deferrals") and (b)(9) ("separation pay plans," including the exception under subparagraph (iii)) and other applicable provisions of Treasury Regulation Section 1.409A-1 through A-6.

## 8. CHANGE OF CONTROL.

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

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

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

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

(iv) individuals who, as of the Effective Date, constitute the AINC Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the AINC Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election to the Board was approved or

recommended to stockholders of Ashford Inc. by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an election contest with respect to the election or removal of directors or other solicitation of proxies or consents by or on behalf of a person other than the AINC Board.

(b) CERTAIN BENEFITS UPON A CHANGE OF CONTROL.

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

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

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



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

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

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

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

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

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

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

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

For purposes of this Section 10(a), "Competitive Business" means acquiring, investing in or with respect to, owning, leasing, managing or developing hotel properties in the United States or in any international market in which the Company or any clients it advises conduct such business

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

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

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

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

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

or enterprise, interfere with, solicit, pursue, or in any manner make use of any such business opportunities.

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

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

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

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

### 13. DISPUTES.

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

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

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

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

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

16. GENERAL.

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

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

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

and

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

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

with a copy to: \_\_\_\_\_  
\_\_\_\_\_

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

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

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

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

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

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

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

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

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

fails to designate a beneficiary for purposes of this Agreement prior to his death, all amounts thereafter due hereunder shall be paid, as and when payable, to his spouse, if she survives the Executive, and otherwise to his estate.

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

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

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

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

[SIGNATURE PAGE FOLLOWS]



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

ASHFORD HOSPITALITY ADVISORS, LLC

By: /s/ David Brooks  
Name: David A. Brooks  
Title: Vice President  
Dated: September \_\_, 2017

ASHFORD INC.

By: /s/ David Brooks  
Name: David A. Brooks  
Title: Chief Operating Officer  
Dated: September \_\_, 2017

EXECUTIVE:

/s/ Jeremy Welter  
JEREMY WELTER  
Dated: September \_\_, 2017

EXHIBIT "A"

RELEASE AND WAIVER

THIS RELEASE AND WAIVER (the "Termination Release") is made as of the \_\_\_ day of \_\_\_, 200\_\_\_ by «NAME» (the "Executive").

WHEREAS, the Executive, and the Company have entered into an Employment Agreement (the "Agreement") dated as of [\_\_\_\_], effective as of [\_\_\_\_] and providing certain compensation and severance amounts upon the Executive's termination of employment; and

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

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

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

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

2. **GENERAL RELEASE BY EXECUTIVE.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[SIGNATURE PAGE FOLLOWS]

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

ASHFORD HOSPITALITY ADVISORS, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

EXECUTIVE:

\_\_\_\_\_  
JEREMY WELTER

Dated: \_\_\_\_\_

[\(Back To Top\)](#)

### Section 3: EX-10.3 (EXHIBIT 10.3)

**EXHIBIT 10.3**

#### AMENDED AND RESTATED EMPLOYMENT AGREEMENT

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

#### RECITALS:

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

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

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

1. EMPLOYMENT.

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

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

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

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

3. SALARY. The Company shall pay the Executive a Base Salary which shall be payable in periodic installments, less statutory deductions and withholdings, according to the Company's normal payroll practices. Effective as of January 1, 2017, the Executive's base salary shall be FIVE HUNDRED TWENTY FIVE THOUSAND DOLLARS (\$525,000) per year. The AINC Board or a compensation committee duly appointed by the AINC Board (the "Compensation Committee") shall thereafter review the Executive's Base Salary annually to determine within its sole discretion whether and to what extent the Executive's salary may be increased, but in no event shall it be decreased (for the purposes of this Agreement, the term "Base Salary" shall mean the amount established and adjusted from time to time pursuant to this Section 3).

#### 4. ANNUAL INCENTIVE AWARDS.

(a) INCENTIVE BONUS. The Executive shall be entitled to receive an annual cash incentive bonus (the "Incentive Bonus") for each calendar year during the Term of this Agreement based on the level of accomplishment of management and performance objectives as established by the AINC CEO, the AINC Board or the Compensation Committee. Except as otherwise provided in Section 7, if the Executive is not employed for the full calendar year, the Executive shall be paid a pro-rated Incentive Bonus in an amount equal to the product of (x) the amount of the Incentive Bonus for the calendar year to which the Executive would have been entitled if the Executive had remained employed for the entire calendar year and (y) a fraction, the numerator of which is the

number of days in the applicable calendar year for which the Executive was employed through the last day of his employment and the denominator of which is the 365 days of the calendar year. The targeted Incentive Bonus for the Term commencing January 1, 2017, is 60% to 175% of Base Salary (as determined by the Compensation Committee), and in no event shall such targeted Incentive Bonus be decreased. The Incentive Bonus shall be paid as soon as reasonably practical following each calendar year but not later than June 1<sup>st</sup> of the following year.

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

#### 5. BENEFITS.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

(i) the assignment to the Executive of any duties, responsibilities, or reporting requirements inconsistent with Section 1(b) or with his position as Chief Strategy Officer of the Company or Ashford Inc., or any material diminishment, on a cumulative basis, of the Executive’s overall duties, responsibilities, or status, including

failure of Ashford Inc. or the Company to recommend to the board of directors of each of Ashford Trust and Ashford Prime that the Executive serve as the Chief Strategy Officer of such entities without the Executive's prior written consent;

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

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

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

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

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

#### 7. EFFECTS OF TERMINATION.

(a) TERMINATION BY THE COMPANY WITHOUT CAUSE; OR NON-RENEWAL BY THE COMPANY. If the employment of the Executive should terminate by reason of (i)

termination by the Company for any reason (other than Cause) or (ii) the Company's failure to renew this Agreement, then all compensation and benefits for the Executive shall be as follows:

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

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

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

organization, any employee welfare benefits received by the Executive in consideration of such employment which are similar in nature to the Other Benefits provided by the Company will relieve the Company of its obligation under this Section 7(a)(iii) to provide comparable benefits to the extent of the benefits so received, and such benefit hereunder shall be forfeited.

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

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

(c) **TERMINATION BY EXECUTIVE WITHOUT GOOD REASON.** If the Executive's employment is terminated by the Executive without Good Reason including a

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

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

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

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

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

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

(“short-term deferrals”) and (b)(9) (“separation pay plans,” including the exception under subparagraph (iii)) and other applicable provisions of Treasury Regulation Section 1.409A-1 through A-6.

## 8. CHANGE OF CONTROL.

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

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

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

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

(iv) individuals who, as of the Effective Date, constitute the AINC Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the AINC Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election to the Board was approved or



recommended to stockholders of Ashford Inc. by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an election contest with respect to the election or removal of directors or other solicitation of proxies or consents by or on behalf of a person other than the AINC Board.

(b) CERTAIN BENEFITS UPON A CHANGE OF CONTROL.

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

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

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

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

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

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

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

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

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

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

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

For purposes of this Section 10(a), "Competitive Business" means acquiring, investing in or with respect to, owning, leasing, managing or developing hotel properties in the United States or in any international market in which the Company or any clients it advises conduct such business

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

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

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

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

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

or enterprise, interfere with, solicit, pursue, or in any manner make use of any such business opportunities.

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

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

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

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

### 13. DISPUTES.

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

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

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

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

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

16. GENERAL.

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

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

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

and

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

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

with a copy to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

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

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

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

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

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

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

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

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



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

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

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

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

[SIGNATURE PAGE FOLLOWS]

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

ASHFORD HOSPITALITY ADVISORS, LLC

By: /s/ David Brooks  
Name: David A. Brooks  
Title: Vice President  
Dated: September \_\_, 2017

ASHFORD INC.

By: /s/ David Brooks  
Name: David A. Brooks  
Title: Chief Operating Officer  
Dated: September \_\_, 2017

EXECUTIVE:

/s/ J. Robinson Hays III  
J. ROBISON HAYS, III  
Dated: September \_\_, 2017

EXHIBIT "A"

RELEASE AND WAIVER

THIS RELEASE AND WAIVER (the "Termination Release") is made as of the \_\_\_ day of \_\_\_, 200\_\_\_ by «NAME» (the "Executive").

WHEREAS, the Executive, and the Company have entered into an Employment Agreement (the "Agreement") dated as of [\_\_\_\_], effective as of [\_\_\_\_] and providing certain compensation and severance amounts upon the Executive's termination of employment; and

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

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

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

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

2. **GENERAL RELEASE BY EXECUTIVE.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[SIGNATURE PAGE FOLLOWS]

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

ASHFORD HOSPITALITY ADVISORS, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Dated: \_\_\_\_\_

EXECUTIVE:

\_\_\_\_\_  
J. ROBISON HAYS, III

Dated: \_\_\_\_\_

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## Section 4: EX-31.1 (EXHIBIT 31.1)

**EXHIBIT 31.1**

### CERTIFICATION

I, Monty J. Bennett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ashford Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

/s/ MONTY J. BENNETT

Monty J. Bennett

Chief Executive Officer

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## Section 5: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

### CERTIFICATION

I, Deric S. Eubanks, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ashford Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

/s/ DERIC S. EUBANKS

Deric S. Eubanks  
Chief Financial Officer

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## Section 6: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

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

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

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

Date: May 9, 2019

/s/ MONTY J. BENNETT

Monty J. Bennett  
Chief Executive Officer

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## Section 7: EX-32.2 (EXHIBIT 32.2)



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

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

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

Date: May 9, 2019

/s/ DERIC S. EUBANKS

Deric S. Eubanks

Chief Financial Officer

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