Risk Factors Comparison 2024-03-27 to 2023-03-17 Form: 10-K

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Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows, and prospects. These risks are discussed more fully below and include, but are not limited to, risks related to: • ~~adverse effects~~ **changes in interest rates; • macroeconomic conditions, such as a prolonged period** of **weak economic growth, inflation and volatility in capital markets; • uncertainty in** the ~~COVID~~ **banking sector and market volatility due to the 2023 failures of Silicon Valley Bank, New York Signature Bank and First Republic Bank; • catastrophic events or geopolitical conditions, such as the conflict between Russia and Ukraine and the more recent Israel** - ~~19 pandemic and other potential pandemics, including a significant reduction in~~ **Hamas conflict; • extreme weather conditions may cause property damage or interrupt** business ~~and personal travel and potential travel restrictions in regions where our clients' hotels are located, and one or more possible recurrences of COVID- 19 cases causing a further reduction in business and personal travel and potential reinstatement of travel restrictions by state or local governments~~ ; • actions by our clients' lenders to accelerate loan balances and foreclose on our clients' hotel properties that are security for our clients' loans that are in default; • our dependence on Ashford Trust and Braemar as our **primary** ~~only current~~ asset management clients for a substantial portion of our operating revenues; • uncertainty associated with the ability of the Company to remain in compliance with all covenants in our credit agreements and our subsidiaries to remain in compliance with the covenants of their debt and related agreements; • 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 or the general economy; • the degree and nature of our competition; •** actual and potential conflicts of interest with or between Ashford Trust ~~and~~ **,** Braemar **and Stirling** , our executive officers and our non- independent directors; • the ability of certain affiliated individuals to control significant corporate activities of the Company and their interests may differ from the interests of our other stockholders; • availability of qualified personnel; • changes in governmental regulations, accounting rules, tax rates and similar matters; • **our ability to implement effective internal controls to address the material weakness identified in this report; •** legislative and regulatory changes; • the possibility that we may not realize any or all of the anticipated benefits from transactions to acquire businesses ~~; • the possibility that the lodging industry may not fully recover to pre- pandemic levels as a result of the acceptance of " work from home " business practices and potentially lasting increased adoption of remote meeting and collaboration technologies~~ ; • the possibility that we may not realize any or all of the anticipated benefits from our business initiatives; • the failure to make full dividend payments on our Series D Convertible Preferred Stock in consecutive quarters, which would result in a higher interest rate and the right of Mr. Monty J. Bennett and Mr. Archie Bennett, Jr. to each have the right to appoint one member to the Board until such arrearages are paid in full; • disruptions relating to the acquisition or integration of **Alii Nui and** Chesapeake or any other business we invest in or acquire, which may harm relationships with customers, employees and regulators; and • unexpected costs of further goodwill impairments relating to the acquisition or integration of ~~Remington~~ **Alii Nui** , Chesapeake or any other business we invest in or acquire. Risks Related to Our Business A financial crisis, economic slowdown, pandemic or epidemic or other economically disruptive event may significantly and adversely affect our businesses. We provide services primarily to clients in the hospitality industry. The performance of the hospitality industry has been closely linked with the performance of the general economy and, specifically, growth in the U. S. gross domestic product. In periods of economic difficulties or concerns with respect to communicable disease, business and leisure travelers may seek to reduce travel costs and / or health risks by limiting travel or seeking to reduce costs on their trips. Any economic recession will likely have an adverse effect on our clients Ashford Trust ~~and~~ **,** Braemar **and Stirling** . Additionally, the public perception of a risk of a pandemic, such as COVID- 19, Ebola, H1N1 influenza (swine flu), MERS, SARs, avian flu, the Zika virus or similar outbreaks, or public perception of health risks linked to perceived regional food and beverage safety, may further affect our clients' businesses, and thereby may adversely affect our business, particularly with respect to: (i) base and incentive fees paid to us by our clients under our advisory agreements (which depend in part on our clients' market capitalization and business performance at our clients' hotels); and (ii) revenues generated by our INSPIRE, Premier and Remington businesses, which depend in significant part on occupancy levels and operating performance at our clients' hotels. Economic conditions in the United States could have a material adverse impact on our earnings and financial condition. The economic outlook in the United States is uncertain and facing recessionary concerns resulting from slowing gross domestic product growth, continuing effects of the COVID- 19 pandemic, rising inflation, increasing interest rates, supply chain disruptions ~~and~~ **,** the conflict between Russia and Ukraine **and the more recent Israel- Hamas conflict** . Because economic conditions in the United States may affect demand within the hospitality industry and our subsidiaries' businesses, current and future economic conditions in the United States, including slower growth, stock market volatility and recession fears, could have a material adverse impact on our earnings and financial condition. Economic conditions may be affected by numerous factors, including but not limited to, the pace of economic growth and / or recessionary concerns, inflation, increases in the levels of unemployment, energy prices, changes in currency exchange rates, uncertainty about government fiscal and tax policy, geopolitical events, the regulatory environment and the availability of credit and interest rates. Inflation and price volatility could negatively impact our businesses and results of operations. General inflation in the United States has risen to levels not experienced in recent decades, including rising energy prices, prices for consumer goods, interest rates, wages, and currency volatility, causing interest rates and borrowing costs to rise. These increases and any fiscal, monetary or other policy interventions by the U. S. government or Federal Reserve in reaction to such events could negatively impact our businesses by increasing our operating costs and our borrowing costs and may negatively impact our ability to access the debt markets on favorable terms. Our cash, cash equivalents and investments could be adversely affected if the financial institutions in which we hold our cash, cash equivalents and investments fail. We regularly maintain cash balances at third- party financial institutions in excess of the Federal Deposit Insurance Corporation (the " FDIC ") insurance limit. The FDIC took control and was appointed receiver of Silicon Valley Bank ~~and~~ **,** New York Signature Bank **and First Republic Bank** on March 10, 2023 ~~and~~ **,** March 12, 2023 **and May 1, 2023** , respectively. The Company ~~does~~ **did** not have any direct exposure to Silicon Valley Bank ~~or~~ **,** New York Signature Bank **or First Republic Bank** . However, if other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our existing cash, cash equivalents and investments may be threatened and could have a material adverse effect on our business and financial condition **. We have identified a material weakness in our internal control over financial reporting which may, if not remediated, result in additional material misstatements in our financial statements. Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a- 15 (f) under the Securities Exchange Act of 1934. As disclosed in Item 9A, " Controls and Procedures, " management identified a material weakness in our internal control over financial reporting. The material weakness was identified solely as it pertains to the Company' s new insurance subsidiary, Warwick, that was formed in December 2023, and more specifically solely related to management' s review controls over evaluating whether the revenue and expense from the one- time transfer of the casualty insurance loss portfolio to Warwick should eliminate in consolidation. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the material weakness, our management concluded that our internal control over financial reporting and related disclosure controls and procedures were not effective based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission. We are actively engaged in developing and executing a remediation plan designed to address this material weakness. If our remedial measures are insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in our internal control are discovered or occur in the future, our financial statements may contain material misstatements and we could be required to restate our financial results** . The asset management, advisory and products and services businesses are highly competitive. The asset management, advisory and products and services businesses are highly competitive. Competition in these businesses is driven by a variety of factors including: asset and investment performance; the quality of service provided to the companies we advise; investor perception of an asset and investment manager' s drive, focus and alignment of interest; terms of investment, including the level of fees and expenses charged for services; our actual or perceived financial condition, liquidity and stability; the duration of relationships with investors; brand recognition; and business reputation. We expect to face competition primarily from other asset, service and investment management firms. A number of factors serve to increase our competitive risks including but not limited to: • other asset managers or advisors may have greater financial, technical, marketing and other resources and more personnel than we do; • other asset managers or advisors may offer more products and services than we do or be more adept at developing, marketing and managing new products and services than we are; • Ashford Trust, Braemar, and other companies that we may advise may not perform as well as the clients of other asset managers; • several other asset managers or advisors and their clients have significant amounts of capital and many of them have similar management and investment objectives to ours which may create additional competition for advisory opportunities; • some of these other asset managers' or advisors' clients may also have a lower cost of capital and access to funding sources that are not available to us or the companies that we advise, which may create competitive disadvantages for us with respect to funding opportunities; • some of these other asset managers' or advisors' clients may have higher risk tolerance, different risk assessment or a lower return threshold, which could allow them to facilitate the acquisition and management by their clients of a wider variety of assets and allow them to consider a broader range of investments and to advise their clients to bid more aggressively for investment opportunities on which we would advise our clients to bid; • there are relatively few barriers to entry impeding new asset management or advisory companies and the successful efforts of new entrants into the asset management businesses are expected to continue to result in increased competition; • some other asset managers or advisors may have better expertise or be regarded by potential clients as having better expertise with regard to specific assets or investments; • other asset managers or advisors may have more scalable platforms and may operate more efficiently than us; • other asset managers or advisors may have better brand recognition than us and there is no assurance that we will maintain a positive brand in the future; • other industry participants may from time to time seek to recruit members of our management or investment teams and other employees away from us; • an increase in the allocation of capital to our asset strategies by institutional and individual investors could lead to a reduction in the size and duration of pricing inefficiencies that we may seek to exploit; • a decrease in the allocation of capital to our asset strategies could intensify competition for that capital and lead to difficulty in raising new capital; and • the market for qualified professionals is intensely competitive and our ability to continue to compete effectively will also depend upon our ability to attract, retain and motivate our employees. Our inability to effectively compete in these and other areas may have an adverse effect on our business, results of operations and financial condition. The investments of the entities we currently advise and provide other products and services to are concentrated in the hotel industry. Our business may be significantly and adversely affected by the 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 Trust ~~and~~ **,** Braemar **and Stirling** and the investments of other clients we also provide products and services to are concentrated in the hotel industry. This concentration exposes our clients and therefore us, to economic downturn in the hotel real estate sector to a greater extent than if the investments of ours and our clients were diversified across other sectors of the real estate industry or other industries. Similarly, we are particularly susceptible to adverse market conditions in areas in which our clients have high concentrations of properties. Industry downturns, relocation of businesses, oversupply of hotel rooms, reduction in travel and / or lodging demand or other adverse economic developments in the hotel industry generally or in areas where our clients have a high concentration of properties could adversely affect us. In addition, some of our clients' properties are located in areas where recently there have been bouts of civil unrest. Adverse conditions in these areas (including business layoffs or downsizing, industry slowdowns, property damage and other factors) may have an adverse effect on our business. The design and construction business acquisition may not be accretive to our stockholders. While it is intended that the acquisition of our design and construction business will be accretive to our performance metrics (including after taking into account the possible conversion of the Series D Convertible Preferred Stock into our common stock), there can be no assurance that this will be the case. While the long- term value of the design and construction business is difficult to predict, the failure of the acquisition to be accretive to the Company' s stockholders could have a material adverse effect on the Company' s business, financial condition, and results of operations. The hotel management business acquisition may not be accretive to our stockholders. While it is intended that the acquisition of our hotel management business will be accretive to our performance metrics (including after taking into account the possible conversion of the Series D Convertible Preferred Stock into our common stock), there can be no assurance that this will be the case. While the long- term value of the hotel management business is difficult to predict, the failure of the acquisition to be accretive to the Company' s stockholders could have a material adverse effect on the Company' s business, financial condition, and results of operations. We **have no experience in operating an insurance business, and our entry into the insurance market may not be successful. Through Warwick, we are entering into the business of providing insurance policies covering general liability, workers' compensation and business automobile claims to certain affiliates of the Company, their advisees and certain unrelated entities in contractual relationships with the Company' s affiliates. Warwick is licensed by the Texas Department of Insurance. Entering the insurance business will subject us to additional laws and regulations and involves additional risks, including risks relating to regulatory oversight and examinations, risks related to compliance with capital maintenance requirements, and increased risks of litigation. The Company has no experience in operating an insurance business, which would enhance these risks. Expanding our business into the realm of insurance involves a number of risks, including the required investment of capital and other resources, increasing demands on our operational and management systems and controls, the diversion of management' s attention from our core business, and our ability to implement an effective marketing strategy to promote awareness of our insurance products. The insurance industry is highly competitive and there can be no assurance that our plans to enter the insurance market will be successful. If our proposed insurance business does not generate sufficient revenue or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. We** may be a " controlled company " within the meaning of the rules of NYSE American and, as a result, would qualify for, and could rely on, exemptions from certain corporate governance requirements. Following the expiration of certain time and voting restrictions in the Investor Rights Agreement **on August 8, 2023** ~~(and prior to the expiration of such restrictions under certain circumstances)~~ , the Bennetts **gained** ~~could potentially~~ control **of** a majority of the voting power of our equity securities. For a period of five years after the effective date of the Investor Rights Agreement, the Bennetts have agreed not to elect, or to cause the Company to elect, to be exempt from the NYSE American' s corporate governance requirements on account of the Company' s status as a " controlled company. " As a result, we may ~~become~~ **be** a " controlled company " within the meaning of the corporate governance standards of the NYSE American after such time. Currently, under the rules of the NYSE American, a company for which more than 50 % of the outstanding voting power is held by an individual, group, or another company is a " controlled company " and may elect to be exempt from certain stock exchange corporate governance requirements, which, generally, include the following: • the requirement that a majority of the board of directors consists of independent directors; • the requirement that the Company' s nominating and corporate governance committee consists entirely of independent directors; and • the requirement that the Company' s compensation committee consists entirely of independent directors. Accordingly, in the event we ~~become~~ **are** a " controlled company " and elect to be exempt from some or all of these corporate governance requirements, you may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE American corporate governance requirements **. We cannot assure you that our common stock will be liquid or that it will remain listed on the NYSE American exchange. A failure to regain compliance with the NYSE American stockholders' equity listing requirements or failure to continue to meet the other listing requirements could result in a delisting of our common stock. Our common stock is listed on the NYSE American exchange. The NYSE American' s listing standards generally mandate that we meet certain requirements relating to stockholders' equity, stock price, market capitalization, aggregate market value of publicly held shares and distribution requirements. On December 20, 2023, the Company received a Notice from the NYSE American that it was not in compliance with the continued listing standards set forth in Sections 1003 (a) (i) and (ii) of the Company Guide. Specifically, the Notice indicated that the Company was not in compliance with Sections 1003 (a) (i) and 1003 (a) (ii) of the Company Guide, requiring a listed company to have stockholders' equity of (i) at least $ 2. 0 million if it has reported losses from continuing operations or net losses in two of its three most recent fiscal years and (ii) at least $ 4. 0 million if it has reported losses from continuing operations or net losses in three of its four most recent fiscal years. The Company reported a stockholders' deficit of $ 304. 6 million as of December 31, 2023, and had losses from continuing operations and / or net losses in three of its four most recent fiscal years ended December 31, 2023. The Company submitted a plan to the NYSE American on January 12, 2024 addressing how it intends to regain compliance with Sections 1003 (a) (i) and (ii) of the Company Guide by June 20, 2025, or sooner if the NYSE American determines that the nature and circumstances of the Company' s continued listing status warrant a shorter period of time. On February 27, 2024, the Company received notification from the NYSE American that it had accepted the Company' s**

plan and granted a plan period through June 20, 2025. During the plan period the Company will be subject to quarterly review to determine if it is making progress consistent with the plan. If the Company does not regain compliance with the NYSE American listing standards by June 20, 2025, or if the Company does not make sufficient progress consistent with its plan, then the NYSE American may initiate delisting proceedings. Additionally, in the future we may not be able to maintain such minimum stockholders' equity and / or issue additional equity securities in exchange for cash or other assets, if available, to maintain the minimum stockholders' equity required by the NYSE American. If we are delisted from the NYSE American exchange then our common stock will trade, if at all, only on the over- the- counter market, such as the OTC Bulletin Board securities market, and then only if one or more registered broker- dealer market makers comply with quotation requirements. In addition, delisting of our common stock could depress our stock price, substantially limit liquidity of our common stock and materially adversely affect our ability to raise capital on terms acceptable to us, or at all. Delisting from the NYSE American exchange could also have other negative results, including the potential loss of confidence by suppliers and employees and the loss of institutional investor interest. We cannot assure you that our common stock will be liquid or that it will remain listed on the NYSE American exchange. A failure to regain compliance with the NYSE American stockholders' equity requirements or failure to continue to meet the other listing requirements could result in a delisting of our common stock . 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 **are** ~~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 **are** ~~will be~~ responsible for managing the regulatory aspects of Ashford Trust and Braemar, including compliance with applicable REIT rules. These regulations are extensive, complex and require substantial management time and attention. If we fail to comply with any of the regulations that apply to our business or the businesses of Ashford Trust, Braemar or other entities that we advise, we could be subjected to extensive investigations as well as substantial penalties, and our business and operations could be materially adversely affected. We also will have numerous contractual obligations that we must adhere to on a continuous basis to operate our business, the default of which could have a material adverse effect on our business and financial condition. While we have designed policies to appropriately operate our business and the entities we advise, these internal policies may not be effective in all regards and, further, if we fail to comply with our internal policies, we could be subjected to additional risk and liability. If certain of our subsidiaries that engage in the hotel management business do not qualify as " eligible independent contractors " under applicable REIT rules, each REIT (including Ashford Trust and Braemar) for which such subsidiaries provide services might fail to qualify as a REIT. If our subsidiaries that engage in the hotel management business, including Ashford Services and its subsidiaries (including Remington), do not qualify as " eligible independent contractors " under applicable REIT rules, each REIT for which Ashford Services and its subsidiaries provide hotel management services (including Ashford Trust and Braemar) might fail to qualify as a REIT. Each of our hotel management companies that enters into a hotel management contract with a TRS lessee of a REIT must qualify as an " eligible independent contractor " under the applicable REIT rules in order for the rent paid to the REIT by its TRS lessees to be qualifying income for the REIT under the applicable REIT rules. Among other requirements, in order to qualify as an eligible independent contractor with respect to a REIT, a management company must not own more than 35 % of the outstanding shares of the REIT (by value) and no person or group of persons can own more than 35 % of the outstanding shares of the REIT and the ownership interests of the management company, taking into account only owners of more than 5 % of shares of the REIT and, with respect to ownership interests in such management companies that are publicly traded, only holders of more than 5 % of such ownership interests. Complex ownership attribution rules apply for purposes of these 35 % thresholds. Additionally, Ashford Services and its subsidiaries, including Remington, must comply with the provisions of the private letter ruling each of Ashford Trust and Braemar obtained from the Internal Revenue Service in connection with our acquisition of Remington to ensure that Ashford Services and its subsidiaries, including Remington, continue to qualify as " eligible independent contractors " under applicable REIT rules. We may do more business internationally, which may subject us to numerous political, economic, market, reputational, operational, legal, regulatory and other risks that could adversely impact our business and results of operations. We have limited experience operating internationally but we may do so in the near future, in our capacity as advisor to an entity with international operations. As a result of any future international operations conducted by us, our business and financial results in the future could be adversely affected due to currency fluctuations, social or judicial instability, acts or threats of terrorism, changes in governmental policies or policies of central banks, expropriation, nationalization and / or confiscation of assets, price controls, fund transfer restrictions, capital controls, exchange rate controls, taxes, inadequate intellectual property protection, unfavorable political and diplomatic developments, changes in legislation or regulations and other additional international developments or restrictive actions. These risks are especially acute in emerging markets. Many non- U. S. jurisdictions in which we may do business have been negatively impacted by recessionary conditions. These jurisdictions may continue to experience increasing levels of stress. In addition, the risk of default on sovereign debt in some non- U. S. jurisdictions could expose us to substantial losses. Any such unfavorable conditions or developments could have an adverse impact on our businesses and results of operations. We may also experience difficulty entering new international markets due to regulatory barriers, the necessity of adapting to new regulatory systems and problems related to entering new markets with different cultural bases and political systems. These difficulties may prevent, or significantly increase the cost of, our international expansion. In addition, changes in policies or laws of the U. S. or foreign governments resulting in, among other things, higher taxation, currency conversion limitations, restrictions on fund transfers or the expropriation of private enterprises, could reduce the anticipated benefits of our international expansion. Any actions by countries in which we conduct business to reverse policies that encourage investment could adversely affect our business. If we fail to realize the anticipated growth of our future international operations, our business and operating results could suffer. Our ability to raise capital and attract investors for our existing and potential advisory clients and our performance is critical to our ability to earn fees and grow our businesses. The **majority of** 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 debt and equity markets for our existing and potential clients. Conversely, our base fees are expected to decrease if the total market capitalization of our existing clients declines. 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. Recently, the total market capitalization of our clients has declined significantly, which reduces the amount of the base asset management fees paid pursuant to our advisory agreements with our clients and reduces the likelihood that we will earn an incentive fee for this year. Our ability to earn these fees is subject to a number of risks, many of which are beyond our control, including monetary and fiscal policies, domestic and international economic conditions, political considerations and capital markets. To the extent that general capital markets activity slows down or comes to a halt, our clients may have difficulty growing or refinancing their existing debt obligations. 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. The markets have experienced a high level of volatility as a result of the COVID- 19 pandemic and the full economic impact is difficult to predict. If we are unable to raise capital and attract investors for our existing and potential advisory clients, this would negatively impact our advisory fees and would have a negative impact on other revenues from our services businesses. ~~Additionally, we have entered into the SNDA, pursuant to which we have agreed to subordinate to the prior repayment in full of all obligations under Ashford Trust' s senior secured credit facility with Oaktree, among other things: (i) advisory fees (other than reimbursable expenses) in excess of 80 % of such fees paid during the fiscal year ended December 31, 2019, and (ii) any termination fee or liquidated damages amounts under the advisory agreement, or any amount owed under any enhanced return funding program in connection with the termination of the advisory agreement or sale or foreclosure of assets financed thereunder. On October 12, 2021, Ashford Trust entered into an amendment to the senior secured credit facility with Oaktree which, among other items, suspended Ashford Trust' s obligation to subordinate fees due under the advisory agreement if at any point there is no accrued interest outstanding or any accrued dividends on any of Ashford Trust' s preferred stock and Ashford Trust has sufficient unrestricted cash to repay in full all outstanding loans due under Ashford Trust' s senior secured credit facility.~~ We are no longer eligible to file a new Form S- 3 registration statement or a post- effective amendment to our Form S- 3, which would impair our capital raising activities. As a result of our recent payment defaults under our Series D Convertible Preferred Stock, we are no longer eligible to file a new Form S- 3 registration statement or a post- effective amendment to our current Form S- 3. If we are unable to regain Form S- 3 eligibility, this could impair our capital raising ability. Under these circumstances, we will be required to use a registration statement on Form S- 1 to register securities with the SEC, which would hinder our ability to act quickly in raising capital to take advantage of market conditions in our capital raising activities and would increase our cost of raising capital. We are predominantly dependent on Ashford Trust and Braemar as our **primary** ~~only current~~ asset management clients for a substantial portion of our operating revenues, the loss of either of which, or their failure or inability to pay any amounts owed to us, including under their advisory agreements, could adversely affect our business, financial condition, prospects and results of operations. Ashford Trust and Braemar are also customers of our consolidated subsidiaries that provide products and services to the hospitality industry. Ashford Trust and Braemar are ~~the only~~ **our largest** clients for which we currently provide asset management and advisory services. Ashford Trust and Braemar are also customers of our consolidated subsidiaries that provide products and services to the hospitality industry. Therefore, our business is subject to the risks of the businesses of Ashford Trust and Braemar. The loss or failure of either client, termination of either advisory agreement, the failure or inability of either client to pay us any amounts owed under their respective advisory agreements or other contracts, and particularly their failure or inability to pay all or a portion of any applicable termination fee, would adversely affect our business, financial condition, prospects and results of operations. Additionally, these clients could sell assets over time or lose hotels to lenders who have foreclosed on loans secured by our clients' properties, decreasing their total market capitalization, and thereby cause our advisory fees and other revenues to decrease, which would adversely affect our results of operations and financial condition. We depend on our key personnel with long- standing business relationships. The loss of such key personnel could threaten our ability to operate our business successfully. Our future success depends, to a significant extent, upon the continued services of our management team and key employees of the businesses we have acquired and may in the future acquire. In particular, the hotel industry and / or investment experience of Messrs. Monty J. Bennett, Alex Rose, Deric S. Eubanks ~~,~~ and **Justin Coe** ~~Mark L. Nunneley~~ and the extent and nature of the relationships they have developed with hotel franchisors, operators, and owners and hotel lending and other financial institutions are critically important to the success of our business. The loss of services of one or more members of our management or investment teams could harm our business and our prospects. Our platform may not be as scalable as we anticipate and we could face difficulties growing our business without significant new investment in personnel and infrastructure. Our platform may not be as scalable as we anticipate and we could face difficulties growing our business without significant new investment in personnel and infrastructure. It is possible that if our business grows substantially, we will need to make significant new investment in personnel and infrastructure to support that growth. We may be unable to make significant investments on a timely basis or at reasonable costs, and our failure in this regard could disrupt our business and operations. If our portfolio management techniques and strategies are not effective, we may be exposed to material unanticipated losses. Our portfolio management techniques and strategies may not fully mitigate the risk exposure of our operations in all economic or market environments, or against all types of risk, including risks that we might fail to identify or anticipate. Any failures in our portfolio management techniques and strategies to accurately quantify such risk exposure could limit our ability to manage risks in our operations and could result in losses. We may acquire other complementary businesses, which could require significant management attention, disrupt our business, dilute stockholder value and harm our business, revenue and financial results. We have in the past, and may in the future, make certain strategic acquisitions of complementary businesses, such as our recent acquisition of ~~Chesapeake~~ **Alii Nui** . Our acquisitions may not achieve our goals, and we may not realize benefits from acquisitions. Any integration process will require significant time and resources, and we may not be able to manage the process successfully or fully realize all of the anticipated benefits and synergies from our acquisitions. If we fail to successfully integrate acquisitions, or the personnel or technologies associated with those acquisitions, the business, revenue and financial results of the combined company could be harmed. We may not successfully evaluate or utilize the acquired assets and accurately forecast the financial impact of an acquisition, including accounting charges. We may also incur unanticipated liabilities that we assume as a result of acquiring companies. We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could affect our financial condition or the value of our securities. We would expect to finance any future acquisitions through a combination of additional issuances of equity, corporate indebtedness or cash from operations. The sale of equity to finance any such acquisitions could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations. Further, the companies we acquire may require increases in working capital and capital expenditure investments to fund their growth, and may not achieve anticipated revenue, earnings or cash flows, including as a result of the loss of any key employees or declines in hotel occupancy and / or revenue per available room due to COVID-19 or other factors. In the future, we may not be able to find other suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. Our acquisition strategy could require significant management attention, disrupt our business and harm our business, revenue and financial results. Certain provisions of Nevada law could inhibit changes in control. Certain provisions of the Nevada Revised Statutes (the " NRS ") may have the effect of inhibiting a third-party from making a proposal to acquire the Company under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then- prevailing market price of our common stock or a " control premium " for their shares or inhibit a transaction that might otherwise be viewed as being in the best interest of our stockholders. These provisions include: • " business combination " provisions that, subject to limitations, prohibit certain business combinations between the Company and an " interested stockholder " (defined generally as any person who beneficially owns 10 % or more of the voting power of our shares and, if specified conditions exist, certain of our affiliates) for two years after the date on which the stockholder first becomes an interested stockholder, and thereafter continues to prohibit such combinations unless specified conditions are satisfied; • " control share " provisions that provide that " control shares " of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors (a " controlling interest "), together with shares acquired within 90 days immediately before acquisition of the controlling interest) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least a majority of our voting power, excluding all interested shares. • " constituency " provisions that allow the directors to consider a wide range of interests, such as those of employees and the community, in their decision making. The constituency provisions apply to takeovers and would allow the directors to respond based on considerations other than the stockholders; and • provisions which generally prohibit the removal of a director by less than two-thirds of the voting power of the corporation. Our charter contains a provision opting out of the business combination provisions. Pursuant to Section 78. 378 (1) of the NRS, the Company has elected not to be governed by the provisions of Nevada state law applicable to the acquisition of a controlling interest in the stock of the Company, as set forth in NRS Sections 78. 378 to 78. 3793, involving the acquisition of a controlling interest in the stock of the Company by: (i) Mr. Archie Bennett, Jr.; (ii) Mr. Monty J. Bennett; (iii) MJB Investments; (iv) any present or future affiliate of Mr. Archie Bennett, Jr. or Mr. Monty J. Bennett; (v) Ashford Trust; (vi) Braemar; or (vii) any other entity that is advised by the Company or its controlled affiliates through an advisory agreement. In addition, the control share provisions only apply to corporations that have 200 or more stockholders of record, at least 100 of whom have had Nevada addresses appearing on the stock ledger of the corporation for at least 90 days before the date on which the applicability of those provisions is determined. As of December 31, ~~2022~~ **2023** , ~~one~~ **none** of our record stockholders had a Nevada address appearing on our stock ledger. In addition, the NRS provides that, except where the action impedes the rights of stockholders to vote for or remove directors, an act of a director relating to or affecting an acquisition or a potential acquisition of control of a corporation is not subject to a higher duty or greater scrutiny than is applied to any other act of a director. Hence, directors of a Nevada corporation may not be required to act in certain takeover situations under the same standards or be subject to the same standard of judicial review as apply in Delaware and some other corporate jurisdictions. Stockholders will have limited control over changes in our policies and operations, which increases the uncertainty and risks they face as stockholders. Our board of directors determines its major policies, including its policies regarding growth and distributions. Under the NRS, the authority to manage the Company' s business and affairs is vested in its board of directors. Our board of directors may amend or revise its corporate policies without a vote of its stockholders. We may change its corporate policies without stockholder notice or consent, which could result in investments or activities that are different than, or in different proportion than, those described in this Annual Report on Form 10- K. Under the NRS, and under our charter and bylaws, stockholders have a right to vote only on limited matters. Our board of directors' broad discretion in setting policies and stockholders' inability to exert control over those policies increases the uncertainty and risks stockholders face. Our charter designates the Business Court of the Eighth Judicial District Court of the State of Nevada, or if this Court does not have jurisdiction because the action asserts a federal claim, the United States District Court for the District of Nevada, Southern Division, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. While the corporation has the option to consent to the selection of an alternative forum, our charter provides that the Business Court of the Eighth Judicial District of the State of Nevada, or if this Court does not have jurisdiction because the action asserts a federal claim, the United States District Court for the District of Nevada, Southern Division, are the sole and exclusive forums for: (i) any derivative action or proceeding brought on the corporation' s behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of the corporation' s directors, officers, employees or agents in such capacity; or (iii) any action arising pursuant to, or to interpret, apply, enforce or determine the validity of, any provision of Nevada' s business association statutes, the corporation' s articles of incorporation and bylaws or any agreement entered into pursuant to the statute governing voting trusts to which the corporation is a party or of which the corporation is a beneficiary. This choice of forum provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or its directors, officers, employees, or agents, which may discourage such lawsuits against the Company and its directors, officers, employees, and agents. Alternatively, if a court were to find these provisions of our charter inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, the corporation may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect its business, financial condition and results of operations. Our charter cannot be amended unless its board of directors recommends an amendment and its stockholders approve the amendment. Our board of directors may create and issue a class or series of capital stock without stockholder approval. Our charter authorizes our board of directors to issue preferred stock, common stock, and blank check stock, and in the case of preferred stock and blank check common stock, to create one or more classes and to establish the preferences and rights of any class of stock issued. These actions can be taken without soliciting stockholder approval. Our ability to classify and issue additional shares of capital stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders' best interests. Our board of directors can take many actions without stockholder approval. Our board of directors has overall authority to oversee our operations and determine our major corporate policies. This authority includes significant flexibility. For example, our board of directors can do the following: • amend or revise at any time and from time to time our investment, financing, borrowing and dividend policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, subject to the limitations and restrictions provided in our advisory agreement and mutual exclusivity agreement; • amend our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal requirements; • issue additional shares without obtaining stockholder approval, which could dilute the ownership of our then- current stockholders; • classify or reclassify any unissued shares of our blank check stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares, without obtaining stockholder approval; • employ and compensate affiliates; and • direct our resources toward investments that do not ultimately appreciate over time Any of these actions could increase our operating expenses, impact our ability to make distributions or reduce the value of our assets without giving you, as a stockholder, the right to vote. Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses. We may, to the extent that market conditions permit, grow our business and expand into new investment strategies, geographic markets and businesses. Our organizational documents do not limit us to the management of assets or operation of service businesses within the hospitality industry. Accordingly, we may pursue growth through acquisitions of asset management and service contracts, assets or companies, acquisitions of critical business partners or other strategic initiatives. To the extent we make strategic investments or acquisitions, undertake other strategic initiatives or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with: (i) the required investment of capital and other resources; (ii) the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk; (iii) combining or integrating operational and management systems and controls; and (iv) the broadening of our geographic footprint, including the risks associated with conducting operations in non- U. S. jurisdictions. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives may include joint ventures, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to systems, controls and personnel that are not under our control. We are increasingly dependent on information technology, and ~~potential~~ cyber- attacks, security problems or other disruption and expanding social media vehicles present new risks. The protection of business partners, employees and company data is critically important to us. We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, billing and operating data. The collection and use of personally identifiable information is governed by federal and state laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase the Company' s operating costs and adversely impact the Company' s ability to market the Company' s properties and services. We may purchase some of our information technology from vendors, on whom our systems depend, and rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential operator and other customer information. We depend upon the secure transmission of this information over public networks. Our networks and storage applications are subject to unauthorized access by hackers or others through cyber- attacks, which are rapidly evolving and becoming increasingly sophisticated, or by other means, or may be breached due to operator error, malfeasance or other system disruptions **. During the quarter ended September 30, 2023, we had a cyber incident that resulted in the potential exposure of certain employee personal information. We have completed an investigation and have identified certain employee information may have been exposed, but we have not identified that any customer information was exposed. All systems have been restored** . Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber- attacks. Further, there has been a surge in widespread cyber- attacks during and since the COVID- 19 pandemic, and the use of remote work environments and virtual platforms may increase our risk of cyber- attack or data security breaches. In light of the increased risks, we have dedicated additional resources to strengthening the security of our computer systems. In the future, we may expend additional resources to continue to enhance our information security measures and / or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that we will not suffer a significant data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on our systems or that any such incident will be discovered in a timely manner. In 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. We may experience losses caused by severe weather conditions or natural disasters. The properties owned by Ashford Trust ~~and~~ **,** Braemar **and Stirling** are susceptible to extreme weather conditions which may cause property damage or interrupt business, which could harm our business and results of operations. Certain of the properties owned by Ashford Trust ~~and~~ **,** Braemar **and Stirling** are located in areas that may be subject to extreme weather conditions, including but not limited to, hurricanes, floods, tornadoes and winter storms in the United States. Insurance may not fully cover all losses and, depending on the severity of the event and the impact on such properties, such insurance may not cover a significant portion of the losses, including, but not limited to, the costs associated with evacuation. These losses may lead to an increase of our cost of insurance, a decrease in our anticipated revenues from an affected property and a loss of all or a portion of the capital we have invested in an affected property. In addition, we may not purchase insurance under certain circumstances if the cost of insurance exceeds, in our judgment, the value of the coverage relative to the risk of loss. 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 Tax Cuts and Jobs Act (" TCJA ") ~~may limit~~ **limits** the future deductions of interest expense we may incur. We are unable to predict how ~~these or~~ any ~~other~~ future legislative or regulatory proposals or programs will be administered or implemented or in what form, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect us in substantial and unpredictable ways and could have an adverse effect on our results of operations and financial condition. Our inability to remain in compliance with regulatory requirements in a particular jurisdiction could have a material adverse effect on our operations in that market and on our reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently or that new laws and regulations will not be adopted, either of which could materially adversely affect our business, financial condition, or results of operations. Tax increases and changes in tax rules may adversely affect our financial results. As a company conducting business with physical operations throughout North America, we are exposed, both directly and indirectly, to the effects of changes in U. S., state and local tax rules. Taxes for financial reporting purposes and cash tax liabilities in the future may be adversely affected by changes in such tax rules. Such changes may put us at a competitive disadvantage compared to some of our major competitors, to the extent we are unable to pass the tax costs through to our customers. The Biden administration has announced in 2021 and 2022, and in certain cases has enacted, a number of tax proposals to fund new government investments in infrastructure, healthcare, and education, among other things. Certain of these proposals involve an increase in the domestic corporate tax rate, which if implemented could have a material impact on our future results of operations and cash flows. On August 16, 2022, the Inflation Reduction Act of 2022 (" IRA ") was signed into law, with tax provisions primarily focused on implementing a 15 % corporate alternative minimum tax on global adjusted financial statement income and a 1 % excise tax on share repurchases. The IRA also creates a number of potentially beneficial tax credits to incentivize investments in certain technologies and industries. Certain provisions of the IRA ~~will become~~ **became** effective ~~beginning~~ in fiscal 2023 **, and the Treasury Department and IRS have announced their intention to continue to release and finalize regulations and other guidance implementing the IRA in fiscal 2024** . We do not believe these tax law changes will have applicability to the Company or its operating activity. We are subject to risk associated with the employment of hotel personnel, particularly with hotels that employ unionized labor. Our hotel management business is responsible for, and subject to the risks associated with, hiring and maintaining a hotel labor force. From time to time, hotel operations may be disrupted as a result of strikes, lockouts, public demonstrations or other negative actions and publicity. We also may incur increased legal costs and indirect labor costs as a result of contract disputes involving our managers and their labor force or other events. The resolution of labor disputes or re- negotiated labor contracts could lead to increased labor costs, a significant component of our hotel operating costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. We do not have the ability to affect the outcome of these negotiations. We may also be unable to attract, retain, train, manage and engage quality personnel to adequately staff hotel departments, which could result in a sub- standard level of service to hotel guests and hotel operations. Certain of the properties we manage are subject to collective bargaining agreements and, as a result, are more highly affected by labor force activities than others. The resolution of labor disputes or re- negotiated labor contracts could lead to increased labor costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. Furthermore, labor agreements may limit our ability to reduce the size of hotel workforces during an economic downturn because collective bargaining agreements are negotiated between us and labor unions. Our ability, if any, to have any material impact on the outcome of these negotiations is restricted by and dependent on the individual management agreement covering a specific property and we may have little ability to control the outcome of these negotiations. We may also become subject to additional collective bargaining agreements in the future. Potential changes in the federal regulatory scheme could make it easier for unions to organize groups of our personnel. If such changes take effect, more of our personnel could be subject to increased organizational efforts, which could potentially lead to disruptions or require more of our management' s time to address unionization issues. In addition, changes in labor laws may negatively impact us. For example, the implementation of new occupational health and safety regulations, minimum wage laws, and overtime, working conditions status and citizenship requirements and the Department of Labor' s proposed regulations expanding the scope of non- exempt employees under the Fair Labor Standards Act to increase the entitlement to overtime pay could significantly increase the cost of labor in the workforce, which could reduce our profits and adversely affect our business and results of operations. We are dependent upon the profitability of our subsidiaries and their ability to make cash distributions to us. We are a holding company and, thus, do not conduct material activities other than activities incidental to holding equity interests of our subsidiaries and being a publicly- traded corporation. We are dependent on the profitability of our legacy advisory business and the acquired hotel management business and project management business, and the ability of our subsidiaries in which these businesses operate to generate cash. As a result, we are substantially dependent on the ability of our subsidiaries to fund cash needs. If our subsidiaries are less profitable than anticipated, our cash flows will be negatively affected, which could have a material adverse effect on our stock price. Cash distributions made by the operating companies to fund payments of dividends on the Series D Convertible Preferred Stock may subject us to taxes to the extent such distributions are treated as a taxable dividend or distribution. Because our ownership in Ashford Advisors Inc. (which owns Ashford LLC, Premier and Ashford Services) is held indirectly through Ashford Hospitality Holdings LLC, an entity treated as a partnership for U. S. federal income tax purposes, cash distributions to us might be treated as dividends for U. S. federal income tax purposes and we might not be entitled to a 100 % dividends received deduction on dividends paid by Ashford Advisors Inc., and instead might only be entitled to a partial dividends received deduction, with respect to amounts distributed by Ashford Advisors Inc. for our benefit that are treated as a taxable dividend. In general, a distribution by Ashford Advisors Inc. that is treated as a dividend is treated as a taxable dividend to the extent any such distribution is made out of Ashford Advisors Inc.' s current or accumulated earnings and profits (as determined for U. S. federal income tax purposes). To the extent the amount of such distribution exceeds Ashford Advisors Inc.' s current and accumulated earnings and profits, it will be treated first as a non- taxable return of capital to the extent of Ashford Hospitality Holdings LLC' s adjusted tax basis in the shares of Ashford Advisors Inc. and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as capital gain from the sale or exchange of such shares. Consequently, we might be subject to U. S. federal income tax on a portion of amounts distributed by Ashford Advisors Inc. for our benefit that are treated as a taxable dividend and on the full amount of any such distribution treated as a capital gain. Accordingly, in connection with any distributions made by the operating companies to fund payments of dividends on our preferred stock, additional distributions might be required to fund such taxes and any taxes payable on such additional distributions. The representation of the Bennetts on our board of directors may increase as a result of our failure to make certain full dividend payments on the Series D Convertible Preferred Stock for two consecutive quarters. For so long as the holders of Series D Convertible Preferred Stock hold at least 20 % of the issued and outstanding shares of our common stock (on an as- converted basis), Mr. Archie Bennett, Jr., during his lifetime, and Mr. Monty J. Bennett, during his lifetime, are collectively entitled to nominate two individuals as members of our board of directors one of whom is currently Mr. Monty J. Bennett and the other of whom is currently Mr. W. Michael Murphy. If we fail to make two consecutive full dividend payments to the holders of the Series D Convertible Preferred Stock, then Mr. Archie Bennett, Jr., during his lifetime, and Mr. Monty J. Bennett, during his lifetime, will each be entitled to nominate one additional individual as a member of our board of directors and the size of our board of directors may be increased by up to two directors to accommodate these two additional nominees. In furtherance of the foregoing, each of the holders of Series D Convertible Preferred Stock has agreed that they will vote all of their Series D Convertible Preferred Stock, and consent to any action by the holders of the Series D Convertible Preferred Stock without a meeting as permitted under appropriate state law, as may be directed by Mr. Archie Bennett, Jr., or Mr. Monty J. Bennett, respectively, in connection with their nomination of the individuals to fill such seats on our board of directors. The Bennetts and certain of their affiliates, therefore, would likely have increased control over our operations and management. **As of** ~~Dividends for the Series D Convertible Preferred Stock remain in arrears for the quarters ended June 30, 2021 and~~ December 31, ~~2021~~ **2023** ~~. As of December 31, 2022~~ , the Company had aggregate undeclared preferred stock dividends of approximately $ ~~18~~ **28** . ~~4~~ **5** million, which relates to the second and fourth quarters of 2021 **and the fourth quarter of 2023** . On each of April ~~15~~ **14** , ~~2022~~ **2023** , July ~~15~~ **12** , ~~2022~~ **2023** and October ~~14~~ **11** , ~~2022~~ **2023** the Company paid $ 8. 7 million of dividends previously declared by the Board with respect to the Company' s Series D Convertible Preferred Stock for the first, second and third quarters of ~~2022. On December 13, 2022, the Board declared a cash dividend on the Company' s Series D Convertible Preferred Stock for the quarter ended December 31, 2022. The Company paid the dividend of $ 8. 7 million, or $ 0. 455 per share of Series D Convertible Preferred Stock, on January 13,~~ 2023. To the extent not paid on April 15, July 15, October 15 and January 15 of each calendar year in respect of the quarterly periods ending on March 31, June 30, September 30 and December 31, respectively (each such date, a " Dividend Payment Date "), all accrued dividends on any share shall accumulate and compound on the applicable Dividend Payment Date whether or not declared by the Board and whether or not funds are legally available for the payment thereof. All accrued dividends shall remain accumulated, compounding dividends until paid in cash or converted to common shares. If the Company fails to make the full dividend payment on the Series D Convertible Preferred Stock in two consecutive quarters, Mr. Archie Bennett, Jr. and Mr. Monty J. Bennett will each be entitled to nominate one additional individual as a member of our board of directors. Additionally, the dividend rate on the Series D Convertible Preferred Stock will increase to 10 % per year, until the unpaid preferred dividends have been paid in full. Although we missed dividend payments in **January of 2024 and** the years ended December 31, 2021 ~~and 2020~~ , we did not fail to make the full dividend payment for two consecutive quarters and therefore such board appointment rights and increase in interest payment will not apply. There is no assurance that the Company will not fail to make the full dividend payment in two consecutive quarters in the future. 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 was adopted in response to recent volatility of the stock market and trading of our common stock and is intended to protect the Company and its stockholders from the efforts to obtain control or rapid share accumulations that are inconsistent with the best interests of the Company and its 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) has acquired beneficial ownership of ~~10~~ **7** % or more of our common stock without the approval of ~~the~~ **our** ~~Board~~ **board of directors** or the announcement of a tender offer or exchange offer that would result in the ownership of ~~10~~ **7** % 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~~ **7** % 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 ~~the~~ **our** ~~Board~~ **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 ~~the~~ **our** ~~Board~~ **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 ~~the~~ **our** ~~Board~~ **board of directors** . Risks Related to Conflicts of Interest Certain affiliated stockholders have the ability to control significant corporate activities of the Company and their interests may differ from the interests of our other stockholders. As of December 31, ~~2022~~ **2023** , the Bennetts directly or indirectly beneficially owned approximately 65. ~~5~~ **0** % of our outstanding common stock (including shares and all unpaid accrued and accumulating dividends of Series D Convertible Preferred Stock on an as- converted basis **.**) ~~, provided that prior to~~ **Following the expiration of certain time and voting restrictions in the Investor Rights Agreement on** August 8, 2023, the **Bennetts gained control of a majority of the** voting power of **our equity** ~~the holders of Series D Convertible Preferred Stock effectively will be limited to 40 % of the combined voting power of all of the outstanding voting~~ securities ~~of the Company entitled to vote on any given matter.~~ As a result, the Bennetts may be able to influence or effectively control the decisions of the Company and ~~, following August 8, 2023,~~ the holders of Series D Convertible Preferred Stock may, depending on the circumstances at the time, have the voting power to elect all of the members of our board of directors and thereby control our management and affairs. In addition, at such time, the holders of our Series D Convertible Preferred Stock may be able to determine the outcome of all matters requiring stockholder approval, including mergers and other material transactions, and may be able to cause or prevent a change in the composition of our board of directors or a change in control of the Company that could deprive other stockholders of an opportunity to receive a premium for their common stock as part of a sale of the Company. In addition to their direct or indirect beneficial ownership of the shares of our common stock, the Bennetts are party to the Investor Rights Agreement, under which, for so long as the holders of our Series D Convertible Preferred Stock and their affiliates continue to beneficially own no less than 20 % of the issued and outstanding shares of our common stock, they will have the ability to cause the election of two members of our board of directors plus an additional two directors in the event of the non- payment of full dividends on the Series D Convertible Preferred Stock for two consecutive quarters. In addition, the Company could be obligated, at the Bennetts' election, to provide management services, of the character of the design and construction business or hotel management business, to any hotels in which the Bennetts own at least a 5 % interest, which is different from the pricing structure of the agreements that we currently have with our two main clients, Ashford Trust and Braemar. If the Company fails to make the full dividend payment on the Series D Convertible Preferred Stock in two consecutive quarters, Mr. Archie Bennett, Jr. and Mr. Monty J. Bennett will each be entitled to nominate one additional individual as a member of our board of directors. Additionally, the dividend rate on the Series D Convertible Preferred Stock will increase to 10 % per year, until the unpaid preferred dividends have been paid in full. Although we missed dividend payments in **January 2024 and in** the ~~years~~ - **year** ended December 31, 2021, we did not fail to make the full dividend payment for two consecutive quarters and therefore such board appointment rights and increase in interest payment will not apply. There is no assurance that the Company will not fail to make the full dividend payment in two consecutive quarters in the future. The Bennetts' interests may not always coincide with your interests or the interests of our other stockholders. The concentrated holdings of our common stock directly or indirectly by the Bennetts, the various provisions of the Investor Rights Agreement, and the resulting representation and potential control of our board of directors by the Bennetts may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders. Moreover, this concentration of stock ownership may also adversely affect the trading price of our common stock if investors perceive a disadvantage in owning stock of a company with a controlling stockholder. Our separation and distribution agreement, our advisory agreements, our amended and restated mutual exclusivity agreements, the tax matters agreement, the hotel services agreement and other agreements entered into in connection with our separation from Ashford Trust, and the agreements entered into with Ashford Trust and Braemar in connection with our acquisitions of Premier and Remington, were not negotiated on an arm' s- length basis, and we may be unable to enforce or may pursue less vigorous enforcement of their terms because of conflicts of interest with certain of our executive officers and directors and key employees of Ashford Trust ~~and~~ **,** Braemar **and Stirling** and / or pending or future legal proceedings. Because certain of our officers are also officers of Ashford Trust ~~and~~ **,** Braemar **and Stirling** and have ownership interests in Ashford Trust ~~and~~ **,** Braemar **and Stirling** , our separation and distribution agreements, our advisory agreements, our amended and restated mutual exclusivity agreements, the tax matters agreement, the hotel services agreement and other agreements entered into in connection with our separation from Ashford Trust, and the agreements entered into with Ashford Trust and Braemar in connection with our acquisitions of Premier and Remington, were not negotiated on an arm' s- length basis, and we did not have the benefit of arm' s- length negotiations of the type normally conducted with an unaffiliated third- party. As a result, the terms, including fees and other amounts payable, may not be as favorable to us as an arm' s- length agreement. Furthermore, we may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationship with Ashford Trust ~~and~~ **,** Braemar **and Stirling** . Our deferred compensation obligations may dilute your interest in our common stock. Our deferred compensation plan has only one participant, Mr. Monty J. Bennett, our chairman and chief executive officer. Mr. Archie Bennett, Jr., chairman emeritus of Ashford Trust, was issued all of his shares under the deferred compensation plan during the fiscal year ended December 31, 2022. Mr. Monty J. Bennett has elected to invest his deferred compensation account in our common stock. As a result, we have an obligation to issue approximately 196, 000 shares of our common stock to Mr. Monty J. Bennett in quarterly installments over five years beginning in ~~2025~~ **2026** . Mr. Monty J. Bennett may postpone all or a portion of the distributions, for a minimum of five years, if he notifies the Company 12 months prior to the scheduled distributions. Our relationships with Ashford Trust, ~~and~~ Braemar **and Stirling** could create significant conflicts of interest. Our chief executive officer and chairman, Mr. Monty J. Bennett, serves as the chairman of the board of Ashford Trust ~~and~~ **,** chairman of the board of Braemar **and chief executive officer and board member of Stirling** . Mr. Monty J. Bennett' s obligations to Ashford Trust ~~and~~ **,** Braemar **and Stirling** reduce the time and effort he spends managing our company, and his duties to us as a director and officer may conflict with his duties to, and pecuniary interest in, Ashford Trust ~~and~~ **,** Braemar **and Stirling** . The holders of the Series D Convertible Preferred Stock have rights that are senior to the rights of the holders of our common stock, which may decrease the likelihood, frequency or amount of dividends (if any) to holders of our common stock. The Series D Convertible Preferred Stock Certificate of Designation requires that dividends be paid on the Series D Convertible Preferred Stock before any distributions can be paid to holders of our common stock and that, in the event of our bankruptcy, liquidation, dissolution or winding up, whether voluntary or involuntary, the holders of Series D Convertible Preferred Stock must be satisfied before any distributions can be made to the holders of our common stock. **As of** ~~On April 10, 2022, the Board declared a cash dividend on the Company' s Series D Convertible Preferred Stock for accrued and unpaid dividends for the quarters ended June 30, 2020 and~~ December 31, ~~2020 to stockholders of record as of April 11, 2022. The Company paid the dividend of approximately $ 17. 8 million, or $ 0. 932 per share of Series D Convertible Preferred Stock, on April 15, 2022. On each of April 15, 2022, July 15, 2022 and October 14, 2022 the Company paid $ 8. 7 million of dividends previously declared by the Board with respect to the Company' s Series D Convertible Preferred Stock for the first, second and third quarters of 2022. On December 13, 2022, the Board declared a cash dividend on the Company' s Series D Convertible Preferred Stock for the quarter ended December 31, 2022. The Company paid the dividend of $ 8. 7 million, or $ 0. 455 per share of Series D Convertible Preferred Stock, on January 13,~~ 2023 ~~. As of December 31, 2022~~ , the Company had aggregate undeclared preferred stock dividends of approximately $ ~~18~~ **28** . ~~4~~ **5** million **,** which relates to the second and fourth quarters of 2021 **and the fourth quarter of 2023** . All accrued dividends accumulate and compound until paid in cash or converted into common stock of the Company pursuant to the Certificate of Designation for the Series D Convertible Preferred Stock. In addition, if we declare or pay a dividend on our common stock, the holders of the Series D Convertible Preferred Stock will participate, on an as-converted basis, in such dividend with the holders of our common stock. The Series D Convertible Preferred Stock will vote together with the holders of our common stock as a single class on all matters, with the number of votes attributable to each share of Series D Convertible Preferred Stock determined on an as- converted basis, subject to the voting restrictions set forth in the Investor Rights Agreement. As a result of the Series D Convertible Preferred Stock' s superior rights relative to our common stock, including its right to participate in any dividends or other distributions to the holders of our common stock, the right of holders of our common stock to receive distributions from us may be diluted and is limited by such rights. The holders of the Series D Convertible Preferred Stock are expected to benefit from significant cash flows that may create conflicts of interest in our management. The Bennetts and other sellers of the project and hotel management businesses were issued Series D Convertible Preferred Stock in consideration for the sale of such businesses. Each share of Series D Convertible Preferred Stock has a cumulative dividend rate of ~~6. 59 % per year until the first anniversary of the closing of the hotel management business acquisition, 6. 99 % per year from the first anniversary of such closing until the second anniversary of such closing, and~~ 7. 28 % per year ~~after the second anniversary of such closing~~ . In addition, if the Company fails to pay dividends on the Series D Convertible Preferred Stock for two consecutive quarterly periods ~~, then~~ the dividend rate increases to 10 % per year ~~,~~ until paid in full. ~~As of December 31, 2022, the Company had aggregate undeclared preferred stock dividends of approximately $ 18. 4 million, which relates to the second and fourth quarters of 2021. On April 10, 2022, the Board declared a cash dividend on the Company' s Series D Convertible Preferred Stock for accrued and unpaid dividends for the quarters ended June 30, 2020 and December 31, 2020 to stockholders of record as of April 11, 2022. The Company paid the dividend of approximately $ 17. 8 million, or $ 0. 932 per share of Series D Convertible Preferred Stock, on April 15, 2022. On each of April 15, 2022, July 15, 2022 and October 14, 2022 the Company paid $ 8. 7 million of dividends previously declared by the Board with respect to the Company' s Series D Convertible Preferred Stock for the first, second and third quarters of 2022. On December 13, 2022, the Board declared a cash dividend on the Company' s Series D Convertible Preferred Stock for the quarter ended December 31, 2022. The Company paid the dividend of $ 8. 7 million, or $ 0. 455 per share of Series D Convertible Preferred Stock, on January 13, 2023. To the extent not paid on April 15, July 15, October 15 and January 15 of each calendar year in respect of the quarterly periods ending on March 31, June 30, September 30 and December 31, respectively (each such date, a " Dividend~~ As a result of this consideration, the holders of the Series D Convertible Preferred Stock have the right to receive significant cash flow that might otherwise have been used for general corporate purposes. The holders of the Series D Convertible Preferred Stock may be incentivized by this consideration to maximize our cash flow, and thus Mr. Monty J. Bennett may have conflicts of interest in making management decisions that might be to the detriment of our long- term strategy and success. The cash flow generated by the hotel management business and design and construction business may not be equal to or in excess of the dividends payable to the holders of the shares of Series D Convertible Preferred Stock in any period. Certain of our executive officers, who are also executive officers or board members of Ashford Trust, Braemar, **Stirling** or ~~both~~ **all three** , including our chairman of the board and chief executive officer, who is also chairman of the board of Ashford Trust ~~and~~ **,** Braemar **and Stirling** , face competing demands relating to their time as well as potential conflicts of interest, and this may adversely affect our operations. Certain of our executive officers are also executive officers or board members of Ashford Trust, Braemar, **Stirling,** or ~~both~~ **all three** . Because our executive officers have duties to Ashford Trust ~~or~~ **,** Braemar **or Stirling** , as applicable, as well as to our company, we do not have their undivided attention. They face conflicts in allocating their time and resources between our company, Ashford Trust ~~and~~ **,** Braemar **and Stirling** , as applicable, and they will continue to face increasing conflicts as we advise additional companies and platforms. The organization and management of Ashford Trust ~~and~~ **,** Braemar **and Stirling** and any companies we may advise in the future may create conflicts of interest. We are or will be party to advisory and other agreements with Ashford Trust ~~and~~ **,** Braemar **and Stirling** . These entities, along with any other businesses we may advise in the future will acquire assets consistent with their respective initial investment guidelines, but in each case, we will have discretion to determine which investment opportunities satisfy each such entity' s initial investment guidelines. If, however, either Ashford Trust ~~or~~ **,** Braemar **and Stirling** materially changes ~~its~~ **their** investment guidelines without our express consent, we are required to use our best judgment to allocate investment opportunities to Ashford Trust, Braemar **and Stirling** and other entities we advise, taking into account such factors as we deem relevant, in our discretion, subject to any then- existing obligations we may have to such other entities. If a portfolio investment opportunity cannot be equitably divided by asset type and acquired on the basis of such asset types in satisfaction of each such entity' s investment guidelines, we will allocate investment opportunities between Ashford Trust, Braemar **and Stirling** and any other businesses we advise in a fair and equitable manner, consistent with such entities' investment objectives. When determining the entity for which such a portfolio investment opportunity would be the most suitable, our investment professionals have substantial discretion and may consider, among other factors, the following: • investment strategy and guidelines; • portfolio concentrations; • tax consequences; • regulatory restrictions; • liquidity requirements; and • financing availability. We may manage additional investment vehicles in the future and, in connection with the creation of such investment vehicles, may revise these allocation procedures. The result of a revision to the allocation procedures may, among other things, be to increase the number of parties who have the right to participate in investment opportunities sourced by us, increasing the risk of conflicts of interest. The decision of how any potential investment should be allocated among Ashford Trust, Braemar and any other companies we may advise in the future, in many cases, may be a matter of subjective judgment, which will be made by us. Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Litigation in connection with conflicts of interest could have a material adverse effect on our reputation, which could materially and adversely affect our business and our ability to attract investors for future vehicles. Our fiduciary duties as the sole manager of our operating company could create conflicts of interest with our fiduciary duties to our stockholders. We, as the sole manager of Ashford Hospitality Holdings LLC, which wholly owns our operating company, have fiduciary duties to the other members of Ashford Hospitality Holdings LLC, the discharge of which may conflict with the interests of our stockholders. The operating agreement of Ashford LLC provides that, in the event of a conflict in the fiduciary duties owed by us to our stockholders and, in our capacity as manager of our operating company, to the members of Ashford Hospitality Holdings LLC, we may act in the best interest of our stockholders without violating our fiduciary duties to the members of Ashford Hospitality Holdings LLC or being liable for any resulting breach of our duties to the members, subject in all cases to the implied contractual covenant of good faith and fair dealing which, pursuant to ~~Nevada~~ **Delaware** law, cannot be waived. In addition, those persons holding Ashford Hospitality Holdings LLC common units will have the right to vote on certain amendments to the operating agreement (which require approval by a majority in interest of the members, including us) and individually to approve certain amendments that would adversely affect their rights. These voting rights may be exercised in a manner that conflicts with the interests of our stockholders. For example, we are unable to modify the rights of Ashford Hospitality Holdings LLC members to receive distributions as set forth in the operating agreement in a manner that adversely affects their rights without their consent, even though such modification might be in the best interest of our stockholders. In addition, conflicts may arise when the interests of our stockholders and the members of Ashford Hospitality Holdings LLC diverge, particularly in circumstances in which there may be an adverse tax consequence to the members. Our conflict of interest policy may not adequately address all of the conflicts of interest that may arise with respect to our activities. In order to minimize any actual or perceived conflicts of interest with our directors, officers or employees, we have adopted a conflict of interest policy to address specifically some of the conflicts relating to our activities. Although under this policy the approval of a majority of our disinterested directors is required to approve any transaction, agreement or relationship in which any of our directors, officers, or employees, Ashford Trust ~~or~~ **,** Braemar **or Stirling** has an interest, there is no assurance that this policy will be adequate to address all of the conflicts that may arise. In addition, the transactions and agreements entered into in connection with our formation prior to the separation and distribution have not been approved by any independent or disinterested persons. Risks Related to Debt Financing We may incur additional debt at the corporate level from time to time, which may materially and adversely affect our financial condition and results of operations. ~~On April 1, 2022, the Company entered into a Credit Agreement (the " Credit Agreement ") with Mustang Lodging Funding LLC, as administrative agent, and the lenders from time to time party thereto. The Credit Agreement evidences a senior secured term loan facility (the " Credit Facility ") in the amount of $ 100. 0 million, including a $ 50. 0 million term loan funded on the closing date of the Credit Facility (the " Closing Date ") and commitments to fund up to an additional $ 50. 0 million of term loans in up to five separate borrowings within 24 months after the Closing Date, subject to certain conditions. On April 18, 2022 and March 7, 2023, the Company drew an additional $ 20. 0 million and $ 12. 0 million on the Credit Facility, respectively. The Credit Facility is a five-year interest- only facility with all outstanding principal due at maturity, with three successive one- year extension options subject to an increase in the interest rate during each extension period. Borrowings under the Credit Agreement will bear interest, at the Company' s option, at either the Eurodollar Rate (defined as LIBOR or a comparable or successor rate, with a floor of 0. 25 %) plus an applicable margin, or the base rate (defined as the highest of the federal funds rate plus 0. 50 %, the prime rate or the Eurodollar Rate plus 1. 00 %, with a floor of 1. 25 %) plus an applicable margin. The applicable margin for~~

~~borrowings under the Credit Agreement for Eurodollar loans will be 7. 35 % per annum and the applicable margin for base rate loans will be 6. 35 % per annum, with increases to both applicable margins of 0. 50 %, 0. 75 % and 1. 00 % per annum during each of the three extension periods, respectively. The remaining undrawn balance of the Credit Facility is subject to an unused fee of 1. 0 % during the first 24 months of the term, payable on the last business day of each month.~~ We may incur additional debt at the corporate level from time to time. In addition, certain of our subsidiaries that provide products and services to the lodging industry use debt, some of which has recourse to Ashford Inc. or Ashford LLC. Our organizational documents do not limit our capacity to use leverage or limit the amount of debt that we may incur. We may, at any time, decide to use leverage to meet future capital needs. We may guarantee, at the corporate level, debt incurred by our subsidiaries. We may also, from time to time, use derivative instruments primarily to manage interest rate risk. Future indebtedness will increase our operating costs, particularly in periods of rising interest rates, and we cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses that may reduce the overall return on your investment. **Higher** ~~Increases in~~ interest rates ~~will~~ **have** ~~increase~~ **increased** our interest costs on our variable- rate debt **and such costs may remain high** . As of December 31, ~~2022~~ **2023** , our total indebtedness of $ ~~99~~ **141** . 1 million included $ ~~94~~ **133** . ~~4~~ **5** million of variable- rate debt. **Higher** ~~Increases in~~ interest rates **in the past few years have negatively impacted nearly all commercial real estate managers, including the Company. Higher interest rates have** ~~increase~~ **increased** our interest costs on our variable- rate debt and could increase interest expense on any future fixed rate debt we may incur, and interest we pay reduces our cash available for preferred dividend payments, expansion, working capital and other uses. Moreover, periods of rising interest rates heighten the risks described above under " We may incur additional debt at the corporate level from time to time, which may materially and adversely affect our financial condition and results of operations. " **55** ~~We may be adversely affected by changes in LIBOR reporting practices, the method in which LIBOR is determined or the transition away from LIBOR to alternative reference rates. In July 2017, the United Kingdom regulator that regulates London Interbank Offered Rate (" LIBOR ") announced its intention to phase out LIBOR rates by the end of 2021. On March 5, 2021, the ICE Benchmark Administration Limited, the administrator of LIBOR, and the Financial Conduct Authority announced that all LIBOR rates will either cease to be published by any benchmark administrator, or no longer be representative immediately after December 31, 2021 for all GBP, EUR, CHF and JPY LIBOR rates and one- week and two- month U. S. dollar LIBOR rates, and immediately after June 30, 2023 for the remaining U. S. dollar LIBOR rates. As of January 1, 2022, publication of one- week and two- month U. S. dollar LIBOR has ceased, and regulated U. S. financial institutions are no longer permitted to enter into new contracts referencing any LIBOR rates. The Alternative Reference Rates Committee (" ARRC "), a committee convened by the Federal Reserve Board and the New York Federal Reserve Bank, has proposed replacing U. S. dollar LIBOR with a new index based on trading in overnight repurchase agreements, the Secured Overnight Financing Rate (" SOFR "). The ARRC has formally announced and recommended SOFR as an alternative reference rate to LIBOR. The methodology of calculating SOFR is different to that of LIBOR, as SOFR is calculated using short- term repurchase agreements backed by U. S. Treasury securities and is backward looking, while LIBOR is an estimated forward- looking rate and relies, to some degree, on the expert judgment of submitting panel members. In addition since SOFR is a secured rate backed by government securities, it does not take into account bank credit risk (as is the case with LIBOR). SOFR also may be more volatile than LIBOR. In July 2021, the ARRC formally recommended the use of forward- looking term rates based on SOFR published by CME Group (the " Term SOFR ") on commercial loans. While Term SOFR matches more closely the term structure and forward- looking features of LIBOR, as a calculation based on a secured overnight financing rate it still does not match the credit risk- sensitive nature of LIBOR as an unsecured term rate. As of December 31, 2022, we had approximately $ 70. 0 million of variable interest rate debt related to our Credit Facility that is indexed to one- month LIBOR which is reported through June 30, 2023. Our Credit Agreement identifies Term SOFR as the applicable benchmark replacement rate, along with other alternative rates if Term SOFR may not be determined by the administrative agent, upon the transition date from LIBOR. At this time, there is no guarantee that such transition from LIBOR to Term SOFR will not result in financial market disruptions.~~