

Ashford Inc.
Form 10-K
March 16, 2017

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

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

46-5292553

(State or other jurisdiction of incorporation or organization) (IRS employer identification number)

14185 Dallas Parkway, Suite 1100

75254

Dallas, Texas

(Address of principal executive offices)

(Zip code)

(972) 490-9600

(Registrant's telephone number, including area code)

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

Title of each class Name of each exchange on which registered

Common Stock New York Stock Exchange MKT

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90

days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files) Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

As of June 30, 2016, the aggregate market value of 805,132 shares of the registrant's common stock held by non-affiliates was approximately \$40,256,600.

As of March 14, 2017, the registrant had 2,015,281 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement pertaining to the 2017 Annual Meeting of Stockholders are incorporated herein by reference into Part III of this Form 10-K.

ASHFORD INC.
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SIGNATURES

As used in this Annual Report on Form 10-K, unless the context otherwise indicates, the references to “we,” “us,” “our,” 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.” “AIM” refers to Ashford Investment Management, LLC, a Delaware limited liability company. “Ashford Prime” or “AHP” refers to Ashford Hospitality Prime, Inc., a Maryland corporation, and, as the context may require, its consolidated subsidiaries, including Ashford Hospitality Prime Limited Partnership, a Delaware limited partnership, which we refer to as “Ashford Prime 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 and 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K and documents incorporated herein by reference contain certain forward-looking statements that are subject to risks and uncertainties. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “anticipate,” “estimate,” “approximately,” “believe,” “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 and dividend rates;
- our ability to obtain future financing arrangements;
- our understanding of our competition;
- market trends;
- projected capital expenditures;
- the expectations of the parties to the acquisition agreement we entered into on September 17, 2015 (the “Remington Acquisition Agreement”) to acquire all of the general partner interest and 80% of the limited partner interests of Remington Lodging for total consideration of \$331.7 million, with an estimated fair value of \$330.7 million (such transactions contemplated by the Remington Acquisition Agreement referred to herein as the “Transactions”) regarding the timing, completion and tax treatments of the Transactions; and
- the impact of technology on our operations and business.

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

- the factors referenced, including those set forth under the sections captioned “Item 1. Business,” “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Conditions and Results of Operations;”
- 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 Prime and Ashford Trust, 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 ability of the parties to the Transactions to consummate the Transactions;
the conditions to the completion of the Transactions, including the receipt of approval of our stockholders;

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the regulatory approvals required for the Transactions not being obtained on the terms expected or on the anticipated schedule;

the ability of the parties to the Transactions to meet expectations regarding the timing, completion and tax treatments of the Transactions;

the possibility that the parties may not realize any or all of the anticipated benefits from the Transactions;

disruptions from the Transactions may harm relationships with customers, employees and regulators;

unexpected costs may be incurred; and

changes in our stock price prior to the closing of the Transactions and following the Transactions.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this annual report. The matters summarized under “Item 1A. Risk Factors” and elsewhere, could cause our actual results and performance to differ significantly from those contained in our forward-looking statements.

Accordingly, we cannot guarantee future results or performance. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our views as of the date of this Annual Report on Form 10-K. Furthermore, we do not intend to update any of our forward-looking statements after the date of this annual report to conform these statements to actual results and performance, except as may be required by applicable law.

PART I

Item 1. Business

Our Company

Ashford Inc. is a Delaware corporation formed on April 2, 2014, subsequently reincorporated in Maryland effective October 31, 2016, that provides asset management and advisory services to other entities, primarily within the hospitality industry. We became a public company on November 12, 2014, when Ashford Trust, a NYSE-listed real estate investment trust (“REIT”), completed the spin-off of our company through the distribution of shares of our common stock to the Ashford Trust stockholders. We serve as the advisor to Ashford Prime, an NYSE-listed REIT that invests primarily in high revenue per available room (“RevPAR”), luxury hotels and resorts. High RevPAR, for purposes of Ashford Prime’s investment strategy means RevPAR of at least twice the then-current U.S. national average RevPAR for all hotels as determined by Smith Travel Research. Ashford Prime became a publicly traded company in November 2013 upon the completion of its spin-off from Ashford Trust. We also serve as the advisor to Ashford Trust, which is focused on investing opportunistically in the hospitality industry with a focus on full-service upper-upscale hotels in the U.S. that have a RevPAR generally less than twice the U.S. national average. Ashford Trust has been a public company since August 2003.

In our capacity as the advisor to Ashford Trust and Ashford Prime, we are responsible for implementing the investment strategies and managing the day-to-day operations of Ashford Trust and Ashford Prime, in each case subject to the supervision and oversight of the respective board of directors of such entity. We provide the personnel and services necessary to allow each of Ashford Trust and Ashford Prime to conduct its respective business. 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 Ashford Prime, which duties are the responsibility of the hotel management companies that operate the hotel properties owned by Ashford Trust and Ashford Prime.

We conduct our business and own substantially all of our assets through an operating entity, Ashford LLC. We own 99.8% of the outstanding common units of Ashford LLC and serve as its sole manager.

Our Business Strategy

Our principal business objectives are to provide asset management and other advisory services to other entities. Currently, we, through our operating subsidiary Ashford LLC, act as the advisor to Ashford Trust and Ashford Prime. We earn advisory fees from each company that we advise. These fees include a quarterly base fee, payable in cash, for managing the respective day-to-day operations of the companies we advise and the day-to-day operations of the respective subsidiaries, in each case in conformity with the respective investment guidelines of such entity. The base fee is determined as a percentage of each entity’s total market capitalization, subject to a minimum fee. We may also be entitled to receive an incentive fee, payable in cash or a combination of cash and stock, from each of Ashford Trust and Ashford Prime based on their respective out-performance of their peers, as measured by the total annual stockholder return of such company compared to its peers. For the year ended December 31, 2016, we earned revenues of \$16.6 million and \$51.0 million from Ashford Prime and Ashford Trust, respectively. For the year ended December 31, 2015, we earned revenues of \$15.5 million and \$43.4 million from Ashford Prime and Ashford Trust, respectively.

We expect to expand our business through growth by (i) managing additional assets of the existing platforms of Ashford Trust or Ashford Prime; (ii) managing assets of newly formed platforms; (iii) acquiring other businesses that provide services to the hospitality industry (which may or may not provide such services to our advisory clients), or acquiring the expertise or personnel necessary to provide such services, and (iv) acquiring third-party asset management contracts and businesses.

Ashford Investment Management, LLC (“AIM”), an indirect subsidiary of ours, or an affiliate of AIM, currently serves, or will serve in the future, as the investment adviser to any private securities funds sponsored by us or our affiliates, which may include, but are not limited to, hedge funds, private equity funds, separately managed accounts, UCITS funds, open or closed end funds registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”) business development companies and other private or public alternative investment funds (the “Funds”). AIM became a registered investment adviser with the Securities and Exchange Commission on January 5, 2015. AIM REHE Funds GP, LP (“AIM GP”), or an affiliate of AIM GP, currently serves, or will serve in the future, as the general

partner or similar capacity of any Funds. AIM or any affiliate serving as investment adviser to any Funds is entitled to a management fee or other fees or compensation for its role as investment adviser to such Funds. AIM GP, or the applicable affiliate of AIM GP serving as the general partner or similar capacity of any Funds, is entitled to a performance allocation or carried interest, based, generally, on the net profits of the investors in such Funds. AIM Management Holdco, LLC (“Management Holdco”) owns 100% of AIM. We, through Ashford LLC, own 100% of Management Holdco. AIM Performance Holdco, LP (“Performance Holdco”) owns 99.99% of AIM GP with the remaining 0.01% general

partner interest owned by our wholly owned subsidiary, AIM General Partner, LLC. We, through Ashford LLC and our 100% ownership interest in AIM General Partner, LLC, own approximately 60% of Performance Holdco, and Mr. Monty J. Bennett and Mr. J. Robison Hays, III own, in the aggregate, 40% of Performance Holdco. During 2016, AIM served as investment adviser to the AIM Real Estate Hedged Equity (U.S.) Fund, LP, (the "U.S. Fund"), AIM Real Estate Hedged Equity (Cayman) Fund, Ltd.(the "Offshore Fund") and AIM Real Estate Hedged Equity Master Fund, LP (the "Master Fund"), a master-feeder private fund focused on investing in various securities.

On February 23, 2016 the board of directors of the "Offshore Fund"), in consultation with AIM, resolved to wind down the Offshore Fund. All investments in the Offshore Fund were redeemed on February 29, 2016. The Master Fund and the U.S. Fund continued to operate, but under new names: "Ashford Quantitative Alternatives Master Fund, LP" (the "AQUA Master Fund") and "Ashford Quantitative Alternatives (U.S.), LP" (the "AQUA U.S. Fund" and, together with the AQUA Master Fund, the "AQUA Fund"), respectively, effective March 1, 2016.

On January 19, 2017, AIM entered into an Investment Management Agreement (the "Agreement") with AHT SMA, LP, a Delaware limited partnership (the "Client") and a wholly-owned subsidiary of Ashford Trust to manage all or a portion of Ashford Trust's excess cash (the "Account"). Pursuant to the Agreement, Client retained and appointed AIM as the investment manager of Client. The Agreement will govern the relationship between Client and AIM, as well as grant AIM certain rights, powers and duties to act on behalf of Client. AIM will not be compensated by Client for its services under the Agreement. Client bears all costs and expenses of the establishment and ongoing maintenance of the Account as well as all costs and expenses of AIM.

On March 7, 2017, AIM GP, the general partner of the AQUA U.S. Fund, provided written notice to the AQUA U.S. Fund's limited partners of its election to dissolve the AQUA U.S. Fund pursuant to Section 6.1(a) of the Second Amended and Restated Limited Partnership Agreement of the AQUA U.S. Fund as of March 31, 2017 (the "Dissolution Date"). In connection with the dissolution of the AQUA U.S. Fund, the AQUA Master Fund will also be liquidated in accordance with the laws of the Cayman Islands.

The balance of all limited partners' capital accounts in the AQUA U.S. Fund, less an audit hold-back of 5%, will be distributed to limited partners in cash on the Dissolution Date, and thereafter limited partners will cease to be a limited partner of the AQUA U.S. Fund. The balance will be paid to limited partners (without interest) promptly following the completion of the audits of the AQUA U.S. Fund's and the AQUA Master Fund's financial statements for the period January 1, 2017 through March 31, 2017, which we expect to be on or before June 30, 2017.

Our Advisory Agreements

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

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

to be elected. Such nominees may be our executive officers.

Our Duties as Advisor. Subject to the supervision of the respective boards of directors of each of Ashford Prime and Ashford Trust, we are responsible for, among other duties: (1) performing and administering the day-to-day operations of Ashford Prime and Ashford Trust, including all of the subsidiaries and joint ventures of such entities, (2) all services relating to the acquisition, disposition and financing of hotels, (3) performing asset management duties, (4) engaging and supervising, on behalf of such companies, third parties to provide various services included but not limited to overseeing development management, property

management, project management, design and construction services and other professional services, (5) performing corporate governance and other management functions, including financial, capital markets, treasury, financial reporting, internal audit, accounting, tax and risk management services, SEC and regulatory compliance, and retention of legal counsel, auditors and other professional advisors, as well as other duties and services outlined in the advisory agreements.

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

We are the exclusive asset manager for each of Ashford Prime and Ashford Trust; provided, that if the independent directors of either Ashford Prime or Ashford Trust along with our independent directors determine that a proposed acquisition of property would be uneconomic to Ashford Prime or Ashford Trust without additional incentives, Ashford Prime or Ashford Trust will have the option of utilizing us as the asset manager or engaging a third party as the asset manager.

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

We have agreed, from time to time, to make mutually agreed upon “key money investments” in the subsidiaries and affiliates of each of Ashford Trust and Ashford Prime to facilitate such companies, subsidiaries or affiliates’ acquisition of one or more properties, if the independent directors of Ashford Prime or Ashford Trust, as applicable, and Ashford Inc. determine that without such an investment, the acquisition of such property would be uneconomic to Ashford Prime or Ashford Trust. Any such assets are referred to as “key money assets.” Any key money investment will be in the form of, but not limited to, cash, notes, equity of Ashford Inc., the acquisition of furniture, fixture and equipment for use at the subject hotel, or as agreed to at the time a key money investment is made. Upon any such key money investment, Ashford Prime or Ashford Trust will engage Ashford LLC as the asset manager for the related key money asset and will pay the key money asset management fees which are included in the base fees. Ashford Prime or Ashford Trust may also agree to additional incentive fees based on the performance of any key money asset. Ashford Prime or Ashford Trust will be obligated to pay us the “key money clawback amount,” which is equal to the difference between a per annum return of 5% on a key money asset together with the initial key money investment amount and the amount actually received by us (through key money asset management fees and key money incentive fees, if applicable) related to such key money asset, if the Advisory Agreement (or the applicable asset management agreement) is terminated by Ashford Prime or Ashford Trust for any reason or such companies dispose of such key money asset (calculated on an investment by investment basis).

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

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

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

Term and Termination. The terms of our advisory agreements with Ashford Prime and Ashford Trust are 10 years, in each case commencing from the effective date of the applicable advisory agreement. Each advisory agreement provides for automatic five-year renewal terms unless previously terminated as described below. Following the 10-year initial terms, the advisory agreements may be terminated by Ashford Prime or Ashford Trust, as applicable, with 180 days' written notice prior to the expiration of the then current term, on the affirmative vote of at least two-thirds of the independent directors of such entity, based upon a good faith finding that either (a) there has been unsatisfactory performance by us that is materially detrimental to such company and the subsidiaries of such company taken as a whole, or (b) the base fee and/or incentive fee (each as defined in the advisory agreements) is not fair based on the then-current market for such fees (and we do not offer to negotiate a lower fee that at least a

majority of the independent directors determine is fair). If the reason for non-renewal specified by such company in the termination notice is (b) in the preceding sentence, then we may, at our option, provide a notice of proposal to renegotiate the base fee and incentive fee not less than 150 days prior to the pending termination date. Thereupon, each party has agreed to use its commercially reasonable efforts to negotiate in good faith to find a resolution on fees within 120 days following receipt by such company of the renegotiation proposal. If a resolution is achieved between us and at least a majority of the independent directors of such entity, within the 120-day period, then the applicable advisory agreement will continue in full force and effect with modification only to the agreed upon base fee and/or incentive fee, as applicable.

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

12 multiplied by the our net earnings (as defined in the advisory agreement) for the 12-month period preceding the termination date of our advisory agreement. For purposes of this calculation, "Net Earnings" is defined as (A) our reported Adjusted EBITDA (as defined in our advisory agreement) for the 12-month period preceding the termination of our advisory agreement (adjusted to assume our advisory agreement was in place for the full 12-month period if it otherwise was not), as reported in our earnings releases less (B) our pro forma Adjusted EBITDA (as defined in our advisory agreement) assuming our advisory agreement was not in place during such period plus (C) all EBITDA (Net Income (per Generally Accepted Accounting Principles ("GAAP"))) plus interest expenses, income taxes, depreciation and amortization) of ours and any of our affiliates and subsidiaries from providing any service or product to the applicable company, its operating partnership or any of its affiliates or subsidiaries, exclusive of EBITDA directly resulting from our advisory agreement;

the earnings multiple (calculated as our total enterprise value divided by our adjusted EBITDA) for our common stock per the 12-month period preceding the termination date multiplied by our net earnings (as defined in the advisory agreement) for the 12 months preceding the termination; or

the simple average of our earnings multiples for the three fiscal years preceding the termination (calculated as our total enterprise value divided by our adjusted EBITDA for such periods) multiplied by our net earnings (as defined in the advisory agreement) for the 12 months preceding the termination;

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

Ashford Prime and Ashford Trust have agreed that if we and Remington Lodging consummate the Transactions, that for purposes of determining the termination fee under the advisory agreement, our "Net Earnings" and "Adjusted EBITDA" shall not include Adjusted EBITDA arising under the Remington Master Management Agreement attributable to management fees, project management fees and market service fees (all as defined in the Remington Master Management Agreement) earned by Remington Lodging and/or its subsidiaries and consolidated with us. Ashford Prime or Ashford Trust may also terminate the applicable advisory agreement with 60 days' notice upon a change of control of such entity, if the change of control transaction is conditioned upon the termination of the advisory agreement. In such a circumstance, Ashford Trust or Ashford Prime, as applicable, would be required to pay the accrued costs and termination fee described above.

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

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

agreement other than termination as a result of change of control of our company.

Following the 10-year initial term, we may terminate either advisory agreement prior to the expiration of each successive then-current term with 180 days' prior written notice. Additionally, we may terminate either advisory agreement if Ashford Prime

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or Ashford Trust, as applicable, defaults in the performance or observance of any material term, condition or covenant under the applicable advisory agreement; provided, however, before terminating the advisory agreement, we must give Ashford Prime or Ashford Trust, as applicable, written notice of the default and provide such entity with an opportunity to cure the default within 45 days, or if such default is not reasonably susceptible to cure within 45 days, such additional cure period as is reasonably necessary to cure the default (not to exceed 90 days) so long as such entity is diligently and in good faith pursuing such cure. In the event of such a termination, we will be entitled to all accrued fees and expenses.

Fees and Expenses.

Base Fee. The total quarterly base fee per annum is based on a declining sliding scale percentage of the total market capitalization of each of Ashford Prime and Ashford Trust plus the Key Money Asset Management Fee (defined in our advisory agreements as the aggregate gross asset value of all key money assets multiplied by 0.7%), subject to a minimum quarterly base fee. The “total market capitalization” for purposes of determining the base fee is calculated on a quarterly basis as follows:

- (i) the average of the volume-weighted average price per share of common stock for Ashford Prime or Ashford Trust, as applicable, for each trading day of the preceding quarter multiplied by the average number of shares of common stock and common units outstanding during such quarter, on a fully-diluted basis (assuming all common units and long term incentive partnership units in the applicable operating partnership which have achieved economic parity with common units in the applicable operating partnership have been redeemed and the applicable company has elected to issue common stock of such company in satisfaction of the redemption price), plus
- (ii) the quarterly average of the aggregate principal amount of the consolidated indebtedness of such company (including its proportionate share of debt of any entity that is not consolidated but excluding its joint venture partners’ proportionate share of consolidated debt), plus
- (iii) the quarterly average of the liquidation value of any outstanding preferred equity of such company, and multiplying the sum of (i), (ii), and (iii) above by the Key Money Asset Factor (defined in our advisory
- (iv) agreements as 1 minus the quotient resulting from dividing the aggregate gross book value of all key money assets by the aggregate gross book value of such entity’s assets (including key money assets).

The minimum base fee for Ashford Prime, and the minimum base fee for Ashford Trust for each quarter beginning January 1, 2016 or thereafter will be equal to the greater of:

- (i) 90% of the base fee paid for the same quarter in the prior year; and
- (ii) the “G&A ratio” multiplied by the total market capitalization of such company.

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

Incentive Fee. In each year that the Total Stockholder Return (“TSR”) of Ashford Prime or Ashford Trust exceeds the “average TSR of its peer group,” Ashford Prime or Ashford Trust, as applicable is required to pay us an incentive fee. For purposes of this calculation, the TSR of such entity is calculated using a year-end stock price equal to the closing price of its common stock on the last trading day of the year as compared to the closing stock price of its common stock on the last trading day of the prior year (or, with respect to Ashford Trust, for the stub period ending December 31, 2014, the closing stock price of its common stock on November 13, 2014), in each case assuming all dividends on the common stock during such period are reinvested into additional shares of common stock of such entity. The average TSR for each member of such company’s peer group is calculated in the same manner and for the same time period, and the simple average for the entire peer group is the “average TSR for its peer group.” If the TSR of Ashford Prime or Ashford Trust exceeds the average TSR for its peer group, we will be paid an incentive fee, subject to the FCCR Condition, as defined below.

The annual incentive fee is calculated as (i) 5% of the amount (expressed as a percentage but in no event greater than 25%) by which the annual TSR of Ashford Trust or Ashford Prime, as applicable, exceeds the average TSR for its respective peer group, multiplied by (ii) the fully diluted equity value of such company at December 31 of the

applicable year. Further, with respect to Ashford Trust, for the stub period ended December 31, 2014, the product from the incentive fee

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calculation was reduced proportionately based on the number of days in which the advisory agreement with Ashford Trust was in effect for the calendar year 2014 divided by 365 days. To determine the fully diluted equity value, we assume that all units in the operating partnership of Ashford Prime or Ashford Trust, as applicable, including Long-Term Incentive Plan (“LTIP”) units that have achieved economic parity with the common units, if any, are redeemed and the applicable company has elected to issue common stock of such company in satisfaction of the redemption price and that the per share value of each share of common stock of such company is equal to the closing price of its stock on the last trading day of the year. The incentive fee, if any, subject to the FCCR Condition (defined below), is payable in arrears in three equal annual installments with the first installment payable on January 15 following the applicable year for which the incentive fee relates and on January 15 of the next two successive years. Notwithstanding the foregoing, upon any termination of the advisory agreement for any reason, any unpaid incentive fee (including any incentive fee installment for the stub period ending on the termination date) will become fully earned and immediately due and payable without regard to the FCCR Condition defined below. Except in the case when the incentive fee is payable on the date of termination of this Agreement, up to 50% of the incentive fee may be paid by each Ashford Prime or Ashford Trust, at the option of such entity, in shares its common stock of or common units of the applicable operating partnership or such entity, with the balance payable in cash, unless at the time for payment of the incentive fee:

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

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

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

Expense Reimbursement. We are responsible for all wages, salaries, cash bonus payments and benefits related to our employees providing services to Ashford Prime or Ashford Trust (including any of the officers of Ashford Prime or Ashford Trust who are also officers of our company), with the exception of any equity compensation that may be awarded by Ashford Prime or Ashford Trust to our employees who provide services to Ashford Prime and Ashford Trust, the provision of certain internal audit, asset management and risk management services and the international office expenses described below. Ashford Prime and Ashford Trust are each responsible to pay or reimburse us monthly for all other costs we incur on behalf of such entities or in connection with the performance of our services and duties to such companies, including, without limitation, tax, legal, accounting, advisory, investment banking and other third-party professional fees, director fees, insurance (including errors and omissions insurance and any other insurance required pursuant to the terms of the advisory agreements), debt service, taxes, underwriting, brokerage, reporting, registration, listing fees and charges, travel and entertainment expenses, conference sponsorships,

transaction diligence and closing costs, dead deal costs, dividends, office space, the cost of all equity awards or compensation plans established by such companies, including the value of awards made by companies to our employees, and any other costs which are reasonably necessary for the performance by us of our duties and functions, including any expenses incurred by us to comply with new or revised laws or governmental rules or regulations that impose additional duties on Ashford Prime or Ashford Trust or us in our capacity as advisor to such entities. In addition, each of Ashford Prime and Ashford Trust pays a pro rata share of our

office overhead and administrative expenses incurred in the performance of our duties and functions under the advisory agreements. There is no specific limitation on the amount of such reimbursements.

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

Additional Services. If, and to the extent that, either Ashford Prime or Ashford Trust requests us to render services on behalf of such company other than those required to be rendered by us under the advisory agreement, such additional services will be compensated separately, at market rates, as defined in the advisory agreements.

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

Relationship with Ashford Prime and Ashford Trust. We advise both Ashford Prime and Ashford Trust. We are also permitted to have other advisory clients, which may include other REITs operating in the real estate industry or having the same or substantially similar investment guidelines as Ashford Trust or Ashford Prime. If either Ashford Prime or Ashford Trust materially revises its initial investment guidelines without our express written consent, we are required only to use our best judgment to allocate investment opportunities to Ashford Prime, Ashford Trust and other entities we advise, taking into account such factors as we deem relevant, in our discretion, subject to any of our then existing obligations to such other entities. Ashford Prime has agreed not to revise its initial investment guidelines to be directly competitive with Ashford Trust. Ashford Trust agrees, pursuant to the terms of the Ashford Trust advisory agreement, that it will revise its investment guidelines as necessary to avoid direct competition with (i) any entity or platform that Ashford Trust may create or spin-off in the future and (ii) any other entity advised by us, provided that in the case of clause (ii), we and Ashford Trust mutually agree to the terms of such revision of Ashford Trust's investment guidelines. The advisory agreements give each of Ashford Prime and Ashford Trust the right to equitable treatment with respect to other clients of ours, but the advisory agreements do not give any entity the right to preferential treatment, except as follows:

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

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

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

When determining whether an asset satisfies the investment guidelines of either Ashford Prime or Ashford Trust, we must make a good faith determination of projected RevPAR, taking into account historical RevPAR as well as such additional considerations as conversions or reposition of assets, capital plans, brand changes and other factors that

may reasonably be forecasted to raise RevPAR after stabilization of such initiative.

If Ashford Prime or Ashford Trust elect to spin-off, carve-out, split-off or otherwise consummate a transfer of a division or subset of assets for the purpose of forming a joint venture, a newly created private platform or a new publicly traded company to

hold such division or subset of assets constituting a distinct asset type and/or investment guidelines, Ashford Trust and Ashford Prime have agreed that any such new entity will be advised by us pursuant to an advisory agreement containing substantially the same material terms set forth in our advisory agreement with Ashford Prime or Ashford Trust, as applicable.

Fourth Amended and Restated Advisory Agreement. On January 24, 2017, we entered into an amended and restated advisory agreement with Ashford Prime (the “Amended and Restated Ashford Prime Advisory Agreement”) that amends and restates the advisory agreement with Ashford Prime discussed herein. The Amended and Restated Ashford Prime Advisory Agreement will not become effective unless and until it is approved by Ashford Prime’s stockholders. The material terms of the Amended and Restated Ashford Prime Advisory agreement include:

Ashford Prime will make a cash payment to us of \$5.0 million at the time the Amended and Restated Ashford Prime Advisory Agreement becomes effective;

the termination fee payable to us under the advisory agreement has been amended by eliminating the 1.1x multiplier and tax gross up components of the fee;

we will disclose publicly the revenues and expenses used to calculate “Net Earnings” on a quarterly basis which is used to calculate the termination fee; we will retain an accounting firm to provide a quarterly report to Ashford Prime on the reasonableness of our determination of expenses, which will be binding on the parties;

our right under the advisory agreement to appoint a “Designated CEO” has been eliminated;

our right to terminate the advisory agreement due to a change in a majority of the “Company Incumbent Board” (as defined in the advisory agreement) has been eliminated;

Ashford Prime will be incentivized to grow its assets under a “growth covenant” in the Amended and Restated Ashford Prime Advisory Agreement under which Ashford Prime will receive a deemed credit against a base amount of \$45.0 million for 3.75% of the total purchase price of each hotel acquired after the date of the Amended and Restated Ashford Prime Advisory Agreement that was recommended by us, netted against 3.75% of the total sale price of each hotel sold after the date of the Amended and Restated Ashford Prime Advisory Agreement. The difference between \$45.0 million and this net credit, if any, is referred to as the “Uninvested Amount.” If the Amended and Restated Ashford Prime Advisory Agreement is terminated, other than due to certain acts by us, Ashford Prime must pay us the Uninvested Amount, in addition to any other fees payable under the Amended Agreement;

the Amended and Restated Ashford Prime Advisory Agreement requires Ashford Prime to maintain a net worth of not less than \$390 million plus 75% of the equity proceeds from the sale of securities by Ashford Prime after December 31, 2016 and a covenant prohibiting Ashford Prime from paying dividends except as required to maintain its REIT status if paying the dividend would reduce Ashford Prime’s net worth below the required minimum net worth;

the initial term of the Amended and Restated Ashford Prime Advisory Agreement ends on the 10th anniversary of its effective date, subject to renewal by us for up to seven additional successive 10-year terms;

the base management fee payable to us will be fixed at 70 bps, and the fee will be payable on a monthly basis; reimbursements of expenses to us will be made monthly in advance, based on an annual expense budget, with a quarterly true-up for actual expenses;

the right of Ashford Prime to terminate the advisory agreement due to a change of control experienced by us has been eliminated;

the rights of Ashford Prime to terminate the advisory agreement at the end of each term upon payment of the termination fee based on the parties being unable to agree on new market-based fees or our performance have been eliminated; however, the Amended and Restated Ashford Prime Advisory Agreement provides a mechanism for the parties to renegotiate the fees payable to us at the end of each term based on then prevailing market conditions, subject to floors and caps on the changes;

if a Change of Control (as defined in the Amended and Restated Ashford Prime Advisory Agreement) is pending, Ashford Prime has agreed to deposit not less than 50%, and in certain cases 100%, of the applicable termination fee in escrow, with the payment of any remaining amounts owed to us secured by a letter of credit or first priority lien on certain assets;

Ashford Prime’s ability to terminate the Amended and Restated Ashford Prime Advisory Agreement due to a material default by us is limited to instances where a court finally determines that the default had a material adverse effect on

Ashford Prime and we fail to pay monetary damages in accordance with the Amended and Restated Ashford Prime Advisory Agreement; and

if Ashford Prime repudiates the Amended and Restated Ashford Prime Advisory Agreement, through actions or omissions that constitute a repudiation as determined by a final non-appealable order from a court of competent jurisdiction, Ashford Prime will be liable to us for a liquidated damages amount.

Our Mutual Exclusivity Agreement

We and Ashford LLC, our operating company, entered into a mutual exclusivity agreement with Remington Lodging, that was consented and agreed to by Mr. Monty J. Bennett, regarding potential future advisory clients for us and property management clients for Remington Lodging. Mr. Monty J. Bennett and his father Mr. Archie Bennett, Jr. are the sole owners of Remington Lodging, and Mr. Monty J. Bennett is the chief executive officer of Remington Lodging. Pursuant to this agreement, we have agreed to utilize Remington Lodging to provide property management, project management and development services for all hotels that future companies we may advise or may acquire, to the extent that we have the right, or control the right, to direct such matters, subject to certain exceptions.

Our Financing Strategy

We currently do not use leverage, and therefore have no market risk sensitive instruments; however, we may decide to use leverage to meet future capital needs. Our organizational documents do not limit our capacity to use leverage or the amount we may use. We may choose to utilize asset specific debt or a corporate credit facility. Our financing objective is to manage our capital structure effectively in order to provide sufficient capital to execute our business strategies and in turn add value to stockholders. We may from time to time use derivative instruments primarily to hedge against our cash flows.

Regulation

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

REIT Regulations. Each of Ashford Prime and Ashford Trust has elected and is qualified and expects to continue to qualify to be taxed as a REIT under Section 856 through 860 of the Code. As REITs, such companies must currently distribute, at a minimum, an amount equal to 90% of their taxable income. In addition, such companies must distribute 100% of taxable income to avoid paying corporate federal income taxes. REITs are also subject to a number of organizational and operational requirements in order to elect and maintain REIT status. These requirements include specific share ownership tests and assets and gross income composition tests. If either Ashford Prime or Ashford Trust fails to continue to qualify as a REIT in any taxable year, it is subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates. Even if such companies continue to qualify for taxation as REITs, they may be subject to state and local income taxes and to federal income tax and excise tax on their undistributed income. Under the Protecting Americans from Tax Hikes Act of 2015, enacted on December 18, 2015, several Internal Revenue Code provisions relating to REITs and their stockholders were revised. These new rules were enacted with varying effective dates, some of which were retroactive.

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

Affordable Care Act. We could be subject to excise taxes under the employer mandate provisions of the Affordable Care Act ("ACA") if we did not offer affordable, minimum value health care coverage to substantially all of our full-time employees and their dependents. Any such penalty would be based on the number of full-time employees. We do not anticipate being subject to a penalty under the ACA; however, even in the event that we are, any such penalty would be less than \$200,000 as we had 103 full-time employees as of December 31, 2016.

Environmental Matters. Under various laws relating to the protection of the environment, a current or previous owner or operator (including tenants) of real estate may be liable for contamination resulting from the presence or discharge of hazardous

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or toxic substances at that property and may be required to investigate and clean up such contamination at that property or emanating from that property. These costs could be substantial and liability under these laws may attach without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the liability may be joint and several. The presence of contamination or the failure to remediate contamination at the hotels owned by Ashford Prime or Ashford Trust may expose such entities, and potentially us, to third-party liability or materially and adversely affect the ability to sell, lease or develop the real estate or to incur debt using the real estate as collateral.

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

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

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

Distributions and Our Distribution Policy

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

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

Competition

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

may want to pursue.

Ashford Prime and Ashford Trust each compete with many third parties engaged in the hotel industry. Competition in the hotel industry is based on a number of factors, most notably convenience of location, brand affiliation, price, range of services, guest amenities or accommodations offered and quality of customer service. Competition is often specific to the individual markets in which properties are located and includes competition from existing and new hotels. We believe that hotels that are affiliated with leading national brands, such as the Marriott or Hilton brands, will enjoy the competitive advantages associated with operating

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under such brands. Increased competition could have a material adverse effect on the occupancy rate, average daily room rate and RevPAR of the hotels owned by Ashford Prime or Ashford Trust or may require capital improvements that otherwise would not have to be made, which may result in decreases in the profitability of Ashford Prime or Ashford Trust and decreased advisory fees to us. Since the fees we receive are based upon total equity market capitalization and total shareholder returns, such fees are impacted by relative performance of the share price of Ashford Trust and Ashford Prime compared to competitive REITs.

Insurance

We are required to have insurance programs to comply with our contractual obligations and as reasonably necessary for our business.

Shareholder Rights Plan

On November 16, 2014, we adopted a shareholder rights plan by entering into a Rights Agreement, dated November 17, 2014, with ComputerShare Trust Company, N.A., as rights agent (the "Rights Agreement"). We intend for the shareholder rights plan to improve the bargaining position of our board of directors in the event of an unsolicited offer to acquire our outstanding shares of common stock. Our board of directors implemented the rights plan by declaring a dividend of one preferred share purchase right that was paid on November 27, 2014, for each outstanding share of our common stock on November 27, 2014, to our stockholders of record on that date. Each of those rights becomes exercisable on the Distribution Date (defined below) and entitles the registered holder to purchase from the Company one one-thousandth of a share of our Series A Preferred Stock, par value \$0.01 per share, at a price of \$275 per one one-thousandth of a share of our Series A Preferred Stock represented by such a right, subject to adjustment.

Initially, the rights will be attached to all certificates representing our common stock, and no separate certificates evidencing the rights will be issued. The Rights Agreement provides that, until the date on which the rights separate and begin trading separately from our common stock (which we refer to as the "Distribution Date"), the rights will be transferred only with the shares of our common stock. The Distribution Date will occur, and the rights would separate and begin trading separately from the shares of our common stock, and certificates representing the rights will be issued to evidence the rights, on the earlier to occur of:

- 10 business days following a public announcement, or the public disclosure of facts indicating, that a person or group of affiliated or associated persons has acquired beneficial ownership (as defined in the Rights Agreement) of 10% or more of the outstanding shares of common stock, (referred to, subject to certain exceptions as "Acquiring Persons") (or, in the event an exchange of the rights for shares of our common stock is effected in accordance with certain provisions of the Rights Agreement and our board of directors determines that a later date is advisable, then such later date that is not more than 20 days after such public announcement); or
 - 10 business days (or such later date as may be determined by action of our board of directors prior to such time as any person becomes an Acquiring Person) of 10% or more of the outstanding shares of our common stock
- (i) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 10% or more of the outstanding shares of our common stock.

The rights also become exercisable if a person or group that already beneficially owns 10% or more of our common stock acquires any additional shares of our common stock without the approval of our board of directors, except that the Distribution Date will not occur as a result of our company, one of our subsidiaries, one of our employee benefit plans or a trustee for one of those plans, or Mr. Monty J. Bennett and certain of his affiliates and associates (so long as they own 20% or less of our outstanding common stock), acquiring additional shares of our common stock, and those persons will not be Acquiring Persons.

If a person or group becomes an Acquiring Person at any time, with certain limited exceptions, the rights will become exercisable for shares of our common stock (or, in certain circumstances, shares of our Series A Preferred Stock or other of our securities that are similar) having a value equal to two times the exercise price of the right. From and after the announcement that any person has become an Acquiring Person, if certificated rights are or were at any time on or after the earlier of (i) the date of such announcement or (ii) the Distribution Date acquired or beneficially owned by an Acquiring Person or an associate or affiliate of an Acquiring Person, such rights shall become void, and any holder of such rights shall thereafter have no right to exercise such rights. In addition, if, at any time after a person becomes an Acquiring Person, (i) we consolidate with, or merge with and into, any other person; (ii) any person consolidates with

us, or merges with and into us and we are the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the shares of our common stock are or will be changed into or exchanged for stock or other securities of any other person (or of ours) or cash or any other property; or (iii) 50% or more of our consolidated assets or earning power (as defined in the Rights Agreement) are sold, then proper provision will be made so that each holder of a right will thereafter have the right to receive, upon the exercise of a right at the then current exercise price of the right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market

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value of two times the exercise price of the right. Upon the occurrence of an event of the type described in this paragraph, if our board of directors so elects, we will deliver upon payment of the exercise price of a right an amount of cash or securities equivalent in value to the shares of common stock issuable upon exercise of a right. If we fail to meet that obligation within 30 days following of the announcement that a person has become an Acquiring Person, we must deliver, upon exercise of a right but without requiring payment of the exercise price then in effect, shares of our common stock (to the extent available) and cash equal in value to the difference between the value of the shares of our common stock otherwise issuable upon the exercise of a right and the exercise price then in effect. The rights are set to expire February 25, 2018.

Employees

At December 31, 2016, we had 103 full time employees. These employees directly or indirectly perform various acquisition, development, asset and investment management, capital markets, accounting, tax, risk management, legal, redevelopment, and corporate management functions for Ashford Prime and Ashford Trust.

Emerging Growth Company Status

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act (“JOBS Act”), and we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies.” These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Although we are still evaluating the JOBS Act, we may take advantage of some or all of the reduced regulatory and reporting requirements that are available to us as long as we qualify as an emerging growth company, except that we have irrevocably elected not to take advantage of the extension of time to comply with new or revised financial accounting standards available under Section 102(b) of the JOBS Act.

We, in general, remain as an emerging growth company for up to five full fiscal years following our separation from Ashford Trust. We would cease to be an emerging growth company and, therefore, become ineligible to rely on the above exemptions, if we:

- have more than \$1 billion in annual revenue in a fiscal year;
- issue more than \$1 billion of non-convertible debt during the preceding three-year period; or
- become a “large accelerated filer” as defined in Exchange Act Rule 12b-2, which would occur after: (i) we have filed at least one annual report pursuant to the Exchange Act; (ii) we have been an SEC-reporting company for at least 12 months; and (iii) the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter.

Access To Reports and Other Information

We maintain a website at www.ashfordinc.com. On our website, we make available free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after we electronically file such material with the SEC. In addition, our Code of Business Conduct and Ethics, Code of Ethics for the Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, Corporate Governance Guidelines, and Board Committee Charters are also available free-of-charge on our website or can be made available in print upon request.

All reports filed with the SEC may also be read and copied at the SEC’s Public Reference Room at 100 F Street, N.E. Washington, D.C. 20549-1090. Further information regarding the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. In addition, all of our filed reports can be obtained at the SEC’s website at www.sec.gov.

Item 1A. Risk Factors

Risks Related to Our Business

The asset and investment management businesses are highly competitive.

The asset and investment management businesses are highly competitive. Competition in these businesses is driven by a variety of factors including: asset and investment performance; the quality of service provided to the companies and investment funds we advise; investor perception of an asset and investment manager's drive, focus and alignment of interest; terms of investment, including the level of fees and expenses charged for services; our actual or perceived financial condition, liquidity and stability; the duration of relationships with investors; brand recognition; and business reputation. We expect to face competition primarily from other asset and investment management firms, private equity funds, hedge funds, other financial institutions, sovereign wealth funds, corporate buyers and other parties. A number of factors serve to increase our competitive risks:

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

The investments of the entities we currently advise are concentrated in the hotel industry. Our business would be adversely affected by an economic downturn in that sector, and we will be significantly influenced by the economies and other conditions in the specific markets in which our asset management clients operate.

Substantially all of the investments of Ashford Prime and Ashford Trust are concentrated in the hotel industry. Additionally, investment funds we manage are concentrated in the hospitality, real estate and leisure industries. These concentrations may expose such entities, and therefore us, to the risk of economic downturns in the hotel real estate sector to a greater extent than if the investments of such entities were diversified across other sectors of the real estate or other industries. Similarly, we are particularly susceptible to adverse market conditions in areas in which our asset management clients have high concentrations of properties. Industry downturns, relocation of businesses, any oversupply of hotel rooms, a reduction in lodging demand or other adverse economic developments in the hotel industry generally or in areas where our asset management clients have a high concentration of properties could adversely affect us.

Failure of the hotel industry to exhibit sustained improvement or to improve as expected may adversely affect us. Currently, our primary sources of revenues are the advisory agreements with Ashford Prime and Ashford Trust. A substantial part of the business plan of each of these entities is based on management's belief that the lodging markets in which such entities invest will experience improving economic fundamentals in the future, despite that fundamentals have already substantially improved over the last several years. In particular, the business strategy of each of these entities is dependent on the expectation that key industry performance indicators, especially RevPAR, will continue to improve. Investment funds we manage rely in part on these assumptions, as well. There can be no assurance as to whether or to what extent, hotel industry fundamentals will continue to improve. If conditions in the industry do not sustain improvement or improve as expected, or deteriorate, we may be adversely affected.

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

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

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

We have limited experience operating internationally but we may do so in the near future, in our capacity as advisor to an entity with international operations. As a result of any future international operations conducted by us, our business and financial results in the future could be adversely affected due to currency fluctuations, social or judicial instability, acts or threats of terrorism, changes in governmental policies or policies of central banks, expropriation, nationalization and/or confiscation of assets, price controls, fund transfer restrictions, capital controls, exchange rate controls, taxes, inadequate intellectual property protection, unfavorable political and diplomatic developments, changes in legislation or regulations and other additional international developments or restrictive actions. These risks are especially acute in emerging markets. As in the United States, many non-U.S. jurisdictions in which we may do business have been negatively impacted by recessionary conditions. While a number of these jurisdictions are showing signs of recovery from the recession that began in late 2007, others continue to experience increasing levels of stress. In addition, the risk of default on sovereign debt in some non-U.S. jurisdictions could expose us to substantial losses. Any such unfavorable conditions or developments could have an adverse impact on our businesses

and results of operations.

We may also experience difficulty entering new international markets due to regulatory barriers, the necessity of adapting to new regulatory systems and problems related to entering new markets with different cultural bases and political systems. These difficulties may prevent, or significantly increase the cost of, our international expansion. In addition, changes in policies or laws of the U.S. or foreign governments resulting in, among other things, higher taxation, currency conversion limitations, restrictions on fund transfers or the expropriation of private enterprises, could reduce the anticipated benefits of our international expansion. Any actions by countries in which we conduct business to reverse policies that

encourage investment could adversely affect our business. If we fail to realize the anticipated growth of our future international operations, our business and operating results could suffer.

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

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

Additionally, the performance allocations or incentive fees we earn in our investment management business is driven by the performance of these investment funds.

Our ability to earn these fees is subject to a number of risks, many of which are beyond our control, including monetary and fiscal policies, domestic and international economic conditions, political considerations and capital markets. To the extent that general capital markets activity slows down or comes to a halt (as was the case during the recession that began in late 2007), our clients may have difficulty growing. This risk is based on micro- and macro-economic market factors including but not limited to disruptions in the debt and equity capital markets, resulting in the lack of access to capital or prohibitively high costs of obtaining or replacing capital. Despite recent improvements, the markets could suffer another severe downturn and another liquidity crisis could emerge.

We are predominantly dependent on Ashford Prime and Ashford Trust as our only current asset management clients for substantially all of our operating revenue, the loss of either of which, or their failure or inability to pay any amounts owed to us, including under their advisory agreements, could adversely affect our business, financial condition, prospects and results of operations.

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

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

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

The prior performance of Ashford Trust and investment funds we manage are not indicative of our future performance.

We have presented information in this Annual Report on Form 10-K regarding the historical results of Ashford Trust. When considering this information you should consider that the historical results of Ashford Trust are not indicative of the future results that you should expect from us or our common stock. There are significant differences between Ashford Trust and us, and our financial condition and results of operations could vary significantly because our investment, financing, business and other strategies differ from those of Ashford Trust.

As described elsewhere in this document, our future results are subject to many uncertainties and other factors that could cause our financial condition and results of operations to be materially different than that of Ashford Trust.

Additionally, the historical and potential future returns of the investment funds we manage are not directly linked to returns on our common stock. Therefore, readers should not conclude that positive performance of the investment funds we manage will necessarily result in positive returns on our common stock.

Investment funds we manage are subject to counterparty default and concentration risks.

Investment funds we manage may enter into numerous types of financing arrangements with counterparties globally, including loans, hedge contracts, swaps, repurchase agreements and other derivative and non-derivative contracts. The terms of these contracts are often customized and complex, and many of these arrangements occur in markets or relate to products that are not subject to regulatory oversight. Generally, investment funds we manage are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. In particular, some of the investment funds we manage utilize prime brokerage arrangements with a relatively limited number of counterparties, which has the effect of concentrating the transaction volume (and related counterparty default risk) of these investment funds with these counterparties.

Investment funds we manage are subject to the risk that the counterparty to one or more of these contracts defaults, either voluntarily or involuntarily, on its performance under the contract. Any such default may occur rapidly and without notice to us. Moreover, if a counterparty defaults, we may be unable to take action to cover our exposure, either because we lack the contractual ability or because market conditions make it difficult to take effective action. This inability could occur in times of market stress, which are precisely the times when defaults may be most likely to occur. In the event of a counterparty default, particularly a default by a major investment bank, investment funds we manage could incur material losses, and the resulting market impact of a major counterparty default could harm our business, results of operations and financial condition. In the event that one of our counterparties becomes insolvent or files for bankruptcy, our ability to eventually recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding. Investment funds we manage are also exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the investment fund to suffer a loss. Counterparty risk is increased for contracts with longer maturities where events may intervene to prevent settlement, or where the investment fund has concentrated its transactions with a single or small group of counterparties. The absence of a regulated market to facilitate settlement may increase the potential for losses.

In addition, the risk-management models of investment funds we manage may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not take sufficient action to reduce our risks effectively. Default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose us to significant losses.

Investors in investment funds we manage may redeem their investments which would lead to a decrease in our assets under management and, therefore, our revenues.

Investors in investment funds we manage may generally redeem their investments on a monthly basis, subject to the applicable fund's specific redemption provisions. Investors may decide to move their capital away from us to other investments for any number of reasons in addition to poor investment performance. Factors that could result in investors leaving investment funds we manage include the need to increase available cash reserves or to fund other capital commitments, changes in interest rates that make other investments more attractive, the publicly traded nature of the indirect parent of their investment manager, changes in investor perception regarding our focus or alignment of interest, dissatisfaction with changes in or broadening of an investment fund's investment strategy, changes in our reputation, and departures or changes in responsibilities of key investment professionals. In a declining financial market, the pace of redemptions and consequent reduction in our fee paying assets under management could accelerate. The decrease in our revenues that would result from significant redemptions in our investment business could have a material adverse effect on our business.

Our historical financial results as a carve-out of Ashford Trust may not be representative of our results as an independent company.

Some of the historical financial information we have included in this Annual Report on Form 10-K has been prepared from the accounting records of Ashford Trust and does not necessarily reflect what our financial position, results of operations or cash flows would have been had we operated as an independent company during such periods presented. Certain of the historical costs and expenses reflected in our financial statements include an allocation for certain indirect items including salaries, equity-based compensation and general and administrative expenses pro rata based

on an estimate of expenses had the business been run as an independent entity. The allocation methods include relative head count and management's knowledge of the respective operations of the asset management and advisory business. Such historical information does not necessarily indicate what our results of operations, financial position, cash flows or costs and expenses will be in the future.

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If we are unable to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act or our internal control over financial reporting is not effective, the reliability of our financial statements may be questioned and our stock price may suffer.

Section 404 of the Sarbanes-Oxley Act requires any company subject to the reporting requirements of the U.S. securities laws to do a comprehensive evaluation of its and its consolidated subsidiaries' internal control over financial reporting. To comply with this statute, we will eventually be required to document and test our internal control procedures, our management will be required to assess and issue a report concerning our internal control over financial reporting, and our independent auditors will be required to issue an opinion on their audit of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation to meet the detailed standards under the rules. During the course of its testing, our management may identify material weaknesses or deficiencies which may not be remedied in time to meet the deadline imposed by the Sarbanes-Oxley Act. If our management cannot favorably assess the effectiveness of our internal control over financial reporting or our auditors identify material weaknesses in our internal controls, investor confidence in our financial results may weaken, and our stock price may suffer.

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

While we believe our platform for operating our business is highly scalable and can support significant growth without substantial new investment in personnel and infrastructure on a relative basis, we may be wrong in that assessment. It is possible that if our business grows substantially, we will need to make significant new investment in personnel and infrastructure to support that growth. We may be unable to make significant investments on a timely basis or at reasonable costs, and our failure in this regard could disrupt our business and operations.

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

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

We may determine to grow our business through the acquisition of asset and investment management contracts or companies, which entails substantial risk.

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

Valuation methodologies for certain assets in investment funds we manage can be subject to significant subjectivity, and the values of assets established pursuant to such methodologies may never be realized, which could result in significant losses for these investment funds.

There may be no readily-ascertainable market prices for a number of investments in the investment funds we manage. The fair value of such investments of these investment funds is determined periodically by us based on the methodologies described in the investment funds' valuation policies. These policies are based on a number of factors, including the nature of the investment, the expected cash flows from the investment, bid or ask prices provided by third parties for the investment, the length of time the investment has been held, the trading price of securities (in the case of publicly traded securities), restrictions on transfer and other recognized valuation methodologies. The methodologies we use in valuing individual investments are based on a variety of estimates and assumptions specific

to the particular investments, and actual results related to the investment therefore often vary materially from such assumptions or estimates. In addition, because investments held by these investment funds may be in industries or sectors that are unstable, in distress, or in the midst of some uncertainty, such investments are subject to rapid changes in value caused by sudden company-specific or industry-wide developments. Moreover, in many markets, transaction flow is further limited by uncertainty about accurate asset valuations, which may cause hedge fund investors to become concerned about valuations of investment funds that have illiquid or hard-to-value assets. This concern may lead to increased redemptions by investors irrespective

of the performance of the investment funds. In addition, uncertainty about asset values on redemptions from investments in these investment funds may lead to an increased risk of litigation by investors over net asset values (“NAV”).

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of such investments as reflected in an investment fund's NAV do not necessarily reflect the prices that would actually be obtained by us on behalf of the investment fund when such investments are sold. The SEC has announced that it is undertaking a significant review of valuation practices within the private equity industry and has instituted enforcement actions against private equity fund advisers for misleading investors about valuation, so there will be increased regulatory scrutiny in the future. Realizations at values significantly lower than the values at which investments have been reflected in investment fund NAVs would result in losses for the applicable investment fund, a decline in management fees and the loss of potential performance allocations or incentive fees. Also, a situation where asset values turn out to be materially different than values reflected in investment fund NAVs could cause investors to lose confidence in us, which would, in turn, result in redemptions from these investment funds or difficulties in raising additional capital.

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of the Maryland General Corporation Law (the “MGCL”) may have the effect of inhibiting a third party from making a proposal to acquire us or impeding a change of control under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our common stock, including:

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

Our bylaws opt out of the “control share” provisions for certain persons and entities, but we may later amend our bylaws to modify or eliminate these opt-out provisions.

Our charter provides that a director may be removed only for cause and only upon the affirmative vote of the holders of at least 80% of the voting power of the then issued and outstanding shares of capital stock entitled to be cast in the election of directors. Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, notwithstanding any contrary provision in the charter or bylaws, to any or all of the following five provisions: a classified board; a two-thirds stockholder vote requirement for removal of a director; a requirement that the number of directors be fixed only by vote of the directors; a requirement that a vacancy on the board of directors be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; and a requirement that the holders of at least a majority of all votes entitled to be cast request a special meeting of stockholders. Through provisions in our charter and bylaws unrelated to Subtitle 8, we already require that the number of directors be fixed only by our board of directors and require, unless called by the Chairman of our board of directors, our chief executive officer or a majority of our board of directors, the written request of the holders of at least a majority of the voting power of the then issued and outstanding shares of capital stock to call a special meeting. Additionally, our charter currently provides that directors are elected annually and does not currently provide for a classified board.

Our charter, bylaws and Maryland law contain other provisions that may delay, deter or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

We have adopted a shareholder rights plan which could make it more difficult for a third-party to acquire us while the plan remains in effect.

We have in effect a shareholder rights plan that is intended to protect us from efforts to obtain control of our company that our board of directors believe are inconsistent with the best interests of our company and our stockholders. The rights will be exercisable ten days following the earlier of the public announcement that a stockholder (other than us, one of our subsidiaries or employee benefit plans or Mr. Monty J. Bennett and certain of his affiliates and associates (so long as they beneficially own 20% or less of our common stock)) has acquired beneficial ownership of 10% or more of our common stock without the approval of our board of directors or the announcement of a tender offer or exchange offer that would result in the ownership of 10% or more

of our common stock by a person or group of persons (other than one or more of the excluded persons described above). The rights also become exercisable if a person or group that already beneficially owns 10% or more of our common stock (other than one or more of the excluded persons described above) acquires any additional shares of our common stock without the approval of our board of directors. If the rights become exercisable, all rights holders (other than the person/entity triggering the rights) will be entitled to acquire certain of our securities at a substantial discount. The rights may substantially dilute the stock ownership of a person or group attempting to take over our company without the approval of our board of directors, and the rights plan could make it more difficult for a third-party to acquire our company or a significant percentage of our outstanding shares of common stock, without first negotiating with our board of directors. The rights are set to expire on February 25, 2018.

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

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

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

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

Our constituent documents designate the Circuit Court for Baltimore City, Maryland, or if that Court does not have jurisdiction because the action asserts a federal claim, the United States District Court for the District of Maryland, Baltimore Division as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our constituent documents provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or if that Court does not have jurisdiction because the action asserts a federal claim, the United States District Court for the District of Maryland, Baltimore Division is the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders or any breach of a standard of conduct of directors; (iii) any action asserting a claim against us or any of our directors, officers, employees or agents arising pursuant to any provision of the MGCL, our charter or bylaws; or (iv) any other action asserting a claim against us or any of our directors, officers, employees or agents that is governed by the

internal affairs doctrine. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our constituent documents described above. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our constituent documents inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition and results of operations.

For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies unless we opt to do so.

We are subject to reporting and other obligations under the Exchange Act. In April 2012, the JOBS Act was enacted into law. The JOBS Act contains provisions that, among other things, relax certain reporting requirements for “emerging growth companies,” including certain requirements relating to accounting standards and compensation disclosure unless we irrevocably opt to comply with such requirements. We are an “emerging growth company” as defined in the JOBS Act. For as long as we are an emerging growth company, which may be up to five full fiscal years, unlike other public companies, we will not be required to:

- provide an auditor’s attestation report on management’s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act,
- comply with any new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies under Section 102(b)(1) of the JOBS Act,
- comply with any new requirements adopted by the Public Company Accounting Oversight Board (the “PCAOB”) requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer,
- comply with any new audit rules adopted by the PCAOB after April 5, 2012, unless the SEC determines otherwise,
- provide certain disclosure regarding executive compensation, or
- hold stockholder advisory votes on executive compensation.

We have irrevocably opted into complying with any new or revised financial accounting standards applicable to public companies and thus will be required to comply with such standards.

Our status as an “emerging growth company” under the JOBS Act may make it more difficult to raise capital as and when we need it.

Because of the exemptions from various reporting requirements provided to us as an “emerging growth company” and because we will have an extended transition period for complying with accounting standards newly issued or revised after April 5, 2012, we may be less attractive to investors, and it may be difficult for us to raise additional capital as and when we need it. Investors may be unable to compare our business with other companies in our industry if they believe that our financial accounting is not as transparent as other companies in our industry. If we are unable to raise additional capital as and when we need it, our financial condition and results of operations may be materially and adversely affected.

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

Following our separation from Ashford Trust, we became subject to reporting and other obligations under the Exchange Act, including the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404(a) requires annual management assessments of the effectiveness of our internal controls over financial reporting. These reporting and other obligations place significant demands on our management, administrative, operational, internal audit and accounting resources and cause us to incur significant expenses. We may need to upgrade our systems or create new systems; implement additional financial and management controls, reporting systems and procedures; expand our internal audit function; and hire additional accounting, internal audit and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with the financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our business, operating results and stock price.

For as long as we are an “emerging growth company” under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404(b). We could be an emerging growth company for up to five years. An independent assessment of the effectiveness of our internal controls could detect problems that our management’s assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

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

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, billing and operating data. We may purchase some of our information technology from vendors, on whom our systems depend, and rely on commercially available systems, software, tools and monitoring to provide security for processing,

transmission and storage of confidential operator and other customer information. We depend upon the secure transmission of this information over public networks. Our networks and storage applications are subject to unauthorized access by hackers or others through cyber-attacks, which are rapidly evolving and becoming increasingly sophisticated, or by other means, or may be breached due to operator error, malfeasance or other system disruptions. In some cases, it will be difficult to anticipate or immediately detect such incidents and the damage caused thereby. Any significant breakdown, invasion, destruction, interruption or leakage of our systems could harm us.

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

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

The laws and regulations governing our business or the businesses of our clients, or the regulatory or enforcement environment at the federal level or in any of the states in which we or our clients operate, may change at any time and may have an adverse effect on our business. For example, the Patient Protection and Affordable Care Act of 2010, as it is phased in over time, will significantly affect the administration of health care services and could significantly impact our cost of providing employees with health care insurance. Our operating entity, Ashford LLC is treated as a partnership for federal income tax purposes. Note that although partnerships have traditionally not been subject to federal income tax at the entity level, new audit rules, currently scheduled to become effective for tax years ending after December 31, 2017, will generally apply to the partnership. Under the new rules, unless an entity elects otherwise, taxes arising from audit adjustments are required to be paid by the entity rather than by its partners or members. We may utilize exceptions available under the new provisions (including any changes) and Treasury Regulations so that the partners, to the fullest extent possible, rather than the partnership itself, will be liable for any taxes arising from audit adjustments to the issuing entity's taxable income. It is unclear to what extent these elections will be available to the partnership and how any such elections may affect the procedural rules available to challenge any audit adjustment that would otherwise be available in the absence of any such elections. Investors are urged to consult with their tax advisors regarding the possible effect of the new rules. We are unable to predict how these or any other future legislative or regulatory proposals or programs will be administered or implemented or in what form, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect us in substantial and unpredictable ways and could have an adverse effect on our results of operations and financial condition. Our inability to remain in compliance with regulatory requirements in a particular jurisdiction could have a material adverse effect on our operations in that market and on our reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently or that new laws and regulations will not be adopted, either of which could materially adversely affect our business, financial condition, or results of operations.

Risks Related to Conflicts of Interest

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

Because our officers and two of our directors are also officers of Ashford Trust and Ashford Prime and have ownership interests in Ashford Trust and Ashford Prime, our separation and distribution agreement, our advisory agreements, our mutual exclusivity agreement, the tax matters agreement and other agreements entered into in connection with our separation from Ashford Trust were not negotiated on an arm's-length basis, and we did not have the benefit of arm's-length negotiations of the type normally conducted with an unaffiliated third party. As a result, the terms, including fees and other amounts payable, may not be as favorable to us as an arm's-length agreement.

Furthermore, we may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationship with Ashford Trust, Ashford Prime and Remington Lodging. For example, we are entitled to indemnification from Ashford Trust OP in the event of breaches of certain provisions of,

or misrepresentations made in, the separation and distribution agreement. In addition, we may be unable to enforce certain provisions of our advisory agreements with Ashford Prime or Ashford Trust, including as a result of pending or future legal proceedings. See “Risk Factors- We are currently subject to legal proceedings related to our advisory agreement with Ashford Prime which, if adversely determined, could have a material adverse effect on our business.” Our assumption of Ashford Trust’s deferred compensation obligations may dilute your interest in our common stock. In connection with our separation from Ashford Trust, we assumed all of the obligations of Ashford Trust’s deferred compensation plan, which plan had only two participants, Mr. Monty J. Bennett and his father Mr. Archie Bennett, Jr. Both Mr.

Monty J. Bennett and Mr. Archie Bennett, Jr. elected to invest their deferred compensation accounts in our common stock. As a result, we have an obligation to issue approximately 195,000 shares of our common stock to Mr. Monty J. Bennett over five years beginning in 2019, which is the end of Mr. Monty Bennett's deferral period. We also have an obligation to issue approximately 15,000 remaining shares of our common stock to Mr. Archie Bennett, Jr., over five years beginning in 2017, which is the end of Mr. Archie Bennett's deferral period. The issuance of these shares of our common stock will dilute current stockholder's and, if all such shares are issued, may result in a change of control of our company.

Our relationships with Remington Lodging, Ashford Trust, Ashford Prime and AIM could create significant conflicts of interest.

Our chief executive officer and chairman, Mr. Monty J. Bennett, serves as the chief executive officer of Remington Lodging, chairman of the board of Ashford Trust and chairman of the board of Ashford Prime. Additionally, Mr. Monty J. Bennett and his father, Mr. Archie Bennett, Jr., beneficially own 100% of Remington Lodging.

Mr. Monty J. Bennett's obligations to Remington Lodging, Ashford Trust and Ashford Prime reduce the time and effort he spends managing our company, and his duties to us as a director and officer may conflict with his duties to, and pecuniary interest in, Remington Lodging, Ashford Trust and Ashford Prime.

We, through Ashford LLC, own approximately 100% of Management Holdco. Performance Holdco owns 99.99% of AIM GP. We, through Ashford LLC and our 100% ownership interest in Performance Holdco's general partner, own approximately 60% of Performance Holdco, and Mr. Monty J. Bennett and Mr. J. Robison Hays own, in the aggregate, 40% of Performance Holdco. AIM currently serves as investment adviser to the AQUA Fund and AHT SMA, LP, a wholly-owned subsidiary of Ashford Trust. Mr. Bennett's and Mr. Hays' duties to us as directors and officers may conflict with their duties to, and pecuniary interests in, Performance Holdco.

Under the terms of our mutual exclusivity agreement with Remington Lodging, we may be obligated to utilize Remington Lodging as a property manager for hotels, if any, we may acquire in the future as well as future platforms that we advise, to the extent we have the discretion to do so, even if the utilization of Remington Lodging for such property management may not be the most advantageous for our hotels or future clients.

Our mutual exclusivity agreement with Remington Lodging requires us to utilize Remington Lodging to provide property management, project management and development services for all hotels, if any, that we may acquire as well as all hotels that future companies we advise may acquire, to the extent that we have the right, or control the right, to direct such matters, unless our independent directors either (i) unanimously vote not to utilize Remington Lodging for such services or (ii) based on special circumstances or past performance, by a majority vote elect not to engage Remington Lodging because they have determined, in their reasonable business judgment, that it would be in our best interest not to engage Remington Lodging or that another manager or developer could perform the duties materially better. In exchange for our agreement to engage Remington Lodging for such services for all hotels, if any, that we may acquire as well as all future companies that we advise, Remington Lodging has agreed to grant to any such future clients a first right of refusal to purchase any investments identified by Remington Lodging and any of its affiliates that meet the initial investment criteria of such entities, as identified in the advisory agreement between us and such entities, subject to any prior rights granted by Remington Lodging to other entities, including Ashford Trust, Ashford Prime and us. Mr. Monty J. Bennett will potentially benefit from the receipt of property management fees, project management fees and development fees by Remington Lodging from us and such future companies that we advise. See "Item 1. Business—Our Mutual Exclusivity Agreement." Mr. Monty J. Bennett's ownership interests in and management obligations to Remington Lodging present him with conflicts of interest in making management decisions related to the commercial arrangements between us, the clients we advise and Remington Lodging.

Under the terms of our mutual exclusivity agreement with Remington Lodging, Remington Lodging may be able to pursue lodging investment opportunities that compete with the businesses that we advise.

Pursuant to the terms of our mutual exclusivity agreement with Remington Lodging, if investment opportunities that satisfy the investment criteria of Ashford Trust, Ashford Prime or one of our future clients are identified by Remington Lodging or its affiliates, Remington Lodging will give such entity a written notice and description of the investment opportunity. The applicable entity will generally have 10 business days to either accept or reject the investment opportunity. If such entity rejects the opportunity, Remington Lodging may then pursue such investment opportunity, subject to any right of first refusal contractually granted by Remington Lodging to any other entity. As a

result, it is possible that Remington Lodging could pursue an opportunity that fits within the investment criteria of an entity that we advise and compete with that entity or compete with us. In such a case, Mr. Monty J. Bennett, our chief executive officer and chairman, in his capacity as chief executive officer of Remington Lodging could be in a position of directly competing with us or an entity that we advise.

Provisions of our certificate of incorporation may result in certain corporate opportunities being assigned to Ashford Prime and Ashford Trust.

The provisions of our certificate of incorporation will provide that our directors and executive officers may also be serving as directors, officers, employees, consultants or agents of Ashford Prime, Ashford Trust and their respective subsidiaries and that we may engage in material business transactions with such entities. To the fullest extent permitted by law, we will renounce our rights to certain business opportunities, and no director or officer of ours who is also serving as a director, officer, employee, consultant or agent of Ashford Prime, Ashford Trust or any of their subsidiaries will be liable to us or to our stockholders for breach of any fiduciary duty that would otherwise exist by reason of the fact that any such individual directs a corporate opportunity (other than certain limited types of opportunities set forth in the applicable advisory agreement) to Ashford Prime, Ashford Trust or any of their respective subsidiaries instead of us, or does not refer or communicate information regarding such corporate opportunities to us.

Certain of our executive officers, who are also executive officers or board members of Ashford Trust, Ashford Prime, or both, including our chief executive officer, who is also an executive officer of Remington Lodging, face competing demands relating to their time as well as potential conflicts of interest, and this may adversely affect our operations. Certain of our executive officers are also executive officers or board members of Ashford Trust, Ashford Prime, or both. Because our executive officers have duties to Ashford Trust or Ashford Prime, as applicable, as well as to our company, we do not have their undivided attention. They face conflicts in allocating their time and resources between our company, Ashford Trust and Ashford Prime, as applicable, and they will continue to face increasing conflicts as we advise additional companies and platforms.

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

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

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

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

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

Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Litigation in

connection with conflicts of interest could have a material adverse effect on our reputation, which could materially adversely affect our business and our ability to attract investors for future vehicles. See “Risk Factors- We are currently subject to legal proceedings related to our advisory agreement with Ashford Prime which, if adversely determined, could have a material adverse effect on our business.”

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

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

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

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

Risks Related to Debt Financing

Although we do not currently have any debt, we may incur debt in the future, which may materially and adversely affect our financial condition and results of operations.

While we currently do not use leverage, our organizational documents do not limit our capacity to use leverage or limit the amount of debt that we may incur. We may, at any time, decide to use leverage to meet future capital needs. We may also, from time to time, use derivative instruments primarily to manage interest rate risk. Future indebtedness will increase our operating costs, particularly in periods of rising interest rates, and we cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses that may reduce the overall return on your investment.

Risks Related to the Transactions

The Transactions may not be completed on the terms or timeline currently contemplated or at all. Failure to complete the Transactions in a timely manner could negatively affect our ability to achieve the benefits associated with the Transactions and could negatively affect our share price and future business and financial results.

The Transactions are currently expected to close during the first half of 2017, assuming that all of the conditions in the Remington Acquisition Agreement are satisfied or waived. The Remington Acquisition Agreement provides that either the Company or Archie Bennett Jr., Monty J. Bennett, MJB Investments, LP and Mark A. Sharkey (together, the "Remington Sellers") may terminate the Remington Acquisition Agreement if the closing of the Transactions has not occurred by the stated deadline. On June 22, 2016, the Remington Acquisition Agreement was amended to extend the deadline to October 7, 2016, and on September 22, 2016, the Remington Acquisition Agreement was amended to further extend the deadline to April 7, 2017. To complete the Transactions, our stockholders needed to approve the contribution of substantially all of the Company's assets and all of the Company's business operations to Ashford Advisors, Inc. ("Ashford Advisors") and the potential issuance of shares of the Company's common stock that may occur pursuant to the Transactions. On April 12, 2016, our stockholders approved such matters. In addition, the Remington Acquisition Agreement contains additional closing conditions, which may not be satisfied or waived. Certain events

outside our control may delay or prevent the consummation of the Transactions. Delays in consummating the Transactions or the failure to consummate the Transactions at all may cause us to incur significant additional costs and to fail to achieve the anticipated benefits associated with the Transactions. In addition, pursuant to the Remington Acquisition Agreement, both the Company and Remington Lodging are subject to certain restrictions on the conduct of their respective businesses prior to completing the Transactions. These restrictions may prevent us from pursuing certain strategic transactions, undertaking certain significant capital projects, undertaking certain significant financing transactions and otherwise pursuing other actions that are not

in our ordinary course of business, even if such actions would prove beneficial. We cannot assure you that the conditions to the completion of the Transactions will be satisfied or waived or that any adverse event, development, or change will not occur, and we cannot provide any assurances as to whether or when the Transactions will be completed.

Delays in consummating the Transactions or the failure to consummate the Transactions at all could also negatively affect our future business and financial results, and, in that event, the market price of our common stock may decline significantly, particularly to the extent that the current market price reflects a market assumption that the Transactions will be consummated. If the Transactions are not consummated for any reason, our ongoing business could be adversely affected, and we will be subject to several risks, including:

- the payment by us of certain costs, including termination fees of \$6.7 million if the Remington Acquisition Agreement is terminated by the Company as a result of a Company Intervening Event (as defined in the Remington Acquisition Agreement) or a Company Superior Proposal (as defined in the Remington Acquisition Agreement); and
- the diversion of management focus and resources from operational matters and other strategic opportunities while working to consummate the Transactions.

In addition, if the Transactions are not completed, the Company may experience negative reactions from the financial markets and from its employees and other stakeholders. The Company could also be subject to litigation related to any failure to complete the Transactions or to enforcement proceedings commenced against us to compel to perform our obligations under the Remington Acquisition Agreement. If the Transactions are not completed, the Company cannot assure its stockholders that these risks will not materialize and will not materially affect our business, financial results and the stock price.

The Transactions may not be accretive to our stockholders, which could have a material adverse effect on our business, financial condition, and results of operations.

The Transactions may not be accretive to our stockholders. While it is intended that the Transactions be accretive to our performance metrics, there can be no assurance that this will be the case, as, among other things, the expenses we assume as a result of the Transactions may be higher than we anticipate, or revenue from Remington Lodging's business may decrease. The failure of the Transactions to be accretive to our stockholders could have a material adverse effect on our business, financial condition and results of operations.

We may not manage the Transactions effectively in such a manner that we do not realize the anticipated benefits of the Transactions.

We may not manage the Transactions effectively. The Transactions could be a time-consuming and costly process.

The combined company may encounter potential difficulties, including, among other things:

- the inability to successfully combine Remington Lodging's business with our Company in a manner that permits each of the businesses to operate effectively or efficiently, which could result in the anticipated benefits of the Transactions not being realized in the timeframe currently anticipated or at all;

- potential unknown liabilities and unforeseen increased expenses, delays, or regulatory conditions associated with the Transactions;

- performance shortfalls as a result of the diversion of management's attention caused by completing the Transactions and integrating the companies' operations; and

- ensuring Remington Lodging does not fail to qualify as an eligible independent contractor within the meaning of the Internal Revenue Code as it relates to REITs and hotel properties.

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

We will become exposed to risks to which we have not historically been exposed, including liabilities of, and business risks inherent to, Remington Lodging's business.

The Transactions will expose us to risks to which we have not historically been exposed. As a result of the Transactions, we will acquire liabilities of Remington Lodging and be subject to ongoing liabilities and business risks inherent to the business of Remington Lodging. Also, we could be subject to additional liabilities as a result of the approximately 7,900 employees who are currently employed by Remington Lodging and could subject us to

additional potential liabilities that employers commonly face, such as workers' disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances.

Addressing these liabilities also could distract management, disrupt our ongoing business or result in inconsistencies in our operations, services, standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with our lenders, joint venture partners, vendors and employees or to achieve all or any of the anticipated benefits of the Transactions.

Remington Lodging is treated as a partnership for federal income tax purposes. Note that although partnerships have traditionally not been subject to federal income tax at the entity level, new audit rules, currently scheduled to become effective for tax years ending after December 31, 2017, will generally apply to the partnership. Under the new rules, unless an entity elects otherwise, taxes arising from audit adjustments are required to be paid by the entity rather than by its partners or members. We may utilize exceptions available under the new provisions (including any changes) and Treasury Regulations so that the partners, to the fullest extent possible, rather than the partnership itself, will be liable for any taxes arising from the audit adjustments to the issuing entity's taxable income. It is unclear to what extent these elections will be available to the partnership and how any such elections may affect the procedural rules available to challenge any audit adjustment that would otherwise be available in the absence of any such elections. Investors are urged to consult with their tax advisors regarding the possible effect of the new rules.

The acquisition of Remington Lodging, including its liabilities, and the incurrence by us of ongoing liabilities and business risks inherent to Remington Lodging's business could have a material adverse effect on our business, financial condition, results of operations and ability to effectively operate our business.

Because the management agreements of Remington Lodging are subject to termination in certain circumstances, any such termination could have a material adverse effect on our business, results of operations, and financial condition. The management agreements under which Remington Lodging provides services to hotels are subject to customary termination provisions. Any termination of a management agreement could have a material adverse effect on our business, results of operations and financial condition. Poor performance of Remington Lodging's business could cause a decline in our revenue, income and cash flow. In the event that Remington Lodging's business was to perform poorly, our revenue, income and cash flow could decline. Accordingly, poor performance may deter future investment in the Company.

The market price of our common stock may decline as a result of the Transactions.

The market price of our common stock may decline as a result of the Transactions if we do not achieve the perceived benefits of the Transactions as rapidly or to the extent anticipated by financial or industry analysts, or the effect of the Transactions on our financial results is not consistent with the expectations of financial or industry analysts. The Transactions are expected to be accretive to our performance metrics. The extent and duration of any accretion will depend on several factors, including the amount of transaction-related expenses that are charged against our earnings. If expenses charged against earnings are higher than we expected, the amount of accretion in 2017 could be less than currently anticipated and the Transactions may not turn out to be accretive (or may be less accretive than currently anticipated). In such event, the price of our common stock could decline.

In addition, the risks associated with implementing our long-term business plan and strategy following the Transactions may be different from the risks related to our existing business and trading price of our common stock to be adversely affected.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Offices

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

Item 3. Legal Proceedings

On December 11, 2015, a purported stockholder class action and derivative complaint challenging the Remington acquisition, described in note 13 to our financial statements, was filed in the Court of Chancery of the State of Delaware and styled *Campbell v. Bennett et al.*, Case No. 11796. The complaint names as defendants each of the members of the Company's board of directors, Archie Bennett, Jr., Mark A. Sharkey, MJB Investments GP, LLC and Remington Holdings GP, as well as the Company as a nominal defendant. The complaint alleges that the members of the Company's board of directors breached their fiduciary duties to the Company's stockholders in connection with the Transactions and that Monty Bennett, Archie Bennett, Jr., Mark A. Sharkey, MJB Investments GP, LLC and

Remington Holdings GP aided and abetted the purported breaches of fiduciary duty. In support of these claims, the complaint alleges, among other things, that the Company's board of directors engaged in an unfair process

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with Remington Lodging and the Bennetts and as a result the Company overpaid for the 80% limited partnership and 100% general partnership interests in Remington Lodging. The complaint also alleges that the proxy statement filed with the SEC contains certain materially false and/or misleading statements. The action seeks injunctive relief, including enjoining the special meeting of stockholders and any vote on the contribution or the stock issuances or rescinding the Transactions if they are consummated, or in the alternative an award of damages, as well as unspecified attorneys' and other fees and costs, in addition to any other relief the court may deem proper. Since the filing of the complaint, the special meeting of stockholders and related vote occurred with the stockholders approving the acquisition.

The outcome of this matter cannot be predicted with any certainty. A preliminary injunction could delay or jeopardize the consummation of the Transactions, and an adverse judgment granting permanent injunctive relief could indefinitely prohibit consummation of the Transactions. The defendants have not yet responded to the complaint but intend to defend the claims raised in this lawsuit.

On March 14, 2016, Sessa Capital (Master), L.P. ("Sessa") filed third party claims against the Company and Ashford LLC in connection with a suit filed by Ashford Prime against Sessa, related parties, and Sessa's proposed Ashford Prime director nominees John E. Petry, Philip B. Livingston, Lawrence A. Cunningham, Daniel B. Silvers and Chris D. Wheeler. The case is captioned Ashford Hospitality Prime, Inc. v. Sessa Capital (Master), L.P., et al., No. 16-cv-00527 and was filed in the United States District Court for the Northern District of Texas, Dallas Division. Sessa generally alleged that the Company and Ashford LLC aided and abetted the Ashford Prime directors' breaches of fiduciary duty in connection with the June 2015 amendments to Ashford Prime's advisory agreement with Ashford LLC. Among other relief, Sessa sought an injunction preventing the Company from attempting to solicit proxies on behalf of Ashford Prime until Ashford Prime's directors approve Sessa's proposed director nominees under the terms of the advisory agreement. On May 20, 2016, the court denied Sessa's request for a preliminary injunction and enjoined Sessa from, among other things, soliciting proxies or otherwise seeking election of its proposed candidates to the Ashford Prime board. Sessa appealed the district court's decision to the United States Court of Appeals for the Fifth Circuit on May 23, 2016. On December 16, 2016, the Fifth Circuit dismissed Sessa's appeal of the preliminary injunction as moot. On February 16, 2017, Ashford Prime, Ashford Trust and the Company (collectively the "Ashford entities") entered into a settlement agreement (the "Settlement Agreement") with Sessa, Sessa Capital GP, LLC, Sessa Capital IM, L.P., Sessa Capital IM GP, LLC and John Petry (collectively, the "Sessa Entities") regarding the composition of the Company's board of directors, dismissal of pending litigation involving the parties and certain other matters. On February 17, 2017, the District Court consolidated the Texas State Action into the Texas Federal Action (the "Consolidated Texas Federal Action"). On the same day, the District Court also dismissed all of Sessa's counterclaims, except for its claim for violation of federal proxy solicitation laws, which Ashford Prime did not move to dismiss. The District Court granted Sessa's motion to dismiss Ashford Prime's claim for prima facie tort, but denied Sessa's motion to dismiss the Ashford Prime's remaining claims.

On February 20, 2017, the parties submitted a Joint Stipulation of Dismissal, which dismissed each of the parties' remaining claims in the Consolidated Texas Federal Action with prejudice.

On March 22, 2016, the Company and Ashford LLC filed a lawsuit in Texas state district court in Dallas against Sessa, related entities, and John E. Petry, Philip B. Livingston, Lawrence A. Cunningham, Daniel B. Silvers and Chris D. Wheeler. The case is captioned Ashford Inc., et al v. Sessa Capital (Master), L.P., et al., Cause No. 16-DC-03340. The Company generally alleged that the defendants engaged in wrongful acts, including engaging in an unlawful proxy contest for control of the Ashford Prime board, and tortiously interfered with the Company and Ashford LLC's advisory agreement with Ashford Prime. Among other relief, the Company sought actual and exemplary damages, as well as an injunction prohibiting defendants from further interference with the advisory agreement or the Company's managerial and operational control of Ashford Prime and its assets. On February 16, 2017, the Ashford Entities entered into a Settlement Agreement with the Sessa Entities requiring the dismissal with prejudice of the Company's suit against Sessa, related entities, and John E. Petry, Philip B. Livingston, Lawrence A. Cunningham, Daniel B. Silvers and Chris D. Wheeler. The Company also entered into releases with Sessa.

Jesse Small v. Monty J. Bennett, et al., Case No. 24-C-16006020 (Md. Cir. Ct.) On November 16, 2016, Jesse Small, a purported shareholder of Ashford Prime, commenced a derivative action in Maryland Circuit Court for Baltimore City asserting causes of action for breach of fiduciary duty, corporate waste, and declaratory relief against the

members of the Ashford Prime board of directors, David Brooks (collectively, the “Individual Defendants”), Ashford Inc. and Ashford LLC. Ashford Prime is named as a nominal defendant. The complaint alleges that the Individual Defendants breached their fiduciary duties to Ashford Prime by negotiating and approving the termination fee provision set forth in Ashford Prime’s advisory agreement with Ashford LLC, that Ashford Inc. and Ashford LLC aided and abetted the Individual Defendants’ fiduciary duty breaches, and that the Ashford Prime board of directors committed corporate waste in connection with Ashford Prime’s purchase of 175,000 shares of Ashford Inc. common stock. The complaint seeks monetary damages and declaratory and injunctive relief, including a declaration that the termination fee provision is unenforceable. Defendants’ response to the complaint is due March 24, 2017. The outcome of this matter cannot be predicted with any certainty.

The Company is engaged in other 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 final results of legal proceedings cannot be predicted with certainty and if the Company failed to prevail in one or more of these legal matters, and the associated realized losses were to exceed the Company's current estimates of the range of potential losses, the Company's financial position or results of operations could be materially adversely affected in future periods.

Item 4. Mine Safety Disclosures

Not Applicable

PART II

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

Market Price and Dividend Information

Our common stock has been listed and traded on the NYSE MKT under the symbol "AINC" since November 13, 2014. Prior to that time, there was no public market for our common stock. On March 14, 2017, there were approximately 149 holders of record.

The following table sets forth the high and low intraday sales prices of our common stock for the indicated periods:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2016				
High	\$54.96	\$64.23	\$52.00	\$48.27
Low	36.60	39.35	43.53	38.11
Close	45.59	50.00	47.65	43.14

2015

High	\$157.58	\$116.42	\$88.83	\$70.05
Low	93.00	83.87	50.00	52.06
Close	118.76	87.27	63.45	53.25

Distributions and Our Distribution Policy

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

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

No dividends have been declared or paid as of and for the year ended December 31, 2016.

Equity Compensation Plan Information

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

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price Of Outstanding Options, Warrants, And Rights	Number of Securities Remaining Available for Future Issuance	
Equity compensation plans approved by security holders	None	N/A	34,049	(1)
Equity compensation plans not approved by security holders	None	N/A	None	
Total	None	N/A	34,049	

⁽¹⁾ As of December 31, 2016, 34,049 shares of our common stock, or securities convertible into 34,049 shares of our common stock, remained available for issuance under our 2014 Incentive Plan. The 2014 Incentive Plan contains a provision in which there is an automatic increase of authorized shares on January 1 of each year equal to 15% of the sum of (i) the fully diluted share count and (ii) the shares of common stock reserved for issuance under the Company's deferred compensation plan, less shares available under the 2014 Incentive Plan as of December 31 of the previous year. After application of this provision, as of January 1, 2017, we have 430,482 shares of our common stock, or securities convertible into 430,482 shares of our common stock available for issuance under our 2014 Incentive Plan.

Performance Graph

The following graph compares the percentage change in the cumulative total stockholder return on our common stock with the cumulative total return of the S&P 500 Stock Index, and the Dow Jones Asset Manager Index for the period from November 13, 2014, the date our stock began trading on the NYSE MKT, through December 31, 2016, assuming an initial investment of \$100 in stock on November 13, 2014, with reinvestment of dividends.

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

COMPARISON CUMULATIVE TOTAL RETURNS

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

Purchases of Equity Securities by the Issuer

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plan
Common stock:				
October 1 to October 31	—	\$ —	—	\$ —
November 1 to November 30	—	—	—	—
December 1 to December 31	10	—	—	—
Total	10	—	—	—

(1) Includes restricted shares of our common stock, with no associated cost, that were forfeited upon termination of employment.

Item 6. Selected Financial Data

You should read the following selected financial information in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical balance sheets of Ashford Inc. and our historical financial statements and related notes included in “Item 8. Financial Statements and Supplementary Data”. The selected financial information for periods beginning prior to our spin-off from Ashford Trust in November 2014, is a combination of the historical financial information for Ashford Trust’s asset management business (comprised of Ashford LLC and certain assets, liabilities and operations of Ashford Trust OP), which was separated from Ashford Trust in November 2014. Our asset management business is reflected in the financial statements for such periods as if it were operated wholly within an entity separate from Ashford Trust, however there was no separate legal entity during such periods.

The selected historical financial information as of December 31, 2016 and 2015, and for each of the three years in the period ended December 31, 2016, has been derived from the audited financial statements included in “Item 8. Financial Statements and Supplementary Data”. The selected historical financial information as of December 31, 2014, 2013 and 2012, and for the years ended December 31, 2013 and 2012, has been derived from audited financial statements not included in this Annual Report on Form 10-K.

The selected financial information below and the financial statements included in “Item 8. Financial Statements and Supplementary Data” do not necessarily reflect what our results of operations, financial position and cash flows would have been if we had operated Ashford Trust’s asset management business as a stand-alone publicly traded company during all periods presented, and, accordingly, this historical information should not be relied upon as an indicator of our future performance. The following table presents selected financial information (in thousands, except share amounts):

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Statement of Operations Data:					
Total revenue	\$67,607	\$58,981	\$17,288	\$960	\$—
Total expenses	\$70,064	\$60,332	\$63,586	\$48,672	\$38,182
Net income (loss)	\$(12,403)	\$(12,044)	\$(47,081)	\$(47,719)	\$(38,182)
Net income (loss) attributable to the Company	\$(2,396)	\$(1,190)	\$(46,410)	\$(47,719)	\$(38,182)
Diluted income (loss) per common share	\$(2.56)	\$(4.45)	\$(23.43)	\$(24.09)	\$(19.27)
Weighted average diluted common shares	2,209	2,203	1,981	1,981	1,981
Balance Sheet Data:					
Cash and cash equivalents	\$84,091	\$50,272	\$29,597	\$600	\$—
Total assets	\$129,797	\$166,991	\$49,230	\$2,322	\$640
Total liabilities	\$38,168	\$30,115	\$33,912	\$8,081	\$7,055
Total equity (deficit)	\$90,149	\$136,636	\$14,894	\$(5,759)	\$(6,415)
Total liabilities and equity/deficit	\$129,797	\$166,991	\$49,230	\$2,322	\$640
Other Data:					
Cash flows provided by (used in):					
Operating activities	\$80,790	\$22,454	\$(25,074)	\$(22,445)	\$(19,728)
Investing activities	\$(4,865)	\$(7,637)	\$(3,471)	\$(366)	\$(167)
Financing activities	\$(42,106)	\$5,858	\$57,542	\$23,411	\$19,895

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

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

The following is a discussion and analysis of the financial condition and results of operations of our asset management business. Following our separation from Ashford Trust, we have continued the asset management business and operations through our operating subsidiary Ashford LLC. For accounting purposes, the historical consolidated financial statements of the asset management business of Ashford Trust (comprised of Ashford LLC and certain assets, liabilities and operations of Ashford Trust OP) became our historical consolidated financial statements at the separation. We had no operations prior to the separation. The following discussion should be read in conjunction with the financial statements and notes thereto included in "Item 8. Financial Statements and Supplementary Data" and risk factors included in "Risk Factors" of this Annual Report on Form 10-K.

Overview

We were formed as a Delaware corporation in April 2014 and became a public company on November 12, 2014, when Ashford Trust, a NYSE-listed REIT, completed the spin-off of our company through the distribution of our outstanding common stock to the Ashford Trust stockholders. Effective as of October 31, 2016, Ashford Inc. changed its state of incorporation from Delaware to Maryland. As of March 14, 2017, Ashford Trust beneficially owned approximately 598,000 shares of our common stock, representing approximately 30% of our company.

Our principal business objective is to provide asset management and other advisory services to other entities. Currently, we, through our operating subsidiary Ashford LLC, act as the advisor to Ashford Trust and Ashford Prime. In our capacity as the advisor to Ashford Trust and Ashford Prime, we are responsible for implementing the investment strategies and managing the day-to-day operations of Ashford Trust and Ashford Prime, in each case subject to the supervision and oversight of the respective board of directors of such entity. We provide the personnel and services necessary to allow each of Ashford Trust and Ashford Prime to conduct its respective business. We may also perform similar functions for new or additional platforms. We are not responsible, but may in the future be responsible, for managing the day-to-day operations of the individual hotel properties owned by either Ashford Trust or Ashford Prime, which duties are, and will continue to be, the responsibility of the property management companies that operate the hotel properties owned by Ashford Trust and Ashford Prime.

Recent Developments

On September 17, 2015, we entered into the Remington Acquisition Agreement pursuant to which Ashford Inc. will acquire all of the general partner interest and 80% of the limited partner interests in Remington Lodging. On April 12, 2016, our stockholders approved the acquisition. On September 22, 2016, we amended the first amendment, dated May 24, 2016, and extended the date with respect to which Ashford Inc. and Remington Lodging have the right to terminate the agreement if the acquisition is not consummated by to April 7, 2017. For further discussion see note 13 to our financial statements.

On March 8, 2016, our \$3.0 million note receivable from OpenKey, a consolidated entity in which the noncontrolling interest holder held a 100% interest, was converted into equity in OpenKey pursuant to a financing arrangement between the Company and OpenKey, upon the investment of \$2.0 million in the entity by Ashford Trust. On October 4, 2016, Ashford Inc. and Ashford Trust invested an additional \$678,000 and \$322,000, respectively, for an additional ownership interest in OpenKey. On March 3, 2017, Ashford Inc. and Ashford Trust invested an additional \$1.3 million and \$650,000, respectively, for an additional ownership interest in OpenKey. OpenKey is a hospitality focused mobile key platform that provides a universal smartphone app for keyless entry into hotel guestrooms. See notes 1, 2, 9, 10, 11 and 13.

Effective as of October 31, 2016, Ashford Inc. changed its state of incorporation from Delaware to Maryland. The reincorporation was effected by merging Ashford Inc., a Delaware corporation ("Ashford Delaware"), with and into a

wholly owned Maryland subsidiary established for this purpose (the “Reincorporation Merger”) pursuant to the terms of an Agreement and Plan of Merger, dated October 28, 2016 (the “Merger Agreement”), following approval by the requisite vote of the Company’s stockholders at a Special Meeting of Stockholders held on October 27, 2016. As a result of the Reincorporation Merger, Ashford Inc., a Maryland corporation (“Ashford Maryland”), is the successor issuer of Ashford Delaware under Rule 12g-3 of the Securities Exchange Act of 1934, as amended.

Other than the change of corporate domicile, the reincorporation did not result in any change in the name, business, physical locations, management, assets, liabilities, net worth or number of authorized shares of the Company, nor will it result in any change in location of our current employees, including management. In addition, the Company's common stock will continue to be listed under the symbol "AINC" on the NYSE MKT. Each outstanding certificate representing shares of Ashford Delaware's common stock automatically represents, without any action of Ashford Delaware's stockholders, the same number of shares of Ashford Maryland's common stock. Ashford Delaware's shareholders did not need to exchange their stock certificates as a result of the Reincorporation Merger. As of October 31, 2016, the rights of the Company's stockholders commenced to be governed by the Maryland General Corporation Law, the Amended and Restated Articles of Incorporation of Ashford Inc. and the Bylaws of Ashford Inc.

On November 2, 2016, Ashford LLC, the operating company of Ashford Inc., and Richard J. Stockton entered into an employment agreement pursuant to which, effective November 14, 2016, Mr. Stockton will be employed by Ashford LLC to serve as Chief Executive Officer of Ashford Prime, pursuant to the Third Amended and Restated Advisory Agreement, dated June 10, 2015, as amended from time to time, between Ashford Inc., Ashford LLC, Ashford Prime and their respective affiliates, which provides that Ashford LLC is responsible for managing Ashford Prime's affairs. On January 19, 2017, AIM entered into an Investment Management Agreement (the "Agreement") with AHT SMA, LP, a Delaware limited partnership ("Client") and a wholly-owned subsidiary of Ashford Trust to manage all or a portion of Ashford Trust's excess cash (the "Account"). Pursuant to the Agreement, Client retained and appointed AIM as the investment manager of Client. The Agreement will govern the relationship between Client and AIM, as well as grant AIM certain rights, powers and duties to act on behalf of Client. AIM will not be compensated by Client for its services under the Agreement. Client bears all costs and expenses of the establishment and ongoing maintenance of the Account as well as all costs and expenses of AIM.

On January 24, 2017, we entered into an amended and restated advisory agreement with Ashford Prime that amends and restates our current advisory agreement with Ashford Prime. The Amended and Restated Ashford Prime Advisory Agreement will not become effective unless and until it is approved by Ashford Prime's stockholders. For more information, please see "Business—Our Advisory Agreements—Fourth Amended and Restated Advisory Agreement" herein.

On February 16, 2017, Ashford Prime, Ashford Trust and the Company entered into a settlement agreement with Sessa Capital (Master), L.P., Sessa Capital GP, LLC, Sessa Capital IM, L.P., Sessa Capital IM GP, LLC and John Petry regarding the composition of Ashford Prime's board of directors, dismissal of pending litigation involving the parties and certain other matters. For more information, please see "Legal Proceedings" herein.

On February 20, 2017, Ashford LLC, the operating company of Ashford Inc., and Douglas A. Kessler entered into an employment agreement pursuant to which, effective February 21, 2017, Mr. Kessler will be employed by Ashford LLC to serve as Chief Executive Officer of Ashford Trust, pursuant to the Amended and Restated Advisory Agreement, dated June 10, 2015, as amended from time to time, between Ashford Inc., Ashford LLC, Ashford Trust and their respective affiliates, which provides that Ashford LLC is responsible for managing Ashford Trust's affairs. On February 21, 2017, the Company announced that it supports the non-binding proposal of Ashford Trust to acquire FelCor Lodging Trust ("FelCor"). The board of directors of Ashford Inc. has authorized Ashford Inc. to participate in the transaction on the terms outlined in Ashford Trust's letter to FelCor, subject to completion of a due diligence review and negotiation and execution of definitive transaction agreements. The terms outlined include:

- 100,000 warrants issued to existing FelCor shareholders to purchase shares of Ashford Inc. common stock with a strike price of \$100 per share and an expiration that is five years from the transaction closing date;

- A one year guarantee by Ashford Inc. of up to \$18 million for sustainable operational and G&A synergies, commencing six months following the completion of the transaction which, if needed, would come in the form of reduced advisory fees paid to Ashford Inc.;

- The opportunity for one FelCor director to join the board of Ashford Inc.; and

- An agreement to negotiate and amend the advisory agreement with Ashford Trust within one year of the transaction closing date to reflect similar recent amendments made between Ashford Prime and the Company, where applicable.

Any such amendments to the advisory agreement will be subject to approval by independent committees of both Ashford Trust and Ashford Inc. boards of directors.

Ashford believes its participation in the proposed combination is in the best interests of the Company and its shareholders and that the proposed transaction has compelling strategic, operational, and financial merit for the shareholders of FelCor and Ashford Trust as well as Ashford Inc.

On March 7, 2017, AIM GP, the general partner of the AQUA U.S. Fund, provided written notice to the AQUA U.S. Fund's limited partners of its election to dissolve the AQUA U.S. Fund pursuant to Section 6.1(a) of the Second Amended and Restated Limited Partnership Agreement of the AQUA U.S. Fund as of March 31, 2017 (the "Dissolution Date"). In connection with the

dissolution of the AQUA U.S. Fund, the AQUA Master Fund will also be liquidated in accordance with the laws of the Cayman Islands.

The balance of all limited partners' capital accounts in the AQUA U.S. Fund, less an audit hold-back of 5%, will be distributed to limited partners in cash on the Dissolution Date, and thereafter limited partners will cease to be a limited partner of the AQUA U.S. Fund. The balance will be paid to limited partners (without interest) promptly following the completion of the audits of the AQUA U.S. Fund's and the AQUA Master Fund's financial statements for the period January 1, 2017 through March 31, 2017, which we expect to be on or before June 30, 2017.

Discussion of Presentation

The discussion below relates to the financial condition and results of operations of Ashford Inc. and its majority-owned subsidiaries and entities which it controls. For periods prior to spin-off, the combined historical financial statements have been prepared on a "carve out" basis from Ashford Trust's consolidated financial statements using the historical results of operations, cash flows, assets and liabilities and include allocations of income, expenses, assets and liabilities from Ashford Trust. These allocations reflect significant assumptions, and the financial statements do not fully reflect what our financial position, results of operations and cash flows would have been had the asset management business of Ashford Trust been operated exclusively within a stand-alone company during the periods presented. As a result, historical financial information is not necessarily indicative of our future results of operations, financial position and cash flows.

For purposes of our "carve out" presentation, general and administrative expense represents an allocation of certain Ashford Trust corporate general and administrative costs including salaries and benefits, equity-based compensation, legal and professional fees, rent expense, insurance expense, office expenses and other miscellaneous expenses either based upon specific identification or an allocation method determined by management to reflect the portion of the expenses related to the asset management business. In the opinion of management, such allocations were considered reasonable.

RESULTS OF OPERATIONS

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

The following table summarizes the changes in key line items from our statements of operations and comprehensive income (loss) for the years ended December 31, 2016 and 2015 (in thousands):

	Year Ended December 31,		\$ Change	% Change	
	2016	2015			
REVENUE					
Advisory services	\$67,228	\$58,546	\$ 8,682	14.8	%
Other	379	435	(56)	(12.9)	%
Total revenue	67,607	58,981	8,626	14.6	%
EXPENSES					
Salaries and benefits	52,436	41,442	10,994	26.5	%
Depreciation	1,174	799	375	46.9	%
General and administrative	16,454	18,091	(1,637)	(9.0)	%
Total expenses	70,064	60,332	9,732	16.1	%
OPERATING INCOME (LOSS)	(2,457)	(1,351)	1,106	81.9	%
Realized gain (loss) on investment in unconsolidated entity	(3,601)	—	3,601		
Unrealized gain (loss) on investment in unconsolidated entity	2,141	(2,141)	4,282	200.0	%
Interest income (expense)	73	352	(279)	(79.3)	%
Dividend income	170	917	(747)	(81.5)	%
Unrealized gain (loss) on investments	2,326	(2,490)	4,816	193.4	%
Realized gain (loss) on investments	(10,113)	(5,110)	5,003	97.9	%
Other income (expenses)	(162)	(155)	7	4.5	%
INCOME (LOSS) BEFORE INCOME TAXES	(11,623)	(9,978)	1,645	16.5	%
Income tax (expense) benefit	(780)	(2,066)	(1,286)	(62.2)	%
NET INCOME (LOSS)	(12,403)	(12,044)	359	3.0	%
(Income) loss from consolidated entities attributable to noncontrolling interests	8,860	10,852	(1,992)	(18.4)	%
Net (income) loss attributable to redeemable noncontrolling interests in Ashford LLC	4	2	2	100.0	%
Net (income) loss attributable to redeemable noncontrolling interests in subsidiary common stock	1,143	—	1,143		
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	\$(2,396)	\$(1,190)	\$ 1,206	101.3	%

Net Income (Loss) Attributable to the Company. Net loss attributable to the Company increased \$1.2 million, or 101.3%, to \$2.4 million for the year ended December 31, 2016 (“2016”) compared to the year ended December 31, 2015 (“2015”) as a result of the factors discussed below.

Total Revenue. Total revenue increased \$8.6 million, or 14.6%, to \$67.6 million for 2016 compared to 2015. The changes in total revenue consisted of the following (in thousands):

	Year Ended		\$
	December 31,		
	2016	2015	Change
Advisory services revenue:			
Base advisory fee ⁽¹⁾	\$43,043	\$42,481	\$562
Incentive advisory fee ⁽²⁾	3,083	1,274	1,809
Reimbursable expenses ⁽³⁾	8,859	8,480	379
Non-cash stock/unit-based compensation ⁽⁴⁾	12,243	6,311	5,932
Total advisory services revenue	67,228	58,546	8,682
Other revenue:			
Non-advisory expense reimbursements	—	195	(195)
Investment advisory revenue	—	141	(141)
Lease revenue ⁽⁵⁾	335	99	236
Other services	44	—	44
Total other revenue	379	435	(56)
Total revenue	\$67,607	\$58,981	\$8,626

(1) The increase in base advisory fee is due to higher revenue of \$867,000 from Ashford Trust and lower revenue of \$305,000 from Ashford Prime. See note 13 to our financial statements.

Incentive fee includes the second year installment of the 2015 incentive fee in the amount of \$1.3 million for the year ended December 31, 2016, earned in connection with our advisory agreement with Ashford Prime and the first (2) year installment of the 2016 incentive fee in the amount of \$1.8 million for the year ended December 31, 2016, earned in connection with our advisory agreement with Ashford Trust. No incentive fee was earned in 2016 from Ashford Prime. No incentive fee was earned in 2015 from Ashford Trust. See note 13 to our financial statements.

(3) The increase in reimbursable expenses revenue is due to lower revenue of \$563,000 from Ashford Trust and higher revenue of \$942,000 from Ashford Prime. Reimbursable expenses include overhead, internal audit, insurance claims advisory and asset management services. See note 13 to our financial statements.

The increase in equity-based compensation revenue is due to higher revenue of \$5.7 million from Ashford Trust and higher revenue of \$223,000 from Ashford Prime. Equity-based compensation revenue is associated with equity (4) grants of Ashford Trust's and Ashford Prime'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." See note 13.

(5) In connection with our key money transactions, we lease furniture, fixtures and equipment at no cost to Ashford Prime. 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. See note 13 to our financial statements.

Salaries and Benefits Expense. Salaries and benefits expense increased \$11.0 million, or 26.5%, to \$52.4 million for 2016 compared to 2015. The change in salaries and benefits expense consisted of the following (in thousands):

	Year Ended		\$ Change
	December 31,		
	2016	2015	
Cash salaries and benefits:			
Salary expense	\$18,812	\$17,607	\$1,205
Bonus expense	8,051	7,396	655
Benefits related expenses	4,134	3,377	757
Total cash salaries and benefits ⁽¹⁾	30,997	28,380	2,617
Non-cash equity-based compensation:			
Pre spin-off Ashford Trust equity grants ⁽²⁾	5,439	11,503	(6,064)
Stock option grants ⁽³⁾	5,884	3,856	2,028
Ashford Trust & Ashford Prime equity grants ⁽⁴⁾	12,243	6,311	5,932
Total non-cash equity-based compensation	23,566	21,670	1,896
Non-cash gain (loss) in deferred compensation plan ⁽⁵⁾	(2,127)	(8,608)	6,481
Total salaries and benefits	\$52,436	\$41,442	\$10,994

(1) The change in cash salaries and benefits expense is primarily due to fluctuations in the number of employees, salary and bonus awards, group insurance costs, payroll taxes and employee participation in the benefits offered.

As a result of the spin-off, we assumed all of the unrecognized equity-based compensation associated with prior

(2) Ashford Trust equity grants. As a result, we will continue to recognize equity-based compensation expense related to these grants through the final vesting date in April 2017. The expense decreases each year as the Ashford Trust equity grants become fully vested. See note 11 to our financial statements.

(3) The increase in expense is due to stock options granted in 2016 with a three year vesting period. See note 11 to our financial statements.

(4) Equity grants of Ashford Trust's and Ashford Prime's common stock and LTIP units awarded to our officers and employees, for which we record offsetting revenue in an equal amount. The increase is primarily attributable to additional equity grants. See notes 2 and 11 to our financial statements.

(5) The DCP obligation is recorded as a liability in accordance with the applicable authoritative accounting guidance.

(5) The DCP obligation is carried at fair value with changes in fair value reflected in earnings. See note 12 to our financial statements.

Depreciation Expense. Depreciation expense increased \$375,000, or 46.9%, to \$1.2 million for 2016 compared to 2015, as a result of furniture, fixtures and equipment additions.

General and Administrative Expense. General and administrative expenses decreased \$1.6 million, or 9.0%, to \$16.5 million for 2016 compared to 2015. The change in general and administrative expense consisted of the following (in thousands):

	Year Ended		\$ Change
	December 31,		
	2016	2015	
Professional fees ⁽¹⁾	\$6,558	\$9,307	\$(2,749)
Office expense	3,485	3,792	(307)
Public company costs	1,055	967	88
Director costs	1,006	1,079	(73)
Travel and other expense	3,349	2,766	583
Non-capitalizable costs - software implementation	1,001	180	821
Total general and administrative	\$16,454	\$18,091	\$(1,637)

- (1) Professional fees decreased due to a decrease in professional and legal fees related to the Remington Acquisition Agreement entered into on September 17, 2015. For further discussion see note 13 to our financial statements.
- Realized Gain (Loss) on Investment in Unconsolidated Entity. We recorded a realized loss in an unconsolidated investment fund of \$3.6 million in 2016 for which AIM is the investment adviser. We had no realized gain or loss on an investment in an unconsolidated entity in 2015.

Unrealized Gain (Loss) on Investment in Unconsolidated Entity. We recorded an unrealized gain in an unconsolidated investment fund of \$2.1 million in 2016 for which AIM is the investment adviser. We had an unrealized loss on an investment in an unconsolidated entity of \$2.1 million in 2015.

Interest Income (Expense). Interest income was \$73,000 and \$352,000 for 2016 and 2015, respectively, related to investments in the AQUA U.S. Fund.

Dividend Income. Dividend income was \$170,000 and \$917,000 for 2016 and 2015, respectively, related to investments in the AQUA U.S. Fund.

Unrealized Gain (Loss) on Investments. Unrealized gain on investments was \$2.3 million for 2016 and unrealized loss on investments was \$2.5 million for 2015, primarily related to investment in the AQUA U.S. Fund. The unrealized gain (loss) on investments is based on changes in closing market prices during the period.

Realized Gain (Loss) on Investments. Realized loss on investments was \$10.1 million for 2016 and \$5.1 million in 2015. The realized loss on investments is related to investments in the AQUA U.S. Fund and options on futures contracts.

Other Income (Expenses). Other expenses were \$162,000 and \$155,000 in 2016 and 2015, respectively.

Income Tax Expense (Benefit). Income tax expense decreased \$1.3 million, from \$2.1 million in 2015, or 62.2%, to \$780,000 in 2016. The decrease in income tax expense is primarily due to a decrease in income subject to tax at the federal and state level.

Our effective tax rates on income (loss) before income taxes for the year ended December 31, 2016 and December 31, 2015, were (6.7%) and (20.7%), respectively. The decrease in the negative rate in 2016 as compared to 2015 was due to decreases in permanent differences and changes in the valuation allowance on our deferred tax assets. The portion of equity-based compensation expense related to LTIP units granted to Ashford Trust employees prior to the spin-off is not deductible for income tax purposes and is accounted for as a permanent difference.

Income (Loss) from Consolidated Entities Attributable to Noncontrolling Interests. The noncontrolling interests in consolidated entities were allocated losses of \$8.9 million in 2016 and \$10.9 million in 2015. At December 31, 2016, noncontrolling interests in consolidated entities represented ownership interests of 40% in Performance Holdco, 100% in the AQUA Fund and 13.63% in OpenKey with a combined total carrying value of \$52.8 million. At December 31, 2015, noncontrolling interests in consolidated entities represented ownership interests of 40% in one entity and 100% in two entities with a total carrying value of \$104.5 million.

Net Income (Loss) Attributable to Redeemable Noncontrolling Interests in Ashford LLC. Noncontrolling interests in Ashford LLC were allocated net losses of \$4,000 in 2016 and \$2,000 in 2015. Redeemable noncontrolling interests represented ownership interests of 0.2% in Ashford LLC at both December 31, 2016 and 2015.

Net Income (Loss) Attributable to Redeemable Noncontrolling Interests in Subsidiary Common Stock. Redeemable noncontrolling interest in subsidiary common stock was allocated net loss of \$1.1 million in 2016. Redeemable noncontrolling interest in subsidiary common stock represented an ownership interest of 46.31% in OpenKey at December 31, 2016. No income or loss was allocated during 2015 as there were no redeemable noncontrolling interests in subsidiary common stock.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

The following table summarizes the changes in key line items from our statements of operations and comprehensive income (loss) for the years ended December 31, 2015 and 2014 (in thousands):

	Year Ended December 31,			
	2015	2014	\$ Change	% Change
REVENUE				
Advisory services	\$ 58,546	\$ 17,144	\$41,402	241.5 %
Other	435	144	291	202.1 %
Total revenue	58,981	17,288	41,693	241.2 %
EXPENSES				
Salaries and benefits	41,442	57,627	(16,185)	(28.1)%
Depreciation	799	359	440	122.6 %
General and administrative	18,091	5,600	12,491	223.1 %
Total expenses	60,332	63,586	(3,254)	(5.1)%
OPERATING INCOME (LOSS)	(1,351)	(46,298)	(44,947)	(97.1)%
Unrealized gain (loss) on investment in unconsolidated entity	(2,141)	—	2,141	
Interest income (expense)	352	—	352	
Dividend income	917	—	917	
Unrealized gain (loss) on investments	(2,490)	—	2,490	
Realized gain (loss) on investments	(5,110)	—	5,110	
Other income (expenses)	(155)	—	155	
INCOME (LOSS) BEFORE INCOME TAXES	(9,978)	(46,298)	(36,320)	(78.4)%
Income tax (expense) benefit	(2,066)	(783)	1,283	163.9 %
NET INCOME (LOSS)	(12,044)	(47,081)	(35,037)	(74.4)%
(Income) loss from consolidated entities attributable to noncontrolling interests	10,852	647	10,205	1,577.3 %
Net (income) loss attributable to redeemable noncontrolling interests in Ashford LLC	2	24	(22)	(91.7)%
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	\$ (1,190)	\$ (46,410)	\$(45,220)	(97.4)%

Net Income (Loss) Attributable to the Company. Net loss attributable to the Company decreased \$45.2 million, or 97.4%, to \$1.2 million for 2015 compared to the year ended December 31, 2014 ("2014") as a result of the factors discussed below.

Total Revenue. Total revenue increased \$41.7 million, or 241.2% to \$59.0 million in 2015. The changes in total revenue consisted of the following (in thousands):

	Year Ended		\$ Change
	December 31,		
	2015	2014	
Advisory services revenue:			
Base advisory fee ⁽¹⁾	\$42,481	\$12,738	\$29,743
Incentive fee ⁽²⁾	1,274	—	1,274
Reimbursable expenses ⁽³⁾	8,480	2,301	6,179
Equity-based compensation ⁽⁴⁾	6,311	2,105	4,206
Total advisory services revenue	58,546	17,144	41,402
Other revenue:			
Non-advisory expense reimbursements	195	144	51
Investment advisory revenue	141	—	141
Lease revenue ⁽⁵⁾	99	—	99
Total other revenue	435	144	291
Total revenue	\$58,981	\$17,288	\$41,693

The increase in base advisory is due to higher revenue of \$29.8 million from Ashford Trust and lower revenue of \$91,000 from Ashford Prime. The increase related to Ashford Trust is due to earning revenue for the entire 2015 ⁽¹⁾ period as a result of entering into an advisory agreement with Ashford Trust in November 2014 upon our spin-off. The period prior to our spin-off only included advisory services revenue from our advisory agreement with Ashford Prime. See note 13 to our financial statements.

Incentive fee included the first year installment of the 2015 incentive fee in the amount of \$1.3 million for the year ended December 31, 2015, as earned in connection with our advisory agreement with Ashford Prime. No incentive fee was earned in 2015 from Ashford Trust. No incentive fee was earned in 2014 in connection with our advisory agreements with Ashford Prime or Ashford Trust. See note 13 to our financial statements. ⁽²⁾

The increase in reimbursable expenses is due to higher revenue of \$6.1 million from Ashford Trust and higher revenue of \$111,000 from Ashford Prime. The increase related to Ashford Trust is due to earning revenue for the entire 2015 period as a result of entering into an advisory agreement with Ashford Trust in November 2014 upon ⁽³⁾ our spin-off. The period prior to our spin-off only included advisory services revenue from our advisory agreement with Ashford Prime. Reimbursable expenses include overhead, internal audit, insurance claims advisory and asset management services. See note 13 to our financial statements.

The increase in equity-based compensation revenue is due to higher revenue of \$2.7 million from Ashford Trust and higher revenue of \$1.5 million from Ashford Prime. The increase related to Ashford Trust is due to earning revenue for the entire 2015 period as a result of entering into an advisory agreement with Ashford Trust in ⁽⁴⁾ November 2014 upon our spin-off. The period prior to our spin-off only included advisory services revenue from our advisory agreement with Ashford Prime. Equity-based compensation revenue is associated with equity grants of Ashford Trust's and Ashford Prime'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." See note 13 to our financial statements.

In connection with our key money transaction with Ashford Prime, we lease furniture, fixtures and equipment to ⁽⁵⁾ Ashford Prime at no cost. 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. See note 13 to our financial statements.

Salaries and Benefits Expense. Salaries and benefits expense decreased \$16.2 million, or 28.1%, to \$41.4 million in 2015 compared to 2014. The change in salaries and benefits expense consisted of the following (in thousands):

	Year Ended		
	December 31,		
	2015	2014	\$ Change
Cash salaries and benefits:			
Salary expense	\$17,607	\$15,790	\$1,817
Bonus expense	7,396	6,988	408
Benefits related expenses	3,377	2,998	379
Total cash salaries and benefits ⁽¹⁾	28,380	25,776	2,604
Non-cash equity-based compensation:			
Pre spin-off Ashford Trust equity grants ⁽²⁾	11,503	21,039	(9,536)
Stock option grants ⁽³⁾	3,856	212	3,644
Ashford Trust & Ashford Prime equity grants ⁽⁴⁾	6,311	2,105	4,206
Total non-cash equity-based compensation	21,670	23,356	(1,686)
Non-cash gain (loss) in deferred compensation plan ⁽⁵⁾	(8,608)	8,495	(17,103)
Total salaries and benefits	\$41,442	\$57,627	\$(16,185)

(1) The change in cash salaries and benefits expense is primarily due to fluctuations in the number of employees, salary and bonus awards, group insurance costs, payroll taxes and employee participation in the benefits offered.

As a result of the spin-off, we assumed all of the unrecognized equity-based compensation associated with prior

(2) Ashford Trust equity grants. As a result, we will continue to recognize equity-based compensation expense related to these grants through the final vesting date in April 2017. The expense decreases each year as the Ashford Trust equity grants become fully vested. See note 11 to our financial statements.

(3) The increase in expense is due to stock options granted in 2015, in addition to a full year of expense related to the 2014 option grants. The stock options have a three year vesting period. See note 11 to our financial statements.

(4) Equity grants of Ashford Trust's and Ashford Prime's common stock and LTIP units awarded to our officers and employees, for which we record offsetting revenue in an equal amount. The increase is primarily attributable to additional equity grants. See notes 2 and 11 to our financial statements.

(5) The DCP obligation is recorded as a liability in accordance with the applicable authoritative accounting guidance.

(5) The DCP obligation is carried at fair value with changes in fair value reflected in earnings. See note 12 to our financial statements.

Depreciation Expense. Depreciation expense increased \$440,000, or 122.6%, to \$799,000 in 2015, as a result of furniture, fixtures and equipment additions.

General and Administrative Expense. General and administrative expenses increased \$12.5 million, or 223.1%, to \$18.1 million in 2015 compared to 2014. The change in general and administrative expense consisted of the following (in thousands):

	Year Ended		
	December 31,		
	2015	2014	\$ Change
Professional fees ⁽¹⁾	\$9,307	\$1,815	\$7,492
Office expense	3,792	1,595	2,197
Public company costs	967	80	887
Director costs	1,079	514	565
Travel and other expense	2,766	1,596	1,170
Non-capitalizable costs - software implementation	180	—	180
Total general and administrative	\$18,091	\$5,600	\$12,491

(1) Professional fees in 2015 included \$4.6 million of professional and legal fees related to the Remington Acquisition Agreement entered into on September 17, 2015. For further discussion, see note 13 to our financial statements.

Unrealized Gain (Loss) on Investment in Unconsolidated Entity. We recorded an unrealized loss in an unconsolidated investment fund of \$2.1 million in 2015 for which AIM is the investment adviser. We did not have an unrealized loss on an investment in an unconsolidated entity in 2014.

Interest Income (Expense). Interest income was \$352,000 for 2015 related to investments in the AQUA Fund. There was no interest income in 2014 as the AQUA Fund began operations in 2015.

Dividend Income. Dividend income was \$917,000 for 2015 related to investments in the AQUA Fund. There was no dividend income in 2014 as the AQUA Fund began operations in 2015.

Unrealized Gain (Loss) on Investments. Unrealized loss on investments was \$2.5 million for 2015 related to investments and is based on changes in closing market prices during the period. There was no unrealized gain/loss on investments in 2014 as the Company did not begin operations of the AQUA Fund or hold investments in securities until 2015.

Realized Gain (Loss) on Investments. Realized loss on investments was \$5.1 million for 2015 related to investments in the AQUA Fund. There was no realized gain/loss on investments in 2014 as the AQUA Fund began operations in 2015.

Other Income (Expenses). Other expenses were \$155,000 for 2015 and primarily relate to the AQUA Fund. There were no other expenses in 2014.

Income Tax Expense. Income tax expense increased \$1.3 million, from \$783,000 in 2014 to \$2.1 million, in 2015. The increase in tax expense is due to the provision for federal and state income taxes for the entire year of 2015. During the period from January 1, 2014 through November 12, 2014 the Company's taxable income was "carved out" of Ashford Trust OP, a partnership, and its wholly-owned disregarded limited liability company, which were not subject to U.S. federal income taxes. Rather, the partnership's revenues and expenses passed through to and were taxed to the owners. Therefore, the Company did not provide for federal income taxes during that period and only began providing for U.S. federal income taxes on November 13, 2014. The income tax expense in the 2014 period, prior to November 13, 2014, was related to Texas margin tax.

Our effective tax rates on income (loss) before income taxes for the year ended December 31, 2015, and the period after the spin-off from November 13, 2014, through December 31, 2014 were (20.7%) and (7.6%), respectively. The increase in the negative rate in 2015 as compared to the 2014 period was due to increases in permanent differences and increases in losses attributable to noncontrolling interest for which taxes are not the responsibility of the Company. The impact of these increases on the 2015 rate was partially offset by a reduction in the valuation allowance against our deferred tax assets. The portion of equity-based compensation expense related to LTIP units granted to Ashford Trust employees prior to the spin-off is not deductible for income tax purposes and is accounted for as a permanent difference.

Income (Loss) from Consolidated Entities Attributable to Noncontrolling Interests. The noncontrolling interests in consolidated entities were allocated losses of \$10.9 million in 2015 compared to a loss of \$647,000 in 2014. At December 31, 2015, noncontrolling interests in consolidated entities represented ownership interests of 40% in one entity and 100% in two entities with a total carrying value of \$104.5 million. At December 31, 2014, noncontrolling interests in consolidated entities represented ownership interests of 40% in one entity and 100% in one entity with a total carrying value of \$(87,000).

Net Income (Loss) Attributable to Redeemable Noncontrolling Interests in Ashford LLC. Noncontrolling interests in Ashford LLC were allocated net losses of \$2,000 in 2015 and \$24,000 in 2014. Redeemable noncontrolling interests represented ownership interests of 0.2% in Ashford LLC at both December 31, 2015 and 2014.

LIQUIDITY AND CAPITAL RESOURCES

Our short-term liquidity requirements consist primarily of funds necessary for operating expenses primarily attributable to paying our employees. 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 a possible revolving credit facility.

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 key money consideration. We expect to meet our long-term liquidity requirements through various sources of capital, including net cash provided by operations, a possible revolving credit facility and future equity issuances.

Sources and Uses of Cash

As of December 31, 2016 and December 31, 2015, we had \$84.1 million and \$50.3 million of cash and cash equivalents, respectively, which included cash and cash equivalents of \$55.1 million and \$26.9 million, respectively, associated with the AQUA U.S. Fund.

Net Cash Flows Provided by (Used in) Operating Activities. Operating activities provided net cash flows of \$80.8 million and \$22.5 million for the years ended December 31, 2016 and 2015, respectively. The increase in cash flows provided by operating activities was primarily a result of the liquidation of investments in securities held by the AQUA U.S. Fund. Cash flows from operations is impacted by the timing of receipt of advisory fees from Ashford Trust and Ashford Prime, the timing of paying vendors and the activity of the AQUA U.S. Fund.

Net Cash Flows Provided by (Used in) Investing Activities. For the year ended December 31, 2016, investing activities used net cash flows of \$4.9 million, which is attributable to purchases of computer software, furniture, fixtures and equipment of \$6.2 million partially offset by a \$1.4 million inflow from a distribution from an investment in an unconsolidated investment entity. For the year ended December 31, 2015, investing activities used net cash flows of \$7.6 million primarily attributable to investments in unconsolidated entities of \$5.5 million and purchases of computer software, furniture, fixtures and equipment of \$2.1 million.

Net Cash Flows Provided by (Used in) Financing Activities. For the year ended December 31, 2016, the \$42.1 million cash used in financing activities included \$44.1 million of distributions to noncontrolling interests in consolidated entities related primarily to the AQUA U.S. Fund, utilization of excess tax benefit associated with stock-based compensation of \$284,000, an increase in advances to employees of \$41,000 associated with tax withholdings for restricted stock vestings, \$20,000 for the purchase of treasury shares associated with tax withholdings for restricted stock vestings and \$18,000 for cash redemptions of units, partially offset by \$2.4 million of contributions from noncontrolling interests in a consolidated entity. For the year ended December 31, 2015, net cash flows provided by financing activities was \$5.9 million, which consisted of \$4.8 million of contributions from noncontrolling interests in consolidated entities, an excess tax benefit associated with stock-based compensation of \$1.1 million and net repayments of advances to employees of \$69,000 associated with tax withholdings for restricted stock vestings partially offset by \$77,000 for the purchase of treasury shares associated with tax withholdings for restricted stock vestings and \$10,000 of forfeitures of restricted shares.

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 financial statements.

Contractual Obligations and Commitments

The table below summarizes future obligations as of December 31, 2016 (in thousands):

	Payments Due by Period				Total
	< 1 Year	1-3 Years	3-5 Years	>5 Years	
Contractual obligations:					
Deferred compensation plan ⁽¹⁾	\$ 144	\$ 1,976	\$ 3,583	\$ 3,375	\$ 9,078
AIM Incentive Plan ⁽²⁾	—	287	—	—	287
Remington Lodging acquisition cancellation fee ⁽³⁾	6,700	—	—	—	6,700
Total contractual obligations	\$ 6,844	\$ 2,263	\$ 3,583	\$ 3,375	\$ 16,065

Distributions under the deferred compensation plan are made in cash, unless the participant has elected Ashford

⁽¹⁾ Inc. common stock as the investment option, in which any such distributions would be made in Ashford Inc. common stock. The deferred compensation plan obligation is carried at fair value based on the underlying investment(s) (see note 12 to our financial statements).

Distributions under the AIM incentive plan will be made in cash based on measurement as of March 31, 2018 and

⁽²⁾ March 31, 2019. The AIM incentive plan obligation is carried at amortized fair value (see note 12 to our financial statements).

The Remington Acquisition Agreement contains termination rights for both the Company and Remington Lodging, including the right of either party to terminate the Remington Acquisition Agreement if the Transactions are not

⁽³⁾ consummated before April 7, 2017. If the Remington Acquisition Agreement is terminated by the Company as provided in the Remington Acquisition Agreement, the Company is required to pay the Remington Sellers a termination fee of \$6.7 million plus the costs and expenses incurred by them (see note 13 to our financial statements).

As of December 31, 2016 and 2015, we had no long-term debt obligations, capital lease obligations, operating lease obligations or purchase obligations.

Critical Accounting Policies

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

Revenue Recognition. Revenues primarily consist of advisory and investment management fees and expense reimbursements that are recognized when services have been rendered. Advisory fees consist of base management fees and incentive fees. The quarterly base fee is based on a declining sliding scale percentage of each Ashford Trust’s and Ashford Prime’s total market capitalization plus the Key Money Asset Management Fee (defined in our advisory agreement as the aggregate gross asset value of all key money assets multiplied by 0.7%), subject to a minimum quarterly base fee, as payment for managing each company’s day-to-day operations in accordance with its investment guidelines. Total market capitalization includes the aggregate principal amount of each company’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). The quarterly base fee ranges from 0.70% to 0.50% per annum for total market capitalization that ranges from less than \$6.0 billion to greater than \$10.0 billion of Ashford Prime and Ashford Trust, as defined in the amended advisory agreements, subject to certain minimums.

Reimbursement for overhead and internal audit, insurance claims advisory and asset management services, including compensation, benefits and travel expense reimbursements, are billed quarterly to each Ashford Trust and Ashford Prime based on a pro rata allocation as determined by the ratio of each company’s net investment in hotel properties in relation to the total net investment in hotel properties for both Ashford Trust and Ashford Prime. We also record advisory revenue for equity grants of Ashford Prime and 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 an offsetting expense in an equal amount

included in “salaries and benefits.” The incentive fee is earned annually in each year that Ashford Prime’s and/or Ashford Trust’s total stockholder return exceeds the average annual total stockholder return for each company’s respective peer group, subject to the FCCR Condition, as defined in the advisory agreements. Incentive fees are paid over a three-year period and each payment is subject to the FCCR Condition. Accordingly, incentive fee revenue is recognized only when the amount earned is fixed and determinable and the FCCR Condition has been met.

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. 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 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. At December 31, 2016, we recorded a valuation allowance of \$6.1 million to partially reserve our deferred tax assets. At December

31, 2015, we recorded a valuation allowance of \$6.2 million to partially reserve our deferred tax assets. We have provided these allowances primarily because of operating losses incurred for the period after the spin-off from November 12, 2014, through December 31, 2014, 2015 and 2016. The losses represent significant negative evidence regarding the realizability of certain of our deferred tax assets.

The “Income Taxes” topic of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification addresses the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. The guidance requires us to determine whether tax positions we have taken or expect to take in a tax return are more likely than not to be sustained upon examination by the appropriate taxing authority based on the technical merits of the positions. Tax positions that do not meet the more likely than not threshold would be recorded as additional tax expense in the current period. We analyze all open tax years, as defined by the statute of limitations for each jurisdiction, which includes the federal jurisdiction and various states. We classify interest and penalties related to underpayment of income taxes as income tax expense. We and our subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and cities. Tax years 2013 through 2016 remain subject to potential examination by certain federal and state taxing authorities.

Equity-Based Compensation. We adopted an equity incentive plan that provides for the grant of restricted or unrestricted shares of our common stock, options to purchase our common stock and other share awards, 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. The amount of the expense may be subject to adjustment in future periods depending on the specific characteristics of the equity-based award and the application of the accounting guidance. Our officers and employees can be granted common stock and LTIP units from Ashford Trust and Ashford Prime 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 spin-off, all equity-based compensation of Ashford Trust employees was allocated to the Company as all Ashford Trust employees became employees of the Company.

Recently Adopted Accounting Standards—In August 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (“ASU 2014-15”), to provide guidance on management’s responsibility to perform interim and annual assessments of an entity’s ability to continue as a going concern. ASU 2014-15 also requires certain disclosures if conditions or events raise substantial doubt about the entity’s ability to continue as a going concern. ASU 2014-15 applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. We have adopted this standard effective for the year ended December 31, 2016, and the adoption of this standard did not have any impact on our financial position, results of operations or cash flows.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis (“ASU 2015-02”). The ASU amends the consolidation guidance for VIEs and general partners’ investments in limited partnerships and modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities. The ASU is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. We have adopted this standard effective January 1, 2016, and the adoption of this standard did not have an impact on our financial position, results of operations or cash flows.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805) Simplifying the Accounting for Measurement-Period Adjustments (“ASU 2015-16”), as part of its simplification initiative to provide guidance on management’s responsibility to adjust provisional amounts recognized in a business combination and to provide related disclosure requirements. The amendments in this update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts

are determined. The amendments in this update require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 applies to all entities that have reported provisional amounts for items in a business combination for which the accounting is incomplete by the end of the reporting period in which the combination occurs and during the measurement period have an adjustment to provisional amounts recognized. ASU 2015-16 is effective for fiscal years beginning

after December 15, 2015, including interim periods within those fiscal years, with early adoption permitted. We have adopted this standard effective January 1, 2016, and the adoption of this standard did not have an impact on our financial position, results of operations or cash flows.

Recently Issued Accounting Standards—In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). ASU 2014-09 is a comprehensive new revenue recognition model, which requires a company to recognize revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration the company expects to receive in exchange for those goods or services. An entity is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may 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. ASU 2014-09 also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. In addition, the new guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14, Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date, which defers the effective date to fiscal periods beginning after December 15, 2017, including interim periods within that reporting period. The FASB has also issued additional updates that further clarify the requirements of Topic 606 and provide implementation guidance. Early adoption is permitted for fiscal periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. We are in the initial stages of evaluating the available adoption methods and assessing the potential impact that the standard will have on our revenue recognition, financial statements and disclosures. Our assessment includes a detailed review of our contracts with customers and understanding when revenue would be recognized under those agreements. The impact of the standard on our financial statements is not currently determinable. We expect to adopt the new revenue recognition guidance effective January 1, 2018.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), which requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in OCI the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price and; (v) assess a valuation allowance on deferred tax assets related to unrealized losses of AFS debt securities in combination with other deferred tax assets. ASU 2016-01 provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. It also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Certain provisions of ASU 2016-01 are eligible for early adoption. We do not expect that ASU 2016-01 will have a material impact on our financial statements and related disclosures.

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. The new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn’t convey risks and rewards or control, an operating lease results. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases as well as for lessors for sales-type, direct financing, and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements,

with certain practical expedients available. The accounting for leases where we are the lessor remains largely unchanged. While we are currently in the initial stages of assessing the impact ASU 2016-02 will have on our financial statements, we expect the primary impact to our financial statements upon adoption will be the recognition, on a discounted basis, of any future minimum rentals due under noncancelable leases on our balance sheets resulting in the recording of right of use assets and lease obligations.

In March 2016, the FASB issued ASU 2016-07, Simplifying the Transition to the Equity Method of Accounting (“ASU 2016-07”). The new standard requires an investor to apply the equity method of accounting only from the date it qualifies for that method, i.e., the date the investor obtains significant influence over the operating and financial policies of an investee. The ASU eliminates the previous requirement to retroactively adjust the investment and record a cumulative catch up for the periods that the investment had been held, but did not qualify for the equity method of accounting. ASU 2016-07 is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the

equity method. Early adoption is permitted. We are evaluating the impact that ASU 2016-07 will have on our financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”) as part of the FASB simplification initiative. The new standard requires all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) to be recognized as income tax expense or benefit on the income statement. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity also should recognize excess tax benefits, and assess the need for a valuation allowance, regardless of whether the benefit reduces taxes payable in the current period. The ASU also requires excess tax benefits to be classified along with other income tax cash flows as an operating activity in the statement of cash flows. In addition, the ASU increases the tax withholding requirements threshold to qualify for equity classification. The ASU also clarifies that cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity. The ASU provides an optional accounting policy election to be applied on an entity-wide basis to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. We are evaluating the impact that ASU 2016-09 will have on our financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). The ASU sets forth an “expected credit loss” impairment model to replace the current “incurred loss” method of recognizing credit losses. The standard requires measurement and recognition of expected credit losses for most financial assets held. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for periods beginning after December 15, 2018. We are currently evaluating the impact that ASU 2016-13 will have on the financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments - a consensus of the Emerging Issues Task Force (“ASU 2016-15”). The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. Certain issues addressed in this guidance include - Debt payments or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, distributions received from equity method investments and beneficial interests in securitization transactions. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact that ASU 2016-15 will have on our financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”), which clarifies the presentation of restricted cash and restricted cash equivalents in the statements of cash flows. Under ASU 2016-18 restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact that ASU 2016-18 will have on our financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805) - Clarifying the Definition of a Business (“ASU 2017-01”), which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether a transaction should be accounted for as an acquisition (or disposal) of an asset or a business. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact that ASU 2017-01 will have on our financial statements and related disclosures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We hold options on Eurodollar futures as a hedge against our cash flows. Eurodollar futures prices reflect market expectations for interest rates on three month Eurodollar deposits for specific dates in the future, and the final settlement price is determined by three-month LIBOR on the last trading day. Options on Eurodollar futures provide the ability to limit losses while maintaining the possibility of profiting from favorable changes in the futures prices. As the purchaser, our maximum potential loss is limited to the initial premium paid for the Eurodollar option contracts, while our potential gain has no limit. These exchange-traded options are centrally cleared, and a clearinghouse stands in between all trades to ensure that the obligations involved in the trades are satisfied.

We together with our wholly-owned subsidiaries do not hold any other financial instruments that subject us to market risk.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Ashford Inc. as of December 31, 2016 and 2015 and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ashford Inc. at December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Dallas, Texas

March 16, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Ashford Inc. and subsidiaries

We have audited the accompanying statements of operations and comprehensive income (loss), equity (deficit), and cash flows of Ashford Inc. and subsidiaries (the Company) for the year ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of Ashford Inc. and subsidiaries' operations and cash flows for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Dallas, Texas
March 24, 2015

ASHFORD INC. AND SUBSIDIARIES

BALANCE SHEETS

(in thousands, except share and per share amounts)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 84,091	\$ 50,272
Restricted cash	9,752	5,684
Investments in securities	91	81,072
Prepaid expenses and other	1,305	1,909
Receivables	16	250
Due from Ashford Trust OP, net	12,179	5,856
Due from Ashford Prime OP	3,817	3,821
Total current assets	111,251	148,864
Investments in unconsolidated entities	500	3,335
Furniture, fixtures and equipment, net	12,044	6,550
Deferred tax assets	6,002	4,242
Other assets	—	4,000
Total assets	\$ 129,797	\$ 166,991
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 11,314	\$ 10,447
Due to affiliates	933	782
Due to Ashford Prime OP from AQUA U.S. Fund	2,289	—
Liabilities associated with investments in securities	—	983
Deferred compensation plan	144	—
Other liabilities	9,752	5,684
Total current liabilities	24,432	17,896
Accrued expenses	287	385
Deferred income	4,515	629
Deferred compensation plan	8,934	11,205
Total liabilities	38,168	30,115
Commitments and contingencies (note 7)		
Redeemable noncontrolling interests in Ashford LLC	179	240
Redeemable noncontrolling interests in subsidiary common stock	1,301	—
Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized:		
Series A cumulative preferred stock, no shares issued and outstanding at December 31, 2016 and December 31, 2015	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized, 2,015,589 and 2,010,808 shares issued and 2,015,589 and 2,010,569 shares outstanding at December 31, 2016 and December 31, 2015, respectively	20	20
Additional paid-in capital	237,796	234,716
Accumulated deficit	(200,439) (202,546)
Treasury stock, at cost, 0 shares and 239 shares at December 31, 2016 and December 31, 2015, respectively	—	(25)
Total stockholders' equity of the Company	37,377	32,165
Noncontrolling interests in consolidated entities	52,772	104,471

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Total equity	90,149	136,636
Total liabilities and equity	\$ 129,797	\$ 166,991
See Notes to Financial Statements.		

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

	Year Ended December 31,		
	2016	2015	2014
REVENUE			
Advisory services	\$67,228	\$58,546	\$17,144
Other	379	435	144
Total revenue	67,607	58,981	17,288
EXPENSES			
Salaries and benefits	52,436	41,442	57,627
Depreciation	1,174	799	359
General and administrative	16,454	18,091	5,600
Total expenses	70,064	60,332	63,586
OPERATING INCOME (LOSS)	(2,457)	(1,351)	(46,298)
Realized gain (loss) on investment in unconsolidated entity	(3,601)	—	—
Unrealized gain (loss) on investment in unconsolidated entity	2,141	(2,141)	—
Interest income (expense)	73	352	—
Dividend income	170	917	—
Unrealized gain (loss) on investments	2,326	(2,490)	—
Realized gain (loss) on investments	(10,113)	(5,110)	—
Other income (expenses)	(162)	(155)	—
INCOME (LOSS) BEFORE INCOME TAXES	(11,623)	(9,978)	(46,298)
Income tax (expense) benefit	(780)	(2,066)	(783)
NET INCOME (LOSS)	(12,403)	(12,044)	(47,081)
(Income) loss from consolidated entities attributable to noncontrolling interests	8,860	10,852	647
Net (income) loss attributable to redeemable noncontrolling interests in Ashford LLC	4	2	24
Net (income) loss attributable to redeemable noncontrolling interests in subsidiary common stock	1,143	—	—
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	\$(2,396)	\$(1,190)	\$(46,410)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	\$(2,396)	\$(1,190)	\$(46,410)
INCOME (LOSS) PER SHARE - BASIC AND DILUTED			
Basic:			
Net income (loss) attributable to common stockholders	\$(1.19)	\$(0.60)	\$(23.43)
Weighted average common shares outstanding - basic	2,012	1,991	1,981
Diluted:			
Net income (loss) attributable to common stockholders	\$(2.56)	\$(4.45)	\$(23.43)
Weighted average common shares outstanding - diluted	2,209	2,203	1,981

See Notes to Financial Statements.

ASHFORD INC. AND SUBSIDIARIES
STATEMENTS OF EQUITY (DEFICIT)

(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Noncontrolling Interests in Consolidated Entities	Total	Redeemable Noncontrolling Interests in Ashford LLC	Redeemable Noncontrolling Interest in Subsidiary Common Stock
	Shares	Amount			Shares	Amount				
Balance at January 1, 2014	—	\$ —	\$162,360	\$(168,119)	—	\$ —	\$ —	\$(5,759)	\$ —	\$ —
Equity-based compensation	—	—	462	2,423	—	—	—	2,885	—	—
Issuance of common stock	1,987	20	(20)	—	—	—	—	—	—	—
Dividends associated with deferred compensation plan	—	—	—	(567)	—	—	—	(567)	—	—
Reclass redeemable noncontrolling interests in Ashford LLC	—	—	(79)	—	—	—	—	(79)	79	—
Reclass deferred compensation plan to liability	—	—	(11,460)	—	—	—	—	(11,460)	—	—
Employee advances	—	—	(211)	—	—	—	—	(211)	—	—
Sale of consolidated noncontrolling interest	—	—	640	—	—	—	560	1,200	—	—
Capital contributions	—	—	76,311	—	—	—	—	76,311	—	—
Redemption value adjustment	—	—	—	(369)	—	—	—	(369)	369	—
Net loss	—	—	—	(46,410)	—	—	(647)	(47,057)	(24)	—
Balance at December 31, 2014	1,987	\$ 20	\$228,003	\$(213,042)	—	\$ —	\$(87)	\$14,894	\$ 424	\$ —
Purchase of treasury stock	—	—	—	—	(1)	(77)	—	(77)	—	—
Forfeitures of restricted shares	—	—	—	—	—	(10)	—	(10)	—	—
Equity-based compensation	3	—	4,105	11,504	—	—	—	15,609	—	—
Issuance of common stock	20	—	1,363	—	—	—	—	1,363	—	—
Excess tax benefit (deficiency) on equity-based compensation	—	—	1,096	—	—	—	—	1,096	—	—
Deferred compensation plan distribution	1	—	80	—	1	62	—	142	—	—
Employee advances	—	—	69	—	—	—	—	69	—	—
	—	—	—	—	—	—	115,410	115,410	—	—

Contributions from
noncontrolling interests
in consolidated entities

Redemption value adjustment	—	—	—	182	—	—	—	182	(182))	—			
Net loss	—	—	—	(1,190))	—	—	(10,852))	(12,042))	(2))	—
Balance at December 31, 2015	2,011	\$ 20	\$ 234,716	\$ (202,546))	—	\$ (25)	\$ 104,471	\$ 136,636	\$ 240	\$	—		
Purchase of treasury stock	—	—	—	—	(1)	(20))	—	(20))	—	—		
Retirement of treasury stock	—	—	(45))	—	1	45	—	—	—	—	—		
Equity-based compensation	5	—	6,073	5,439	—	—	61	11,573	—	—	—			
Excess tax benefit (deficiency) on equity-based compensation	—	—	(284))	—	—	—	(284))	—	—			
Employee advances	—	—	(41))	—	—	—	(41))	—	—			

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	Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock Shares	Amount	Noncontrolling Interests in Consolidated Entities	Total	Redeemable Noncontrolling Interests in Ashford LLC	Redeemable Noncontrolling Interest in Subsidiary Common Stock
Contributions from noncontrolling interests	—	—	—	—	—	2,373	2,373	—	—	
Reallocation of carrying value	—	—	(2,623)	—	—	1,154	(1,469)	—	1,469	
Redemption of offshore fund	—	—	—	—	—	(179)	(179)	—	—	
Redemption of noncontrolling interest holder in AQUA U.S. fund	—	—	—	—	—	(46,248)	(46,248)	—	—	
Redemption of units	—	—	—	—	—	—	—	(18)	—	
Redemption value adjustment	—	—	—	(936)	—	—	(936)	(39)	975	
Net income (loss)	—	—	—	(2,396)	—	(8,860)	(11,256)	(4)	(1,143)	
Balance at December 31, 2016	2,016	\$ 20	\$237,796	\$(200,439)	—	—\$ 52,772	\$90,149	\$ 179	\$ 1,301	

See Notes to Financial Statements.

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

	Year Ended December 31,		
	2016	2015	2014
Cash Flows from Operating Activities			
Net income (loss)	\$(12,403)	\$(12,044)	\$(47,081)
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities:			
Depreciation	1,174	799	359
Straight-line rent amortization	—	—	(21)
Change in fair value of deferred compensation plan	(2,127)	(8,608)	8,495
Realized and unrealized (gain) loss on investment in unconsolidated entities, net	1,460	2,141	—
Equity-based compensation	11,573	15,609	21,505
Excess tax (benefit) deficiency on equity-based compensation	284	(1,096)	—
Deferred tax expense (benefit)	(2,075)	(4,242)	—
Realized and unrealized (gain) loss on investments, net	7,787	(7,600)	—
Purchases of investments in securities	(153,259)	(174,812)	—
Sales of investments in securities	225,470	212,953	—
Distributions from investment in unconsolidated entity	—	24	—
Changes in operating assets and liabilities:			
Restricted cash	(4,068)	(2,347)	(3,337)
Prepaid expenses and other	604	(1,196)	(497)
Receivables	234	(250)	—
Due from Ashford Trust OP, net	(6,323)	(1,007)	(8,849)
Due from Ashford Prime OP, net	4	(1,275)	(1,586)
Accounts payable and accrued expenses	4,791	2,725	1,934
Due to affiliates	(290)	(296)	667
Other liabilities	4,068	2,347	3,337
Deferred income	3,886	629	—
Net cash provided by (used in) operating activities	80,790	22,454	(25,074)
Cash Flows from Investing Activities			
Additions to furniture, fixtures and equipment	(6,240)	(2,137)	(3,471)
Investments in unconsolidated entities	—	(5,500)	—
Redemption of investment in unconsolidated entity	1,375	—	—
Net cash provided by (used in) investing activities	(4,865)	(7,637)	(3,471)
Cash Flows from Financing Activities			
Proceeds from sale of consolidated noncontrolling interest	—	—	1,200
Excess tax benefit (deficiency) on equity-based compensation	(284)	1,096	—
Purchase of treasury stock	(20)	(77)	—
Forfeitures of restricted shares	—	(10)	—
Employee advances	(41)	69	(211)
Redemption of units	(18)	—	—
Contributions from owner	—	—	56,553
Contributions from noncontrolling interest in consolidated entities	2,373	4,780	—
Distributions to noncontrolling interests in consolidated entities	(44,116)	—	—
Net cash provided by (used in) financing activities	(42,106)	5,858	57,542
Net change in cash and cash equivalents	33,819	20,675	28,997
Cash and cash equivalents at beginning of period	50,272	29,597	600
Cash and cash equivalents at end of period	\$84,091	\$50,272	\$29,597

	Year Ended December		
	2016	2015	2014
Supplemental Cash Flow Information			
Interest paid	\$134	\$42	\$ —
Income taxes paid	2,333	5,966	215
Supplemental Disclosure of Non-Cash Investing and Financing Activities			
Contributions of securities from noncontrolling interests in consolidated entities	\$—	\$110,630	\$ —
Contributions associated with non-cash compensation	—	—	18,620
Dividends associated with deferred compensation plan	—	—	567
Contributions associated with deferred compensation plan	—	—	747
Distribution from deferred compensation plan	—	142	—
Capital expenditures accrued but not paid	620	192	530
Capital additions associated with common stock issuance	—	1,363	—
Accrued but unpaid redemption of AQUA U.S. Fund	2,311	—	—
See Notes to Financial Statements.			

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ASHFORD INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. Organization and Description of Business

Ashford Inc. is a Delaware corporation formed on April 2, 2014, subsequently reincorporated in Maryland, that provides asset management and advisory services to Ashford Hospitality Trust, Inc. (“Ashford Trust”) and Ashford Hospitality Prime, Inc. (“Ashford Prime”). 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. Ashford Prime invests primarily in luxury hotels and resorts with RevPAR of at least twice the U.S. national average. Ashford Prime became a publicly traded company in November 2013 upon the completion of its spin-off from Ashford Trust. Each of Ashford Trust and Ashford Prime is a real estate investment trust (“REIT”) as defined in the Internal Revenue Code, and the common stock of each of Ashford Trust and Ashford Prime is traded on the NYSE. The common stock of Ashford Inc. is listed on the NYSE MKT Exchange.

Ashford Inc. was formed through a spin-off of Ashford Trust’s asset management business in November 2014. The spin-off was completed by means of a distribution of common stock of Ashford Inc. and common units of Ashford Hospitality Advisors LLC (“Ashford LLC”), a Delaware limited liability company formed on April 5, 2013. Ashford LLC had no operations until November 19, 2013, the date of the Ashford Prime spin-off. As part of the Ashford Inc. spin-off from Ashford Trust, Ashford LLC became a subsidiary of Ashford Inc. on November 12, 2014. Ashford Inc. conducts its business and owns substantially all of its assets through Ashford LLC.

The spin-off of Ashford Inc. was completed on November 12, 2014, with a pro rata taxable distribution of Ashford Inc.’s common stock to Ashford Trust stockholders of record as of November 11, 2014. The distribution was comprised of one share of Ashford Inc. common stock for every 87 shares of Ashford Trust common stock held by the Ashford Trust common stockholders. In addition, for each common unit of Ashford Trust OP, the holder received one common unit of Ashford LLC. Each holder of common units of Ashford LLC could exchange up to 99% of those units for shares of Ashford Inc. stock at the rate of one share of Ashford Inc. common stock for every 55 common units. Immediately following the completion of the exchange offer, Ashford LLC effected a reverse split of its common units such that each common unit was automatically converted into 1/55 of a common unit. The distribution was completed on October 7, 2014, and the exchange and reverse split were completed on November 12, 2014. Following the spin-off, Ashford Trust continues to hold approximately 598,000 shares of Ashford Inc. common stock for the benefit of its common stockholders, which represents an approximate 30% ownership interest in Ashford Inc. In connection with the spin-off, we entered into an advisory agreement with Ashford Trust.

Ashford Investment Management, LLC (“AIM”) is an indirect subsidiary of the Company, established to serve as an investment adviser to any private securities funds sponsored by us or our affiliates (the “Funds”) and is a registered investment adviser with the Securities and Exchange Commission (the “SEC”). AIM REHE Funds GP, LP (“AIM GP”), or an affiliate of AIM GP, serves as the general partner of any Funds. AIM Management Holdco, LLC (“Management Holdco”) owns 100% of AIM. We, through Ashford LLC, own 100% of Management Holdco. AIM Performance Holdco, LP (“Performance Holdco”) owns 99.99% of AIM GP with the remaining 0.01% general partner interest owned by our wholly owned subsidiary, AIM General Partner, LLC. We, through Ashford LLC and our 100% ownership interest in AIM General Partner, LLC, own approximately 60% of Performance Holdco, and Mr. Monty J. Bennett, our chief executive officer and chairman of our board of directors, and Mr. J. Robison Hays, III, our chief strategy officer and a member of our board of directors, own, in the aggregate, 40% of Performance Holdco. AIM, AIM GP, Management Holdco, Performance Holdco and AIM General Partner, LLC are all consolidated by Ashford Inc. as it has control.

As of December 31, 2016, AIM served as investment adviser to AIM Real Estate Hedged Equity Master Fund, L.P. (the “Master Fund”), an investment partnership formed under the laws of the Cayman Islands and commenced operations on January 15, 2015. The Master Fund was organized for the purpose of purchasing, selling (including short sales), investing and trading in investments and engaging in financial transactions, including borrowing, financing, pledging, hedging and other derivative transactions. The Master Fund had two limited partners: AIM Real

Estate Hedged Equity (U.S.) Fund, L.P. (the “U.S. Fund”), a U.S. investment limited partnership, and AIM Real Estate Hedged Equity (Cayman) Fund, Ltd. (the “Offshore Fund”), a Cayman Islands exempted investment company (collectively, the “Feeder Funds”). The Feeder Funds invest substantially all of their assets in the Master Fund. The Master Fund is managed by AIM GP and AIM. On February 23, 2016 the board of directors of the Offshore Fund, in consultation with AIM, resolved to wind down the Offshore Fund due to the administrative cost of running the Offshore Fund relative to invested capital. All investments in the Offshore Fund were redeemed on February 29, 2016. The Master Fund and the U.S. Fund continued to operate, but under new names – “Ashford Quantitative Alternatives Master Fund, LP” (the “AQUA Master Fund”) and “Ashford Quantitative Alternatives (U.S.), LP” (the “AQUA U.S. Fund”), respectively, effective March 1, 2016. The AQUA Master Fund and the AQUA U.S. Fund are collectively known as the “AQUA Fund.”

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

AIM is entitled to receive an investment management fee equal to 1.5% to 2.0% of the beginning quarterly capital account balance of certain limited partners. AIM GP serves as the general partner to the AQUA U.S. Fund and the AQUA Master Fund. As such, it is entitled to receive a performance allocation, which is earned annually and equals 15% to 20% of positive changes in the capital account balance of certain of its limited partners. Ashford Prime, Ashford Trust and other limited partners are not obligated to pay any portion of the management fee or the performance allocation to AIM or AIM GP, as applicable, but do share pro rata in all other applicable expenses. On March 8, 2016, our \$3.0 million note receivable from OpenKey, a consolidated entity in which the noncontrolling interest holder previously held a 100% interest, was converted into equity in OpenKey pursuant to a financing arrangement between the Company and OpenKey, upon a \$2.0 million investment in the entity by Ashford Trust. See notes 2, 9 and 10.

The accompanying financial statements reflect the operations of our asset and investment management business including the AQUA Fund and entities that we consolidate. Our asset and investment management business provides asset and investment management, accounting and legal services to Ashford Trust, Ashford Prime and the AQUA Fund. In this report, the terms the “Company,” “we,” “us” or “our” refers to Ashford Inc. and all entities included in its financial statements.

2. Significant Accounting Policies

Basis of Presentation and Principles of Consolidation and Combination—The accompanying consolidated financial statements, subsequent to our spin-off, include the accounts of Ashford Inc., its majority-owned subsidiaries and entities which it controls. All significant inter-company accounts and transactions between these entities have been eliminated in these historical consolidated financial statements. The AQUA Funds are investment companies and follows the accounting and reporting guidance in Financial Accounting Standards Boards (“FASB”) Accounting Standards Codification (“ASC”) Topic 946.

For periods prior to the spin-off, the accompanying historical financial statements of Ashford Inc. have been “carved out” of Ashford Trust’s consolidated financial statements and reflect significant assumptions and allocations. These financial statements were prepared by combining the financial position and results of operations of Ashford LLC and certain assets, liabilities and operations of Ashford Trust OP (both Ashford LLC and Ashford Trust OP were under common control) related to certain activities that were historically accounted for by Ashford Trust. These activities include asset management, accounting and legal services to Ashford Trust and Ashford Prime. In addition, the combined statements of operations and comprehensive income (loss) include allocations of general and administrative expenses from Ashford Trust, which in the opinion of management, are reasonable. All significant inter-company accounts and transactions between combined entities were eliminated. The historical financial information is not necessarily indicative of the Company’s future results of operations, financial position and cash flows.

Since the Company was a consolidated subsidiary of Ashford Trust and there was no advisory agreement between Ashford Trust and the Company, the accompanying statements of operations and comprehensive income (loss) do not report revenue associated with its management and advisory services provided to Ashford Trust for the historical periods presented prior to our spin-off on November 12, 2014. It does include revenue associated with the advisory services provided to Ashford Prime for all periods presented.

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, (ii) an implicit financial responsibility to ensure that a VIE operates as designed, and (iii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE.

The AQUA Fund is considered to be a VIE, as defined by authoritative accounting guidance. All major decisions related to the AQUA Fund that most significantly impact its economic performance, including but not limited to admittance of limited partners and purchasing, selling (including short sales), investing and trading in investments and engaging in financial transactions, including borrowing, financing, pledging, hedging and other derivative transactions are subject to the approval of our wholly-owned subsidiary, AIM GP. As such, we consolidate the AQUA Fund. As of

December 31, 2016 and December 31, 2015, the AQUA Fund held approximately \$52.8 million and \$108.1 million, respectively, of total assets consisting primarily of investments in securities, cash and cash equivalents and receivables that can only be used to settle the obligations of the AQUA Fund. Additionally, as of December 31, 2016 and December 31, 2015, the AQUA Fund had liabilities of \$93,000 and \$1.1 million, respectively, consisting primarily of liabilities associated with investments in securities for which creditors do not have recourse to Ashford Inc.

As of December 31, 2016, we held a variable interest in OpenKey, a consolidated VIE in which the redeemable noncontrolling interest holder held a 46.31% interest and the noncontrolling interest holders held a 13.63% interest.

As we meet the conditions discussed above, we are considered the primary beneficiary of OpenKey and therefore we consolidate it. As of December 31, 2016,

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NOTES TO FINANCIAL STATEMENTS (continued)

OpenKey held approximately \$960,000 of total assets that primarily consisted of cash and cash equivalents and other assets that can only be used to settle its obligations. Additionally, as of December 31, 2016, OpenKey had accounts payable and accrued expenses of \$256,000 for which creditors do not have recourse to Ashford Inc. As of December 31, 2015, the variable interest was held in the form of a note receivable due from OpenKey with an outstanding balance of \$3.0 million that eliminated in consolidation and the noncontrolling interest holder held a 100% interest. As of December 31, 2015, OpenKey held approximately \$653,000 of total assets that primarily consisted of cash and cash equivalents and other assets that could only be used to settle its obligations. Additionally, as of December 31, 2015, OpenKey had accounts payable and accrued expenses of \$177,000 for which creditors did not have recourse to Ashford Inc.

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

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

Restricted Cash—Restricted cash represents reserves for casualty insurance claims and the associated ancillary costs. At the beginning of each year, Ashford Inc.'s Risk Management department collects funds, from the Ashford Trust/Prime properties and their respective management companies, of an amount equal to the actuarial forecast of that year's expected casualty claims and associated fees. These funds are deposited into restricted cash and used to pay casualty claims throughout the year as they are incurred. The offset to restricted cash amounts is included in other liabilities. For purposes of the statements of cash flows, changes in restricted cash caused by using such funds are shown as operating activities.

Noncontrolling Interests—The redeemable noncontrolling interests in Ashford LLC represent the members' proportionate share of equity in earnings/losses of Ashford LLC, which is an allocation of net income/loss attributable to the common unit holders based on the weighted average ownership percentage of these members' common unit holdings throughout the period. The redeemable noncontrolling interests in Ashford LLC is classified in the mezzanine section of the balance sheets as these redeemable operating units do not meet the requirements for equity classification prescribed by the authoritative accounting guidance because these redeemable operating units may be redeemed by the holder. The carrying value of the noncontrolling interests in Ashford LLC is based on the greater of the accumulated historical cost or the redemption value.

The redeemable noncontrolling interests in subsidiary common stock as of December 31, 2016 represented the 46.31% ownership interest in a consolidated VIE, OpenKey, retained by the party that previously held a 100% interest and was previously included in noncontrolling interests in consolidated entities as of December 31, 2015. The redeemable noncontrolling interest in subsidiary common stock is included in the mezzanine section of our balance sheet as it is redeemable outside of the Company's control. The carrying value of the redeemable noncontrolling interests in subsidiary common stock is based on the accumulated historical cost adjusted to reflect the excess of redemption value over the accumulated historical cost.

At December 31, 2016, the noncontrolling interests in consolidated entities represented noncontrolling ownership interests of 40% in Performance Holdco, 100% in the AQUA Fund and 13.63% in OpenKey. At December 31, 2015, the noncontrolling interests in consolidated entities represented noncontrolling ownership interests of 40% in AIM, 100% in the AQUA Fund and 100% in OpenKey, an entity in which we held a variable interest in the form of a note receivable.

Revenue Recognition—Revenues primarily consist of advisory and investment management fees and expense reimbursements that are recognized when services have been rendered. Advisory fees consist of base management fees and incentive fees. The quarterly base fee ranges from 0.70% to 0.50% per annum of the total market

capitalization ranges from less than \$6.0 billion to greater than \$10.0 billion of Ashford Prime and Ashford Trust, as defined in the amended advisory agreements, subject to certain minimums. Reimbursements for overhead, travel expenses, risk management and internal audit services are recognized when services have been rendered. We also record advisory revenue for equity grants of Ashford Prime and Ashford Trust common stock and 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, as well an offsetting expense in an equal amount included in “salaries and benefits.” The incentive fee is earned annually in each year that Ashford Prime’s and/or Ashford Trust’s annual total stockholder return exceeds the average annual total stockholder return for each company’s respective peer group, subject to the FCCR Condition, as defined in the advisory agreements. Incentive fees are paid over a three-year period and each payment is subject to the FCCR Condition. Accordingly, incentive fee revenue is recognized only when the amount earned is fixed and determinable and the FCCR Condition has been met. As incentive fees are earned

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

annually, we recognize revenue quarterly based on the amount that would be due pursuant to the applicable advisory agreement as of the interim balance sheet date in accordance with the authoritative accounting guidance.

Salaries and Benefits—Salaries and benefits are expensed as incurred. Prior to the spin-off, salaries and benefits included an allocation of 100% of salaries and benefits of the employees of Ashford Trust and an allocation of 100% of employee equity-based compensation from Ashford Trust. All such expenses were allocated to Ashford Inc. because these expenses have historically been incurred by the asset management business of Ashford Trust. In the opinion of management, such allocations were considered reasonable. Salaries and benefits includes expense for equity grants of Ashford Prime and 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. 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 further discussion in note 2 “deferred compensation plan” and note 12.

General and Administrative Expense—General and administrative costs are expensed as incurred. Prior to the spin-off, general and administrative expense represents an allocation of certain Ashford Trust OP corporate general and administrative costs including rent expense, insurance expense, office expenses and other miscellaneous expenses either based upon specific identification or an allocation method determined by management to reflect the portion of the expenses related to Ashford Inc. With the exception of audit fees, these costs were allocated 100% to Ashford Inc. as management believes these costs were directly incurred by Ashford Trust in connection with its asset management business and will be ongoing costs of Ashford Inc. Audit fees were allocated based on management’s estimate of the audit costs incurred to audit the activities of Ashford Trust’s asset management business. In the opinion of management, such allocations were considered reasonable.

Depreciation—Our furniture, fixtures and equipment and computer software are depreciated 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. Presently, our furniture and equipment are depreciated using the straight-line method over lives ranging from 5 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. 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.

Advertising Costs—Advertising costs are charged to expense as incurred. Advertising costs were \$0, \$0 and \$58,000 for the years ended December 31, 2016, 2015 and 2014, respectively. Advertising costs are included in the “general and administrative” expense in the accompanying statements of operations and comprehensive income (loss).

Equity-Based Compensation—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. In connection with providing advisory services, our officers and employees can be granted common stock and LTIP units from Ashford Trust and Ashford Prime which result in expense equal to the fair value of the award, included in “salaries and benefits” 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 spin-off, all equity-based compensation of Ashford Trust employees was allocated to the Company as all Ashford Trust employees became employees of the Company.

Other Comprehensive Income (Loss)—As there are no transactions requiring presentation in other comprehensive income (loss), but not in net income (loss), the Company’s net income (loss) equates to other comprehensive income (loss).

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

Due from Ashford Prime OP—Due from Ashford Prime OP represents current receivables related to the advisory services fee, incentive fee and reimbursable expenses. Due from Ashford Prime OP is generally settled within a period not exceeding one year.

Due to Ashford Prime OP from AQUA U.S. Fund—Due to Ashford Prime OP from AQUA U.S. Fund represents current payables related to the hold back from Ashford Prime's liquidation of the AQUA Fund. Due to Ashford Prime OP from AQUA U.S. Fund is expected to be settled within a period not exceeding one year.

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NOTES TO FINANCIAL STATEMENTS (continued)

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

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

Deferred Compensation Plan—Effective January 1, 2008, Ashford Trust established a nonqualified deferred compensation plan (“DCP”) for certain executive officers, which was assumed by the Company in connection with the separation from Ashford Trust. The plan allows participants to defer up to 100% of their base salary and bonus and select an investment fund for measurement of the deferred compensation obligation. 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 statements of operations and comprehensive income (loss).

Investments in Securities—Investments in securities consist of publicly traded equity securities, U.S. treasury securities and put and call options on certain publicly traded securities. The fair value of equity securities and U.S. treasury securities is based on quoted market closing prices at the balance sheet date. This is considered a Level 1 valuation technique. Put and call options are considered derivative instruments. The fair value of put and call options is based on quoted market closing prices at the balance sheet dates in active markets, which is considered a Level 1 valuation technique and inactive markets, which is considered a Level 2 valuation technique. The fair value of these investments is reported as “investments in securities” and “liabilities associated with investments in securities.” The cost of securities sold is based on the first-in, first-out method. Investment transactions are accounted for on a trade-date basis.

Dividends are recorded as income on the ex-dividend date and interest is recognized when earned on the accrual basis of accounting.

Investments in Unconsolidated Entities—As of December 31, 2015, we held a first loss limited liability company interest (the "Interest") in an unconsolidated limited liability company (the "Fund"). The Fund was a private investment fund which generally invested its assets in one or more securities trading accounts that were managed by external investment advisers, including our subsidiary, Ashford Investment Management, LLC. Our initial investment in the Fund was made in May 2015 in the amount of \$5.0 million, which represented an approximate 2% ownership interest in the Fund. In accordance with the Fund's limited liability company agreement, a manager not affiliated with us possessed and exercised the full, complete and exclusive right, power and authority to manage and conduct the business and affairs of the Fund, subject only to certain withdrawal and voting rights we had and the requirements of applicable law. Due to our limited rights, we did not exercise significant influence over the Fund and therefore did not account for the Interest under the equity method of accounting. The Fund was in an investment company (as defined by GAAP) for which the Interests do not have a readily determinable value. Instead, the manager of the Fund calculated a net asset value (“NAV”) for the Interests monthly in accordance with applicable authoritative accounting guidance. Changes in the NAV were recorded in “unrealized gain/loss in investment in unconsolidated entity.” We requested redemption of the Interest effective March 29, 2016. The redeemed amount of \$1.4 million was received during the second quarter of 2016, which reduced our carrying value to \$0. We recognized an unrealized gain of \$2.1 million and a realized loss of \$3.6 million for the year ended December 31, 2016. At December 31, 2015, the carrying

value of the investment, which approximated fair value, was \$2.8 million.

We also hold an investment in an unconsolidated entity with a carrying value of \$500,000 at both December 31, 2016 and December 31, 2015, which we account for under the cost method of accounting as we do not exercise significant influence over the entity. We review the 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 in unconsolidated entities. No such impairment was recorded during the years ended December 31, 2016 or 2015.

Our investments in certain unconsolidated entities are considered to be variable interests in the underlying entities. Because we do not have the power and financial responsibility to direct the unconsolidated entities' activities and operations, we are not

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NOTES TO FINANCIAL STATEMENTS (continued)

considered to be the primary beneficiary of these entities on an ongoing basis and therefore such entities should not be consolidated. In evaluating VIEs, our analysis involves considerable management judgment and assumptions.

Options on Futures Contracts—We also purchase options on Eurodollar futures as a hedge against our cash flows.

Eurodollar futures prices reflect market expectations for interest rates on three month Eurodollar deposits for specific dates in the future, and the final settlement price is determined by three-month LIBOR on the last trading day. Options on Eurodollar futures provide the ability to limit losses while maintaining the possibility of profiting from favorable changes in the futures prices. As the purchaser, our maximum potential loss is limited to the initial premium paid for the Eurodollar option contracts, while our potential gain has no limit. These exchange-traded options are centrally cleared, and a clearinghouse stands in between all trades to ensure that the obligations involved in the trades are satisfied.

Due From/To Brokers—Due from/to brokers includes cash balances held with brokers, receivables and payables from unsettled trades, margin borrowings, and collateral on derivative transactions. Amounts due from brokers may be restricted to the extent that they serve as deposits for securities sold short. In addition, margin borrowings are collateralized by certain securities and cash balances held by the AQUA Fund. The AQUA Fund is subject to interest on margin accounts based on daily margin borrowings. Due to brokers is included in “liabilities associated with investments in securities.” The AQUA Fund had no margin borrowings at December 31, 2016 or 2015.

In the normal course of business, substantially all of the AQUA Fund’s securities transactions, money balances, and security positions are transacted with the AQUA Fund’s broker: Goldman Sachs & Co. and ConvergEx Group.

Accounts with ConvergEx Group are cleared by Goldman Sachs & Co. The AQUA Fund is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The AQUA Fund’s management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

Offsetting of Assets and Liabilities—Amounts due from and due to brokers are presented on a net basis, by counterparty, to the extent the AQUA Fund has the legal right to offset the recognized amounts and intends to settle on a net basis. The AQUA Fund presents on a net basis the fair value amounts recognized for over-the-counter derivatives executed with the same counterparty under the same master netting agreement.

Income Taxes—The Company is subject to federal and state corporate 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 financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized. The AQUA Fund does not record a provision for U.S. federal, state, or local income taxes as it is a partnership, and the AQUA Fund partners report their share of the AQUA Fund’s income or loss on their income tax returns. However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax for those limited partners that are foreign entities or foreign individuals.

Prior to the spin-off, the Company’s taxable income was “carved out” of Ashford Trust OP, a partnership, and Ashford LLC, its wholly-owned disregarded limited liability company, neither of which are subject to U.S. federal income taxes. Rather, the partnership’s revenues and expenses passed through and were taxed to the owners. Therefore, the Company did not provide for federal income taxes. Partnerships are subject to the Texas Margin Tax. In accordance with authoritative accounting guidance, we provided for the Texas Margin Tax. Income tax expense was calculated on a separate stand-alone basis, although the Company’s operations were historically included in the tax returns filed by Ashford Trust OP of which the Company’s business was a part.

The “Income Taxes” Topic of the FASB ASC addresses the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. The guidance requires us to determine whether tax positions we have taken or expect to take in a tax return are more likely than not to be sustained upon examination by the appropriate taxing authority based on the technical merits of the positions. Tax positions that do not meet the more likely than not threshold would

be recorded as additional tax expense in the current period. We analyze all open tax years, as defined by the statute of limitations for each jurisdiction, which includes the federal jurisdiction and various states. We classify interest and penalties related to underpayment of income taxes as income tax expense. We and our subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and cities. Tax years 2013 through 2016 remain subject to potential examination by certain federal and state taxing authorities.

Recently Adopted Accounting Standards—In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (“ASU 2014-15”), to provide guidance on management’s responsibility to perform interim and annual assessments of an entity’s ability to continue as a going concern. ASU 2014-15 also requires certain disclosures if conditions or events raise substantial doubt about the entity’s ability to continue as a going concern. ASU 2014-15

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NOTES TO FINANCIAL STATEMENTS (continued)

applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. We have adopted this standard effective for the year ended December 31, 2016, and the adoption of this standard did not have any impact on our financial position, results of operations or cash flows.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis (“ASU 2015-02”). The ASU amends the consolidation guidance for VIEs and general partners’ investments in limited partnerships and modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities. The ASU is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. We have adopted this standard effective January 1, 2016, and the adoption of this standard did not have an impact on our financial position, results of operations or cash flows.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805) Simplifying the Accounting for Measurement-Period Adjustments (“ASU 2015-16”), as part of its simplification initiative to provide guidance on management’s responsibility to adjust provisional amounts recognized in a business combination and to provide related disclosure requirements. The amendments in this update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this update require that the acquirer record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 applies to all entities that have reported provisional amounts for items in a business combination for which the accounting is incomplete by the end of the reporting period in which the combination occurs and during the measurement period have an adjustment to provisional amounts recognized. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, with early adoption permitted. We have adopted this standard effective January 1, 2016, and the adoption of this standard did not have an impact on our financial position, results of operations or cash flows.

Recently Issued Accounting Standards—In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). ASU 2014-09 is a comprehensive new revenue recognition model, which requires a company to recognize revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration the company expects to receive in exchange for those goods or services. An entity is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may 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. ASU 2014-09 also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. In addition, the new guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14, Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date, which defers the effective date to fiscal periods beginning after December 15, 2017, including interim periods within that reporting period. The FASB has also issued additional updates that further clarify the requirements of Topic 606 and provide implementation guidance. Early adoption is permitted for fiscal periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. We are in the initial stages of evaluating the available adoption methods and assessing the potential impact that the standard will have on

our revenue recognition, financial statements and disclosures. Our assessment includes a detailed review of our contracts with customers and understanding when revenue would be recognized under those agreements. The impact of the standard on our financial statements is not currently determinable. We expect to adopt the new revenue recognition guidance effective January 1, 2018.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), which requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in OCI the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price and; (v) assess a valuation allowance on deferred tax assets related to unrealized losses of AFS debt securities in combination with other deferred tax assets. ASU 2016-01 provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted

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NOTES TO FINANCIAL STATEMENTS (continued)

for certain observable price changes. It also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Certain provisions of ASU 2016-01 are eligible for early adoption. We do not expect that ASU 2016-01 will have a material impact on our financial statements and related disclosures.

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. The new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn’t convey risks and rewards or control, an operating lease results. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases as well as for lessors for sales-type, direct financing, and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The accounting for leases where we are the lessor remains largely unchanged. While we are currently initial stages of assessing the impact ASU 2016-02 will have on our financial statements, we expect the primary impact to our financial statements upon adoption will be the recognition, on a discounted basis, of any future minimum rentals due under noncancelable leases on our balance sheets resulting in the recording of right of use assets and lease obligations.

In March 2016, the FASB issued ASU 2016-07, Simplifying the Transition to the Equity Method of Accounting (“ASU 2016-07”). The new standard requires an investor to apply the equity method of accounting only from the date it qualifies for that method, i.e., the date the investor obtains significant influence over the operating and financial policies of an investee. The ASU eliminates the previous requirement to retroactively adjust the investment and record a cumulative catch up for the periods that the investment had been held, but did not qualify for the equity method of accounting. ASU 2016-07 is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Early adoption is permitted. We are evaluating the impact that ASU 2016-07 will have on our financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”) as part of the FASB simplification initiative. The new standard requires all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) to be recognized as income tax expense or benefit on the income statement. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity also should recognize excess tax benefits, and assess the need for a valuation allowance, regardless of whether the benefit reduces taxes payable in the current period. The ASU also requires excess tax benefits to be classified along with other income tax cash flows as an operating activity in the statement of cash flows. In addition, the ASU increases the tax withholding requirements threshold to qualify for equity classification. The ASU also clarifies that cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity. The ASU provides an optional accounting policy election to be applied on an entity-wide basis to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of

the amendments in the same period. We are evaluating the impact that ASU 2016-09 will have on our financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). The ASU sets forth an "expected credit loss" impairment model to replace the current "incurred loss" method of recognizing credit losses. The standard requires measurement and recognition of expected credit losses for most financial assets held. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for periods beginning after December 15, 2018. We are currently evaluating the impact that ASU 2016-13 will have on the financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments - a consensus of the Emerging Issues Task Force ("ASU 2016-15"). The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. Certain issues addressed in this guidance include - Debt payments or debt extinguishment costs, contingent consideration payments made after a business

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combination, proceeds from the settlement of insurance claims, distributions received from equity method investments and beneficial interests in securitization transactions. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact that ASU 2016-15 will have on our financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”), which clarifies the presentation of restricted cash and restricted cash equivalents in the statements of cash flows. Under ASU 2016-18 restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact that ASU 2016-18 will have on our financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805) - Clarifying the Definition of a Business (“ASU 2017-01”), which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether a transaction should be accounted for as an acquisition (or disposal) of an asset or a business. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact that ASU 2017-01 will have on our financial statements and related disclosures.

3. Furniture, Fixtures and Equipment, net

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

	December 31,	
	2016	2015
Furniture, fixtures and equipment	\$6,549	\$2,529
Leasehold improvements	537	536
Computer software	7,125	4,701
Total cost	14,211	7,766
Accumulated depreciation	(2,167)	(1,216)
Furniture, fixtures and equipment, net	\$12,044	\$6,550

For the years ended December 31, 2016, 2015 and 2014, depreciation expense was \$1.2 million, \$799,000 and \$359,000, respectively. As of December 31, 2016 and 2015, computer software of \$5.5 million and \$3.1 million, respectively, has not been placed into service and no amortization was recorded related to those assets.

4. Derivative Contracts

As of December 31, 2016, the volume of the AQUA Fund’s option derivative activities based on their notional amounts, which are the fair values of the underlying shares as if the options were exercised at December 31, 2016, was 8,000 long exposure contracts with a notional amount of \$0 and no short exposure contracts. As of December 31, 2015, the volume of the AQUA Fund’s option derivative activities based on their notional amounts, which are the fair values of the underlying shares as if the options were exercised at December 31, 2015, was 41,000 long exposure contracts with a notional amount of \$6.0 million and 27,000 short exposure contracts with a notional amount of \$114,000.

Options on Futures Contracts—During the year ended December 31, 2016, we purchased options on Eurodollar futures for total costs of \$94,000 and a maturity date of June 2017. During the year ended December 31, 2015, we purchased options on Eurodollar futures for total costs of \$595,000 and maturity dates ranging from September 2016 to March 2017. No options on futures contracts were purchased prior to 2015. These options were not designated as cash flow hedges. The carrying value of these options on futures contract is included in “investments in securities” in our balance sheets.

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NOTES TO FINANCIAL STATEMENTS (continued)

5. Fair Value Measurements

Fair Value Hierarchy—Our financial instruments measured at fair value either on a recurring or a non-recurring basis are classified in a hierarchy for disclosure purposes consisting of three levels based on the observability of inputs in the market place as discussed below:

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Total	
December 31, 2016				
Assets				
Derivative assets:				
Options on futures contracts	\$91	\$	—\$91	
Total	91	—	91	(1)
Liabilities				
Non-derivative liabilities:				
Deferred compensation plan	(9,078)	—	(9,078)	
Total	(9,078)	—	(9,078)	
Net	\$(8,987)	\$	—\$(8,987)	

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NOTES TO FINANCIAL STATEMENTS (continued)

	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Total
December 31, 2015			
Assets			
Derivative assets:			
Equity put options	\$536	\$ 654	\$1,190
Equity call options	1,492	6	1,498
Options on futures contracts	225	—	225
Non-derivative assets:			
Equity securities	44,414	—	44,414
U.S. treasury securities	33,745	—	33,745
Total	80,412	660	81,072 ⁽¹⁾
Liabilities			
Derivative liabilities:			
Short equity put options	(447)	—	(447) ⁽²⁾
Short equity call options	(507)	(29)	(536) ⁽²⁾
Non-derivative liabilities:			
Deferred compensation plan	(11,205)	—	(11,205)
Total	(12,159)	(29)	(12,188)
Net	\$68,253	\$ 631	\$68,884

⁽¹⁾ Reported as “investments in securities” in the balance sheets.

⁽²⁾ Reported as “liabilities associated with investments in securities” in the balance sheets.

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NOTES TO FINANCIAL STATEMENTS (continued)

Effect of Fair Value Measured Assets and Liabilities on Statements of Operations and Comprehensive Income (Loss)

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

	Gain (Loss) Recognized		
	Year Ended December 31,		
	2016	2015	2014
Assets			
Derivative assets:			
Equity put options	\$(2,829)	\$(7,218)	\$—
Equity call options	1,961	(680)	—
Options on futures contracts	(228)	(275)	—
Non-derivative assets:			
Equity - American Depositary Receipt	—	89	—
Equity securities	(7,213)	(10,564)	—
U.S. treasury securities	479	(331)	—
Total	(7,830)	(18,979)	—
Liabilities			
Derivative liabilities:			
Short equity put options	2,147	7,139	—
Short equity call options	(1,944)	4,144	—
Non-derivative liabilities:			
Equity - American Depositary Receipt	—	(300)	—
Equity securities	(160)	396	—
Deferred compensation plan	2,127	8,608	(8,495)
Total	2,170	19,987	(8,495)
Net	\$(5,660)	\$1,008	\$(8,495)
Total combined			
Unrealized gain (loss) on investment securities	\$2,326	\$(2,490)	\$—
Realized gain (loss) on investment securities	(10,113)	(5,110)	—
Deferred compensation plan	2,127 ⁽¹⁾	8,608 ⁽¹⁾	(8,495) ⁽¹⁾
Net	\$(5,660)	\$1,008	\$(8,495)

⁽¹⁾ Reported as a component of “salaries and benefits” in the statements of operations and comprehensive income (loss).

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NOTES TO FINANCIAL STATEMENTS (continued)

6. Summary of Fair Value of Financial Instruments

Certain of our financial instruments are not measured at fair value on a recurring basis. The estimates presented are not necessarily indicative of the amounts at which these instruments could be purchased, sold or settled. The carrying amounts and estimated fair values of financial instruments were as follows (in thousands):

	December 31, 2016		December 31, 2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets measured at fair value:				
Investments in securities	\$91	\$ 91	\$81,072	\$ 81,072
Financial liabilities measured at fair value:				
Liabilities associated with investments in securities	\$—	\$ —	\$983	\$ 983
Deferred compensation plan	9,078	9,078	11,205	11,205
Financial assets not measured at fair value:				
Cash and cash equivalents	\$84,091	\$ 84,091	\$50,272	\$ 50,272
Restricted cash	9,752	9,752	5,684	5,684
Receivables	16	16	250	250
Due from Ashford Trust OP, net	12,179	12,179	5,856	5,856
Due from Ashford Prime OP	3,817	3,817	3,821	3,821
Financial liabilities not measured at fair value:				
Accounts payable and accrued expenses	\$11,601	\$ 11,601	\$10,832	\$ 10,832
Due to affiliates	933	933	782	782
Due to Ashford Prime OP from AQUA U.S. Fund	2,289	2,289	—	—
Other liabilities	9,752	9,752	5,684	5,684

Investments in securities and liabilities associated with investments in securities. Investment securities consist of U.S. treasury securities, publicly traded equity securities, equity put and call options on certain publicly traded equity securities and futures contracts. Liabilities associated with investments in securities consist of a margin account balance and short equity put and call options. The fair value of these investments is based on quoted market closing prices at the balance sheet dates in active and inactive markets. This is considered either a Level 1 or Level 2 valuation technique. See notes 2, 3 and 4 for a complete description of the methodology and assumptions utilized in determining fair values.

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.

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.

Receivables, due from Ashford Trust OP, net, due from Ashford Prime OP, net, accounts payable and accrued expenses, due to affiliates, due to Ashford Prime OP from AQUA U.S. Fund 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.

7. Commitments and Contingencies

Litigation—On December 11, 2015, a purported stockholder class action and derivative complaint challenging the Remington acquisition, described in note 13, was filed in the Court of Chancery of the State of Delaware and styled *Campbell v. Bennett et al.*, Case No. 11796. The complaint names as defendants each of the members of the Company's board of directors, Archie Bennett, Jr., Mark A. Sharkey, MJB Investments GP, LLC and Remington Holdings GP, as well as the Company as a nominal defendant. The complaint alleges that the members of the Company's board of directors breached their fiduciary duties to the Company's stockholders in connection with the

Transactions and that Monty Bennett, Archie Bennett, Jr., Mark A. Sharkey, MJB Investments GP, LLC and Remington Holdings GP aided and abetted the purported breaches of fiduciary duty. In support of these claims, the

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NOTES TO FINANCIAL STATEMENTS (continued)

complaint alleges, among other things, that the Company's board of directors engaged in an unfair process with Remington Lodging and the Bennetts and as a result the Company overpaid for the 80% limited partnership and 100% general partnership interests in Remington Lodging. The complaint also alleges that the proxy statement filed with the SEC contains certain materially false and/or misleading statements. The action seeks injunctive relief, including enjoining the special meeting of stockholders and any vote on the contribution or the stock issuances or rescinding the Transactions if they are consummated, or in the alternative an award of damages, as well as unspecified attorneys' and other fees and costs, in addition to any other relief the court may deem proper. Since the filing of the complaint, the special meeting of stockholders and related vote occurred with the stockholders approving the acquisition.

The outcome of this matter cannot be predicted with any certainty. A preliminary injunction could delay or jeopardize the consummation of the Transactions, and an adverse judgment granting permanent injunctive relief could indefinitely prohibit consummation of the Transactions. The defendants have not yet responded to the complaint but intend to defend the claims raised in this lawsuit.

On March 14, 2016, Sessa Capital (Master), L.P. ("Sessa") filed third party claims against the Company and Ashford LLC in connection with a suit filed by Ashford Prime against Sessa, related parties, and Sessa's proposed Ashford Prime director nominees John E. Petry, Philip B. Livingston, Lawrence A. Cunningham, Daniel B. Silvers and Chris D. Wheeler. The case is captioned Ashford Hospitality Prime, Inc. v. Sessa Capital (Master), L.P., et al., No. 16-cv-00527 and was filed in the United States District Court for the Northern District of Texas, Dallas Division. Sessa generally alleged that the Company and Ashford LLC aided and abetted the Ashford Prime directors' breaches of fiduciary duty in connection with the June 2015 amendments to Ashford Prime's advisory agreement with Ashford LLC. Among other relief, Sessa sought an injunction preventing the Company from attempting to solicit proxies on behalf of Ashford Prime until Ashford Prime's directors approve Sessa's proposed director nominees under the terms of the advisory agreement. On May 20, 2016, the court denied Sessa's request for a preliminary injunction and enjoined Sessa from, among other things, soliciting proxies or otherwise seeking election of its proposed candidates to the Ashford Prime board. Sessa appealed the district court's decision to the United States Court of Appeals for the Fifth Circuit on May 23, 2016. On December 16, 2016, the Fifth Circuit dismissed Sessa's appeal of the preliminary injunction as moot. On February 16, 2017, Ashford Prime, Ashford Trust and the Company (collectively the "Ashford Entities") entered into a settlement agreement (the "Settlement Agreement") with Sessa, Sessa Capital GP, LLC, Sessa Capital IM, L.P., Sessa Capital IM GP, LLC and John Petry (collectively, the "Sessa Entities") regarding the composition of the Company's board of directors, dismissal of pending litigation involving the parties and certain other matters. On February 17, 2017, the District Court consolidated the Texas State Action into the Texas Federal Action (the "Consolidated Texas Federal Action"). On the same day, the District Court also dismissed all of Sessa's counterclaims, except for its claim for violation of federal proxy solicitation laws, which Ashford Prime did not move to dismiss. The District Court granted Sessa's motion to dismiss Ashford Prime's claim for prima facie tort, but denied Sessa's motion to dismiss the Ashford Prime's remaining claims.

On February 20, 2017, the parties submitted a Joint Stipulation of Dismissal, which dismissed each of the parties' remaining claims in the Consolidated Texas Federal Action with prejudice.

On March 22, 2016, the Company and Ashford LLC filed a lawsuit in Texas state district court in Dallas against Sessa, related entities, and John E. Petry, Philip B. Livingston, Lawrence A. Cunningham, Daniel B. Silvers and Chris D. Wheeler. The case is captioned Ashford Inc., et al v. Sessa Capital (Master), L.P., et al., Cause No. 16-DC-03340. The Company generally alleges that the defendants engaged in wrongful acts, including engaging in an unlawful proxy contest for control of the Ashford Prime board, and tortiously interfered with the Company and Ashford LLC's advisory agreement with Ashford Prime. Among other relief, the Company sought actual and exemplary damages, as well as an injunction prohibiting defendants from further interference with the advisory agreement or the Company's managerial and operational control of Ashford Prime and its assets. On February 16, 2017, the Ashford Entities entered into a Settlement Agreement with the Sessa Entities requiring the dismissal with prejudice of the Company's suit against Sessa, related entities, and John E. Petry, Philip B. Livingston, Lawrence A. Cunningham, Daniel B.

Silvers and Chris D. Wheeler. The Company also entered into releases with Sessa.

Jesse Small v. Monty J. Bennett, et al., Case No. 24-C-16006020 (Md. Cir. Ct.) On November 16, 2016, Jesse Small, a purported shareholder of Ashford Prime, commenced a derivative action in Maryland Circuit Court for Baltimore City asserting causes of action for breach of fiduciary duty, corporate waste, and declaratory relief against the members of the Ashford Prime board of directors, David Brooks (collectively, the “Individual Defendants”), Ashford Inc. and Ashford LLC. Ashford Prime is named as a nominal defendant. The complaint alleges that the Individual Defendants breached their fiduciary duties to Ashford Prime by negotiating and approving the termination fee provision set forth in Ashford Prime’s advisory agreement with Ashford LLC, that Ashford Inc. and Ashford LLC aided and abetted the Individual Defendants’ fiduciary duty breaches, and that the Ashford Prime board of directors committed corporate waste in connection with Ashford Prime’s purchase of 175,000 shares of Ashford Inc.

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common stock. The complaint seeks monetary damages and declaratory and injunctive relief, including a declaration that the termination fee provision is unenforceable. Defendants' response to the complaint is due March 24, 2017. The outcome of this matter cannot be predicted with any certainty.

The Company is engaged in other 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 final results of legal proceedings cannot be predicted with certainty 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.

Securities Sold Short—The AQUA Fund is subject to certain inherent risks arising from selling securities short. The ultimate cost to the AQUA Fund to acquire these securities may exceed the liability reflected in these financial statements.

8. Income Taxes

The following table reconciles the income tax benefit at statutory rates to the actual income tax expense recorded (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Income tax benefit at federal statutory income tax rate of 35%	\$4,068	\$3,492	\$3,606
State income tax expense, net of federal income tax benefit	(180)	(54)	(74)
Income passed through to common unit holders and noncontrolling interests	(3,503)	(3,799)	(90)
Permanent differences	(1,410)	(3,293)	(712)
Valuation allowance	(407)	1,563	(3,513)
Benefit of flow through entity tax election	518	—	—
Other	134	25	—
Total income tax (expense) benefit	\$(780)	\$(2,066)	\$(783)

The components of income tax (expense) benefit are as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Current:			
Federal	\$(2,578)	\$(5,958)	\$(696)
State	(277)	(350)	(87)
Total current	(2,855)	(6,308)	(783)
Deferred:			
Federal	2,023	4,140	—
State	52	102	—
Total deferred	2,075	4,242	—
Total income tax (expense) benefit	\$(780)	\$(2,066)	\$(783)

Interest and penalties of \$2,000, \$1,000 and \$0 were paid or were due to taxing authorities for the years ended December 31, 2016, 2015 and 2014, respectively.

Prior to the spin-off, income tax expense for the Company was calculated on a separate stand-alone basis, although the Company's operations were historically included in the tax returns filed by Ashford Trust OP of which the Company's business was a part. As a partnership, Ashford Trust OP was not subject to federal income taxes. However, Ashford Trust OP was subject to the Texas Margin Tax and its operations were included in Texas filings that combined

substantially all of Ashford Trust's subsidiaries. After the spin-off, as a stand-alone company, the Company files tax returns on its own behalf and its deferred taxes

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NOTES TO FINANCIAL STATEMENTS (continued)

and the effective tax rate may differ from those in the periods prior to the spin-off. For the period after the spin-off from November 12, 2014, through December 31, 2014, the Company recognized a book loss before income taxes of \$10.3 million and income tax expense was separately determined under the Ashford Inc. ownership structure.

At December 31, 2016 and 2015, our net deferred tax asset (liability) and related valuation allowance on the balance sheets, consisted of the following (in thousands):

	December 31,	
	2016	2015
Prepaid expenses	\$(386)	\$(380)
Investments in unconsolidated entities	2	508
Capitalized acquisition costs	2,187	1,644
Tax investment in securities greater than book basis	40	62
Deferred compensation	3,258	4,018
Accrued expenses	3,114	2,704
Equity-based compensation	3,940	2,072
Tax property basis greater (less) than book basis	(392)	(191)
Net operating loss	323	—
Deferred tax asset	12,086	10,437
Valuation allowance	(6,084)	(6,195)
Net deferred tax asset	\$6,002	\$4,242

We evaluate the recoverability of our deferred tax assets quarterly to determine if valuation allowances are required or should be adjusted. We assess whether valuation allowances should be established against deferred tax assets based on consideration of all available evidence, both positive and negative, using a “more likely than not” standard. The analysis utilized in determining the valuation allowance involves considerable judgment and assumptions. At December 31, 2016, we recorded a partial valuation allowance of \$6.1 million for our deferred tax assets. After consideration of all evidence, including the positive evidence of taxable income for the year ended December 31, 2016, December 31, 2015, and for the period after the spin-off from November 12, 2014, through December 31, 2014, we concluded that it is more likely than not that we will utilize a portion of our deferred tax assets due to the carryback potential of certain deferred tax assets. For the year ended December 31, 2016 and December 31, 2015, we recorded a corresponding non-cash deferred income tax benefit of \$2.1 million and \$4.2 million, respectively. At December 31, 2015, we had recorded a valuation allowance of \$6.2 million to partially reserve our deferred tax asset.

If our operating performance improves on a sustained basis, our conclusion regarding the need for a valuation allowance could change, resulting in the reversal of some or all of the valuation allowance in the future.

The following table summarizes the changes in the valuation allowance (in thousands):

	Year Ended		
	December 31,		
	2016	2015	2014
Balance at beginning of year	\$6,195	\$7,524	\$—
Additions	—	—	7,524
Deductions	(111)	(1,329)	—
Balance at end of year	\$6,084	\$6,195	\$7,524

9. Equity

Preferred Stock—In accordance with Ashford Inc.’s charter, we are authorized to issue 50 million shares of preferred stock which currently includes up to 2 million shares of series A cumulative preferred stock. The holders of series A cumulative preferred stock are entitled to receive dividends in preference to holders of shares of any class or series of stock ranking junior to it, equal to 1,000 multiplied by the aggregate per share amount of all dividends of common stock. Each share of series A cumulative preferred stock shall entitle the holder to 1,000 votes on all matters submitted

to a vote of the stockholders of Ashford Inc. No shares of series A cumulative preferred stock are currently outstanding.

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

Shareholder Rights Plan—On November 16, 2014, our board of directors adopted a shareholder rights plan (the “2014 Rights Plan”). The 2014 Rights Plan is intended to improve the bargaining position of our board of directors in the event of an unsolicited offer to acquire our outstanding shares of common stock. Pursuant to the 2014 Rights Plan, our board of directors declared a dividend of one preferred share purchase right (a “Right”) payable on November 27, 2014, for each outstanding share of common stock, par value \$0.01 per share (the “Common Shares”), outstanding on November 27, 2014 (the “Record Date”) to the stockholders of record on that date. Each Right initially entitles the registered holder to purchase from the Company one one thousandth of a share of Series A Preferred Stock, par value \$0.01 per share (the “Preferred Shares”), of the Company, at a price of \$275 per one one thousandth of a Preferred Share represented by a Right (the “Purchase Price”), subject to adjustment. The Rights become exercisable upon certain conditions, as defined in the rights agreement. At any time prior to the time any person or group becomes an Acquiring Person, as defined in the rights agreement, the board of directors of the Company may redeem the Rights in whole, but not in part, at a price of \$0.001 per Right. The value of the rights is de minimis. The rights are set to expire February 25, 2018.

Noncontrolling Interests in Consolidated Entities—As of December 31, 2016, noncontrolling interests in consolidated entities represented noncontrolling ownership interests of 40% in Performance Holdco, 100% in the AQUA Fund and 13.63% in OpenKey. As of December 31, 2015, noncontrolling interests in consolidated entities represented noncontrolling ownership interests

of 40% in AIM, 100% in the AQUA Fund and 100% in OpenKey. At December 31, 2016 and 2015, noncontrolling interests in consolidated entities had a total carrying value of \$52.8 million and \$104.5 million, respectively. Loss from consolidated entities attributable to these noncontrolling interests was \$8.9 million, \$10.9 million and \$647,000 for the years ended December 31, 2016, 2015 and 2014, respectively.

With respect to the 100% noncontrolling interests in the AQUA Fund as of December 31, 2016 and 2015, limited partners have redemption rights which contain certain restrictions with respect to rights of withdrawal from the AQUA Fund as specified in the limited partnership agreement.

10. Redeemable Noncontrolling Interests in Ashford LLC

Redeemable Noncontrolling Interests in Ashford LLC—Redeemable noncontrolling interests in Ashford LLC represents certain members’ proportionate share of equity and their allocable share of equity in earnings/loss of Ashford LLC, which is an allocation of net income/loss attributable to the members based on the weighted average ownership percentage of these members’ interest. Beginning one year after issuance, each common unit of membership interest may be redeemed by the holder, for either cash or, at our sole discretion, one share of our common stock.

In connection with our spin-off, Ashford Trust OP unit holders received one common unit in Ashford LLC for every 55 common units held in Ashford Trust OP. Each holder of common units of Ashford LLC could then exchange up to 99% of the Ashford LLC common units for shares of Ashford Inc. common stock. During the year ended December 31, 2014, approximately 356,000 common units were exchanged for shares of Ashford Inc. common stock at the rate of one share of Ashford Inc. common stock for every 55 Ashford LLC common units. Following the completion of the exchange offer, Ashford LLC effected a reverse stock split of its common units such that each common unit was automatically converted into 1/55 of a common unit.

Redeemable noncontrolling interests in Ashford LLC as of December 31, 2016 and 2015, were \$179,000 and \$240,000, respectively, which represented ownership of approximately 0.2% as of each date. The carrying value of redeemable noncontrolling interests as of December 31, 2016 and 2015, included adjustments of \$134,000 and \$188,000, respectively, to reflect the excess of redemption value over the accumulated historical cost. For the years ended December 31, 2016, 2015 and 2014, net (income) loss of \$4,000, \$2,000 and \$24,000, respectively, was allocated to these redeemable noncontrolling interests.

During the year ended December 31, 2016, approximately 1,000 membership interest units with an aggregate fair value of \$18,000 at redemption were redeemed by the holder and, at our election, we issued cash to satisfy the redemption price. During the year ended December 31, 2015, no units were redeemed by the holders.

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

A summary of the activity of the member interest units is as follow (in thousands):

	Year Ended		
	December 31,		
	2016	2015	2014
Units outstanding at beginning of year	5	5	—
Units issued in connection with spin-off	—	—	361
Units redeemed for cash	(1)	—	—
Units converted to common shares	—	—	(356)
Units outstanding at end of year	4	5	5
Units convertible/redeemable at end of year	4	5	—

Redeemable Noncontrolling Interest in Subsidiary Common Stock—Redeemable noncontrolling interest in subsidiary common stock represented the 46.31% ownership interest in OpenKey, a consolidated VIE, at December 31, 2016. This 46.31% redeemable ownership interest was retained by the party that previously held a 100% interest, included in noncontrolling interests in consolidated entities as of December 31, 2015. On March 8, 2016, the 100% noncontrolling interest in OpenKey was initially reduced to 49.28% upon a \$2.0 million investment by Ashford Trust, which represented an initial 12.23% ownership interest and resulted in the conversion of our note receivable into our initial 38.49% ownership interest. The carrying value of redeemable noncontrolling interest in subsidiary common stock as of December 31, 2016 was \$1.3 million. The carrying value of the redeemable noncontrolling interest included adjustments of \$1.0 million to reflect the excess of redemption value over the accumulated historical cost. The redeemable noncontrolling interest in subsidiary common stock is included in the “mezzanine” section of our balance sheet as it is redeemable outside of the Company’s control. For the period from March 8, 2016 through December 31, 2016, net loss of \$1.1 million was allocated to the redeemable noncontrolling interest in subsidiary common stock.

11. Equity-Based Compensation

Under our 2014 Incentive Plan, we are authorized to grant 685,828 incentive stock awards in the form of shares of our common stock or securities convertible into shares of our common stock. At December 31, 2016, 34,049 incentive stock award shares were available for future issuance under the 2014 Incentive Plan. As defined by the 2014 Incentive Plan, authorized shares automatically increase on January 1 of each year in an amount equal to 15% of the sum of (i) the fully diluted share count and (ii) the shares of common stock reserved for issuance under the Company’s deferred compensation plan less shares available under the 2014 Incentive Plan as of December 31 of the previous year. Pursuant to the plan, we have 430,482 shares of our common stock, or securities convertible into 430,482 shares of our common stock, available for issuance under our 2014 Incentive Plan, as of January 1, 2017.

Equity-based compensation expense is recorded in “salaries and benefits expense” in our statements of operations and comprehensive income (loss). The components of equity-based compensation expense for the years ended December 31, 2016, 2015 and 2014 are presented below by award type (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Equity-based compensation			
Stock option amortization ⁽¹⁾	\$5,884	\$3,856	\$212
Director equity grants expense ⁽²⁾	250	250	250
Pre-spin equity grants expense ⁽³⁾	5,439	11,503	2,423
Pre-spin equity-based compensation expense allocations ⁽⁴⁾	—	—	18,620
Total equity-based compensation ⁽⁵⁾	\$11,573	\$15,609	\$21,505
Other equity based compensation			
REIT equity based compensation ⁽⁶⁾	12,243	6,311	2,105
	\$23,816	\$21,920	\$23,610

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

(1) See Stock Options discussion below. Stock option amortization includes \$61,000 of equity compensation expense related to OpenKey stock options issued under OpenKey's stock plan.

(2) 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. See Restricted Stock discussion below.

(3) As a result of the spin-off, we assumed all of the unrecognized equity-based compensation associated with prior Ashford Trust equity grants of common stock and LTIP units. As a result, we will continue to recognize equity-based compensation expense related to these grants. See Restricted Stock discussion below.

(4) Prior to our spin-off, equity-based compensation, included in "salaries and benefits" expense, was allocated to the Company as described in note 2.

(5) Additionally, \$10,000, \$10,000 and \$4,000 of equity-based compensation associated with employees of an affiliate was included in "general and administrative" expense for the years ended December 31, 2016, 2015 and 2014, respectively. See note 13.

(6) REIT equity based compensation expense is associated with equity grants of Ashford Trust's and Ashford Prime's common stock and LTIP units awarded to officers and employees of Ashford Inc. See notes 2 and 13.

As of December 31, 2016, we had outstanding stock option awards and restricted stock awards, as follows:

Stock Options—During the year ended December 31, 2016, we granted 340,000 stock options to employees with grant date fair values of \$7.8 million. No stock options were granted during 2015. During 2014, we granted 300,000 stock options to employees with a grant date fair values of \$11.6 million. The grant price of the options was the market value of our stock on the date of grant. The options vest three years from the grant date with a maximum option term of ten years. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. Due to our lack of history, we do not have adequate historical exercise/cancellation behavior on which to base the expected life assumption. We were not able to use the "simplified" method as described in SAB 107 and 110 because the options remain exercisable for the full contractual term upon termination. Therefore, we used an adjusted simplified method, where any options expected to be forfeited over the term of the option were assumed to be exercised at full term and all other options were assumed to be exercised at the midpoint of the average time-to-vest and the full contractual term. We will continue to evaluate the expected life as we accumulate more data. Additionally, we do not have adequate historical stock price information on which to base the expected volatility assumption. In order to estimate volatility, we utilized the weighted average of our own stock price volatility based on daily data points over our full trading history and the average of the most recent 6.5-year volatilities of our peer group (or full history if the peer has less than 6.5 years of trading history).

The weighted average assumptions used to value grant options are detailed below:

	Year Ended December			
	31,			
	2016	2015	2014	
Weighted-average grant date fair value	\$22.91	n/a	\$38.56	
Weighted average assumptions used:				
Expected volatility	50.0	% n/a	46.3	%
Expected term (in years)	6.5	n/a	5.7	
Risk-free interest rate	1.5	% n/a	1.7	%
Expected dividend yield	—	% n/a	—	%

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

A summary of stock option activity is as follows:

	Number of Shares (In thousands)	Weighted Average Exercise Price (per share)	Weighted Average Contractual Term (In years)	Aggregate Intrinsic Value of In-the- Money Options (In thousands)
Outstanding, January 1, 2014	—	\$ —	—	\$ —
Granted	300	85.97	8.00	—
Exercised	—	—	—	—
Forfeited, canceled or expired	—	—	—	—
Outstanding, December 31, 2014	300	\$ 85.97	7.95	\$ 2,400
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited, canceled or expired	—	—	—	—
Outstanding, December 31, 2015	300	\$ 85.97	6.95	\$ —
Granted	340	45.59	10.00	—
Exercised	—	—	—	—
Forfeited, canceled or expired	(1)	45.59	—	—
Outstanding, December 31, 2016	639	\$ 64.55	9.10	\$ —
Options exercisable at December 31, 2016	—	\$ —	—	\$ —

The aggregate intrinsic value represents the difference between the exercise price of the stock options and the quoted closing common stock price as of the end of the period. At December 31, 2016, the Company had approximately \$9.5 million of total unrecognized compensation expense, related to stock options that will be recognized over the weighted average period of 1.6 years.

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

	Year Ended December 31,					
	2016		2015		2014	
	Restricted Shares	Weighted Average Price Per Share at Grant	Restricted Shares	Weighted Average Price Per Share at Grant	Restricted Shares	Weighted Average Price Per Share at Grant
Outstanding at beginning of year	3	\$ 56.20	5	\$ 56.20	—	\$ —
Restricted shares granted	5	45.09	3	93.92	4	56.20
Restricted shares issued in connection with spin-off	—	—	—	—	5	56.20
Restricted shares vested	(7)	47.48	(5)	75.42	(4)	56.20
Restricted shares forfeited	—	—	—	—	—	—
Outstanding at end of year	1	\$ 56.20	3	\$ 56.20	5	\$ 56.20

Stock-based compensation expense of \$250,000, \$250,000 and \$250,000 (see equity-based compensation table above) was recognized in connection with stock grants of 5,000, 3,000 and 4,000 immediately vested restricted shares to our independent directors for the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016, the outstanding restricted stock/units related to the assumed Ashford Trust equity grants had vesting schedules between February 2017 and April 2017. The restricted stock/units that vested during 2016 had a

fair value of \$5.7 million at the date of vesting. As of December 31, 2016, the unrecognized cost of these unvested shares of restricted stock/units was \$689,000, which will be amortized over a period of 0.3 years. At December 31, 2016, these outstanding restricted shares/units had an aggregate intrinsic value of \$3.4 million.

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

12. Employee Benefit Plans

Deferred Compensation Plan—Effective January 1, 2008, Ashford Trust established a nonqualified DCP for certain executive officers, which was assumed by the Company in connection with the separation from Ashford Trust. The plan allows participants to defer up to 100% of their base salary and bonus and select an investment fund for measurement of the deferred compensation obligation. For the periods the DCP was administered by Ashford Trust, the participants elected Ashford Trust common stock as their investment option. In accordance with the applicable authoritative accounting guidance, the deferred amounts and any dividends earned received equity treatment and were included in additional paid-in capital. In connection with our spin-off and the assumption of the DCP obligation by the Company, the DCP was modified to give the participants various investment options, including Ashford Inc. common stock, for measurement that can be changed by the participant at any time. These modifications resulted in the DCP obligation being recorded as a liability in accordance with the applicable authoritative accounting guidance.

Distributions under the DCP are made in cash, unless the participant has elected Ashford Inc. common stock as the investment option, in which case any such distributions would be made in Ashford Inc. common stock. Additionally, the DCP obligation is carried at fair value with changes in fair value reflected in “salaries and benefits” in our statements of operations and comprehensive income (loss). As of December 31, 2016 and 2015, the carrying value of the DCP liability was \$9.1 million and \$11.2 million, respectively. For the years ended December 31, 2016, 2015 and 2014, we recorded unrealized gains of \$2.1 million, and \$8.6 million, and an unrealized loss of \$8.5 million, respectively. No distributions were made in the year ended December 31, 2016. During the year ended December 31, 2015, distributions of 1,860 shares with a total fair value of \$142,000 were made to one participant.

No dividends were associated with the DCP for the year ended December 31, 2016 and 2015. For the year ended December 31, 2014, DCP associated dividends, included as a component of accumulated deficit, totaled \$567,000.

AIM Incentive Awards—Effective January 15, 2015, Ashford Inc. established an incentive awards program (“AIM Incentive Awards”) for certain employees involved in the success of AIM. The awards are intended to be a cash bonus program. The awards are deemed to be invested as of the investment date for the applicable annual award period and adjusted for deemed returns on the applicable fund (“Deemed Return”), based on a return multiplier between 100% and 300% (“Return Multiplier”), as elected quarterly by the recipient. The awards are subject to vesting and may be forfeited upon termination of employment prior to the record date for the award period. Award amounts will be measured as of the month end prior to payment and paid out within 45 days of the applicable award vesting date. The AIM Incentive Awards obligation is carried in long-term “accrued expenses” at the amortized fair value as of the end of the period with the related expense reflected as “salaries and benefits” in our statements of operations and comprehensive income (loss). As of December 31, 2016 and 2015, the carrying value of the AIM Incentive Awards liability was \$287,000 and \$385,000, respectively. For the years ended December 31, 2016 and 2015, we recorded salaries and benefits expense of \$(25,000) and \$385,000, respectively, related to the AIM Incentive Awards. During the year ended December 31, 2016, distributions of \$73,000 were paid to participants. No distributions were made in the year ended December 31, 2015. Effective as of January 1, 2017, the value of AIM Incentive Awards are no longer adjusted based on the Deemed Return and are no longer based on a variable Return Multiplier. Instead, the value of the AIM Incentive Awards is fixed for each participant at the value of such participant's award as of the close of business on December 31, 2016.

401(k) Plan—The Company sponsors a 401(k) Plan. It is a qualified defined contribution retirement plan that covers employees 21 years of age or older who have completed one year of service and work a minimum of 1,000 hours annually. The 401(k) Plan allows eligible employees to contribute, subject to Internal Revenue Service imposed limitations, to various investment funds. The Company makes matching cash contributions equal to 50% of up to the first 6% of an employee’s eligible compensation, contributed to the 401(k) Plan. Participant contributions vest immediately, whereas company matches vest 25% annually. For the years ended December 31, 2016, 2015 and 2014, our results of operations included matching expense of \$341,000, \$222,000, and \$293,000, respectively. For periods prior to the spin-off, matching expense included an allocation of 100% of matching expense for the employees of

Ashford Trust. All such expenses were allocated to Ashford Inc. because these expenses have historically been incurred by the asset management business of Ashford Trust. Matching expenses are included in “salaries and benefits” expenses on the statements of operations and comprehensive income (loss).

Employee Savings and Incentive Plan (“ESIP”)—The Company sponsors an ESIP. It is a nonqualified compensation plan that covers employees who work at least 25 hours per week. The plan allows eligible employees to contribute up to 100% of their compensation to various investment funds. The Company makes matching cash contributions equal to 25% of up to the first 10% of an employee’s compensation contributed to the ESIP. Matching contributions are only made for employees not participating in the 401(k) Plan. Employee contributions vest immediately, whereas company contributions vest 25% annually. For the years ended December 31, 2016, 2015 and 2014, our results of operations included matching expenses of \$3,000, \$24,000 and \$14,000, respectively. For periods prior to the spin-off, matching expense included an allocation of 100% of matching expense for the

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

employees of Ashford Trust. All such expenses were allocated to Ashford Inc. because these expenses have historically been incurred by the asset management business of Ashford Trust. Matching expenses are included in “salaries and benefits” expenses on the statements of operations and comprehensive income (loss).

13. Related Party Transactions

We are a party to an amended and restated advisory agreement with Ashford Trust OP. The quarterly base fee is based on a declining sliding scale percentage of Ashford Trust’s total market capitalization plus the Key Money Asset Management Fee (defined in our advisory agreement as the aggregate gross asset value of all key money assets multiplied by 0.7%), 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 0.70% and 0.50% per annum for total market capitalization that ranges from less than \$6.0 billion to greater than \$10.0 billion. At December 31, 2016, the quarterly base fee was 0.70% per annum. Reimbursement for overhead and internal audit, insurance claims advisory and asset management services, including compensation, benefits and travel expense reimbursements, are billed quarterly 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 Ashford Prime. 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 fee that is earned 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 the advisory agreement.

The following table summarizes the revenue from Ashford Trust OP (in thousands):

	Year Ended December		
	31,		
	2016	2015	2014
Advisory services revenue			
Base advisory fee	\$34,700	\$33,833	\$3,999
Reimbursable expenses ⁽¹⁾	6,054	6,617	549
Equity-based compensation ⁽²⁾	8,429	2,720	—
Incentive fee ⁽³⁾	1,809	—	—
Total advisory services revenue	\$50,992	\$43,170	\$4,548
Other revenue			
Non-advisory expense reimbursements	\$—	\$195	\$144
Other services	4	—	—
Total revenue	\$50,996	\$43,365	\$4,692

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

(2) 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.

Incentive fee includes the first year installment of the 2016 incentive fee in the amount of \$1.8 million for the year ended December 31, 2016, for which the payment is due January 2017 as a result of meeting the FCCR Condition at December 31, 2016, as defined in our advisory agreement with Ashford Trust.

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At December 31, 2016 and December 31, 2015, we had a net receivable of \$12.2 million and \$5.9 million, respectively, from Ashford Trust OP associated primarily with the advisory services fee discussed above and other services.

We are also a party to an amended and restated advisory agreement with Ashford Prime OP. The quarterly base fee is based on a declining sliding scale percentage of Ashford Prime's total market capitalization plus the Key Money Asset Management Fee (defined in our advisory agreement as the aggregate gross asset value of all key money assets multiplied by 0.7%), subject to a

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

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 0.70% to 0.50% per annum for total market capitalization that ranges from less than \$6.0 billion to greater than \$10.0 billion. At December 31, 2016, the quarterly base fee was 0.70% per annum. Reimbursement for overhead and internal audit, insurance claims advisory and asset management services, including compensation, benefits and travel expense reimbursements, are billed quarterly to Ashford Prime based on a pro rata allocation as determined by the ratio of Ashford Prime's net investment in hotel properties in relation to the total net investment in hotel properties for both Ashford Trust and Ashford Prime. We also record advisory revenue for equity grants of Ashford Prime 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 fee that is earned annually in each year that Ashford Prime's annual total stockholder return exceeds the average annual total stockholder return for Ashford Prime's peer group, subject to the FCCR Condition, as defined in the advisory agreement.

On January 24, 2017, we entered into an amended and restated advisory agreement with Ashford Prime that amends and restates our current advisory agreement with Ashford Prime. The Amended and Restated Ashford Prime Advisory Agreement will not become effective unless and until it is approved by Ashford Prime's stockholders. See note 18.

The following table summarizes the revenue from Ashford Prime OP (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Advisory services revenue			
Base advisory fee	\$8,343	\$8,648	\$8,739
Reimbursable expenses ⁽¹⁾	2,805	1,863	1,752
Equity-based compensation ⁽²⁾	3,814	3,591	2,105
Incentive fee ⁽³⁾	1,274	1,274	—
Total advisory services revenue	\$16,236	\$15,376	\$12,596
Other revenue			
Lease revenue ⁽⁴⁾	\$335	\$99	\$—
Total revenue	\$16,571	\$15,475	\$12,596

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

(2) Equity-based compensation revenue is associated with equity grants of Ashford Prime's common stock and LTIP units awarded to officers and employees of Ashford Inc.

(3) Incentive fee includes the second year installment of the 2015 incentive fee in the amount of \$1.3 million for the year ended December 31, 2016, for which the payment is due January 2017 as a result of meeting the FCCR Condition at December 31, 2016, as defined in our advisory agreement with Ashford Prime. No incentive fee was earned for the year ended December 31, 2016.

(4) In connection with our key money transaction with Ashford Prime, we lease furniture, fixtures and equipment to Ashford Prime at no cost. 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.

At December 31, 2016 and December 31, 2015, we had receivables of \$3.8 million and \$3.8 million, respectively, from Ashford Prime OP associated with the advisory service fee and lease revenues discussed above. As of December 31, 2016, we also had a payable due to Ashford Prime OP in the amount of \$2.3 million related to the hold

back from Ashford Prime's liquidation of its investment in the AQUA Fund.

Ashford Trust and Ashford Prime have management agreements with Remington Holdings L.P. and its subsidiaries ("Remington Lodging"), which is 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 financial statements. Under the agreements,

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

we pay Remington Lodging general and administrative expense reimbursements, approved by the independent directors of Ashford Trust and Ashford Prime, 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 Prime. For the years ended December 31, 2016, 2015 and 2014 these reimbursements totaled \$5.7 million, \$4.5 million and \$2.0 million, respectively, and are included in “general and administrative” expenses on the statements of operations and comprehensive income (loss). The amounts due under these arrangements as of December 31, 2016 and December 31, 2015, are included in “due to affiliates” on our balance sheets.

Certain limited partners of the AQUA Fund, including our chief executive officer, Ashford Trust, Ashford Prime and certain directors of Ashford Trust and Ashford Prime are affiliated with the General Partner. As of December 31, 2016, Ashford Prime is no longer a limited partner of the AQUA Fund. The aggregate value of the affiliated limited partners’ share of partners’ capital in the AQUA Fund at December 31, 2016 and December 31, 2015, was approximately \$52.5 million and \$106.1 million, respectively.

Certain employees of Remington Lodging who perform work on behalf of Ashford Trust were granted shares of restricted stock under the Ashford Trust Stock Plan prior to our spin-off. These share grants were accounted for under the applicable accounting guidance related to share-based payments granted to non-employees and are recorded in “general and administrative” expense. Expense of \$10,000, \$10,000 and \$4,000 was recognized in the statements of operations and comprehensive income (loss) for the years ended December 31, 2016, 2015, and 2014 respectively.

On June 11, 2015, we announced that we planned to provide a total of \$6.0 million in key money consideration to our managed REITs for two acquisitions. In connection with our engagement to provide hotel advisory services to Ashford Trust, we planned to provide \$4.0 million of key money consideration to purchase furniture, fixtures and equipment related to Ashford Trust’s \$62.5 million acquisition of the 226-room Le Pavillon Hotel in New Orleans, Louisiana by Ashford Trust, which closed in June 2015. As of December 31, 2016, we provided substantially all of the \$4.0 million key money consideration. Separately, in connection with our engagement to provide hotel advisory services to Ashford Prime, we have also provided \$2.0 million of key money consideration comprised of \$206,000 in cash and the issuance of 19,897 shares of our common stock to purchase furniture, fixtures and equipment related to Ashford Prime’s \$85.0 million acquisition of the 62-room Bardessono Hotel and Spa in Yountville, California, which closed in July 2015. The initial value assigned to the common stock was based on the previous 10-day closing prices as of July 1, 2015, which was approximately \$1.8 million. The key money consideration was paid on September 14, 2015. In return for the key money consideration, Ashford Prime transferred furniture, fixtures and equipment to Ashford Inc., which was subsequently leased back at no cost for a term of five years. The fair value of the key money consideration transferred on September 14, 2015, was approximately \$1.6 million, which decreased in value from July 1, 2015 solely due to the change in the price of Ashford Inc. common stock.

The hotel advisory services and the lease are considered a multiple element arrangement, in accordance with the applicable accounting guidance. As such, a portion of the base advisory fee must be allocated to lease revenue equal to the estimated fair value of the lease payments that would have been made. As a result, advisory revenue of \$335,000 and \$99,000 was allocated to lease revenue for the years ended December 31, 2016 and 2015 respectively. Lease revenue is included in “other” revenue in the statements of operations and comprehensive income (loss).

On September 17, 2015, we entered into an acquisition agreement (the “Remington Acquisition Agreement”) to acquire 80% of Remington Lodging for total consideration of \$331.7 million, with an estimated fair value of \$330.7 million. Under the agreement, Ashford Inc.’s existing business along with 80% of Remington Lodging will be contributed to a new subsidiary of Ashford Inc., Ashford Advisors, Inc. (“Ashford Advisors”). The total consideration will be in the form of 916,500 shares of Ashford Advisors, Inc. Class B non-voting common stock, representing a 29.4% initial ownership in Ashford Advisors, Inc., with an estimated fair value of approximately \$91.7 million; (ii) 9,200,000 shares of Ashford Advisors, Inc. 6.625% non-voting convertible preferred stock with an estimated fair value of approximately \$230.0 million; and (iii) \$10.0 million zero coupon note payable issued by Remington Hospitality

Management, Inc., a wholly owned subsidiary of Ashford Advisors, with an estimated fair value of approximately \$9.0 million.

The Ashford Advisors preferred and common stock and the 20% interest retained by the principals of Remington Lodging will be subject to certain put, call and/or conversion rights which could result in the previous owners of Remington Lodging receiving subsidiary voting shares and/or preferred or common shares of Ashford Inc. On April 12, 2016, Ashford Inc.'s stockholders approved the acquisition. This transaction is subject to customary closing conditions, including certain tax related conditions.

The incremental EBITDA that Ashford receives from Remington Lodging for managing properties for Ashford Trust and Ashford Prime will not be included in the calculation of any termination fees due under the advisory agreements. The Board of

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

Ashford has entered into side letter agreements with the boards of Ashford Trust and Ashford Prime that address the exclusion of this income from the termination fee calculation.

All of the equity received by the Remington Sellers in this transaction will be non-voting equity and we will be subject to an investor rights agreement that will limit the voting control for the Remington Sellers combined equity to no more than 25% for four years, and will provide the Remington Sellers with the right to nominate a director to the boards of each of Ashford Inc. and Remington Hospitality Management, Inc. Ashford Inc. will have contractual rights to acquire the remaining interest in Remington Lodging, including a right of first refusal for the life of Ashford Inc.'s ownership as well as there being a formula to call that remaining ownership after ten years and a right to call the preferred after five years.

The Remington Acquisition Agreement contains termination rights for both the Company and Remington Lodging, including the right of either party to terminate the Remington Acquisition Agreement if the Transactions are not consummated by the stated deadline. On June 22, 2016, the Remington Acquisition Agreement was amended to extend the deadline to October 7, 2016, and on September 22, 2016, the Remington Acquisition Agreement was amended to further extend the deadline to April 7, 2017. If the Remington Acquisition Agreement is terminated by the Company as provided in the Remington Acquisition Agreement, the Company is required to pay the Remington Sellers a termination fee of \$6.7 million plus the costs and expenses incurred by them if the Remington Acquisition Agreement is terminated by the Company as a result of a Company Intervening Event (as defined in the Remington Acquisition Agreement) or a Company Superior Proposal (as defined in the Remington Acquisition Agreement). For periods prior to the spin-off, the operations of the Company were principally funded by Ashford Trust OP. Ashford Trust OP used a centralized approach to cash management and the financing of its operations. During the periods through November 12, 2014, Ashford Trust OP provided the capital to fund our operating and investing activities, which are presented as a component of additional paid-in capital. The amount funded by Ashford Trust OP for the period from January 1, 2014, through November 12, 2014 was \$56.6 million .

As the Company's financial statements through November 12, 2014, have been carved out of Ashford Trust OP, salaries and benefits and general and administrative expense represent an allocation of certain Ashford Trust OP corporate general and administrative costs. See note 2.

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

14. Income (Loss) Per Share

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

	Year Ended December 31,			
	2016	2015	2014	
Net income (loss) attributable to common stockholders – basic and diluted:				
Net income (loss) attributable to the Company	\$(2,396)	\$(1,190)	\$(46,410)	
Undistributed net income (loss) allocated to common stockholders	(2,396)	(1,190)	(46,410)	
Distributed and undistributed net income (loss) - basic	(2,396)	(1,190)	(46,410)	
Effect of deferred compensation plan	(2,127)	(8,608)	—	
Effect of contingently issuable shares	\$(1,143)	\$—	\$—	
Distributed and undistributed net loss - diluted	\$(5,666)	\$(9,798)	\$(46,410)	
Weighted average common shares outstanding:				
Weighted average common shares outstanding – basic	2,012	1,991	1,981	
Effect of deferred compensation plan shares	158	212	—	
Effect of contingently issuable shares	39	—	—	
Weighted average common shares outstanding – diluted	2,209	2,203	1,981	
Income (loss) per share – basic:				
Net income (loss) allocated to common stockholders per share	\$(1.19)	\$(0.60)	\$(23.43)	
Income (loss) per share – diluted:				
Net income (loss) allocated to common stockholders per share	\$(2.56)	\$(4.45)	\$(23.43)	
Due to their anti-dilutive effect, the computation of diluted income (loss) per share does not reflect the adjustments for the following items (in thousands):				
		Year Ended		
		December 31,		
		2016	2015	2014
Net income (loss) allocated to common stockholders is not adjusted for:				
Net income (loss) attributable to redeemable noncontrolling interests in Ashford LLC		\$(4)	\$(2)	\$(24)
Total		\$(4)	\$(2)	\$(24)
Weighted average diluted shares are not adjusted for:				
Effect of unvested restricted shares		1	3	5
Effect of assumed exercise of stock options		—	1	—
Effect of assumed conversion of Ashford LLC units		4	5	5
Total		5	9	10

15. Segment Reporting

We operate in one business segment: asset and investment management, which includes managing the day-to-day operations of Ashford Prime and its subsidiaries, Ashford Trust and its subsidiaries and investments managed by AIM, including the AQUA Fund in conformity with each entity's investment guidelines.

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

16. Concentration of Risk

During 2016 and 2015, the majority of our revenue was derived from the advisory agreements with Ashford Prime and Ashford Trust. During 2014, all of our revenue was derived from the advisory agreements with Ashford Prime and Ashford Trust.

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents. We are exposed to credit risk with respect to cash held at financial institutions, U.S. government treasury bond holdings and amounts due or payable under our derivative contracts. Our counterparties are investment grade financial institutions. At December 31, 2016, our cash is held at one financial institution.

17. Selected Financial Quarterly Data (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2016 and 2015 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2016					
Total revenue	\$13,409	\$18,152	\$16,538	\$19,508	\$67,607
Total operating expenses	13,921	20,344	16,673	19,126	70,064
Operating income (loss)	\$(512)	\$(2,192)	\$(135)	\$382	\$(2,457)
Net income (loss)	\$(8,398)	\$(1,279)	\$(1,092)	\$(1,634)	\$(12,403)
Net income (loss) attributable to the Company	\$(1,732)	\$(1,106)	\$(285)	\$727	\$(2,396)
Diluted income (loss) attributable to common stockholders per share	\$(1.51)	\$(0.71)	\$(0.49)	\$(0.25)	\$(2.56)
Weighted average diluted common shares	2,218	2,048	2,262	2,267	2,209
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2015					
Total revenue	\$13,118	\$14,489	\$14,496	\$16,878	\$58,981
Total operating expenses	21,752	10,629	13,219	14,732	60,332
Operating income (loss)	\$(8,634)	\$3,860	\$1,277	\$2,146	\$(1,351)
Net income (loss)	\$(8,813)	\$768	\$(9,154)	\$5,155	\$(12,044)
Net income (loss) attributable to the Company	\$(7,834)	\$3,914	\$54	\$2,676	\$(1,190)
Diluted income (loss) attributable to common stockholders per share	\$(3.95)	\$(1.26)	\$(2.26)	\$0.23	\$(4.45)
Weighted average diluted common shares	1,982	2,197	2,202	2,218	2,203

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

18. Subsequent Events

On January 19, 2017, AIM entered into an Investment Management Agreement (the “Agreement”) with AHT SMA, LP, a Delaware limited partnership (“Client”) and a wholly-owned subsidiary of Ashford Trust, to manage all or a portion of Ashford Trust’s excess cash (the “Account”). Pursuant to the Agreement, Client retained and appointed AIM as the investment manager of Client. The Agreement will govern the relationship between Client and AIM, as well as grant AIM certain rights, powers and duties to act on behalf of Client. AIM will not be compensated by Client for its services under the Agreement. Client bears all costs and expenses of the establishment and ongoing maintenance of the Account as well as all costs and expenses of AIM.

On January 24, 2017, we entered into an amended and restated advisory agreement with Ashford Prime (the “Amended and Restated Ashford Prime Advisory Agreement”) that amends and restates the advisory agreement with Ashford Prime discussed herein. The Amended and Restated Ashford Prime Advisory Agreement will not become effective unless and until it is approved by Ashford Prime’s stockholders. The material terms of the Amended and Restated Ashford Prime Advisory agreement include:

- Ashford Prime will make a cash payment to us of \$5.0 million at the time the Amended and Restated Ashford Prime Advisory Agreement becomes effective;
- the termination fee payable to us under the advisory agreement has been amended by eliminating the 1.1x multiplier and tax gross up components of the fee;
- we will disclose publicly the revenues and expenses used to calculate “Net Earnings” on a quarterly basis which is used to calculate the termination fee; we will retain an accounting firm to provide a quarterly report to Ashford Prime on the reasonableness of our determination of expenses, which will be binding on the parties;
- our right under the advisory agreement to appoint a “Designated CEO” has been eliminated;
- our right to terminate the advisory agreement due to a change in a majority of the “Company Incumbent Board” (as defined in the advisory agreement) has been eliminated;
- Ashford Prime will be incentivized to grow its assets under a “growth covenant” in the Amended and Restated Ashford Prime Advisory Agreement under which Ashford Prime will receive a deemed credit against a base amount of \$45.0 million for 3.75% of the total purchase price of each hotel acquired after the date of the Amended and Restated Ashford Prime Advisory Agreement that was recommended by us, netted against 3.75% of the total sale price of each hotel sold after the date of the Amended and Restated Ashford Prime Advisory Agreement. The difference between \$45.0 million and this net credit, if any, is referred to as the “Uninvested Amount.” If the Amended and Restated Ashford Prime Advisory Agreement is terminated, other than due to certain acts by us, Ashford Prime must pay us the Uninvested Amount, in addition to any other fees payable under the Amended Agreement;
- the Amended and Restated Ashford Prime Advisory Agreement requires Ashford Prime to maintain a net worth of not less than \$390 million plus 75% of the equity proceeds from the sale of securities by Ashford Prime after December 31, 2016 and a covenant prohibiting Ashford Prime from paying dividends except as required to maintain its REIT status if paying the dividend would reduce Ashford Prime’s net worth below the required minimum net worth;
- the initial term of the Amended and Restated Ashford Prime Advisory Agreement ends on the 10th anniversary of its effective date, subject to renewal by us for up to seven additional successive 10-year terms;
- the base management fee payable to us will be fixed at 70 bps, and the fee will be payable on a monthly basis;
- reimbursements of expenses to us will be made monthly in advance, based on an annual expense budget, with a quarterly true-up for actual expenses;
- the right of Ashford Prime to terminate the advisory agreement due to a change of control experienced by us has been eliminated;
- the rights of Ashford Prime to terminate the advisory agreement at the end of each term upon payment of the termination fee based on the parties being unable to agree on new market-based fees or our performance have been eliminated; however, the Amended and Restated Ashford Prime Advisory Agreement provides a mechanism for the parties to renegotiate the fees payable to us at the end of each term based on then prevailing market conditions, subject

to floors and caps on the changes;

- if a Change of Control (as defined in the Amended and Restated Ashford Prime Advisory Agreement) is pending, Ashford Prime has agreed to deposit not less than 50%, and in certain cases 100%, of the applicable termination fee in escrow, with the payment of any remaining amounts owed to us secured by a letter of credit or first priority lien on certain assets;
- Ashford Prime's ability to terminate the Amended and Restated Ashford Prime Advisory Agreement due to a material default by us is limited to instances where a court finally determines that the default had a material adverse effect on Ashford Prime and we fail to pay monetary damages in accordance with the Amended and Restated Ashford Prime Advisory Agreement; and

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

- if Ashford Prime repudiates the Amended and Restated Ashford Prime Advisory Agreement, through actions or omissions that constitute a repudiation as determined by a final non-appealable order from a court of competent jurisdiction, Ashford Prime will be liable to us for a liquidated damages amount.

On February 16, 2017, the Ashford Entities entered into a Settlement Agreement with the Sessa Entities regarding the composition of Ashford Prime's board of directors, dismissal of pending litigation involving the parties and certain other matters. See note 7.

On February 20, 2017, Ashford LLC, the operating company of Ashford Inc., and Douglas A. Kessler entered into an employment agreement pursuant to which, effective February 21, 2017, Mr. Kessler will be employed by Ashford LLC to serve as Chief Executive Officer of Ashford Trust, pursuant to the Amended and Restated Advisory Agreement, dated June 10, 2015, as amended from time to time, between Ashford Inc., Ashford LLC, Ashford Trust and their respective affiliates, which provides that Ashford LLC is responsible for managing Ashford Trust's affairs. On February 21, 2017, the Company announced that it supports the non-binding proposal of Ashford Trust to acquire FelCor Lodging Trust ("FelCor"). The board of directors of Ashford Trust has authorized Ashford Inc. to participate in the transaction on the terms outlined in Ashford Trust's letter to FelCor, subject to completion of a due diligence review and negotiation and execution of definitive transaction agreements. The terms outlined include:

- 100,000 warrants issued to existing FelCor shareholders to purchase shares of Ashford Inc. common stock with a strike price of \$100 per share and an expiration that is five years from the transaction closing date;

- A one year guarantee by Ashford Inc. of up to \$18 million for sustainable operational and G&A synergies, commencing six months following the completion of the transaction which, if needed, would come in the form of reduced advisory fees paid to Ashford Inc.;

- The opportunity for one FelCor director to join the board of Ashford Inc.; and

- An agreement to negotiate and amend the advisory agreement with Ashford Trust within one year of the transaction closing date to reflect similar recent amendments made between Ashford Prime and the Company, where applicable.

Any such amendments to the advisory agreement will be subject to approval by independent committees of both Ashford Trust and Ashford Inc. boards of directors.

On March 3, 2017, Ashford Inc. and Ashford Trust invested an additional \$1.3 million and \$650,000, respectively, for an additional ownership interest in OpenKey, a consolidated VIE. OpenKey is a hospitality focused mobile key platform that provides a universal smartphone app for keyless entry into hotel guestrooms. See notes 1, 2, 9, 10, 11 and 13.

On March 7, 2017, AIM GP, the general partner of the AQUA U.S. Fund, provided written notice to the AQUA U.S. Fund's limited partners of its election to dissolve the AQUA U.S. Fund pursuant to Section 6.1(a) of the Second Amended and Restated Limited Partnership Agreement of the AQUA U.S. Fund as of March 31, 2017 (the "Dissolution Date"). In connection with the dissolution of the AQUA U.S. Fund, the AQUA Master Fund will also be liquidated in accordance with the laws of the Cayman Islands.

The balance of all limited partners' capital accounts in the AQUA U.S. Fund, less an audit hold-back of 5%, will be distributed to limited partners in cash on the Dissolution Date, and thereafter limited partners will cease to be a limited partner of the AQUA U.S. Fund. The balance will be paid to limited partners (without interest) promptly following the completion of the audits of the AQUA U.S. Fund's and the AQUA Master Fund's financial statements for the period January 1, 2017 through March 31, 2017, which we expect to be on or before June 30, 2017.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2016. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the evaluation date, our disclosure controls and procedures are effective (i) to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms; and (ii) to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of our internal control over financial reporting. The internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and our expenditures are being made only in accordance with authorizations of management and our directors and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making the assessment of the effectiveness of our internal control over financial reporting, management has utilized the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, (2013 framework) (“COSO”).

Based on management's assessment of these criteria, we concluded that, as of December 31, 2016, our internal control over financial reporting is effective.

Changes in Internal Control over Financial Reporting

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

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officer, and Corporate Governance

The information required in response to this Item 10 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required in response to this Item 11 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required in response to this Item 12 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required in response to this Item 13 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accountant Fees and Services

The information required in response to this Item 14 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

Item 15. Financial Statement Schedules and Exhibits

(a) Financial Statements and Schedules

See “Item 8. Financial Statements and Supplementary Data,” on pages 52 through 89 hereof, for a list of our financial statements and report of independent registered public accounting firm.

All other financial statement schedules have been omitted because such schedules are not required under the related instructions, such schedules are not significant, or the required information has been disclosed elsewhere in the financial statements and related notes thereto.

Exhibits

Exhibits required by Item 601 of Regulation S-K: The exhibits filed in response to this item are listed in the Exhibit Index.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 16, 2017.

ASHFORD INC.

By: /s/ MONTY J. BENNETT

Monty J. Bennett

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, by the following persons, on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ MONTY J. BENNETT Monty J. Bennett	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 16, 2017
/s/ DOUGLAS A. KESSLER Douglas A. Kessler	President	March 16, 2017
/s/ DERIC S. EUBANKS Deric S. Eubanks	Chief Financial Officer (Principal Financial Officer)	March 16, 2017
/s/ MARK L. NUNNELEY Mark L. Nunneley	Chief Accounting Officer (Principal Accounting Officer)	March 16, 2017
/s/ J. ROBISON HAYS, III J. Robison Hays, III	Chief Strategy Officer and Director	March 16, 2017
/s/ DINESH P. CHANDIRAMANI Dinesh P. Chandiramani	Director	March 16, 2017
/s/ DARRELL T. HAIL Darrell T. Hail	Director	March 16, 2017
/s/ JOHN MAULDIN John Mauldin	Director	March 16, 2017
/s/ GERALD J. REIHSEN, III Gerald J. Reihsen, III	Director	March 16, 2017
/s/ BRIAN WHEELER	Director	

March 16,
2017

Brian Wheeler

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EXHIBIT INDEX

Exhibit	Description
2.1	<u>Separation and Distribution Agreement, dated October 31, 2014, by and between Ashford Hospitality Trust, Inc., Ashford OP Limited Partner LLC, Ashford Hospitality Limited Partnership, Ashford Inc. and Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on November 6, 2014) (File No. 001-36400)</u>
2.2	<u>Acquisition Agreement, dated September 17, 2015, by and between Archie Bennett, Jr. and Monty J. Bennett, Remington Holdings GP, LLC, MJB Investments, LP, Mark A. Sharkey, Remington Holdings, LP, Ashford Inc., Ashford</u>

- Advisors, Inc.,
Remington
Hospitality
Management,
Inc., Ashford
GP Holdings I,
LLC and
Remington GP
Holdings, LLC
(incorporated
by reference to
Exhibit 2.1 to
the Current
Report on Form
8-K filed on
September 18,
2015) (File No.
001-36400)
First
Amendment to
Acquisition
Agreement
(incorporated
by reference to
2.2.1 Exhibit 10.1 to
the Current
Report on Form
8-K filed on
June 24, 2016)
(File No.
001-36400)
Second
Amendment to
Acquisition
Agreement
(incorporated
by reference to
2.2.2 Exhibit 10.1 to
the Current
Report on Form
8-K filed on
September 23,
2016) (File No.
001-36400)
2.2.3 Amendment,
Waiver and
Consent
Agreement,
dated October
28, 2016
(incorporated

- by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on November 1, 2016 (File No. 001-36400) Agreement and Plan of Merger, dated October 28, 2016, by and between Ashford Inc., a Delaware corporation, and Ashford Inc., a Maryland corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 1, 2016) (File No. 001-36400) Amended and Restated Articles of Incorporation of Ashford Inc. (incorporated by reference to Exhibit 3.1 of Form 8-K, filed on November 1, 2016) (File No. 001-36400) Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on
- 2.3
- 3.1
- 3.2

- December 19, 2016 (File No. 001-36400)
Specimen Common Stock Certificate of Ashford Inc. (incorporated by reference to Exhibit 4.1 to Amendment No. 8 to the Registration Statement on Form 10 filed on November 1, 2016)
Amended and Restated Rights Agreement, dated as of August 12, 2015, between Ashford Inc. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed on August 14, 2015) (File No. 001-36400)
Amendment No. 1 to the Amended and Restated Rights Agreement, dated October 31, 2016, between Ashford Inc. and Computershare Trust Company, N.A. (incorporated
- 4.1
 - 4.2
 - 4.2.1

- 10.1 by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on November 1, 2016 (File No. 001-36400) Tax Matters Agreement, dated October 31, 2014, between Ashford Inc., Ashford Hospitality Advisors LLC, Ashford Hospitality Trust, Inc. and Ashford Hospitality Limited Partnership (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 6, 2014) (File No. 001-36400)
- 10.2 Advisory Agreement, dated as of November 12, 2014 by and between Ashford Hospitality Trust, Inc., Ashford Hospitality Limited Partnership and Ashford Hospitality Advisors LLC (incorporated by reference to

- Exhibit 10.1 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400) Amended and Restated Advisory Agreement, dated as of June 10, 2015, by and between Ashford Hospitality Trust, Inc., Ashford Hospitality Limited Partnership, Ashford TRS Corporation, Ashford Inc. and Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 10.1 to the Current Report on 8-K filed on June 12, 2015) (File No. 001-36400)
- 10.2.1
- 10.3
- Second Amended and Restated Advisory Agreement between Ashford Hospitality Prime, Inc., Ashford Hospitality Limited Partnership and Ashford Hospitality Advisors LLC.

dated as of
November 3,
2014
(incorporated
by reference to
Exhibit 10.3 to
the Annual
Report on Form
10-K filed on
March 24,
2015) (File No.
001-36400)
Amendment
No. 1 to Second
Amended and
Restated
Advisory
Agreement by
and between
Ashford
Hospitality
Prime, Inc.,
Ashford
Hospitality
Prime Limited
Partnership.

10.3.1 Ashford Inc.
and Ashford
Hospitality
Advisors LLC,
dated as of
March 23, 2015
(incorporated
by reference to
Exhibit 10.3.1
to the Annual
Report on Form
10-K filed on
March 24,
2015) (File No.
001-36400)

10.3.2 Third Amended
and Restated
Advisory
Agreement,
dated as of June
10, 2015, by
and between
Ashford
Hospitality
Prime, Inc.,

10.4 Ashford Hospitality Prime Limited Partnership, Ashford Prime TRS Corporation, Ashford Inc. and Ashford Hospitality Advisors LLC (incorporated by reference to Exhibit 10.2 to the Current Report on 8-K filed on June 12, 2015) (File No. 001-36400) Mutual Exclusivity Agreement, dated as of November 12, 2014 by and between Ashford Hospitality Advisors LLC, Ashford Inc. and Remington Lodging & Hospitality, LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400)

Exhibit	Description
10.5	<p><u>Assignment and Assumption Agreement, dated as of November 12, 2014 by and between Ashford Hospitality Trust, Inc., Ashford Hospitality Limited Partnership and Ashford Hospitality Advisors LLC</u> <u>Re: Ashford Trademarks</u> <u>(incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400)</u></p>
10.6	<p><u>Licensing Agreement, dated as of November 12, 2014 by and between Ashford Hospitality Advisors LLC, Ashford Hospitality Trust, Inc. and Ashford Hospitality Limited Partnership</u> <u>(incorporated by reference to Exhibit 10.4 to the Current</u></p>

- Report on Form
8-K filed on
November 18,
2014) (File No.
001-36400)
Registration
Rights
Agreement,
dated as of
November 12,
2014 by
Ashford Inc. for
the benefit of
the holders of
common units in
10.7 Ashford
Hospitality
Advisors LLC
(incorporated by
reference to
Exhibit 10.5 to
the Current
Report on Form
8-K filed on
November 18,
2014) (File No.
001-36400)
Employment
Agreement,
effective
November 12,
2014, with
Monty J.
Bennett
10.8.1† (incorporated by
reference to
Exhibit 10.6.1 to
the Current
Report on Form
8-K filed on
November 18,
2014) (File No.
001-36400)
10.8.2† Employment
Agreement,
effective
November 12,
2014, with
Douglas A.
Kessler
(incorporated by

reference to
Exhibit 10.6.2 to
the Current
Report on Form
8-K filed on
November 18,
2014) (File No.
001-36400)
Employment
Agreement,
effective
November 12,
2014, with
David Brooks
(incorporated by

10.8.3† reference to
Exhibit 10.6.3 to
the Current
Report on Form
8-K filed on
November 18,
2014) (File No.
001-36400)
Employment
Agreement,
effective
November 12,
2014, with
Deric Eubanks
(incorporated by

10.8.4† reference to
Exhibit 10.6.4 to
the Current
Report on Form
8-K filed on
November 18,
2014) (File No.
001-36400)

10.8.5† Employment
Agreement,
dated as of
November 2,
2016, by and
among Ashford
Inc., Ashford
Hospitality
Advisors, LLC
and Richard J.
Stockton
(incorporated by
reference to

- Exhibit 99.1 to the Current Report on Form 8-K filed on November 3, 2016 (File No. 001-36400) Form of Indemnification Agreement, dated as of November 6, 2014 between Ashford Inc. and each of its executive officers and directors
- 10.9 (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400) Ashford Inc. 2014 Incentive Plan
- (incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400) Amendment No. 1 to the Ashford, Inc. 2014 Incentive Plan
- 10.10†
- 10.10.1† (incorporated by reference to Exhibit 99.2 to Form S-8 filed on November 2, 2016) (File No. 333-200183)

- Amended and Restated Nonqualified Deferred Compensation Plan
10.11 (incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K filed on November 18, 2014) (File No. 001-36400) Investment Management Agreement, dated December 10, 2014 between AHT SMA, LP and Ashford Investment Management LLC
10.12 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 16, 2014) (File No. 001-36400)
10.13 Investment Management Agreement, dated as of December 10, 2014 between AHP SMA, LP and Ashford Investment Management, LLC
(incorporated by reference to Exhibit 10.13 to the Annual Report on Form

- 10.14 10-K filed on March 24, 2015)
(File No. 001-36400)
Amended and Restated Limited Liability Company Agreement of Ashford Hospitality Advisors LLC, dated October 8, 2014
(incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K filed on March 24, 2015)
(File No. 001-36400)
Letter Agreement, dated as of September 17, 2015 between Ashford Inc. and Ashford Hospitality Trust, Inc.
- 10.15 (incorporated by reference to Exhibit 10.1 to the Current Report on 8-K filed on September 18, 2015) (File No. 001-36400)
- 10.16 Letter Agreement, dated as of September 17, 2015 between Ashford Inc. and Ashford Hospitality Prime, Inc.

- (incorporated by reference to Exhibit 10.2 to the Current Report on 8-K filed on September 18, 2015) (File No. 001-36400)
- 21 * List of subsidiaries of Ashford Inc.
- 23.1* Consent of BDO USA, LLP
- 23.2* Consent of Ernst & Young LLP
- 31.1* Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as amended
- 31.2* Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as amended
- 32.1* Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2* Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted

pursuant to
Section 906 of
the
Sarbanes-Oxley
Act of 2002

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Exhibit Description

The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2016, are formatted in XBRL (Extensible Business Reporting Language): (i) Balance Sheets; (ii) Statements of Operations and Comprehensive Income (Loss); (iii) Statements of Equity; (iv) Statements of Cash Flows; and (v) Notes to the Financial Statements. In accordance with Rule 402 of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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

* Filed herewith.

† Management contract or compensatory plan or arrangement.