Ashford Inc
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November 13, 2015

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

Ashford Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3)

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY COPY SUBJECT TO COMPLETION

14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254

To the stockholders of ASHFORD INC.,

We cordially invite you to attend a special meeting of the stockholders of Ashford Inc., a Delaware corporation (the "*Company*"), to be held at [:] [a.m./p.m.] Central time, on [ ], 2016, at the Marriott Legacy Town Center, 7121 Bishop Road, Plano, Texas 75024.

At the special meeting, you will be asked to consider and approve transactions contemplated by the Acquisition Agreement (the "*Acquisition Agreement*"), dated September 17, 2015, among the Company, Remington Holdings, LP, a Delaware limited partnership ("*Remington*"), Ashford Advisors, Inc., a wholly owned subsidiary of the Company ("*Newco*"), Remington Hospitality Management, Inc., a wholly owned subsidiary of Newco ("*Newco Sub*"), Archie Bennett, Jr., Monty J. Bennett, MJB Investments, LP (together with Archie Bennett, Jr. and Monty J. Bennett, the "*Bennetts*"), Mark A. Sharkey (together with the Bennetts, the "*Remington Sellers*"), Remington Holdings GP, LLC ("*Remington Holdings GP*"), Ashford GP Holdings I, LLC and Remington GP Holdings, LLC.

Generally, the transactions consist of (i) the Company's acquisition, through Newco and direct and indirect subsidiaries of Newco, of an 80% limited partnership interest in Remington from the Remington Sellers and 100% of the general partnership interests in Remington from Remington Holdings GP in exchange for non-voting preferred stock and non-voting common stock of Newco and a promissory note issued by Newco Sub, and (ii) the contribution of substantially all of our assets and all of our business operations to Newco in exchange for voting common stock of Newco. If the transactions are consummated, substantially all of our assets will be held directly or indirectly by, and our business operations will be conducted through, Newco, and Newco will be owned by the Company and the Remington Sellers. The Company will own 100% of the voting common stock of Newco, but the combined voting and non-voting common stock in Newco will initially be owned 70.6% by the Company and 29.4% by the Bennetts. If the preferred stock of Newco owned by the Remington Sellers is fully converted into non-voting common stock of Newco in the future pursuant to its terms, the Company will own 43.8% of Newco common stock and the Remington Sellers will own 56.2% of Newco common stock. The Bennetts will continue to retain the 20% limited partnership interest in Remington that is not being sold to Newco.

The Company's board of directors formed a special committee consisting of three independent and disinterested directors to evaluate and negotiate the transactions and the transaction documents, to consider and evaluate alternatives for the Company, and to alleviate any potential conflicts of interest. **The special committee unanimously determined that the transaction documents and the transactions are advisable, fair to, and in the best interest of the Company and its stockholders, approved and adopted the transaction documents and the transactions and recommended that (i) our board of directors approve and adopt the transaction documents and the transactions, and (ii) our stockholders, to the extent required by applicable law or the terms of the Company's listing on the NYSE MKT LLC, approve and adopt the transaction documents and the transactions.**

Following the recommendation of the special committee, the Company's board of directors unanimously (with Monty Bennett and J. Robison Hays, III recusing themselves due to Monty

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Bennett's interest in the transactions and Mr. Hays' status as an executive officer of the Company who reports to Monty Bennett), (i) approved and adopted the favorable recommendation of the special committee in respect of the transactions and the transaction documents; (ii) approved the form, terms and provisions of the transaction documents; and (iii) determined to recommend that the stockholders of the Company vote to approve the transactions to the extent required by applicable law or the terms of the Company's listing on the NYSE MKT LLC.

Accordingly, our board (with Monty Bennett and J. Robison Hays, III recusing themselves) unanimously recommends that stockholders vote "FOR" the approval of each of the proposals set forth in this proxy statement.

In considering the recommendation of our board of directors, you should be aware that some of the Company's directors and executive officers have interests in the transactions that are different from, or in addition to, the interests of the stockholders generally. Monty Bennett, who is our chairman and chief executive officer, and his father, Archie Bennett Jr., own directly or indirectly 100% of Remington, subject to a certain profits interest.

We encourage you to read the accompanying proxy statement carefully as it sets forth the specifics of the transactions and transaction documents and other important information. In addition, you may obtain information about us from documents we file with the Securities and Exchange Commission.

Regardless of the number of shares of the Company's common stock that you own, your vote is important. If you fail to vote or abstain from voting on the contribution of assets proposal, the effect will be the same as a vote against that proposal. The failure to approve either of the first two proposals will result in the transactions not being consummated. The Remington Sellers currently own or control 15.5% of the outstanding voting common stock of the Company and have informed the Company that they intend to vote in favor of the transactions.

Thank you for your attention to this matter.

Sincerely,

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

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the transactions, passed upon the merits or fairness of the transactions or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The accompanying proxy statement is dated [ ], 2016, and, together with the enclosed form of proxy, is first being mailed to stockholders on or about [ ], 2016.

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held [ ], 2016

To the stockholders of ASHFORD INC.:

Notice is hereby given that a special meeting of the stockholders of Ashford Inc., a Delaware corporation (the "*Company*"), will be held at [:] [a.m./p.m.] Central time, on [ ], 2016, at the Marriott Legacy Town Center, 7121 Bishop Road, Plano, Texas 75024.

At the special meeting, you will be asked to consider and approve transactions contemplated by the Acquisition Agreement, dated September 17, 2015, among the Company, Remington Holdings, LP, a Delaware limited partnership ("*Remington*"), Ashford Advisors, Inc., a wholly owned subsidiary of the Company ("*Newco*"), Remington Hospitality Management, Inc., a wholly owned subsidiary of Newco ("*Newco Sub*"), Archie Bennett, Jr., Monty J. Bennett, MJB Investments, LP (together with Archie Bennett, Jr. and Monty J. Bennett, the "*Bennetts*"), Mark A. Sharkey (together with the Bennetts, the "*Remington Sellers*"), Remington Holdings GP, LLC ("*Remington Holdings GP*"), Ashford GP Holdings I, LLC and Remington GP Holdings, LLC (the "*Acquisition Agreement*" and together with the other agreements, certificates, notes and documents contemplated thereby, the "*Transaction Documents*").

Generally, the transactions consist of (i) the Company's acquisition, through Newco and direct and indirect subsidiaries of Newco, of an 80% limited partnership interest in Remington from the Remington Sellers and 100% of the general partnership interests in Remington from Remington Holdings GP in exchange for non-voting preferred stock and non-voting common stock of Newco and a promissory note issued by Newco Sub, and (ii) the contribution of substantially all of our assets and all of our business operations to Newco in exchange for voting common stock of Newco. If the transactions are consummated, substantially all of our assets will be held directly or indirectly by, and our business operations will be conducted through, Newco, and Newco will be owned by the Company and the Remington Sellers. The Company will own 100% of the voting common stock of Newco, but the combined voting and non-voting common stock in Newco will initially be owned 70.6% by the Company and 29.4% by the Bennetts. If the preferred stock of Newco owned by the Remington Sellers is fully converted into non-voting common stock of Newco in the future pursuant to its terms, the Company will own 43.8% of Newco common stock and the Remington Sellers will own 56.2% of Newco common stock. The Bennetts will continue to retain the 20% limited partnership interest in Remington that is not being sold to Newco.

The proposals to be considered by our stockholders at the special meeting are set forth below. In order for the transactions to be consummated, both Proposal 1 and Proposal 2 must be approved. The failure of either proposal to be approved will result in the transactions not being consummated.

Proposal 1: To approve the contribution of substantially all of the Company's assets and all of the Company's business operations to Newco pursuant to the Transaction Documents (the "*Contribution*").

Proposal 2: To approve the potential issuance of shares of the Company's common stock that may occur pursuant to the Transaction Documents, in one or more of the following events: (a) as consideration for the potential future purchase of the 20% limited partnership interest in Remington retained by the Bennetts; (b) as consideration for the potential future acquisition of the Newco common stock issued to the Bennetts; (c) as consideration for the potential future

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acquisition of the Newco preferred stock issued to the Remington Sellers; or (d) upon the conversion of preferred stock of the Company that potentially may be issued in exchange for the Newco preferred stock issued to the Remington Sellers (collectively, the "*Share Issuances*").

Proposal 3: To approve an adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposals.

These matters are described more fully in the accompanying proxy statement, which you are urged to read thoroughly. The Company's board of directors formed a special committee consisting of three independent and disinterested directors to evaluate and negotiate the transactions and the Transaction Documents, to consider and evaluate alternatives for the Company, and to alleviate any potential conflicts of interest. The special committee unanimously recommended that the Company's board of directors approve and recommend that stockholders approve and adopt the Transaction Documents and the transactions. **Our board of directors (with Monty Bennett and J. Robison Hays, III recusing themselves) unanimously recommends that stockholders vote "FOR" the approval of each of the above proposals.**

Stockholders of record at the close of business on [ ], 2016 will be entitled to notice of and to vote at the special meeting. The accompanying proxy statement, proxy card, a copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and the Company's Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2015 and June 30, 2015 are first being mailed to stockholders on or about [ ], 2016.

It is important that your shares be represented at the special meeting regardless of the size of your holdings. If you fail to vote or abstain from voting on Proposal 1 regarding the Contribution, the effect will be the same as a vote "AGAINST" such proposal. The failure by the stockholders to approve either Proposal 1 or Proposal 2 will result in the transactions not being consummated.

Whether or not you plan to attend the special meeting in person, please vote your shares by signing, dating and returning the enclosed proxy card as promptly as possible. A postage-paid envelope is enclosed if you wish to vote your shares by mail. If you hold shares in your own name as a holder of record and vote your shares by mail prior to the special meeting, you may revoke your proxy by any one of the methods described herein if you choose to vote in person at the special meeting. Voting promptly saves us the expense of a second mailing. You may also submit your proxy over the internet or by telephone. For specific instructions, please see the section of this proxy statement titled "Questions and Answers about the Special Meeting Voting and Voting Procedures" beginning on page 22.

We encourage you to read the proxy statement accompanying this notice as it sets forth the specifics of the transactions and Transaction Documents, including the Contribution and the Share Issuances, and other important information related to the transactions.

By order of the Board of Directors,

14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
[ ], 2016

David A. Brooks
Secretary

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON [ ], 2016.

This notice and the accompanying proxy statement, proxy card, the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and the Company's Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2015 and June 30, 2015 are available at www.ashfordinc.com under the "Investor" link, at the "Special Meeting Material" tab.

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ANNEXES

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ASHFORD INC.

14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254

PROXY STATEMENT

SPECIAL MEETING OF STOCKHOLDERS
To Be Held [ ], 2016

This proxy statement, together with the enclosed proxy, is solicited by and on behalf of the board of directors of Ashford Inc., a Delaware corporation ("*Ashford*" or the "*Company*"), for use at the special meeting of stockholders to be held at the Marriott Legacy Town Center, 7121 Bishop Road, Plano, Texas 75024 beginning at [:] [a.m./p.m.] Central time, on [ ], 2016. The board of directors of the Company is requesting that you allow your shares to be represented and voted at the special meeting of stockholders by the proxies named on the enclosed proxy card. This proxy statement and accompanying proxy will first be mailed to stockholders on or about [ ], 2016.

SUMMARY TERM SHEET

This summary discusses selected information contained elsewhere in this proxy statement, but may not contain all of the information that is important to you. We urge you to read this entire proxy statement carefully, including the attached schedules and appendices. For additional information on the Company included in documents incorporated by reference into this proxy statement, see the section of this proxy statement titled "Other Matters Information Incorporated by Reference" beginning on page 107. The items in this summary include page references directing you to a more complete description of that topic in this proxy statement.

The Principal Parties

Ashford

Ashford Inc.
14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
Telephone: (214) 490-9600
http://www.ashfordinc.com

The Company was formed in April 2014 and became a public company in November 2014 when Ashford Hospitality Trust, Inc., a NYSE-listed real estate investment trust ("*Ashford Trust*"), completed the spin-off of approximately 70% of the common stock of the Company through the distribution of shares of the Company's stock to its stockholders.

The Company provides asset management and advisory services to other entities within the hospitality industry. We serve as the advisor to both Ashford Trust and Ashford Hospitality Prime, Inc., a NYSE-listed real estate investment trust ("*Ashford Prime*") that became a public company in November 2013 upon the completion of its spin-off from Ashford Trust. As an advisor, we are responsible for implementing the investment strategies and managing day-to-day operations of Ashford Trust and Ashford Prime. We provide the personnel and services necessary to allow Ashford Trust and Ashford Prime to conduct their respective businesses. We may also perform similar functions for new or additional real estate investment vehicles. We are not responsible for managing the day-to-day operations of any individual hotel properties.

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Our business is currently conducted through Ashford Hospitality Advisors LLC, a Delaware limited liability company formed in April 2013 ("*Ashford LLC*"). We currently own 99.8% of Ashford LLC, and Ashford LLC owns substantially all of our assets. We recently formed Ashford Advisors, Inc., a wholly owned subsidiary of the Company ("*Newco*"), and Remington Hospitality Management, Inc., a wholly owned subsidiary of Newco ("*Newco Sub*"), in connection with entering into the transactions described in this proxy statement.

As of November 13, 2015, Ashford Trust and Ashford Prime held 29.8% and 9.7% of our outstanding common stock, respectively. For additional information, see "Information about Ashford Inc." beginning on page 102.

Remington

Remington Holdings, LP
14185 Dallas Parkway, Suite 1150
Dallas, Texas 75254
Telephone: (972) 980-2700
http://www.remingtonhotels.com

Remington Holdings, LP, a Delaware limited partnership ("*Remington*"), was formed in December 2008, and is a hotel property and project management company. The services that Remington provides include (i) property management services, which consist of the day-to-day operations of hotels; (ii) project management services, which consist of planning, management and implementation of capital improvements and plans related to capital projects; and (iii) development services, which consist of building hotel properties or constructing hotel improvements.

We have entered into a mutual exclusivity agreement with Remington pursuant to which we agreed to utilize Remington to provide property management, project management and development services for all hotels, if any, that we may acquire, as well as all hotels that future companies that we advise may acquire, to the extent that we have the right, or control the right, to direct such matters. We are not required to utilize Remington to provide such services, however, if our independent directors either (i) unanimously vote not to utilize Remington for such services or (ii), based on special circumstances or past performance, by a majority vote elect not to engage Remington because our independent directors have determined that it would be in our best interest not to engage Remington or that another Company could perform the duties materially better. In exchange for our agreement to engage Remington for such services, Remington has agreed to grant to any such companies advised by us a right of first refusal to purchase any investments identified by Remington and any of its affiliates that meet the initial investment criteria of such entities, as identified in the advisory agreement between us and such entities, subject to any prior rights granted by Remington to other entities, including Ashford Trust, Ashford Prime and us. For additional information, see "Information about Ashford Inc. Certain Relationships and Related Person Transactions" beginning on page 103.

Monty Bennett and Archie Bennett, Jr.

Monty Bennett has served as our chief executive officer since our formation and has served as chairman of our board of directors since November 2014. As of November 13, 2015, he was the beneficial owner of 11.0% of our outstanding common stock. He has also served as the chief executive officer of Ashford LLC since its formation. Monty Bennett is the chief executive officer and chairman of each of Ashford Trust and Ashford Prime, and as of November 13, 2015, he was the beneficial owner of 6.4% of the outstanding common stock of Ashford Trust (assuming all common units, including the long-term incentive partnership ("*LTIP*") units, of the operating partnership of Ashford Trust held by Monty Bennett are redeemed for common stock) and 5.5% of the outstanding common stock of Ashford Prime (assuming all common units, including the LTIP units, of the operating partnership of Ashford Prime held by Monty Bennett are redeemed for common stock). He is also a 50% (direct and indirect) owner and the chief executive officer of Remington.

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As a result, Monty Bennett's duties to us as a director and officer may conflict with his duties to, and pecuniary interest in, Remington, Ashford Trust and Ashford Prime.

Archie Bennett, Jr. served as chairman of Ashford Trust since its formation in 2003 until January 2013, when he assumed the role of chairman emeritus to Ashford Trust. As of November 13, 2015, he was the beneficial owner of 4.2% of our outstanding common stock, 4.5% of the outstanding common stock of Ashford Trust and 3.8% of the outstanding common stock of Ashford Prime. Archie Bennett, Jr. is a 50% beneficial owner of Remington and the father of Monty Bennett. Monty Bennett, Archie Bennett, Jr. and MJB Investments, LP are collectively referred to as the "*Bennetts*."

Because of the conflicts of interest created by the relationships among the Remington Sellers, the Company, Remington and each of their respective affiliates, many of the responsibilities of our board of directors have been delegated to independent directors, as discussed below and under "Information about Ashford Inc. Certain Relationships and Related Person Transactions Conflicts of Interest" beginning on page 104.

Ownership of Ashford, Ashford Trust and Ashford Prime

The Remington Sellers' beneficial ownership of Ashford, Ashford Trust and Ashford Prime and the ownership of Ashford, Ashford Trust and Ashford Prime by and among such entities as of November 13, 2015 is set forth below. For additional information, see "Information about Ashford Inc. Certain Relationships and Related Person Transactions" beginning on page 103.

(1) Includes common stock, common units and LTIPs.

(2)

Excludes potential shares issued from deferred compensation plan.

(3) Excludes stock options.

(4) Excludes performance stock units.

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The Transactions

Overview

On September 17, 2015, the Company, Remington, Newco, Newco Sub, Archie Bennett, Jr., Monty J. Bennett, Remington Holdings GP, LLC ("*Remington Holdings GP*"), MJB Investments, LP ("*MJB Investments*"), Mark A. Sharkey, Ashford GP Holdings I, LLC ("*GP Holdings I*"), and Remington GP Holdings, LLC ("*GP Holdings*") entered into the Acquisition Agreement (the "*Acquisition Agreement*" and, together with the other agreements, certificates, notes and documents contemplated thereby, the "*Transaction Documents*"), pursuant to which the parties agreed upon the terms and conditions of the transactions being considered by our stockholders at the special meeting.

Generally, the transactions contemplated by the Acquisition Agreement consist of (i) the Company's acquisition of an 80% limited partnership interest in Remington from the Remington Sellers and 100% of the general partnership interests in Remington from Remington Holdings GP through Newco and direct and indirect subsidiaries of Newco in exchange for securities of Newco and a promissory note issued by Newco Sub, and (ii) the contribution of substantially all of our assets and business operations to Newco (including the contribution of Ashford LLC to Newco) in exchange for voting common stock of Newco.

The aggregate consideration that we will pay or exchange for the 80% limited partnership interest in Remington and 100% of the general partnership interests in Remington is $331,650,000 (based on the values agreed by the parties to the Acquisition Agreement as set forth below) and consists of:

(i) solely in exchange for the general partnership interests in Remington, a $10,000,000 promissory note issued by Newco Sub;

(ii) 916,500 shares of non-voting common stock of Newco with a value agreed by the parties to the Acquisition Agreement of $100 per share; and

(iii) 9,200,000 shares of 6.625% convertible preferred stock of Newco with a value agreed by the parties to the Acquisition Agreement of $25 per share, and convertible to non-voting common stock of Newco at a conversion ratio equal to the liquidation value of $25 per share divided by $120.

If the closing of the transactions occurs, in addition to the Company paying its and its subsidiaries' transaction expenses, Newco will also pay up to an aggregate of $2,750,000 for (i) transaction expenses incurred by Remington, Archie Bennett, Jr., Monty Bennett and Remington Holdings GP, and (ii) bonus and other payments made to employees and agents of Remington and its subsidiaries in connection with the transactions.

As a result of the transactions, substantially all our assets will be held directly or indirectly by, and our business operations will be conducted directly or indirectly through, Newco. After the closing of the transactions, the Company will own 100% of the voting stock of Newco, but the Company will own 70.6% of the combined voting and non-voting common stock in Newco and the Bennetts will own 29.4%. Assuming the full conversion of the Newco preferred stock to be issued to the Remington Sellers into non-voting common stock of Newco pursuant to its terms, the Remington Sellers will own 56.2% of the combined voting and non-voting common stock in Newco and the Company will own 43.8%. In addition, immediately following the transactions, Newco will contribute the 80% limited partnership interest in Remington acquired from the Remington Sellers to Newco Sub, a newly formed, wholly owned subsidiary of Newco. The Bennetts will continue to retain the 20% limited partnership interest in Remington that is not being sold to Newco. For additional information, see "The Transaction Documents" beginning on page 76.

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Proposals at the Special Meeting

We are submitting Proposal 1 and Proposal 2 to our stockholders at the special meeting because Delaware law and the rules and regulations of the NYSE MKT LLC ("*NYSE MKT*"), the exchange on which our common stock is listed, require that our stockholders approve certain aspects of the transactions contemplated by the Acquisition Agreement.

Proposal 1: To approve the contribution of substantially all of the Company's assets and all of the Company's business operations to Newco pursuant to the Transaction Documents (the "Contribution").

Pursuant to Section 271 of the Delaware General Corporation Law (the "*DGCL*"), the contribution of our assets and business operations (including Ashford LLC and our other subsidiaries) to Newco constitutes a sale of substantially all of our assets to a subsidiary that is not wholly owned by us. The DGCL requires that the Contribution be approved by the holders of a majority of our outstanding common stock entitled to vote on such matter. As a result, failures to vote, abstentions and broker non-votes will have the same effect as a vote "AGAINST" Proposal 1.

Proposal 2: To approve the potential issuance of shares of the Company's common stock that may occur pursuant to the Transaction Documents, in one or more of the following events: (a) as consideration for the potential future purchase of the 20% limited partnership interest in Remington retained by the Bennetts; (b) as consideration for the potential future acquisition of the Newco common stock issued to the Bennetts; (c) as consideration for the potential future acquisition of the Newco preferred stock issued to the Remington Sellers; or (d) upon the conversion of preferred stock of the Company that potentially may be issued in exchange for the Newco preferred stock issued to the Remington Sellers (collectively, the "Share Issuances").

The Share Issuances could occur in the future because the preferred stock and common stock issued to the Remington Sellers by Newco may, under specified circumstances described below, be exchanged for (i) shares of the Company's common stock or (ii) shares of the Company's preferred stock, which would be convertible into shares of the Company's common stock. In addition, the 20% Remington limited partnership interest retained by the Bennetts may in the future, under specified circumstances described below, be acquired by us in exchange for shares of the Company's common stock. In any of the foregoing events, the potential Share Issuances could exceed 20% of our outstanding common stock, and, under these circumstances, the rules and regulations of the NYSE MKT require that the potential issuances be approved by a majority of the total votes cast on such matter. An abstention is a vote cast under NYSE MKT rules and will have the same effect as a vote "AGAINST" Proposal 2. Failures to vote or a broker non-votes, however, are not votes cast under NYSE MKT rules and will have no effect on the outcome of Proposal 2. For additional information, see "The Transaction Documents" beginning on page 76.

Tax Treatment

The parties intend that the contributions to Newco in exchange for Newco stock will be treated as an overall plan of exchange under Section 351 of the Internal Revenue Code of 1986, as amended (the "*Code*"). Assuming that the transactions so qualify, it is expected that no gain or loss should be recognized by the Bennetts or the Company as a result of the receipt of Newco stock in exchange for the contributions to Newco pursuant to the transactions.

The obligations of each party to the Acquisition Agreement to consummate the transactions are subject to, among other conditions:

(i) the issuance by the Internal Revenue Service (the "*IRS*") of a private letter ruling that Remington will not fail to qualify as an "eligible independent contractor" within the meaning of Section 856(d)(9)(A) of the Code, with respect to our real estate investment trust ("*REIT*")

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clients specified in the letter ruling request (*e.g.*, Ashford Trust or Ashford Prime (collectively, the "*REIT Clients*")) following Newco's acquisition of interests in Remington pursuant to the Acquisition Agreement solely as a result of (a) the Company's ownership interest in Remington and (b) the REIT Clients' ownership of stock of the Company (including the receipt of income therefrom) or the REIT Clients or their respective taxable REIT subsidiaries' receiving "key money incentives" from the Company (the "*Private Letter Ruling*"); and

(ii) the completion by Ashford Trust of the disposition of Company common stock so that Ashford Trust owns not more than 10% of our outstanding common stock in a manner that complies with the Private Letter Ruling.

Remington is or will be obligated in its management agreements with the REIT Clients at all times to qualify as an eligible independent contractor. If Remington would cease to be treated as an eligible independent contractor with respect to the REIT Clients, but continue to manage hotels owned by the REIT Clients, rent received by the REIT Clients with respect to such hotels would not be qualifying rent for purposes of the U.S. federal income tax rules and regulations governing the tax treatment of REITs, and, as a result, the REIT Clients would no longer qualify for treatment as REITs for federal income tax purposes. The federal income tax rules governing REITs also require that, subject to certain exceptions, a REIT may not hold securities possessing more than 10% of the voting rights or 10% of the total value of outstanding securities in any one issuer. Ashford Trust currently owns more than 10% of the outstanding common stock of the Company, which has been permitted under an available exception to this rule. However, in connection with the transactions, Ashford Trust's ownership of stock in the Company will no longer satisfy such exception. As a result, Ashford Trust must reduce its ownership of our outstanding common stock to 10% or less as a condition of the consummation of the transactions.

The obligations of Archie Bennett, Jr., Monty Bennett, Remington Holdings GP and Remington to consummate the transactions are also subject to the receipt by Archie Bennett, Jr. and Monty Bennett of a satisfactory opinion of their tax counsel, at a confidence level of "more likely than not" or higher, that:

(i) the exchange by the Bennetts and, if applicable, Remington Holdings GP of Remington ownership interests for Newco common stock and Newco preferred stock under the Acquisition Agreement, in connection with certain other transactions contemplated under the Transaction Documents, will qualify as a tax-free exchange under Section 351 of the Code;

(ii) the Newco preferred stock will not be treated as nonqualified preferred stock (within the meaning of Section 351(g) of the Code); and

(iii) the Bennetts will not recognize any taxable gain or income as a result of the exchange by the Bennetts and, if applicable, Remington Holdings GP of Remington ownership interests for Newco common stock and Newco preferred stock in the transactions.

In general, under Section 351(a) of the Code, no gain or loss will be recognized if property (such as ownership interests in Remington and Ashford LLC) is transferred to a corporation by one or more persons solely in exchange for stock in such corporation and immediately after the exchange such persons are in "control" of the corporation within the meaning of Section 368(c) of the Code. For this purpose, control means ownership of at least 80% of (i) the total combined voting power of all classes of stock entitled to vote and (ii) the total number of shares of all other classes of stock of the corporation. The control requirement is expected to be satisfied in the transactions because the Company and the Remington Sellers collectively will hold all of the voting and non-voting stock of Newco after the transactions.

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As an exception to the general rule described above, gain (but not necessarily loss) would be recognized by a transferor of property on an exchange otherwise subject to Section 351(a) of the Code if stock received by the transferor in the exchange is "nonqualified preferred stock" ("*NQPS*"). For this purpose, in general, stock is treated as "preferred" if it "is limited and preferred as to dividends and does not participate in corporate growth to any significant extent." Preferred stock may be "nonqualified" if, among other circumstances, the issuer or a related person has a right to redeem or purchase the stock, and, as of the issue date, this right is "more likely than not" to be exercised. If the Newco preferred stock received by the Bennetts in the transaction were to be treated as NQPS, in general, the Bennetts would recognize gain on their exchange of interests in Remington for Newco stock in an amount up to the fair market value of the Newco preferred stock received.

Interests To Be Acquired

Specifically, in the transactions:

(i) Archie Bennett, Jr. and Monty Bennett will collectively transfer to Newco, in equal amounts, 80% of the outstanding limited partnership interests in Remington (the "*80% LP Interest*"), subject to the Profits Interest and the Economic Interests (as defined below);

(ii) the general partner of Remington (a limited liability company owned in equal parts by Monty Bennett and Archie Bennett, Jr.) will transfer all of the general partnership interests in Remington to GP Holdings and GP Holdings I (the "*GP Interests*");

(iii) MJB Investments will transfer to Newco 80% of the economic interest in the Remington limited partnership interests owned by Monty Bennett (the "*Economic Interests*"); and

(iii) Mark A. Sharkey, the president of Remington, will transfer to Newco his right that, subject to specified terms and specified circumstances, entitles him to up to $3,000,000 of the total economics in Remington (the "*Profits Interest*").

The 80% LP Interest, the GP Interests, the Economic Interests and the Profits Interest are collectively referred to as the "*Transferred Securities*."

In addition, Remington will acquire all of the outstanding limited partnership interests in Marietta Leasehold LP, a Texas limited partnership, from Monty Bennett, Archie Bennett, Jr. and the other three limited partners, resulting in Marietta Leasehold LP being wholly owned by Remington as of the closing of the transactions.

Following the consummation of the transactions, Newco will contribute the 80% LP Interest to Newco Sub in exchange for Newco Sub common stock, resulting in the limited partners of Remington being Newco Sub, holding the 80% LP Interest, and the Bennetts, who will together retain a 20% limited partnership interest in Remington. For additional information, see "The Transaction Documents" beginning on page 76.

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Corporate Structure

The current simplified corporate structures of Ashford and Remington as of November 13, 2015 are set forth below.

(1) Includes common stock, common units and LTIPs.

(2) Excludes potential shares issued from deferred compensation plan.

(3) Excludes stock options.

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The simplified corporate structure of Ashford after consummation of the transactions will be as set forth below.

Consideration from the Company

In consideration for the Transferred Securities, the respective holders thereof will receive aggregate consideration of $331,650,000 (based on the values agreed by the parties to the Acquisition Agreement as set forth below) as follows:

(i) 916,500 shares of nonvoting common stock of Newco with a value agreed by the parties to the Acquisition Agreement of $100 per share;

(ii) 9,200,000 shares of Newco 6.625% Convertible Preferred Stock with a value agreed by the parties to the Acquisition Agreement of $25 per share (the "*Newco Preferred Stock*"); and

(iii) solely in exchange for the general partnership interests in Remington, a $10,000,000 non-negotiable, interest-free promissory note issued by Newco Sub, which will be payable in 16 consecutive and equal quarterly installments (the "*Newco Sub*

Promissory Note").

In the event the closing of the transactions occurs, Newco will also pay up to an aggregate of $2,750,000 for (a) transaction expenses incurred by Remington, Archie Bennett, Jr., Monty Bennett and Remington Holdings GP, and (b) bonus and other payments made to employees and agents of

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Remington and its subsidiaries in connection with the closing. For additional information, see "The Transaction Documents" beginning on page 76.

Newco Ownership and Voting Limitations

The Newco common stock to be issued to the Bennetts initially will be non-voting, and the Newco common stock issued to the Company will be voting. Upon the consummation of an initial public offering by Newco, the Newco non-voting common stock automatically will convert into voting common stock. The Newco Preferred Stock is non-voting, and if converted after an initial public offering by Newco, the common stock issued by Newco upon conversion would be voting common stock. The Transaction Documents permanently limit the voting power of the Remington Sellers and their controlled affiliates at Newco, with respect to shares of Newco common stock acquired in the transactions (which amount may be increased by post-closing acquisitions of Newco voting common stock acquired from non-Newco affiliates), to no more than 25%.

In addition, the Transaction Documents provide that for four years after the consummation of the transactions, the voting power of the Remington Sellers' and their controlled affiliates at the Company with respect to the Company's common stock acquired as a result of the transactions (which amount may be increased by post-closing acquisitions of Company voting common stock acquired from non-Company affiliates), taking into account any subsequent conversion of the Newco common stock or Newco Preferred Stock into shares of the Company's common stock, will be limited to no more than 25%.

After the closing of the transactions, including the issuance of the Newco common stock and Newco Preferred Stock and the completion of the Contribution, the Company will own 70.6% of the common stock (combined voting and non-voting) in Newco, and the Bennetts will own collectively 29.4% of the common stock (combined voting and non-voting) in Newco. Assuming the conversion of the Newco Preferred Stock into shares of Newco non-voting common stock pursuant to its terms, the Remington Sellers will own 56.2% of the Newco common stock (combined voting and non-voting), and the Company will own 43.8% of the Newco common stock (combined voting and non-voting). For additional information, see "The Transaction Documents" beginning on page 76.

Regulatory Approvals

Hart-Scott-Rodino Antitrust Improvements Act of 1976. As a condition to the consummation of the transactions contemplated by the Acquisition Agreement, the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "*HSR Act*") requires parties to observe the HSR Act's notification and waiting period. The HSR Act provides for an initial 30-day waiting period, subject to possible extensions, following the necessary filings by the parties to the transactions. The Company intends to file a notification and report form for the transactions with the Federal Trade Commission and the Antitrust Division later this year.

Internal Revenue Service. As a condition to the consummation of the transactions contemplated by the Acquisition Agreement, the IRS must issue a Private Letter Ruling that Remington will not fail to qualify as an "eligible independent contractor" within the meaning of Section 856(d)(9)(A) of the Code, with respect to specified clients as a result of certain circumstances specified in the Acquisition Agreement. On July 31, 2015, a request for the Private Letter Ruling was filed with the IRS.

Special Committee and Company Board

On December 15, 2014, our board of directors (the "*Company Board*") formed a special committee consisting of three disinterested and independent directors Brian Wheeler, Dinesh P. Chandiramani and Gerald J. Reihsen, III (the "*Special Committee*") for the purpose of evaluating and negotiating

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the terms of the potential acquisition of all or a controlling portion of the assets or interests of Remington.

On March 3, 2015, the Company Board revised and expanded its prior resolutions to empower the Special Committee to exercise all lawfully delegable powers of the Company Board in accordance with a statement of purpose and authority that included, among other things, the power and authority to:

(i) represent the interests of the Company and its stockholders in all respects in connection with the potential transaction or any other transaction related thereto;

(ii) assume and exercise all lawfully delegable powers of the Company Board to take any and all actions and make any and all decisions relating to the potential transaction, including the consideration, evaluation, negotiation, rejection or acceptance thereof, all on behalf of and as the Special Committee deems to be in the best interests of the Company's stockholders;

(iii) assume and exercise all lawfully delegable powers of the Company Board to solicit, receive, consider, negotiate and evaluate any alternative to the potential transaction; provided, that the Special Committee does not have the power to approve or adopt any such alternative but will have the power to refer (or decline to refer) such alternative to the full Company Board for its consideration, with such recommendation as the Special Committee deems appropriate;

(iv) exercise independent business judgment in the fulfillment of its duties; and

(v) select, retain and determine the compensation and other terms of the retention of independent professionals (including law firms, investment banking firms, valuation firms, accounting firms and other similar advisors) as the Special Committee may deem necessary or appropriate in connection with the fulfillment of its purpose, subject to the Special Committee taking appropriate steps to ensure that such advisor does not have any relationship with the Company or other interested party that would call its independence into question.

On September 14, 2015, the Special Committee unanimously determined that the Transaction Documents and the transactions are advisable, fair to, and in the best interest of the Company and its stockholders, approved and adopted the Transaction Documents and the transactions and recommended that (i) the Company Board approve and adopt the Transaction Documents and the transactions, and (ii) our stockholders, to the extent required by applicable law or the terms of the Company's listing on the NYSE MKT, approve and adopt the Transaction Documents and the transactions.

On September 17, 2015, the Company Board unanimously (with Monty Bennett and J. Robison Hays, III recusing themselves due to Monty Bennett's interest in the transactions and Mr. Hays' status as an executive officer of the Company who reports to Monty Bennett), (i) approved and adopted the favorable recommendation of the Special Committee in respect of the transactions and the Transaction Documents; (ii) approved the form, terms and provisions of the Transaction Documents; and (iii) determined to recommend that the stockholders of the Company vote to approve the transactions to the extent required by applicable law or the terms of the Company's listing on the NYSE MKT.

The Special Committee and the Company Board considered numerous factors, potential benefits, risks, negative factors, and procedural safeguards before reaching their determinations, and these are more fully described under "Special Factors Reasons for the Transaction; Recommendation of the Special Committee; Recommendation of the Board of Directors."

The Special Committee's recommendation and the Company Board's approval and recommendation were based in part on a fairness opinion issued to the Special Committee and the Company Board by BMO Capital Markets.

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For additional information, see "Special Factors Background of the Transactions" beginning on page 38.

Description of Fairness Opinion of BMO Capital Markets

On September 14, 2015, at the request of the Special Committee, BMO Capital Markets rendered an oral opinion to the Special Committee, which was subsequently confirmed in a written opinion as of the same date (the "*Opinion*"), to the effect that as of such date, and based upon and subject to the assumptions made, matters considered and limitations and qualifications upon the review undertaken by BMO Capital Markets, the aggregate consideration to be paid by the Company in the transactions was fair, from a financial point of view, to the Company. See "Special Factors Description of Fairness Opinion of BMO Capital Markets" beginning on page 59.

The full text of the Opinion is attached hereto as *Annex G* and is incorporated into this document by reference in its entirety. The summary of the Opinion set forth herein is qualified in its entirety by reference to the full text of the Opinion. Stockholders are urged to read the Opinion carefully and in its entirety for a discussion of, among other things, the scope of review undertaken and the assumptions made, matters considered and limitations and qualifications upon the review undertaken by BMO Capital Markets in connection with such Opinion.

Acquisition Agreement

Conditions to Transactions

The Company's and each of Archie Bennett, Jr., Monty J. Bennett and Remington Holdings GP, LLC's (collectively, the "*Remington Holders*") obligation to consummate the transactions is subject to conditions, including:

(i) the absence of any legal restraint with respect to the transactions;

(ii) the expiration or earlier termination of the waiting period applicable to the transactions under the HSR Act;

(iii) the issuance of the Private Letter Ruling;

(iv) the completion by Ashford Trust of the disposition of its common stock of the Company so that it beneficially owns no more than 10% of the common stock of the Company in a manner that complies with the Private Letter Ruling;

(v) the accuracy of the other party's representations and warranties contained in the Transaction Documents (subject to certain qualifications as set forth in the Acquisition Agreement, as applicable); and

(vi) the other party's compliance in all material respects with its covenants and agreements contained in the Transaction Documents.

Our obligation to consummate the transactions is also conditioned on there not having occurred a material adverse effect with respect to Remington.

The Remington Holders' obligation to consummate the transactions is also conditioned on:

(i) there not having occurred a material adverse effect with respect to the Company;

(ii) their receipt of an appraisal satisfactory to them to the effect that the value of a share of Newco Preferred Stock does not exceed $25; and

(iii) the receipt by Archie Bennett, Jr. and Monty Bennett of a satisfactory opinion of their tax counsel that (a) the exchange by the Bennetts and, if applicable, Remington Holdings GP of

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Remington ownership interests for Newco common stock and Newco preferred stock under the Acquisition Agreement, in connection with certain other transactions contemplated under the Transaction Documents, will qualify as a tax-free exchange under Section 351 of the Code, (b) the Newco Preferred Stock will not be treated as NQPS (within the meaning of Section 351(g) of the Code), and (c) Monty Bennett, Archie Bennett, Jr. and MJB Investments will not recognize any taxable gain or income as a result of the exchange by the Bennetts and, if applicable, Remington Holdings GP of Remington ownership interests for Newco common stock and Newco Preferred Stock in the transactions (the "*Tax Opinion*").

Representations, Warranties and Covenants

The Remington Holders, Remington and the Company have each made customary representations and warranties and covenants in the Acquisition Agreement. Generally, the representations and warranties survive for 18 months after the consummation of the transactions; however, specified fundamental representations of the parties survive indefinitely, the Remington Holders' representations and warranties with respect to environmental and employee benefit matters survive for the respective statute of limitations plus three months, and the parties' representations and warranties with respect to tax related matters survive for the statute of limitations plus six months.

Except for breaches of fundamental representations and warranties, neither the Company nor the Remington Holders will be liable for breaches of representations and warranties until the aggregate amount of all damages suffered by the indemnified parties exceeds $5,000,000, in which event the breaching party is liable from the first dollar. Except for breaches of fundamental representations and warranties and tax related matters, the aggregate liability for damages for breach of the representations and warranties for each of the Company and the Remington Holders is $50,160,000. The aggregate liability for damages for each of the Company and the Remington Holders is $331,650,000 for all breaches of representations and warranties by such party. No right or remedy in the Acquisition Agreement is intended to be exclusive or to preclude a party from pursuing other rights and remedies to the extent available under the Acquisition Agreement, at law or in equity.

The Remington Holders will satisfy obligations to pay damages in shares of Newco common stock with a value agreed by the Company and the Remington Holders at $100 per share, and, to the extent that shares of Newco common stock are insufficient, in Newco Preferred Stock valued at $25 per share which was agreed by the parties to the Acquisition Agreement.

"No-Shop" Restrictions and "Fiduciary Out"

Remington is subject to customary "no-shop" restrictions on its ability to solicit alternative acquisition proposals from third parties and to provide information to, and participate in discussions and engage in negotiations with, third parties regarding alternative acquisition proposals.

The Company is also subject to customary "no-shop" restrictions on its ability to solicit acquisition proposals from third parties and to provide information to, and participate in discussions and engage in negotiations with, third parties regarding alternative acquisition proposals. Prior to our stockholders approving the proposals at the special meeting, however, the "no-shop" provision is subject to a customary "fiduciary-out" provision that allows us, under certain circumstances and in compliance with specified procedures, to provide information to and participate in discussions and engage in negotiations with third parties with respect to an acquisition proposal that the Company Board determines (acting through the Special Committee) is reasonably likely to result in a superior proposal. The Special Committee may exercise a termination right in order to accept a superior proposal, subject to matching rights for the Remington Holders and other conditions.

In addition, prior to our stockholders considering the proposals at the special meeting, the Company Board may change its recommendation with respect to the proposals in response to an

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intervening event if the Special Committee determines in good faith, after consultation with counsel, that the failure to do so would be inconsistent with the Company Board's fiduciary duties under applicable law, but only if we have first negotiated in good faith to adjust the terms of the Acquisition Agreement so that there is no longer a basis for such change.

If we terminate the Acquisition Agreement for a superior proposal, we will be required to pay the Remington Holders a termination fee of $6,688,000 plus the costs and expenses incurred by them in connection with the transactions.

Termination

In addition to our right to terminate the Acquisition Agreement for a superior proposal, the Acquisition Agreement contains termination rights for both the Company and the Remington Holders. Also, either the Company or the Remington Holders may terminate the Acquisition Agreement if the transactions are not consummated by June 30, 2016.

For additional information on the Acquisition Agreement, see "The Transaction Documents Acquisition Agreement" beginning on page 76 and Annex C to this proxy statement.

Newco Preferred Stock

The rights, terms and preferences of the Newco Preferred Stock will be established by Newco filing a Certificate of Designation with the Delaware Secretary of State effective as of the closing of the transactions (the "*Certificate of Designation*").

Terms of Newco Preferred Stock

The Certificate of Designation will provide that each share of Newco Preferred Stock will:

(i) have a liquidation value of $25 per share;

(ii) have cumulative dividends at the rate of 6.625% per annum (payable in cash quarterly in arrears);

(iii) participate in any dividend or distribution on the common stock of Newco, in addition to the dividends on the Newco Preferred Stock; and

(iv) be convertible into non-voting common stock of Newco (but voting after an initial public offering by Newco) at a conversion ratio equal to the liquidation value of a share of Newco Preferred Stock, divided by $120.

The Certificate of Designation also will provide for customary anti-dilution protections.

Board Designation Rights

In the event Newco fails to pay a dividend at the rate of 6.625% per annum for two consecutive quarterly periods, then, until such arrearage is paid in cash in full, (i) the dividend rate on the Newco Preferred Stock will increase to 10% per annum; (ii) no dividends may be declared and paid, and no other distributions or redemptions may be made, on the Newco common stock; and (iii) the Newco board of directors and the Company Board will be increased by two seats and the holders of Newco Preferred Stock will be entitled to designate two individuals to fill such newly created seats.

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Restrictive Covenants

The Certificate of Designation will provide that, so long as any shares of Newco Preferred Stock are outstanding, Newco is prohibited from taking specified actions without the consent of 66.67% of the holders of Newco Preferred Stock, including:

(i) modifying the terms, rights, preferences, privileges or voting powers of the Newco Preferred Stock;

(ii) altering the rights, preferences or privileges of any capital stock of Newco so as to affect adversely the Newco Preferred Stock;

(iii) issuing any shares of Newco Preferred Stock, or any security senior to the Newco Preferred Stock, other than pursuant to the Acquisition Agreement;

(iv) entering into any agreement that expressly prohibits or restricts the payment of dividends on the Newco Preferred Stock or the common stock of Newco; and

(v) other than the payment of dividends on the Newco Preferred Stock or payments pursuant to a management agreement to be entered into between Newco and the Company, transferring Newco's or its subsidiaries' cash balances or other assets to the Company or any other subsidiary of the Company, other than by means of a dividend payable by Newco pro rata to the holders of Newco common stock.

For additional information on Newco Preferred Stock, see "The Transaction Documents Certificate of Designation of Newco Preferred Stock" beginning on page 84 and Annex D to this proxy statement.

Investor Rights Agreement and Remington Limited Partnership Agreement

At the closing of the transactions, the parties will enter into an investor rights agreement (the "*Investor Rights Agreement*") that will provide for, among other items, governance rights, operating agreements, noncompetition agreements, transfer restrictions, put and call rights and obligations of the parties with respect to the Company and its subsidiaries, including Remington. In addition, the Remington limited partnership agreement will be amended and restated (the "*Limited Partnership Agreement*"), and will include, among other items, governance rights, tax agreements and operating provisions with respect to Remington.

Board Designation Rights

The Investor Rights Agreement will provide that the board of directors of Newco will, at all times until the occurrence of Newco's initial public offering, be made up of the same individuals serving on the Company Board, including the Holder Group Investors' nominee. In the event that Newco fails to pay a dividend at the rate of 6.625% per annum for two consecutive quarterly periods on the Newco Preferred Stock, both the Company Board and the Newco board of directors will be increased by two seats and the individuals filling such newly created seats will be the same.

The Investor Rights Agreement will also provide that for so long as the Bennetts and MJB Investments (together with their controlled affiliates that become transferees, the "*Holder Group Investors*") beneficially own at least 20% of the common stock of Newco (taking into account the Newco Preferred Stock on an as-converted basis), a majority in interest of the Holder Group Investors will be entitled to nominate one individual for election as a member of Company Board and, until a majority in interest of the Holder Group Investors otherwise determine, Monty Bennett will serve as the nominee. In the event that Newco fails to pay a dividend at the rate of 6.625% per annum for two consecutive quarterly periods on the Newco Preferred Stock, the Company Board will be increased by

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two seats and a majority in interest of the Holder Group Investors will be entitled to designate two individuals to fill such newly created seats.

In addition, for so long as the Holder Group Investors hold any of the 20% limited partnership interest in Remington initially retained by the Bennetts (the "*Retained Interest*"): (i) a majority in interest of the Holder Group Investors will be entitled to nominate one individual for election as a member of the board of directors of Newco Sub; and (ii) the independent directors of Newco will be entitled to nominate two individuals for election as members of the board of directors of Newco Sub. Until a majority in interest of the Holder Group Investors otherwise determine, Monty Bennett will serve as the Holder Group Investors' nominee.

Operating Provisions

The Investor Rights Agreement will also provide that for so long as the Holder Group Investors beneficially own no less than 20% of the issued and outstanding shares of the common stock of Newco (taking into account Newco Preferred Stock on an as-converted basis), the Company, Newco and Newco Sub are prohibited, without the prior written consent of a majority in interest of the Holder Group Investors, from, among other actions :

(i) conducting the property and project management business conducted by Remington through entities other than Newco Sub, GP Holdings and Remington;

(ii) permitting Newco Sub, GP Holdings and Remington to acquire or operate any material assets, business or operations, other than those used in or related to the conduct of the property and project management business conducted by Remington; and

(iii) taking any action to cause any of the material business operations of the Company to be conducted through entities other than Newco or wholly owned subsidiaries of Newco.

Governance Provisions

Newco will not take, and the Company will not cause or permit Newco to take, any corporate action that, if taken by the Company, would require the approval of our stockholders under the DGCL or the rules and regulations of any stock exchange on which our voting securities are then listed, unless such corporate action has been approved by our stockholders by the same vote as would be required if the Company were taking such corporate action.

Except for issuances contemplated by the Transaction Documents, none of the Company, Newco or Newco Sub will issue any equity securities, rights to acquire equity securities of the Company, Newco or Newco Sub or debt convertible into equity securities of the Company, Newco or Newco Sub, unless the Company, Newco or Newco Sub, as the case may be, gives each Holder Group Investor notice of its respective intention to issue new securities and the right to acquire such Holder Group Investor's pro rata share of the new securities. Further, if the Company issues shares for cash, it must contribute the net proceeds of such offering to Newco in exchange for additional shares of Newco voting common stock.

Limited Partnership Agreement

The Limited Partnership Agreement will provide for additional approval rights with respect to the operation of Remington in favor of the Holder Group Investors, including limiting Remington's ability to incur indebtedness, issue additional interests, and amend the Limited Partnership Agreement.

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Back-Office Services

In addition, pursuant to the Limited Partnership Agreement, Remington will continue to provide back-office services previously provided to Archie Bennett, Jr. and Monty Bennett for administrative, legal, tax, accounting and financial services, at no charge for ten years from the date of the closing of the transactions.

Incentive Fees

Pursuant to the terms and conditions of hotel management agreements to which Remington is a party, Remington receives annual incentive management fees based on the preceding year's hotel operations subject to such hotel management agreements. The incentive fees are calculated as of the end of each fiscal year and paid in the first fiscal quarter of the following year.

The Investor Rights Agreement will provide that for the calendar year in which the closing occurs, the net amount of the aggregate incentive fees less the aggregate amount of officer and executive employee bonuses paid by Remington will be prorated as of the date of the closing based upon the actual number of days elapsed from January 1 through the date of the closing. The net prorated amounts will be paid by Remington to the Bennetts and MJB Investments in cash with respect to the period of time prior to the date of the closing.

Newco Initial Public Offering

The Investor Rights Agreement will provide that, as soon as practicable after the second anniversary of the closing of the transactions, Newco, at its expense, will use its best efforts to prepare and file with the U.S. Securities and Exchange Commission (the "*SEC*") a registration statement providing for either, or both, an initial public offering of the voting common stock of Newco or the registration and resale of all of the registrable securities of Newco, and to cause the corresponding registration statement to become effective no later than the third anniversary of the closing of the transactions.

In addition, Newco's certificate of incorporation provides that any shares of the non-voting common stock of Newco will automatically convert into an equivalent number of shares of voting common stock of Newco upon the consummation of an initial public offering of the voting common stock of Newco.

Transfer Restrictions

The Investor Rights Agreement will provide that for three years after the closing of the transactions, each of Monty Bennett, Archie Bennett, Jr., MJB Investments, Mark Sharkey and their permitted transferees (collectively, the "*Covered Investors*") are prohibited from transferring common stock of Newco or Newco Preferred Stock, except to family members and in connection with estate planning, unless the transfer has been approved by an independent committee of the Company Board.

Covered Investors will also be prohibited from transferring the Retained Interest except to family members or to a charitable foundation, unless approved by an independent committee of the Company Board, and provided that the Company failed to exercise its right of first refusal to purchase the Retained Interest on the same terms as the proposed transfer. In each case, assignment of any economic interest (separate from any voting interest) will be permitted.

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Put and Call Options

Preferred Call Option

Pursuant to the Investor Rights Agreement, after the fifth anniversary of the closing of the transactions, Newco will have the option to purchase all or any portion of the Newco Preferred Stock in $25,000,000 increments on a pro rata basis among all Covered Investors (the "*Preferred Call Option*") at a price per share equal to the sum of (i) not more than $25.125, plus (ii) all accrued but unpaid dividends. The purchase price is payable only in cash. The notice of exercise of the Preferred Call Option does not limit or restrict any Covered Investor's right to convert the Newco Preferred Stock into shares of Newco common stock prior to the closing of the Preferred Call Option.

Remington Call Option

The Investor Rights Agreement will provide that after the tenth anniversary of the closing of the transactions, Newco Sub will have an option to require the Covered Investors to sell to Newco Sub the Retained Interest (the "*Remington Call Option*"). In the event that the Remington Call Option is exercised, the price to be paid will be an amount equal to 110% of the Retained Interests Purchase Price (defined below), and the price will be payable at each Covered Investor's individual election in any combination of:

(i) cash;

(ii) a number of shares of Company common stock determined by the greater of (a) the volume-weighted average price of the Company common stock on the business day immediately preceding the notice of exercise of the call option or (b) $100; or

(iii) a number of shares of Newco common stock determined by the greater of (a) the volume-weighted average price of the Company common stock on the business day immediately preceding the notice of exercise of the call option or (b) $100.

The "*Retained Interests Purchase Price*" is an amount equal to the product of (a) the Multiple (defined below), multiplied by (b) Remington's adjusted earnings before interest and taxes for the prior 12-month rolling period, multiplied by (c) the percentage ownership interest of Remington on a fully diluted basis represented by the Retained Interests. "*Multiple*" means a factor not less than 10.25 and not greater than 16.25 that will be determined by agreement between the Company and the Covered Investors or, if no agreement is reached, by appraisal and arbitration procedures.

Change of Control Put Option

The Investor Rights Agreement will provide each Covered Investor with the option, exercisable on one occasion, to sell to the Company all of the Retained Interests, Newco common stock (unless an initial public offering of Newco has occurred) and/or the Newco Preferred Stock then owned by such Covered Investor (the "*Change of Control Put Option*"), during the ten consecutive business day period following the consummation of a Change of Control (as defined below). In the event that a Covered Investor exercises the Change of Control Put Option, the price to be paid to such exercising Covered Investor will be:

(i) With respect to the Retained Interests, 90% of the Retained Interests Purchase Price, payable at the Covered Investor's election in any combination of:

(a) cash;

(b) shares of Company common stock determined by the greater of (1) the volume-weighted average price of the Company common stock on the business day immediately preceding the Change of Control or (2) $100; or

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(c) a number of shares of Newco common stock determined by the greater of (1) the volume-weighted average price of the common stock of the Company on the business day immediately preceding the date of the Change of Control or (2) $100.

(ii) With respect to Newco common stock, payable at the Covered Investor's election in any combination of:

(a) cash in an amount per share determined by the volume-weighted average price of the Company common stock on the business day preceding the Change of Control; or

(b) a number of shares of Company common stock equal to the number of shares of common stock of Newco to be acquired by the Company.

(iii) With respect to the Newco Preferred Stock, an amount equal to (1) not more than $25.125, plus (2) all accrued and unpaid dividends, plus (3) if prior to the fifth anniversary of the closing of the transactions, an additional amount equal to 3% of $25 per annum for each year, inclusive of the year in which the Change of Control Put Option is exercised, until the fifth anniversary of the closing of the transactions, payable in any combination of:

(a) cash;

(b) a number of shares of Company common stock determined by dividing such amount by $120;

(c) a number of shares of Newco common stock determined by dividing such amount by $120; or

(d) shares of preferred stock of the Company on a one-for-one basis with terms that are equivalent in all material respects to the Newco Preferred Stock being exchanged.

The $120 conversion price is subject to adjustment in the event of stock dividends on Newco common stock or any subdivision or combination of Newco common stock.

A "*Change of Control*" means any of the following, in each case that was not consented to, voted for or otherwise supported by Monty Bennett: (a) any person (other than Archie Bennett, Jr., Monty Bennett, MJB Investments, their controlled affiliates, trusts or estates in which any of them has a substantial interest or as to which any of them serves as trustee or a similar capacity, any immediate family member of Archie Bennett, Jr. or Monty Bennett or any group of which they are a member) acquires beneficial ownership of securities of the Company or Newco that, together with the securities of the Company or Newco previously beneficially owned by the first such person, constitutes more than 50% of the total voting power of the Company's or Newco's outstanding securities; or (b) the sale, lease, transfer or other disposition (other than as collateral) of all or a majority of the Company's or Newco's (taken as a whole) assets or income or revenue generating capacity, other than to any direct or indirect majority-owned and controlled affiliate of the Company.

The Bennetts' Noncompetition Agreement

The Investor Rights Agreement will provide that for a period of the later of (i) three years following the closing of the transactions, or (ii) three years following the date Monty Bennett is not the principal executive officer of the Company, each of Archie Bennett, Jr., Monty Bennett, and MJB Investments will not, directly or indirectly:

(i) engage in, or have an interest in an entity that engages in, the business conducted by Remington on the closing of the transactions anywhere in the United States (excluding certain passive investments and existing relationships);

(ii) hire or solicit employees of Remington, except pursuant to a general solicitation; or

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(iii) solicit or entice any clients of Remington.

Voting Limitations at the Company and Newco

The Company

The Investor Rights Agreement will provide that, on matters submitted to a vote of our stockholders, the Covered Investors have the right to vote as they determine, except if, prior to the fourth anniversary of the closing of the transactions, the combined voting power of the Reference Shares (as defined below) of the Company exceeds 25% (plus the combined voting power of any Company common stock purchased after the closing of the transactions in an arm's length transaction from a person other than the Company or a Company subsidiary, including through open market purchases, privately negotiated transactions or any distributions by either Ashford Trust or Ashford Prime to its respective stockholders pro rata) of the combined voting power of all of the outstanding voting securities of the Company entitled to vote, then Reference Shares of the Company representing voting power equal to such excess will be deemed to be "*Company Cleansed Shares*." The Covered Investors will vote Company shares with voting power equal to the voting power of the Company Cleansed Shares in the same proportion as our stockholders vote their shares with respect to such matters, inclusive of the Reference Shares of the Company voted by the Covered Investors.

Newco

On matters submitted to a vote of Newco stockholders, the Covered Investors will have the right to vote as they determine, except if at any time the combined voting power of the Reference Shares of Newco exceeds 25% (plus the combined voting power of any Newco common stock purchased after the closing of the transactions in an arm's length transaction from a person other than Newco or a Newco subsidiary, including through open market purchases or privately negotiated transactions) of the combined voting power of all of the outstanding voting securities of Newco entitled to vote, then Reference Shares of Newco representing voting power equal to such excess will be deemed to be "*Newco Cleansed Shares*." The Covered Investors will vote Newco shares with voting power equal to the voting power of the Newco Cleansed Shares in the same proportion as Newco stockholders vote their shares with respect to such matters, inclusive of the Reference Shares of Newco voted by the Covered Investors.

These voting restriction may be waived by two-thirds majority vote or consent of the independent directors of the Company or Newco, as applicable, that have no personal interest in the matter to be voted upon.

"*Reference Shares*" means all voting securities of the Company or Newco, as applicable, that are (a) beneficially owned by any Covered Investor; (b) beneficially owned by any member of a group of which any Covered Investor is a member; or (c) subject to or referenced in any derivative or synthetic interest that (i) conveys any voting right in the common stock of the Company or Newco, as applicable, or (ii) is required to be, or is capable of being, settled through delivery of common stock of the Company or Newco, as applicable, in either case, that is held or beneficially owned by any Covered Investor or any controlled affiliate or any Covered Investor.

Termination

The Investor Rights Agreement will provide that it terminates on the earliest of (i) the written agreement of the Company and a majority in interest of the Covered Investors, (ii) the fifth anniversary of the closing of the transactions, and (iii) the date on which the Covered Investors no longer own any Retained Interests, Newco common stock or Newco Preferred Stock; provided that operational covenants, the noncompetition agreement, board designation rights, voting limitations and restrictions

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on Newco dividends will last for the time periods provided by their terms and that the call options, put options and the Private Letter Ruling compliance covenant will last indefinitely.

A Covered Investor will automatically cease to be bound by the Investor Rights Agreement at such time as such Covered Investor no longer owns any Retained Interests, any Newco common stock or Newco Preferred Stock.

For additional information on the Investor Rights Agreement and the Limited Partnership Agreement of Remington, see "The Transaction Documents Investor Rights Agreement" beginning on page 86, "The Transaction Documents Limited Partnership Agreement" beginning on page 93, Annex E and Annex F to this proxy statement.

Voting at the Special Meeting

The following parties have voting power with respect to the specified number of shares of the Company's common stock, which represents the specified percent of our outstanding voting power as of November 13, 2015:

Holder	Number of Shares	Voting Power
Monty Bennett	221,172 common shares	11.0%
Archie Bennett, Jr.	84,695 common shares	4.2%
Ashford Trust	598,163 common shares	29.8%
Ashford Prime	194,880 common shares	9.7%
Directors and Officers of the Company (excluding Archie Bennett, Jr.)	326,996 common shares	16.3%

Each of the Remington Sellers and the directors and officers of the Company has informed us that, as of the date of this proxy statement, they intend to vote their shares in favor of each proposal presented to the stockholders at the special meeting.

For additional information, see "Special Factors Intent to Vote" beginning on page 73.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

General Information

Q.

When and where is the special meeting?

A.

The special meeting will be held at [:] [a.m./p.m.] Central time, on [ ], 2016, at the Marriott Legacy Town Center, 7121 Bishop Road, Plano, Texas 75024.

Q.

What is the purpose of the special meeting?

The proposals to be considered by our stockholders at the special meeting are set forth below. In order for the transactions to be consummated, both Proposal 1 and Proposal 2 must be approved. The failure of either proposal to be approved will result in the transactions not being consummated.

Proposal 1: To approve the contribution (the "*Contribution*") of substantially all of the Company's assets and all of the Company's business operations to Newco pursuant to the Transaction Documents.

Proposal 2: To approve the potential issuance of shares of the Company's common stock that may occur pursuant to the Transaction Documents, in one or more of the following events: (a) as consideration for the potential future purchase of the 20% limited partnership interest in Remington retained by the Bennetts; (b) as consideration for the potential future acquisition of the Newco common stock issued to the Bennetts; (c) as consideration for the potential future acquisition of the Newco preferred stock issued to the Remington Sellers; or (d) upon the conversion of preferred stock of the Company that potentially may be issued in exchange for the Newco preferred stock issued to the Remington Sellers (collectively, the "*Share Issuances*").

Proposal 3: To approve an adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposals.

Voting and Voting Procedures

Q.

What shares can be voted at the special meeting?

A.

Holders of our common stock as of the close of business on [ ], 2016, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any postponements or adjournments of the special meeting. Our only outstanding voting equity securities are shares of our common stock. Each share of common stock entitles the holder to one vote. As of the record date, there were [ ] shares of common stock outstanding and entitled to vote.

Q.

What is the quorum required for the special meeting?

A.

The representation in person or by proxy of holders of a majority of the issued and outstanding shares of our common stock entitled to vote at the special meeting is necessary to constitute a quorum for the transaction of business at the special meeting. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum. If a quorum is not present, the special meeting of stockholders may be adjourned by the chairman of the meeting or by a vote of a majority of the shares represented at the special meeting until a quorum has been obtained.

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Q.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A.

Many of our stockholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own names. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholder of Record: If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered the stockholder of record with respect to those shares. As a stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the special meeting.

Beneficial Owner: If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of the shares held in "street name," and this proxy statement and related materials are being forwarded to you by your broker or nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to instruct your broker how to vote and are invited to attend the special meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the meeting. Your broker or nominee has enclosed a voting instruction card for your use.

Q.

How can I vote my shares without attending the special meeting?

A.

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct your vote without attending the special meeting. You may vote by granting a proxy or, for shares held in street name, by submitting voting instructions to your broker or nominee. In most instances, you will be able to do this by mail, over the Internet or by telephone. Please refer to the summary instructions below or, for shares held in street name, the voting instruction card included by your broker or nominee.

By Mail: If you hold your common stock in your own name as a holder of record, you may instruct the proxies to vote your common stock by signing, dating and mailing the enclosed proxy card in the postage-paid envelope provided. If you provide specific voting instructions, your shares will be voted as you instruct. If you sign the proxy card but do not provide instructions, your shares will be voted "**FOR**" Proposal 1, Proposal 2 and Proposal 3.

By Internet: If you have Internet access, you may vote by accessing the Internet website specified on the enclosed proxy card and following the instructions provided to you.

By Telephone: If you live in the United States or Canada, you may vote by calling the toll-free number specified on the enclosed proxy card and following the instructions when prompted.

Q.

How do I vote my shares in person at the special meeting?

A.

Shares held directly in your name as the stockholder of record may be voted in person at the special meeting. If you choose to do so, please bring proof of identification and request a ballot at the meeting. Even if you currently plan to attend the special meeting, we recommend that you also submit your proxy as described above so that your vote will be counted if you later cannot attend or decide not to attend the special meeting.

Q.

What does it mean if I receive more than one proxy or voting instruction card?

A.

It means you have shares that are registered in different ways or are held in more than one account. Please provide voting instructions for all proxy and voting instruction cards you receive.

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Q.

Can I revoke my proxy?

A.

You may change your proxy instructions at any time prior to the vote at the special meeting. For shares held directly in your name, you may accomplish this by granting a new proxy by Internet, telephone or mail. If shares of common stock are held on your behalf by a broker, bank or other nominee, you must contact them to receive instructions as to how you may revoke your proxy instructions. Proxies may also be revoked by written notice to the Secretary of the Company or by attending and voting in person at the meeting. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. You must meet the same deadline when revoking your proxy as when voting your proxy.

Q.

What vote is required to approve the proposals to be voted upon at the special meeting?

A.

Proposal 1 (The Contribution): The proposal to approve the Contribution requires the affirmative "**FOR**" vote of a majority of the shares of our outstanding common stock and entitled to vote at the special meeting.

Proposal 2 (The Share Issuances): The proposal to approve the Share Issuances requires the affirmative "**FOR**" vote of a majority of the votes cast at the special meeting under the NYSE MKT rules.

Proposal 3 (Adjournment or Postponement of Special Meeting): The proposal to approve an adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative "**FOR**" vote of a majority of the votes cast at the special meeting under the Company's bylaws.

Q.

What are the effects of not voting or abstaining? What are the effects of broker non-votes?

A.

Abstentions: Abstentions, if any, will have the same effect as a vote **"AGAINST"** Proposal 1 and Proposal 2. However, abstentions, if any, will not be considered as votes cast under the Company's bylaws, and accordingly will have no effect on the outcome of Proposal 3.

Broker Non-Votes: Broker non-votes will have the same effect as a vote **"AGAINST"** Proposal 1. Broker non-votes will not be considered present and entitled to vote on, and will not be considered as votes cast, and accordingly will have no effect on the outcome of, Proposal 2 and Proposal 3.

Q.

What is a broker non-vote?

A.

A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. Your broker does not have discretionary authority to vote your shares with respect to Proposal 1 (The Contribution) or Proposal 2 (The Share Issuances), but does have discretionary authority to vote your shares with respect to Proposal 3 (Adjournment or Postponement of the Special Meeting).

Other Matters

Q.

I share an address with another stockholder, and we received only one paper copy of the proxy materials. How can I obtain an additional copy of the proxy materials?

You may request additional copies of the proxy materials by following the instructions set forth in the section of this proxy statement titled "Other Matters Multiple Stockholders Sharing One Address" beginning on page 106.

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Q.

What if other matters are presented for consideration at the special meeting?

A.

As of the date of this proxy statement, the Company does not know of any matters that will be presented for consideration at the special meeting other than those matters described in this proxy statement. If any other matters properly come before the special meeting, the proxies solicited hereby will be voted on such matters in accordance with the discretion of the proxy holders named therein.

Q.

Who is soliciting my proxy? Who is paying expenses relating to the solicitation?

A.

The enclosed proxy is solicited by and on behalf of the Company Board. In addition to the solicitation of proxies by use of the mail, officers and other employees of the Company may solicit the return of proxies by personal interview, telephone, e-mail or facsimile. We will not pay additional compensation to our officers and employees for their solicitation efforts, but we will reimburse them for any out-of-pocket expenses they incur in their solicitation efforts. We also intend to request persons holding shares of our common stock in their name or custody, or in the name of a nominee, to send proxy materials to their principals and request authority for the execution of the proxies, and we will reimburse such persons for their expense in doing so. We will bear the expense of soliciting proxies for the special meeting of stockholders, including the cost of mailing.

We have retained MacKenzie Partners Inc. ("*MacKenzie*") to aid in the solicitation of proxies and to verify records relating to the solicitation. MacKenzie will receive a base fee of $20,000, plus out-of-pocket expenses.

Q.

How can I obtain additional information?

A.

If you would like additional copies of this proxy statement, without charge, or if you have questions about the procedures for voting your shares, please follow the instructions provided in the section of this proxy statement titled "Other Matters Where You Can Find Additional Information" beginning on page 106.

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FORWARD-LOOKING STATEMENTS

Certain statements and assumptions in this proxy statement contain or are based upon "forward-looking" information and are being made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties. When we use the words "will likely result," "may," "anticipate," "estimate," "should," "expect," "believe," "intend," or similar expressions, we intend to identify forward-looking statements. Such statements are subject to numerous assumptions and uncertainties, many of which are outside of our control. Such forward-looking statements include, but are not limited to:

(i) our business and investment strategy;

(ii) our understanding of our competition;

(iii) current market trends and opportunities;

(iv) projected capital expenditures;

(v) the parties' expectations regarding the timing, completion and tax treatments of the transactions; and

(vi) the anticipated benefits from the transactions.

These forward-looking statements are subject to known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated, including, without limitation:

(i) general volatility of the capital markets and the market price of our common stock;

(ii) changes in our business or investment strategy;

(iii) availability, terms and deployment of capital;

(iv) availability of qualified personnel;

(v) changes in our industry and the market in which we operate, applicable law, interest rates or the general economy;

(vi) the degree and nature of our competition;

(vii) the parties' ability to consummate the transactions;

(viii) the conditions to the completion of the transactions, including the receipt of approval of our stockholders;

(ix) the regulatory approvals required for the transactions not being obtained on the terms expected or on the anticipated schedule;

(x)

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

(xi) the possibility that the parties may not realize any or all of the anticipated benefits from the transactions;

(xii) disruptions from the transaction may harm relationships with customers, employees and regulators;

(xiii) unexpected costs may be incurred; and

(xiv) changes in our stock price prior to the closing of the transactions and following the transactions.

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These and other risk factors are more fully discussed in the section titled "Risk Factors" in this proxy statement and in our Annual Report on Form 10-K, and from time to time, in the Company's other filings with the SEC. The forward-looking statements included in this proxy statement are only made as of the date of this proxy statement. Investors should not place undue reliance on these forward-looking statements. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or circumstances, changes in expectations or otherwise.

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RISK FACTORS

In addition to the other information contained and incorporated by reference into this proxy statement, including the matters addressed in the section entitled "Forward-Looking Statements" beginning on page 26, you should carefully consider the following risks before deciding whether to vote for the proposals. In addition, you should read and consider the risks associated with each of the businesses of the Company and Remington because these risks will also affect the Company on a post-closing basis. Descriptions of some of these risks can be found in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as updated by any subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC and incorporated by reference into this proxy statement. You should also read and consider the other information in this proxy statement and the other documents incorporated by reference into this proxy statement. See the section entitled "Other Matters Where You Can Find Additional Information" beginning on page 106 and "Other Matters Information Incorporated by Reference" beginning on page 107.

RISKS RELATED TO THE STRUCTURE OF THE TRANSACTIONS

Following the transactions, the Company will be dependent upon the profitability of Newco, and the failure to receive regular distributions from Newco will adversely affect the availability of cash at the Company.

Following the consummation of the transactions, the Company will be a holding company owning shares of Newco. The Company will conduct no material activities other than activities incidental to holding the shares of Newco. As a result, the Company will be substantially dependent on the ability of Newco and its subsidiaries to fund the cash needs of the Company. If Newco is not able to make cash distributions, we may not be able to fund our cash obligations, and if Newco is less profitable than we anticipate, we may not be able to fund our operating expenses.

Our holding company structure following the transactions will result in structural subordination that may affect our ability to make distributions and payments on our obligations.

Following the transactions, as a result of our holding company structure, we will receive substantially all of our cash from distributions made to us by Newco. Newco's payment of distributions to us may be subject to claims by Newco's creditors and to limitations applicable to Newco under federal and state laws, including securities and bankruptcy laws. Furthermore, our equity interests in Newco and its subsidiaries following the transactions will rank junior to all of the respective indebtedness, whenever incurred, the Newco Preferred Stock, and all equity interests of Newco's subsidiaries in the event of their respective liquidation or dissolution. The right of our stockholders, therefore, to participate in such liquidation or dissolution would be subordinated to the claims of Newco's creditors and to all equity interests of Newco.

The holders of Newco Preferred Stock will have rights that are senior to our rights as a holder of Newco's common stock, which may decrease the likelihood, frequency and amount of dividends to us as holders of Newco common stock, which in turn will affect dividends, if any, declared by the Company and paid to our stockholders.

As part of the consideration for the transactions, Newco will issue all of the Newco Preferred Stock to the Remington Sellers. In addition, the Bennetts will receive Newco non-voting common stock, and the Company will hold all of the Newco voting common stock. We will receive substantially all of our cash from distributions made to us by Newco on the Newco common stock. The Newco Preferred Stock requires that dividends be paid on the Newco Preferred Stock before any distributions can be paid to holders of Newco's common stock and that, in the event of our bankruptcy, dissolution or liquidation, the holders of Newco Preferred Stock must be satisfied before any distributions can be made to the holders of Newco's common stock. In addition, if Newco declares or pays a dividend on its

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common stock, the holders of the Newco Preferred Stock will participate, on an as-converted basis, in such dividend with the holders of Newco's common stock, unless otherwise approved by the holders of at least 66.67% of the shares of Newco Preferred Stock. As a result of the Newco Preferred Stock's superior rights relative the common stock of Newco, including its right to participate in any dividends to the holders of Newco's common stock, our right to receive distributions from Newco is limited and diluted. Moreover, because our rights to dividends from Newco are limited and diluted, we may not be incentivized to cause Newco to declare and pay dividends to us, as holders of Newco common stock.

The extent to which we receive cash from distributions from Newco will in turn determine the likelihood, frequency and amount of dividends, if any, that the Company will declare and pay to our stockholders.

If dividends from Newco to the Company are reduced by federal income taxes, proceeds available for distribution to our stockholders as dividends, if any, would be reduced and our stock price may be adversely affected.

As a result of the transactions, we will receive substantially all of our cash from distributions made to us by Newco. Unless otherwise approved by holders of at least 66.67% of the shares of Newco Preferred Stock, Newco may only make any distributions to us by means of a dividend pro rata to the holders of Newco's common stock. Following the transactions, we will not own sufficient stock in Newco to file federal income tax returns with Newco on a consolidated basis. As a result, we will not be entitled to a 100% dividend received deduction for federal income tax purposes on dividends paid to us by Newco. Rather, in general, we will be required to pay federal income tax on an amount equal to 20% of any dividends paid to us by Newco. Such dividends may also be subject to state income taxes. Accordingly, income taxes payable by us on dividends received from Newco would ultimately result in less proceeds available for distribution as dividends to our stockholders. As a result, the market price of our common stock may be adversely affected.

Part of the consideration for the transactions to the Remington Sellers creates significant cash flows for the Remington Sellers that may create conflicts of interest in the management of the Company and Remington following the transactions.

As part of the consideration for the transactions, the Remington Sellers will receive Newco Preferred Stock and Remington Holdings GP will receive the Newco Sub Promissory Note. Each share of Newco Preferred Stock has a cumulative dividend rate of 6.625% per annum, which dividends are payable in cash quarterly in arrears, and the Newco Sub Promissory Note is payable in 16 consecutive and equal quarterly installments. As a result of this consideration, as well as the Bennetts retaining 20% of the limited partnership interests in Remington, the Remington Sellers and Remington Holdings GP have the right to receive significant cash flow. The Remington Sellers may be incentivized by this consideration to maximize the cash flow of the Company and its subsidiaries, and thus Monty Bennett may have conflicts of interest in making management decisions that might be to the detriment of the Company's long-term strategy and success.

If the Company is considered an "investment company" under the Investment Company Act of 1940 following the transactions, we may incur significant costs and be subject to restrictions on our ability to pursue our fundamental business strategy.

We may incur significant costs and be subject to restrictions on our ability to pursue our fundamental business strategy if the Company is subject to regulation under the Investment Company Act of 1940, as amended (the "*Investment Company Act*"). The Investment Company Act requires registration as an investment company for companies that are engaged primarily in the business of investing, reinvesting, owning, holding or trading securities. Registration as an investment company would subject us to restrictions that would significantly impair our ability to pursue our fundamental

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business strategy of providing asset and property management services. As an investment company, we would be forced to comply with substantive requirements of the Investment Company Act, including:

- limitations on our ability to borrow;
- limitations on our capital structure;
- restrictions on acquisitions of interests in associated companies;
- prohibitions on transactions with affiliates;
- restrictions on specific investments; and
- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations.

We do not believe that our ownership of 100% of the voting shares of Newco, a non-wholly owned subsidiary, will subject us to regulation under the Investment Company Act. Our determination of whether we will be an investment company is based on our holding at least a majority of the voting securities of Newco. As a result, we could inadvertently become an investment company if the Bennetts distribute their non-voting shares of Newco, causing those shares to become voting stock of Newco. It is not feasible for us to be regulated as an investment company because application of Investment Company Act regulations are inconsistent with our strategy of providing asset and property management services.

RISKS RELATED TO THE TRANSACTIONS

If the transactions do not occur, we may incur payment obligations to the Remington Sellers.

If the Acquisition Agreement is terminated by the Company as a result of a Company Intervening Event or a Company Superior Proposal, we will be obligated to pay the Remington Holders a termination fee of up to $6,688,000 plus the actual, documented out-of-pocket costs and expenses actually incurred by the Remington Holders in connection with the Acquisition Agreement and the transactions.

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

The transactions are currently expected to close during the first quarter of 2016, assuming that all of the conditions in the Acquisition Agreement are satisfied or waived. The Acquisition Agreement provides that either the Company or the Remington Sellers may terminate the Acquisition Agreement if the closing of the transactions has not occurred by June 30, 2016. To complete the transactions, our stockholders must approve the Contribution and the Share Issuances. In addition, the Acquisition Agreement contains additional closing conditions, which may not be satisfied or waived. Certain events outside our control may delay or prevent the consummation of the transactions. Delays in consummating the transactions or the failure to consummate the transactions at all may cause us to incur significant additional costs and to fail to achieve the anticipated benefits associated with the transactions. In addition, pursuant to the Acquisition Agreement, both the Company and Remington are subject to certain restrictions on the conduct of their respective businesses prior to completing the transactions. These restrictions may prevent us from pursuing certain strategic transactions, undertaking certain significant capital projects, undertaking certain significant financing transactions and otherwise pursuing other actions that are not in our ordinary course of business, even if such actions would prove beneficial. We cannot assure you that the conditions to the completion of the transactions will be

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satisfied or waived or that any adverse event, development, or change will not occur, and we cannot provide any assurances as to whether or when the transactions will be completed.

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

- the payment by us of certain costs, including termination fees of $6,688,000 if the Acquisition Agreement is terminated by the Company as a result of a Company Intervening Event or a Company Superior Proposal; and

- the diversion of management focus and resources from operational matters and other strategic opportunities while working to consummate the transactions.

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

We will incur significant non-recurring costs in connection with the transactions.

We expect to incur a number of non-recurring closing costs associated with the transactions. Under the terms of the Acquisition Agreement, regardless of whether the closing of the transactions occurs, Newco is obligated to pay all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants and one-half of all filing and other similar fees payable in connection with any filings or submissions under the HSR Act and one-half of any transfer, documentary, sales, use, stamp, registration, value added and other such taxes and fees (including any penalties and interest thereon) incurred in connection with the transfer of the Transferred Securities pursuant to the Acquisition Agreement and the other Transaction Documents, and the exchange contemplated pursuant to the contribution agreement between the Company and Newco, setting forth the terms and conditions upon which the Company will contribute substantially all of its assets to Newco, and Newco will assume all of the liabilities of the Company, (including any real property transfer tax and any other similar tax) (collectively, "*Transaction Costs*") incurred by the Company, Newco, Newco Sub, GP Holding and GP Holding I. If the closing of the transactions occurs, Newco also will assume and pay all Transaction Costs incurred by Archie Bennett, Jr., Monty Bennett, Remington Holdings GP and Remington in connection with the Acquisition Agreement and the transactions, plus all bonuses and other payments made to employees and agents of Remington in connection with the closing of the transactions, up to $2,750,000 in the aggregate. We expect that approximately $9.2 million will be incurred to complete the transactions, although additional unanticipated costs may be incurred in the integration of Remington into our business. As of September 30, 2015, we have incurred $4.7 million in nonrecurring costs in connection with the transactions which does not include any fees for which we will need to reimburse Remington or others at the closing of the transactions.

The pro forma financial statements are presented for illustrative purposes only and may not be an indication of the Company's financial condition or results of operations following the transactions.

The pro forma financial statements contained in this proxy statement are presented for illustrative purposes only and may not be an indication of the Company's financial condition or results of operations following the transactions for several reasons. The pro forma financial statements have been

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derived from the historical financial statements of the Company and Remington, and adjustments and assumptions have been made after giving effect to the transactions. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with accuracy. Moreover, the pro forma financial statements do not reflect all costs that are expected to be incurred by the Company and Remington in connection with the transactions. As a result, the actual financial condition and results of operations of the Company following the transactions may not be consistent with, or evident from, these pro forma financial statements.

The assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations following the transactions. Any decline or potential decline in the Company's financial condition or results of operations may cause significant variations in its stock price. Please read "Financial Information Unaudited Pro Forma Financial Statements of Ashford Inc. and Subsidiaries" beginning on page 101 of this proxy statement.

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

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

The transactions were negotiated between the Special Committee, which comprises independent and disinterested members of our Board, and Monty Bennett, our chief executive officer and chairman of our Board, and Archie Bennett, Jr., the chairman emeritus of Ashford Trust, and the Bennetts may have different interests than the Company.

The transactions were negotiated with Monty Bennett, our chief executive officer and chairman of our Board, and Archie Bennett, Jr., the chairman emeritus of Ashford Trust. J. Robison Hays, III, one of our directors and our chief strategy officer, reports to Monty Bennett, as do all of our other executive officers, and thus may be considered to be affiliated with the Bennetts. As a result, those officers may have different interests than the Company as a whole. These potential conflicts would not exist in the case of a transaction negotiated with unaffiliated third parties. Moreover, if the Remington Sellers breach any of the representations, warranties or covenants made by them in the Acquisition Agreement or the other Transaction Documents, we may choose not to enforce, or to enforce less vigorously, our rights because of our desire to maintain our ongoing relationship with the Bennetts.

Monty Bennett has interests in the transactions that are different from, and may potentially conflict with, the interests of us and our stockholders.

Monty Bennett, our chief executive officer and chairman of our Board, has interests in the transactions that may be different from, or in addition to, the interests of our stockholders generally and that may create potential conflicts of interest, including:

- the payment of consideration in connection with the transactions directly or indirectly to Monty Bennett, and his entry into arrangements relating to the payment of that consideration;

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the Bennetts' board nomination rights to our Board, subject to retaining 20% ownership of the common stock of Newco, and the covenant for the board of directors of Newco to mirror the composition of our Board;

the Bennetts' board nomination rights to the board of directors of Newco Sub, subject to retaining 20% of the limited partnership interests in Remington;

the option of Newco to purchase all or any portion of the Newco Preferred Stock after the fifth anniversary of the closing of the transactions;

the option of Newco Sub to purchase the Retained Interests after the tenth anniversary of the closing of the transactions;

the option of the Remington Sellers to sell to the Company all of their Retained Interests, Newco common stock, and Newco Preferred Stock following the consummation of a change of control of the Company or Newco with a party not affiliated with the Remington Sellers;

the priority of the Newco Preferred Stock to Newco common stock;

the participation of the Newco Preferred Stock in any dividends on Newco common stock; and

the entry or anticipated entry into restrictive covenant agreement with Monty Bennett, that will become effective following the transactions.

In addition, following the transactions, without the approval of the Remington Sellers, the Company, Newco, and Newco Sub may not conduct the Company's business operations outside of Newco or Newco Sub, operate any business other than the property and project management business of Remington, transfer the membership interests of GP Holdings to any entity that is not wholly owned by Newco Sub, dissolve Newco Sub, or permit Newco Sub to incur indebtedness; and without approval of the Remington Sellers, Remington may not alter its property management operations, commence bankruptcy, borrow money, alter its accounting policies, or issue any additional general partnership or limited partnership interests.

Furthermore, following the transactions, the Bennetts will continue to own 20% of the limited partnership interests in Remington and Monty Bennett will remain an executive officer of Remington. The respective roles of the Bennetts in Remington may create additional conflicts of interest in respect of the transactions.

The fairness opinion is subject to qualifications and its valuation of the business acquired may not represent the business's true worth or realizable value.

The fairness opinion is subject to qualifications and its valuation of the business acquired may not represent the business's true worth or realizable value. The opinion delivered to the Special Committee by BMO Capital Markets ("*BMO*") on September 14, 2015, is based on and subject to certain assumptions, qualifications and limitations described in such opinion, and is based on economic and market conditions and other circumstances as they existed and could be evaluated by BMO on the date of such opinion. Changes in our or Remington's operations or prospects or changes in general market or economic conditions since the date of such opinion could, among other things, alter the relevance of this opinion upon which our Board relied in recommending our stockholders approve the transactions.

We may be unable to obtain the regulatory approvals required to complete the transactions.

The consummation of the transactions is subject to various closing conditions, including the issuance of a private letter ruling by the IRS and the expiration or termination of the applicable waiting period under the HSR Act. If these conditions to closing of the Acquisition Agreement are not fulfilled, then the transactions cannot be consummated. Although we do not anticipate any concerns

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from any regulatory authority, such regulatory authorities may determine not to permit the transactions at all or may impose restrictions on the transactions that may harm the Company or Newco if the transactions are completed.

RISKS RELATED TO OUR OPERATIONS AFTER THE TRANSACTIONS

Certain actions of Newco, Newco Sub, and Remington are subject to approval rights of the Remington Sellers and certain of their affiliated individuals or entities.

Following the transactions, until the Newco Sub Promissory Note is paid in full and, thereafter, so long as the Remington Sellers and certain affiliated individuals or entities retain any limited partnership interest in Remington, none of the Company, Newco, or Newco Sub may transfer the membership interests of GP Holdings to any entity that is not wholly owned by Newco Sub without the approval of the Remington Sellers and such affiliated individuals or entities. In addition, following the transactions, so long as the Remington Sellers and certain affiliated individuals or entities retain not less than 20% of the issued and outstanding shares of Newco's common stock, certain actions of the Company, Newco, and Newco Sub are subject to the approval of the Remington Sellers and such affiliated individuals or entities. For example, without such approval:

- all material business operations of the Company must be conducted through Newco or Newco Sub;
- Newco Sub, GP Holdings and Remington may not acquire or operate any business other than the property and project management business of Remington;
- Newco Sub may not be dissolved; and
- Newco Sub may not borrow money, except for certain permitted purposes.

In addition, following the transactions, without approval of the Bennetts and certain affiliated individuals or entities, Remington may not:

- alter its property management operations;
- commence bankruptcy;
- borrow money, except for certain permitted purposes;
- alter its accounting policies; or
- issue any additional general partnership or limited partnership interests, subject to certain exceptions.

These approval rights may impose certain operational restrictions on the management of the Company and its subsidiaries, and, given the conflicts of interest between the Company and the Bennetts in the transactions, the Company and its subsidiaries may not be able to take certain actions deemed appropriate by our management.

The representation of the Bennetts on our Board may increase if Newco fails to make certain dividend payments on the Newco Preferred Stock.

For so long as the Bennetts and certain of their affiliates hold at least 20% of the issued and outstanding shares of Newco's common stock (on an as-converted basis), they are entitled to nominate one individual as a member of our Board, who is initially Monty Bennett. If Newco fails to make two consecutive dividend payments to the holders of the Newco Preferred Stock, then the Bennetts and certain of their affiliates will be

entitled to nominate three individuals as members of our Board and the size of the Board will be increased by two directors to accommodate these nominations. The

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Bennetts and certain of their affiliates, therefore, would have increased control over our operations and management.

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

We may not manage the transactions effectively. The transactions could be a time-consuming and costly process. The combined company may encounter potential difficulties, including, among other things:

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

For all these reasons, you should be aware that it is possible that the transactions could result in the distraction of management, the disruption of the ongoing businesses or inconsistencies in the each business's operations, services, standards, controls, procedures and policies. Therefore, the failure to plan and manage the transactions effectively could have a material adverse effect on our business, financial condition and results of operations, and we may not realize the anticipated cost-savings benefits.

The Company may, in limited circumstances, provide certain capital to Ashford Prime and Ashford Trust in connection with their asset management services.

The Company has entered into agreements with Ashford Prime and Ashford Trust to provide, in limited circumstances, certain amounts of capital in connection with the acquisition or construction of hospitality facilities by Ashford Prime and Ashford Trust. In exchange for this capital, the Company receives asset management agreements with Ashford Prime and Ashford Trust covering such facilities. Following the transactions, the Company will receive substantially all of its cash from distributions, if any, made by Newco on the Newco common stock. Distributions made by Newco on the Newco common stock are payable after dividends on the Newco Preferred Stock are paid. Distributions made by Newco on the Newco common stock will be dependent upon, among other things, the ability to Remington to generate cash flow sufficient to allow such distributions.

While the agreements with Ashford Prime and Ashford Trust are generally accretive to the Company, the agreements may divert capital that would otherwise be available for other necessary capital expenditures or dividends to stockholders, causing our financial condition, results of operation, cash flow and trading price of our common stock to be adversely affected.

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

The transactions will expose us to risks to which we have not historically been exposed. As a result of the transactions, we will acquire liabilities of Remington and be subject to ongoing liabilities and business risks inherent to the business of Remington. Also, we could be subject to additional liabilities

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as a result of the approximately 7,900 employees who are currently employed by Remington and could subject us to additional potential liabilities that employers commonly face, such as workers' disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances.

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

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

Because the management agreements of Remington are subject to termination in certain circumstances, any such termination could have a material adverse effect on our business, results of operations, and financial condition.

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

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

The market price of our common stock may decline as a result of the transactions if we do not achieve the perceived benefits of the transactions as rapidly or to the extent anticipated by financial or industry analysts, or the effect of the transactions on our financial results is not consistent with the expectations of financial or industry analysts. The transactions are expected to be accretive to our performance metrics. The extent and duration of any accretion will depend on several factors, including the amount of transaction-related expenses that are charged against our earnings. If expenses charged against earnings are higher than we expected, the amount of accretion in 2016 could be less than currently anticipated and the transactions may not turn out to be accretive (or may be less accretive than currently anticipated). In such event, the price of our common stock could decline.

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

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

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

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OTHER RISK FACTORS

Our businesses is and will continue to be subject to the risks described above. In addition, We are, and will continue to be, subject to the risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as updated by any subsequent Quarterly Reports on Form 10-Q, each of which is filed with the SEC and is incorporated by reference into this proxy statement. See the section titled "Other Matters Information Incorporated by Reference" beginning on page 107 for the location of information incorporated by reference in this proxy statement.

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SPECIAL FACTORS

Background of the Transaction

On December 15, 2014, the Company Board resolved to form an independent special committee of the Company Board to evaluate and negotiate the terms of any potential acquisition by Ashford of all or a controlling portion of the assets or equity interests of Remington. The Company Board action was in response to indications of interest submitted to the Company by the Bennetts regarding a potential combination of the businesses of the Company and Remington. The Company Board selected from among its independent directors Dinesh P. Chandiramani, Brian Wheeler and Gerald J. Reihsen III as members of the Special Committee, with Mr. Wheeler being appointed chairman, and the directors accepted such appointments. The Company Board was aware that Mr. Wheeler's wife owns a commercial printing company that is occasionally utilized by the Company, Ashford Trust and Ashford Prime for printing needs, for which 2014 total fees paid were $87,284, with a similar amount expected to be paid during 2015, and it determined that such relationship did not impair the independence of Mr. Wheeler.

Following the selection of members of the Special Committee, the Special Committee determined to engage independent legal counsel and an independent financial advisor. The Special Committee interviewed representatives of multiple law firms and selected Norton Rose Fulbright US LLP ("*NRF*") to serve as legal counsel to the Special Committee and requested that NRF submit its terms of engagement.

On January 20, 2015, the Special Committee met to conduct interviews with representatives of three prospective financial advisors, including BMO, and invited representatives of NRF to attend. Prior to the financial advisor interview process, NRF discussed with the Special Committee legal principles of related-party transactions under Delaware law, including a review of a memorandum prepared by Richards Layton & Finger LLP, Delaware counsel to the Company, and a review of the qualifications of the members of the Special Committee. Thereafter, each of the three financial advisory firms provided a presentation to the Special Committee regarding their respective proposals to be engaged as the Special Committee's financial advisor.

On January 21, 2015, the Special Committee met, with representatives of NRF in attendance, to discuss the presentations provided to the Special Committee by the prospective financial advisors and determined to request that BMO submit their terms of engagement. The Special Committee also appointed Mr. Chandiramani as chairman of the Special Committee in place of Mr. Wheeler and reviewed a draft of the resolutions of the Company Board setting forth the authority and powers of the Special Committee as constituted on December 15, 2014, including delegable powers of the Company Board, a statement of purpose and scope of authority. The Special Committee prepared a list of requested revisions that would broaden the scope of its authority and powers for presentation to the full Company Board.

On January 22, 2015, David A. Brooks, COO and General Counsel of the Company, and representatives of NRF discussed aspects of the proposed transaction, including the necessity of Ashford Trust receiving the Private Letter Ruling from the IRS as a condition to any transaction, and the draft of an engagement letter received from BMO regarding BMO's engagement as financial advisor to the Special Committee.

Later that day, Mr. Brooks and representatives of NRF spoke with representatives of Ernst & Young LLP, tax advisor to the Company, regarding the requirements and terms needed in a request for the Private Letter Ruling.

On January 27, 2015, the Special Committee met with representatives of NRF to review the proposed terms of the engagement letter previously provided to the Special Committee by NRF and the draft engagement letter provided by BMO. The Special Committee requested that NRF forward a

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draft of the BMO engagement letter reflecting the Special Committee's revisions to Mr. Brooks for his comments. Following the receipt of Mr. Brooks' comments, the Special Committee directed NRF to provide the revised draft of the engagement letter to BMO.

On January 30, 2015, the Special Committee and NRF executed a formal agreement setting forth the terms of NRF's engagement as legal counsel to the Special Committee.

On February 2, 2015, Robert W. Baird & Co. ("*Baird*"), financial advisor to the Bennetts, submitted a formal proposal to the Special Committee regarding a potential acquisition of the partnership interests of Remington by the Company (the "*Initial Remington Proposal*"). The Initial Remington Proposal included the following terms:

- The acquisition by the Company of 100% of the partnership interests in Remington;
- An acquisition price of $500 million, paid in the form of:
  - $250 million in cash;
  - $125 million in subordinated notes with a ten year term and an annual interest rate of 8.0%;
  - $125 million in a proposed new series of Class A stock to be issued by the Company, paying at least $9.0 million in annual dividends; and
  - 50,000 shares of a proposed new series of Class B stock to be issued by the Company with 50-to-one voting rights that would be convertible on an one-for-one basis into Class A stock.

Later that day, the Special Committee met with representatives of NRF. The participants discussed the proposed terms of the engagement of BMO and the Special Committee determined to engage BMO as financial advisor to the Special Committee on such terms. The Special Committee also discussed the Initial Remington Proposal and determined to request that BMO commence its financial analysis of Remington and the Initial Remington Proposal.

On February 3, 2015, the Special Committee formally engaged BMO as financial advisor to the Special Committee pursuant to an engagement letter.

On February 4, 2015, the Special Committee met with representatives of NRF and BMO. The participants continued their discussion of the Initial Remington Proposal. The Special Committee directed BMO to schedule a meeting between BMO and Baird to review and discuss the Initial Remington Proposal.

On February 9, 2015, the Special Committee met with representatives of NRF to review a memorandum prepared by NRF regarding revisions proposed by NRF to the draft resolutions of the Company Board empowering the Special Committee. The members of the Special Committee decided to deliberate further regarding such proposed revisions in advance of the full meeting of the Company Board scheduled for late February.

On February 11 and 12, 2015, BMO and NRF conducted on-site financial and legal due diligence at the offices of Remington, including discussions with Mr. Monty Bennett, Sheryl Ransome, Remington's SVP of Accounting, and Rob Haiman, Remington's Senior Vice President Chief Legal Officer.

On February 18, 2015, the Special Committee met with representatives of NRF and BMO. The participants discussed strategic initiatives at affiliated Ashford entities and how the strategic initiatives could affect the business and financial prospects of the Company and Remington. Representatives of BMO then informed the Special Committee about their discussions with representatives of Baird regarding the terms of the pricing and valuation of Remington set forth in the Initial Remington Proposal, including Baird's statement that it expected the Special Committee to make a counter

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proposal. The Special Committee then discussed precedents regarding special committee compensation at other publicly traded companies. The Special Committee then instructed NRF to send Mr. Brooks the information reviewed regarding such compensation precedents, the comments to the Company Board resolutions setting forth the authority and powers of the Special Committee and the results of the preliminary financial analysis provided to the Special Committee by BMO.

On February 19, 2015, NRF sent Mr. Brooks all of the information and documents as requested by the Special Committee the previous day.

On February 20, 2015, Mr. Wheeler raised with Mr. Monty Bennett the Special Committee's desire that as a condition to consummating any transaction, a majority of the voting power of the Company's stockholders, other than the Bennetts and their affiliates, should approve the transaction (the "*Unaffiliated Stockholder Approval*").

On February 27, 2015, the Special Committee met with representatives of NRF. The participants proposed revisions to the Company Board's resolutions setting forth the authority and powers of the Special Committee, including specifically authorizing the Special Committee to pursue other transactions as alternatives to the proposed Remington transaction. The Special Committee then discussed the Initial Remington Proposal and the terms of any counter proposal. The Special Committee determined to review the preliminary valuation analysis of Remington being prepared by BMO before responding to Remington's proposal. Following this discussion, the Special Committee requested that NRF provide the NRF memorandum provided to the Special Committee on February 9 to Mr. Brooks and discuss the extent of the Special Committee's authority and powers with Mr. Brooks. NRF proposed that the Special Committee retain Delaware counsel to assist on matters of Delaware law.

On March 2, 2015, representatives of NRF met with Mr. Brooks to discuss the authority and powers of the Special Committee. They discussed the Special Committee's view that the Special Committee should have the power to pursue alternative transactions. They also discussed the need to set the Special Committee's compensation promptly, and organizational matters regarding the Special Committee. Finally, they discussed the retention of Morris, Nichols, Arsht & Tunnell LLP ("*Morris Nichols*") as legal counsel to advise the Special Committee on matters of Delaware law.

On March 3, 2015, representatives of NRF again discussed with Mr. Brooks the request for making explicit the Special Committee's powers to solicit and receive alternative proposals in the proposed Board resolutions setting forth the authority and powers of the Special Committee.

Later, on the same day, the Company Board adopted resolutions authorizing and empowering the Special Committee to exercise all lawfully delegable powers of the Company Board in accordance with a statement of purpose and authority that included, among other items, the power and authority to solicit, negotiate and evaluate any alternative to the potential transaction with Remington and to engage independent counsel and financial advisors.

On March 11, 2015, the Special Committee held a meeting with representatives of NRF and BMO. The participants reviewed and discussed presentation materials prepared by BMO regarding Remington and the Initial Remington Proposal with representatives of NRF and BMO, and what the Special Committee's response would be, including any counter proposal to the Initial Remington Proposal.

On March 13, 2015, the Special Committee reconvened the meeting and the participants continued their discussion.

On March 18, 2015, BMO, at the instruction of the Special Committee, delivered to Baird a non-binding preliminary term sheet setting forth the terms of the Special Committee's counter-offer for the acquisition of all of the ownership interests of Remington by the Company based upon a valuation of Remington of $310 million.

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On March 30, 2015, representatives of NRF spoke with representatives of Baker Botts LLP ("*Baker Botts*"), legal counsel to the Bennetts, regarding a potential transaction and the status of legal due diligence review of Remington.

On March 31, 2015, Mr. Reihsen spoke with Mr. Monty Bennett regarding the terms of the counter-offer for the proposed transaction.

On April 1, 2015, representatives of NRF and Baker Botts discussed the Company's IRS consultation regarding the Private Letter Ruling request.

On April 2, 2015, the Special Committee, Mr. Monty Bennett, Mr. Brooks and representatives of NRF, Baker Botts, BMO and Baird met to discuss the Initial Remington Proposal and the Special Committee's counter-offer, including the structure of the proposed transaction. Mr. Monty Bennett made a presentation supporting a $500 million valuation for Remington and a summary of potential Ashford Trust transactions that would positively impact the valuation of Remington. The Special Committee and BMO requested additional financial information of Remington for review to determine whether to revise any of the assumptions and components in BMO's valuation analysis and financial projections for Remington. Mr. Monty Bennett informed the Special Committee that he and his father, Mr. Archie Bennett, Jr., would only consider a transaction that satisfied the following key requirements:

- The transaction must permit the Bennetts to maintain a 20% limited partnership interest in Remington;
- The transaction consideration received by the Bennetts must be tax free to the Bennetts; and
- As the transaction did not include a significant cash payment to the Bennetts as part of the transaction consideration, the transaction consideration must be structured to provide a minimum level of annual cash flow to the Bennetts from the equity consideration to be issued to the Bennetts.

On April 10, 2015, the Special Committee, Mr. Monty Bennett, Mr. Haiman and representatives of NRF and Baker Botts discussed the Unaffiliated Stockholder Approval. Mr. Monty Bennett explained that by a resolution of the board of directors of Ashford Trust, the directors of Ashford Trust that had been deemed "independent" under applicable stock exchange rules would determine how to vote the shares of the Company's common stock held by Ashford Trust. Because the decision on how Ashford Trust would vote its shares of the Company's common stock was to be determined by these directors, Mr. Monty Bennett suggested that Ashford Trust be deemed a stockholder not affiliated with the Bennetts for the purposes of the Unaffiliated Stockholder Approval. The participants also discussed that a transaction would require Ashford Trust to divest a significant portion of its ownership interest in Ashford to an ownership position of no more than 10% of the outstanding shares of the Company's common stock in order for Ashford Trust to satisfy certain REIT qualification tests under the Code. Mr. Monty Bennett stated that to accomplish this, it was likely that Ashford Trust would either sell a material portion of its stock in the Company to Ashford Prime or distribute a material portion of its stock in the Company to Ashford Trust's stockholders. Mr. Monty Bennett further discussed the potential for establishing special committees at both Ashford Trust and Ashford Prime to enable both companies to vote their Company shares as stockholders unaffiliated with the Bennetts for the purposes of the Unaffiliated Stockholder Approval.

On April 14, 2015, the Special Committee (other than Mr. Chandiramani), met with representatives of NRF. The participants discussed the valuation analysis regarding Remington provided to the Special Committee by Baird. Following such discussion, the Special Committee instructed BMO to hold discussions with Remington's management to gather information to enable the Special Committee to further evaluate the projections included in Baird's valuation materials.

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On April 21, 2015, representatives of NRF discussed with Mr. Monty Bennett, Mr. Haiman and Baker Botts the background of, and the Bennetts' relationships with, the directors of Ashford Trust and Ashford Prime that had been deemed "independent" under applicable stock exchange rules. The purpose of the discussion was to explore establishing special committees of the board of directors at Ashford Trust and Ashford Prime that would be given the power to vote the shares of the Company's stock held by each such entity with respect to any transaction between the Company and Remington. Mr. Monty Bennett identified directors he believed were disinterested for the purposes of the proposed transactions and should be considered to be members of the proposed respective special committees.

On April 23, 2015, the Special Committee and BMO held a series of meetings, both among themselves and with Remington's management, regarding BMO's financial analysis of Remington, including the need to collect additional information regarding Remington's business prospects in order to model Remington's financial projections and to further evaluate the value of Remington.

On April 28, 2015, the Special Committee and representatives of NRF and BMO discussed BMO's financial analysis of Remington, including an overview of financial projections prepared by Remington based on assumptions that Ashford management believed were reasonable and that reflected Ashford management's best available estimate of acquisitions by Ashford Trust and Ashford Prime at such time. BMO's further analysis, taking into account the additional information provided by Remington, supported an increased preliminary valuation of Remington in the range of approximately $400 to $420 million.

On April, 29, 2015, the Special Committee communicated to Mr. Monty Bennett that the Special Committee would entertain negotiations for the acquisition of 80% of the limited partnership interests in Remington and the general partnership interests in Remington by the Company on a tax free basis (other than with respect to a limited amount of cash or notes to be received) based upon a valuation of Remington of $408 million.

On May 1, 2015, the Special Committee met with representatives of NRF. The participants discussed strategies for structuring a transaction to combine Remington's and the Company's businesses in a manner that would be acceptable to the Company and also meet the key requirements of the Bennetts. The participants further discussed the inclusion of Ashford Trust and Ashford Prime as stockholders unaffiliated with the Bennetts for purposes of the Unaffiliated Stockholder Approval.

On May 4, 2015, Mr. Wheeler and representatives of BMO discussed indications from Baird regarding the valuation of Remington that would be set forth in a counter-offer to be submitted by Remington to the Special Committee.

On May 6, 2015, Remington submitted a term sheet to the Special Committee setting forth the structure and terms of a proposed transaction whereby the Company would acquire an 80% limited partnership interest in Remington and 100% of the general partnership interests in Remington in exchange for consideration of approximately $342 million, which was based upon a $428 million valuation of Remington. The proposed structure utilized the creation of Newco as a newly formed subsidiary of the Company and Newco Sub as a wholly owned subsidiary of Newco. The consideration proposed was a $10 million promissory note paid over four years; $250 million in convertible preferred stock, paying dividends at a rate of 8.0% per annum, to be issued by Newco; and $80 million in common stock to be issued by Newco. The proposal also contemplated the Company contributing substantially all of its business to Newco and Newco would, in turn, contribute the acquired Remington limited partnership interests to Newco Sub, which would then acquire the general partnership interest in Remington directly. The proposed structure was intended by Remington to largely achieve the objectives of the Company and the Bennetts (including the requirements of the Bennetts described by Mr. Monty Bennett on April 2) and to comply with the terms of the Private Letter Ruling request.

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Later that day, the Special Committee met with representatives of NRF and BMO. The participants discussed the terms and structure of the counter-offer submitted by Remington, including the form and amount of consideration and preliminary financial analysis implied by the counter-offer. The participants then proposed a list of issues to be discussed with Remington and its advisors regarding the proposal.

On May 8, 2015, the Special Committee, Mr. Monty Bennett and representatives of BMO, NRF and Baker Botts discussed the term sheet submitted by Remington on May 6. The parties discussed the Bennetts' key requirements to structure a transaction that would continue the annual cash flow they have been receiving from Remington, allow them to maintain some level of control over the business of Remington and have the transaction consideration be tax free to them. The parties then discussed the legal structure of the proposed transaction, and the form and amount of the proposed consideration to be paid to the Bennetts and Remington Holdings GP.

On May 11, 2015, representatives of BMO and NRF met with representatives of Baird and Baker Botts to solicit additional information regarding the structure and form of consideration set forth in the term sheet submitted by Remington on May 6.

Later that same day, the Special Committee met with representatives of NRF and BMO. The participants discussed the counter-offer term sheet submitted by Remington on May 6, including the proposed structuring of the transaction. Issues raised included the transferring of all of the Company's business to a subsidiary that would not be wholly-owned by the Company, and the implications of tax and securities laws, including the Investment Company Act of 1940, as amended. The participants then discussed revising the term sheet to reflect a transaction proposal by the Special Committee, which proposal would include the elimination of debt-like features to the preferred stock and a valuation consistent with the Special Committee's prior valuation. Finally, the participants discussed issues related to considering Ashford Trust and Ashford Prime as being unaffiliated with the Bennetts for purposes of voting on the proposed transaction.

On May 12, 2015, representatives of NRF and Baker Botts discussed issues regarding the structuring of the transaction and the terms of the preferred stock to be issued by Newco as part of the proposed transaction consideration.

On May 13, 2015, Remington submitted a term sheet to the Special Committee setting forth the structure and terms discussed between NRF and Baker Botts on the previous day, which reflected the revisions discussed between the Special Committee, NRF and BMO on May 11.

On May 14, 2015, Mr. Reihsen and representatives of NRF and Morris Nichols discussed legal standards of review and other legal principles applying Delaware law, and the implications if Ashford Trust and Ashford Prime were treated as stockholders unaffiliated with the Bennetts for the purposes of the Unaffiliated Stockholder Approval.

On May 18, 2015, the Special Committee met with representatives of NRF and BMO. BMO provided a financial presentation to the Special Committee regarding the structure and form of consideration of the proposed transaction with Remington. The participants then discussed structuring issues, including the amount of consideration and tax and Investment Company Act implications.

On May 20, 2015, the Special Committee met with representatives of NRF and BMO. BMO provided a financial presentation to the Special Committee regarding the structure of the proposed transaction with Remington and the form and amount of consideration to be offered. The presentation included the dilutive effect of the preferred and common shares proposed to be issued by Newco on the Company's outstanding common stock held by stockholders other than the Bennetts and their affiliates. NRF then discussed legal standards of review and other legal principles applying Delaware law, as well as the implications if Ashford Trust and Ashford Prime were treated as stockholders not affiliated with the Bennetts with respect to the Unaffiliated Stockholder Approval. The Special

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Committee determined to provide a revised term sheet to Remington setting forth the Special Committee's transaction proposal, which was for an 80% limited partnership interest in Remington and 100% of the general partnership interests in Remington for approximately $334 million in consideration, based upon a valuation of Remington of approximately $418 million. The terms included preferred stock as part of the consideration in the amount of $160 million with a dividend of 6.5% per annum, but did not include the Unaffiliated Stockholder Approval as a condition to the consummation of the transactions. The Special Committee also instructed NRF to begin drafting the principal transaction documents that set forth the Special Committee's proposal.

On May 26, 2015, NRF sent working drafts of an acquisition agreement and investor rights agreement to the Special Committee for their review and comment.

On May 27, 2015, the Special Committee met with representatives of NRF and BMO. BMO updated the Special Committee on their conversations with Baird regarding the proposed transaction terms, including the desire of the Bennetts and Remington Holdings GP to receive a minimum amount of annual cash flow from the preferred stock and promissory note they would receive in the proposed transaction. BMO then summarized for the Special Committee the results of its financial analysis of Remington and discussions with Remington's management regarding management's financial projections. The participants then discussed the NRF working drafts of the acquisition agreement and investor rights agreement.

On June 6, 2015, the Special Committee met with representatives of NRF and BMO. BMO reviewed financial considerations regarding the proposed transaction with Remington. BMO described the estimated annual cash flow that would be generated by the form and terms of the consideration proposed by the Special Committee. Mr. Reihsen and Mr. Wheeler then informed the participants about separate conversations with the Bennetts regarding the Special Committee's proposed transaction consideration. Following that discussion, the Special Committee resolved to submit to the Bennetts and their advisors the Special Committee's current proposal as set forth in the initial draft transaction documents prepared by NRF; to engage Riveron Consulting LLC ("*Riveron Consulting*") to perform accounting due diligence on Remington; and to amend the terms of NRF's engagement to include drafting and negotiating documentation regarding the proposed transaction.

On June 10, 2015, NRF sent the Special Committee's term sheet setting forth its proposal and initial drafts of the acquisition agreement, investor rights agreement and preferred stock certificate of designation to Baker Botts and the Bennetts for their review. The documents reflected aggregate consideration in the amount of $334 million for an 80% limited partnership interest in Remington and 100% of the general partnership interests in Remington, which would be paid in the form of a $10 million promissory note, $200 million in Newco preferred stock with a 7.25% dividend per annum, and $124 million in Newco nonvoting common stock. As consideration for the contribution of all of its assets to Newco, the Company would receive Newco voting common stock equal in number to the shares of Company common stock issued and outstanding. The Bennetts would have control rights with respect to certain aspects of Newco, Newco Sub and Remington by virtue of the rights inherent in the preferred stock to be issued to them, the 20% limited partnership interest in Remington to be retained by them, as well as contractual rights set forth in the investor rights agreement. Terms included (i) the requirement that Newco become a public company within three years after closing; (ii) non-compete and non-solicit covenants binding on the Bennetts; (iii) a fiduciary out termination right for the Company; (iv) the voting power of the Bennetts at the Company would be limited to pre-transaction levels; (v) closing conditions including the approval of the transactions by a majority of the voting power of the Company's stockholders; and (vi) certifications by Mr. Monty Bennett, in his capacity as the Chief Executive Officer of the Company, that the representations and warranties made by the Company would be true and correct as of the execution date of the transaction documents and also as of the date the transactions were consummated. Per the instructions of the Special Committee, the draft transaction documents did not require the Unaffiliated Stockholder Approval.

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On June 18, 2015, the Special Committee met with representatives of NRF and BMO. BMO reviewed with the Special Committee its financial analysis with respect to the proposed transaction with Remington. BMO also provided the Special Committee a comparison of the aggregate consideration to be paid to the Bennetts and Remington Holdings GP, and the components thereof, set forth in the previous proposals generated both by the Special Committee and the Bennetts, including the estimated annual amount of cash flow that would be paid to the Bennetts and Remington Holdings GP based upon an analysis of aggregate cash flows estimated to be generated by the Company following the consummation of the transactions provided by Baird on June 15, 2015. The Special Committee also considered additional information on the Ashford Prime platform, for which the Company and Remington provide management services, and the potential impact on the Company's and Remington's businesses. The Special Committee requested that BMO and management further update the financial analysis and preliminary valuation of Remington for its consideration.

On June 19, 2015, Baker Botts provided a revised draft of the acquisition agreement to NRF. The revised draft included, among other revisions, substantially reduced representations and warranties to be made by the Bennetts and expanded representations and warranties to be made by the Company.

On June 22, 2015, representatives of NRF met with Mr. Wheeler to review a list of issues identified by NRF in the draft transaction documents, which Mr. Wheeler intended to discuss with Mr. Monty Bennett. The issues included the following:

whether the Company would have a fiduciary out termination right that included both superior proposals and intervening events;

whether the Bennetts would be able to increase their voting power at the Company;

whether the Company should make substantive representations and warranties to, or indemnify, the Bennetts, including Mr. Monty Bennett, the Chairman and CEO of the Company;

whether a stockholder vote on the transactions would be required under Delaware law and NYSE MKT regulations;

whether the Company would have a long-term noncompetition agreement from the Bennetts;

the amount and form of the consideration to be paid to the Bennetts upon exercise of the put and call rights for the equity interests to be issued to them;

whether the Bennetts would make joint and several representations and warranties to the Company;

the amount of a Company termination fee, if any, that would be payable to the Bennetts if the Company terminated the acquisition agreement and consummated a superior offer with a third party;

whether the Bennetts' put right with respect to the equity interests to be issued to them would be exercisable upon a substantial change in the composition of the Company Board;

whether the Company's call right with respect to the equity interests in Newco to be issued to the Bennetts would also apply to all of their retained 20% limited partnership interests in Remington, whether or not still held by the Bennetts; and

whether the back office services historically provided by Remington to the Bennetts should continue, and on what terms, following the consummation of the transaction.

Later that day, Baker Botts provided revised drafts of the preferred stock certificate of designation and investor rights agreement to NRF. The revised drafts included, among other revisions, a put right in favor of the Bennetts and their permitted transferees for the Newco equity and retained 20% limited

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partnership interests in Remington that would be triggered upon a change of control of the Company, including a substantial change in the composition of the Company Board.

On June 24, 2015, representatives of NRF spoke with representatives of Baker Botts and Mr. Haiman regarding the terms set forth in the draft transaction documents. The discussions included:

The parties agreed that a fiduciary out termination right for the Company in the event of a intervening event or an unsolicited superior offer was acceptable to the Bennetts; however, they did not agree upon an intervening event termination right in favor of the Company.

The parties agreed that a limitation on the Bennetts' voting rights with respect to the Company would be acceptable, but they did not agree on the percentage limit nor on which persons would be included in the Bennetts' controlled group for such purpose.

The parties agreed that the contribution of all of the Company's assets to Newco would require the approval of the Company's stockholders at a special meeting of stockholders.

The parties discussed the termination fee the Company would be required to pay to the Remington Holders if the acquisition agreement were terminated by the Company based upon the fiduciary out. NRF expressed the Special Committee's view that a termination fee should be no more than 1% of the proposed transaction value. Baker Botts and Mr. Haiman expressed the Bennetts' desire for a termination fee in the range of 3% to 5% of the transaction value.

The parties discussed whether the Bennetts would receive any securities issued by Newco that would have voting rights, and, if so, whether the Bennetts would be subject to a limitation on voting power at Newco.

The parties discussed whether the Company would indemnify the Bennetts for breaches by the Company, and NRF expressed the Special Committee's belief that such indemnification was inappropriate because the public stockholders should not bear the economic burden of indemnifying the Bennetts for breaches of representations made by the Company, because Mr. Monty Bennett, in his capacity as Chairman and Chief Executive Officer of the Company, has substantial management responsibility for, and knowledge of, the operations of the Company.

The parties discussed the scope of the non-compete that would restrict the Bennetts. Baker Botts and Mr. Haiman proposed a five year term with an additional two years from Mr. Monty Bennett's termination of employment with the Company and that, with respect to exclusivity of business, if the Company declined an opportunity to acquire a lodging property, the Bennetts would be permitted to acquire the property, without any requirement to use Remington as the manager.

With respect to the 20% limited partnership interest in Remington to be retained by the Bennetts, for the purposes of the put right exercisable upon a change of control, Baker Botts and Mr. Haiman outlined a proposal using a fixed multiple of annual EBITDA to determine the consideration to be paid.

With respect to the investor rights agreement, Baker Botts and Mr. Haiman proposed that the call right for the Newco equity to be issued to the Bennetts would become exercisable by Newco after five years, but would only be exercisable for cash consideration and not for common stock of the Company.

The equity transfer restrictions binding the Bennetts were substantially agreed to as drafted, subject to the Bennetts being able to freely transfer their equity interests for estate planning purposes.

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The parties did not resolve the amount of net working capital required to be maintained at Remington.

The parties did not resolve the conversion premium to be paid by the Bennetts if Newco exercised its call right for its securities issued in the transaction.

On July 10, 2015, the Special Committee met with representatives of NRF and BMO. The Special Committee received an update from Riveron Consulting, financial due diligence advisor to the Special Committee, on the accounting due diligence on Remington performed by them. Mr. Wheeler then provided a summary of the status of ongoing discussions between himself and Mr. Monty Bennett with respect to the terms and structure of the proposed transaction with Remington.

On July 13, 2015, representatives of NRF met with representatives of Baker Botts and Mr. Haiman regarding outstanding issues arising from the most recent draft transaction documents. The parties discussed put and call mechanics. Mr. Haiman described for the parties agreements, arrangements and understandings raised during the due diligence review of Remington, including leased office space, the Marietta, Georgia managed location being operated through a limited partnership and Ashford Investment Management, LLC, an investment advisor registered with the SEC, which manages investments on a discretionary basis for certain managed accounts and private investment funds, and which is partially owned by Mr. Monty Bennett.

On July 16, 2015, NRF provided a revised draft of the acquisition agreement to Baker Botts, based upon the discussions with Baker Botts and Mr. Haiman and comments provided by the Special Committee. Among other changes to the previous Baker Botts draft, the revised draft included a termination fee payable by the Company of 1% of the proposed transaction value, substantially increased the breadth of the representations and warranties made by the Bennetts and reduced the breadth of the representations and warranties made by the Company. In addition, the revised draft eliminated the indemnity provisions for breaches of the agreement, thereby not requiring contractual indemnity as the sole and exclusive remedy and allowing the parties to pursue all remedies available under applicable law. The revised draft did, however, maintain dollar limitations on the amount of damages recoverable for breaches of representations and warranties with both a deductible and cap.

On July 19, 2015, NRF provided a revised draft of the investor rights agreement to Baker Botts, which had been revised based upon the discussions with Baker Botts and Mr. Haiman and comments provided by the Special Committee.

On July 21, 2015, NRF provided a revised draft of the preferred stock certificate of designation to Baker Botts, which had been revised based upon the discussions with Baker Botts and Mr. Haiman and comments provided by the Special Committee.

On July 22, 2015, representatives of NRF met with representatives of Baker Botts and Mr. Haiman to further discuss open items in the draft transaction documents, as well as notes prepared by Mr. Monty Bennett summarizing his understanding of agreements and open items resulting from discussions between himself and Mr. Wheeler. Discussions included the scope of the non-compete that would be binding on the Bennetts and the duration of transfer restrictions that would be binding on the Newco equity issued to the Bennetts. In addition, Mr. Haiman provided additional information regarding items raised in due diligence on Remington, including existing business agreements and arrangements between Remington and the Company.

On July 25, 2015, Baker Botts provided to NRF revised drafts of the acquisition agreement, investor rights agreement and certificate of designation for the Newco preferred stock based upon discussions with NRF and comments provided by the Bennetts. Among other changes, the revised draft of the investor rights agreement provided the Bennetts with more lenient equity transfer restrictions, but included the concept of a right of first refusal in favor of the Company with respect to the 20% limited partnership interest in Remington retained by the Bennetts.

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On July 28, 2015, representatives of NRF and Baker Botts discussed open items of the terms set forth in the draft transaction documents related to taxes.

On July 29, 2015, representatives of NRF and Baker Botts continued discussions on open items of the terms of the transaction set forth in the draft documents.

On July 30, 2015, the Special Committee met with NRF. NRF provided a summary of the unresolved items based on recent discussions with Baker Botts, including the $100 per share valuation of the Company's common stock implied by the transaction consideration, put and call provisions applicable to the Newco equity to be issued to the Bennetts, the fiduciary out termination right for the Company, equity transfer restrictions binding on the Bennetts, and voting restrictions regarding the Company's common stock to be imposed upon the Bennetts. The participants then discussed the progress and status of on-going negotiations.

Later that same day, Mr. Wheeler and representatives of NRF discussed with Baker Botts, Mr. Haiman and Mr. Monty Bennett the draft transaction documents. The discussions included:

The terms of the Company's fiduciary out termination right.

The duration and the recipients of the control rights associated with the Newco preferred stock. It was agreed that the control rights would not be embedded rights of the preferred stock, but contractual rights of specified holders that would expire. Therefore, it was agreed that the provisions would be deleted from the preferred stock certificate of designation and included in the investor rights agreement so that they would be subject to contractual expiration and transfer restrictions.

The Bennetts' position that as part of their on-going cash flow requirement in the transaction, they had assumed receiving at least five years of dividends on the Newco preferred stock. Therefore, they requested an additional make-whole dividend in the event the put right in favor of the Bennetts was exercised prior to the fifth anniversary of the closing of the proposed transaction, which would provide the Bennetts with their expected five year cash flow.

The terms and level of a voting limitation on the Bennetts' ability to vote their shares of the Company's common stock, including subsequently acquired shares of the Company's common stock that may be issued to the Bennetts as a result of the exercise of the put right or call right set forth in the transaction documents. The level of voting limitation was initially proposed to be 20.7% of the voting power of the issued and outstanding common stock of the Company based on the Bennetts' and their affiliates' current holdings. Mr. Monty Bennett proposed a four year term for such restriction.

Whether the proposed floating conversion ratio with respect to the Company's common stock that could potentially be issued upon the exercise of the put right or call right would result in a "future priced security" under the NYSE MKT rules.

The payment terms if the Company exercised its right of first refusal with respect to any proposed transfer of the 20% limited partnership interest in Remington retained by the Bennetts.

The duration of the equity transfer restrictions binding on the Bennetts, including expiration by the passage of time and expiration upon the occurrence of specified events.

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Later that same day, NRF provided revised drafts of the acquisition agreement, investor rights agreement and certificate of designation to Baker Botts, which had been revised based upon the discussions among the parties earlier that day.

On August 1, 2015, Baker Botts provided revised drafts of the acquisition agreement and preferred stock certificate of designation to NRF, which had been revised based upon Baker Botts' consultation with the Bennetts.

Later that same day, representatives of NRF and Baker Botts and Mr. Haiman discussed open items and comments to the acquisition agreement provided by Baker Botts.

On August 2, 2015, Baker Botts provided revised drafts of the acquisition agreement and the investor rights agreement to NRF, which had been revised based upon the parties' discussion on August 1 and Baker Botts' subsequent consultation with the Bennetts. Among other revisions, the revised draft of the acquisition agreement included a termination fee payable by the Company of 3% of the proposed transaction value, and introduced a fiduciary out termination right in favor of the Bennetts, designed to mirror the Company's fiduciary out termination right, and an equivalent termination fee that would be payable by the Company to the Bennetts of 3% of the proposed transaction value.

On August 3, 2015, NRF provided a revised draft of the investor rights agreement to Baker Botts based upon NRF's consultation with the Special Committee.

On August 4, 2015, NRF provided revised drafts of the acquisition agreement, investor rights agreement and preferred stock certificate of designation to Baker Botts. Among other revisions, the drafts eliminated the fiduciary out termination right and related termination fee in favor of the Bennetts that was introduced in the draft received from Baker Botts on August 2.

That same day, Mr. Brooks informed the Special Committee that Ashford Prime had entered into an agreement to acquire, on August 5, 2015, 174,983 shares of the Company's common stock in a block trade from an unaffiliated third party, equivalent to approximately 8.8% of the Company's common stock then outstanding, at a purchase price equal to $95.00 per share.

On August 5, 2015, Baker Botts provided a revised draft of the acquisition agreement to NRF. Among other changes, the revised draft qualified the representations and warranties made by the Bennetts to eliminate liabilities incurred by Remington in its capacity as an agent conducting management services.

Later that same day, Mr. Wheeler, representatives of NRF, Mr. Monty Bennett, Mr. Haiman and representatives of Baker Botts discussed the open items, progress and status of the draft transaction documents circulated over the past few days.

On August 6, 2015, Baker Botts provided NRF with an initial draft of Remington's disclosure schedules to the representations and warranties set forth in the acquisition agreement.

Later that same day, representatives of NRF and Baker Botts discussed tax matters arising from the provisions in the draft transaction documents, with a focus on the tax free treatment of the transaction consideration for the Bennetts.

Later that same day, Mr. Wheeler, representatives of NRF, Mr. Haiman and representatives of Baker Botts discussed the revised drafts of the transaction documents circulated over the past few days.

That evening Mr. Haiman provided revisions to the draft representations and warranties proposed to be made by the Bennetts in the acquisition agreement. The draft revisions narrowed the limitations of the Bennetts' representations and warranties regarding Remington's liability as an agent in the performance of management services.

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On August 7, 2015, NRF provided Baker Botts with drafts of the acquisition agreement and investor rights agreement per the parties' discussion on August 6, and an initial draft of the proposed Remington limited partnership agreement.

On August 9, 2015, Baker Botts provided a revised draft of the acquisition agreement and Remington limited partnership agreement to NRF, based upon consultation with the Bennetts. Among other revisions, the drafts included, as a condition to the Bennetts' obligations to consummate the transactions, their receipt of a satisfactory opinion of their tax counsel that (i) the exchange of certain specified securities of Remington for Newco common stock and Newco preferred stock in the transaction will qualify as a tax-free exchange under the Code, (ii) the Newco preferred stock will not be treated as nonqualified preferred stock (within the meaning of the Code), and (iii) the Bennetts will not recognize any taxable gain or income as a result of such exchange.

On August 13, 2015, Baker Botts provided to NRF drafts of the acquisition agreement, investor rights agreement, preferred stock certificate of designation, Remington limited partnership agreement and Remington's disclosure schedules to the acquisition agreement. Baker Botts informed NRF the drafts constituted the best and final offer of the Bennetts and were not subject to negotiation. Among other revisions, the drafts retained the conditions to the Bennetts' obligations to consummate the transactions set forth in the August 9 drafts, including a fiduciary out termination fee in favor of the Remington Holders of 2% of the proposed transaction value, plus out-of-pocket costs and expenses actually incurred by the Remington Holders in connection with the negotiation of the proposed transaction.

On August 19, 2015, the Special Committee met with representatives of NRF and BMO. The participants discussed the terms of the drafts provided by Baker Botts that constituted the best and final offer of the Bennetts. The Special Committee then provided NRF with a list of terms to which the Special Committee did not intend to agree, and directed NRF to prepare a summary of such terms for the Special Committee's use in approaching Mr. Monty Bennett to engage in further discussions.

On August 21, 2015, NRF provided the Special Committee with the requested summary, which Mr. Wheeler then provided to Mr. Monty Bennett.

On August 25, 2015, the Special Committee met with NRF. The participants discussed the summary of terms previously prepared by NRF.

Prior to a planned evening meeting of the Special Committee and Mr. Monty Bennett, Baker Botts provided NRF with revised drafts of the acquisition agreement, investor rights agreement, preferred stock certificate of designation and Remington limited partnership agreement, which reflected the Bennetts' proposed responses to the NRF summary provided by Mr. Wheeler to Mr. Monty Bennett on August 21. Baker Botts informed NRF that Mr. Monty Bennett intended to provide the revised drafts to the members of the Special Committee during the meeting scheduled for that evening.

That evening all members of the Special Committee met with Mr. Monty Bennett and Mr. Haiman to discuss the summary of terms prepared by NRF and the Bennetts response. Discussions included:

- The Bennetts wanted to nominate at least one member of the three member board of directors of Newco Sub. The Special Committee agreed, provided that the directors of Newco Sub were selected from the independent members of the Company's board of directors.

- The Newco nonvoting common stock to be received by the Bennetts would not automatically convert into voting common stock after three years, as had been requested by the Bennetts.

- The Company would pay in cash for up to $2,750,000 of the Bennetts' transaction costs incurred in connection with the transaction in exchange for an equivalent reduction in the transaction consideration, to be deducted from the Newco nonvoting common stock to be issued to the Bennetts at a valuation of $100 per share.

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There would be no purchase price collar on the Company's right of first refusal regarding the 20% retained Remington limited partnership interests.

The parties agreed upon the method for allocating transaction consideration to the Bennetts' covenant not to compete.

The tax-related conditions to the Bennetts' obligations to consummate the transactions introduced in the August 9 draft would remain in the acquisition agreement.

The termination date set forth in the acquisition agreement was extended from March 30, 2016 to June 30, 2016.

On August 26, 2015, Mr. Reihsen and representatives of NRF compared the drafts of the transaction documents distributed by Baker Botts on August 25 and the agreements between the Special Committee and Mr. Monty Bennett the previous night.

On August 28, 2015, NRF provided the Special Committee with a summary comparison of the Special Committee's position with respect to the terms discussed with Mr. Monty Bennett and Mr. Haiman at the meeting on August 25 and the applicable provisions of such terms set forth in the revised transaction documents provided by Baker Botts on August 25.

Later that same day, Mr. Reihsen informed Mr. Monty Bennett that NRF would distribute revised drafts of the transaction documents to reflect the Special Committee's position with respect to such terms. NRF subsequently distributed revised drafts of the acquisition agreement, Remington limited partnership agreement, certificate of designation, investor rights agreement, and Newco's certificate of incorporation. Mr. Monty Bennett subsequently responded that the drafts provided by Baker Botts on August 25 were the Bennetts' best and final offer and the drafts revised by NRF would not be reviewed.

On August 31, 2015, representatives of NRF asked if they could explain the August 28 revisions to the proposed drafts to representatives of Baker Botts and Mr. Haiman. Mr. Haiman and Baker Botts informed NRF that they did not have authority to engage in negotiations or to comment on the changes, but they did agree to participate in NRF's review of the drafts.

On September 1, 2015, representatives of NRF, Baker Botts and Mr. Haiman discussed the changes proposed by NRF in the August 28 draft transaction documents. Mr. Haiman informed the participants that he and Baker Botts had been granted authority by the Bennetts to engage in discussions of the open terms. Mr. Haiman provided detail of the Bennetts' view that the Newco nonvoting common stock should convert to Newco voting common stock upon the occurrence of an initial public offering by Newco, which was required to occur within three years pursuant to the investor rights agreement.

Later that day, Baker Botts provided NRF with revised drafts of the transaction documents. Following receipt of the revised drafts, representatives of NRF, Baker Botts and Mr. Haiman discussed the revised drafts.

On September 2, 2015, Baker Botts provided NRF with revised drafts of the transaction documents. Later that day, representatives of NRF, Baker Botts and Mr. Haiman discussed the revised drafts.

On September 3, 2015, Baker Botts provided NRF with revised drafts of the investor rights agreement and Remington limited partnership agreement based upon the discussion held the previous day.

On September 4, 2015, the Special Committee discussed with representatives of NRF the revisions proposed by Baker Botts over the previous three days and the open terms reflected therein. Later that day, NRF prepared and distributed a summary of the open terms to the Special Committee.

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On September 8, 2015, Baker Botts provided NRF with revised drafts of the transaction documents.

Later that day, NRF and Mr. Wheeler discussed the open terms reflected in the drafts of the transaction documents and the Special Committee's position with respect thereto. The focus of the discussion was the conversion of Newco nonvoting common stock to Newco voting common stock and the extent and duration of voting restrictions imposed upon the Bennetts at Newco.

Later that day, representatives of NRF and Baker Botts discussed the extent and duration of the voting restrictions imposed upon the Bennetts at Newco. Baker Botts proposed a voting limitation of 25% at such time as a shareholder rights plan was adopted that would ensure that no other stockholder of Newco could hold voting power of Newco in excess of 25%.

Subsequently, representatives of NRF, Mr. Haiman and Mr. Monty Bennett and Mr. Wheeler discussed the extent and duration of the voting restrictions imposed upon the Bennetts with respect to the voting common stock of Newco, including the proposal described by Baker Botts.

On September 9, 2015, Baker Botts provided NRF with revisions to the transaction documents previously distributed by NRF reflecting the Bennetts' proposed responses to all open terms.

Later that day, representatives of NRF, BMO and Baker Botts, the Special Committee, Mr. Haiman, and Mr. Monty Bennett discussed the proposed revisions previously distributed by Baker Botts. Following discussion and debate, all of the proposed revisions were accepted by the Special Committee, subject to minor revisions to be made by NRF. Following the minor revisions made by NRF, the parties agreed that the draft transaction documents were in acceptable form to present to the Special Committee for their deliberation of whether to submit the transactions and the transaction documents to the Company Board for its consideration.

On September 11, 2015, the following documents were distributed to the Special Committee for their review and consideration: a complete set of drafts of the transaction documents, the Riveron Consulting financial due diligence report, a memorandum prepared by the Company regarding the anticipated accounting treatment of the transactions, BMO's fairness presentation, a draft press release prepared by the Company announcing the transactions, a draft conference call script prepared by the Company for Company management announcing the transactions, a draft investor presentation prepared by the Company's management regarding the transactions, and draft talking points prepared by the Company for Company management regarding the transactions. Later that day, Mr. Brooks distributed the complete set of drafts of the transaction documents to the Company Board, including the Special Committee.

On September 14, 2015, the Special Committee held a meeting with representatives of NRF and BMO in attendance. At the request of the Special Committee, BMO rendered an oral opinion to the Special Committee, which was subsequently confirmed in a written opinion dated as of the same date, to the effect that as of September 14, 2015, and based upon and subject to the assumptions made, matters considered and limitations and qualifications upon the review undertaken by BMO, the consideration to be paid by the Company in the proposed transaction was fair, from a financial point of view, to the Company. After discussion, the Special Committee then unanimously determined that the transaction and the proposed transaction documents were advisable, fair to, and in the best interests of the Company and its stockholders, approved and adopted the transaction documents and the transactions and recommended that: (i) the Company Board approve and adopt the transaction documents and the transactions; and (ii) the Company's stockholders, to the extent required by applicable law or the terms of the Company's listing on the NYSE MKT, approve and adopt the transaction documents and the transactions.

Later that day, Mr. Brooks distributed the following documents to the Company Board, including the Special Committee: a draft press release prepared by the Company announcing the transactions, a

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draft conference call script prepared by the Company announcing the transactions, a draft investor presentation prepared by the Company's management regarding the transactions, and a draft Form 8-K regarding the transactions.

On September 17, 2015, a meeting of the Company Board was convened. Mr. Monty Bennett and Mr. J. Robison Hays, III excused themselves after the meeting had been called to order and did not participate in the subsequent discussions. The members of the Company Board had previously been provided with a summary of the terms of the transaction documents and drafts of proposed resolutions for adoption by the Company Board. The Company Board reviewed the documents provided for their review. Representatives of BMO were also in attendance at the meeting and described BMO's financial analysis of the transaction. After discussion, the Company Board, unanimously, with Mr. Monty Bennett and Mr. Hays recusing themselves: (i) approved and adopted the favorable recommendation of the Special Committee in respect of the transactions and the transaction documents; (ii) approved the form, terms and provisions of the transaction documents; and (iii) determined to recommend that the stockholders of the Company vote to approve the transactions to the extent required by applicable law or the terms of the Company's listing on the NYSE MKT.

Later that same day, the parties executed the acquisition agreement.

On September 18, 2015, the Company issued a press release and filed a Form 8-K announcing the execution of the acquisition agreement and the transactions.

Reasons for the Transactions; Recommendation of the Special Committee; Recommendation of the Board of Directors

Recommendation of the Special Committee

The Special Committee, acting with the advice and assistance of its independent legal and financial advisors, evaluated and negotiated the transactions and the Transaction Documents and unanimously determined that the Transaction Documents and the transactions are advisable, fair to, and in the best interests of the Company and its stockholders, approved and adopted the Transaction Documents and the transactions and recommended that (i) the Company Board approve and adopt the Transaction Documents and the transactions, and (ii) the Company's stockholders, to the extent required by applicable law or the terms of the Company's listing on the NYSE MKT, approve and adopt the Transaction Documents and the transactions.

Reasons for the Transactions

The Special Committee found that the special circumstances related to the Company, Remington and Monty Bennett's involvement with each entity gave rise to significant complexity that required detailed analysis of the proposed transactions over a nine month period. The Special Committee held more than 20 meetings to discuss the proposed transactions with Remington and the Bennetts, as the proposals were negotiated and revised from time to time. On more than ten occasions the Special Committee discussed the price that was proposed and other substantive issues raised by the proposed transactions.

In the course of reaching its determination and recommendation, the members of the Special Committee considered the following factors and potential benefits of the transactions, each of which the Special Committee believed supported its decision (not necessarily in order of relative importance):

- the Special Committee's own views and opinions on the current hospitality industry environment;

- the Special Committee's understanding of the Company's business, assets, financial condition and results of operations, its competitive position and historical and projected financial

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performance and prospects, and the nature of the industry and regulatory environment in which the Company competes;

that, subsequent to the filing of Amendment No. 1 to the Statement on Schedule 13D by Monty Bennett on June 25, 2015 disclosing the proposal for the Company to acquire a significant and controlling portion of the outstanding equity interests of Remington, no third party approached the Company, any member of the Special Committee or the Special Committee's advisors regarding a potential transaction;

that the transactions, if consummated, would better align the interests of the Bennetts with the Company by ensuring that Remington, which derives substantially all of its revenue from the REIT Clients, would no longer be 100% privately controlled by the Bennetts and Remington Holdings GP separately from the Company;

the negotiations that took place between the parties that resulted in an approximately 17% decrease in the aggregate consideration for the Transferred Securities, from approximately $400,000,000 (for an 80% limited partnership interest) based upon the $500,000,000 valuation proposal submitted by Baird on February 2, 2015, to the aggregate consideration of $331,650,000 set forth in the Transaction Documents, and a reduction in the rate of cumulative dividends payable on the Newco Preferred Stock, from 8.0% per annum in the counter-offer submitted by Remington on May 6, 2015 to 6.625% per annum set forth in the Transaction Documents;

that the aggregate consideration for the Transferred Securities includes only $10,000,000 in cash, and such cash consideration is payable by Newco Sub over the course of four years pursuant to the Newco Sub Promissory Note;

that, with respect to income taxes, the transactions are expected to be tax-free to the Company and largely tax-free to the Bennetts;

the quality of earnings report prepared by Riveron Consulting;

the various analyses undertaken by BMO, independent financial advisor to the Special Committee, each of which is described under "Special Factors Opinion of Financial Advisor to the Special Committee;"

the opinion of BMO, dated September 14, 2015, that as of such date and based on, and subject to, the assumptions made, matters considered and limitations and qualifications upon the review undertaken by BMO Capital Markets, the aggregate consideration to be paid by the Company in the transactions was fair, from a financial point of view, to the Company;

that the Investor Rights Agreement will limit, following the consummation of the transactions, (i) the voting power of the Bennetts and their controlled affiliates at Newco, with respect to shares of Newco common stock acquired in the transactions (which amount may be increased by post-closing acquisitions of Newco voting common stock acquired from non-Newco affiliates), to no more than 25% and, (ii) for four years following the consummation of the transactions, the Bennetts and their controlled affiliates would be required to vote their shares of Company common stock in excess of 25% of the combined voting power of all of the outstanding voting securities of the Company (plus the combined voting power of any Company common stock purchased after the closing of the transactions in an arm's length transaction from a person other than the Company or a Company subsidiary, including through open market purchases, privately negotiated transactions or any distributions by either Ashford Trust or Ashford Prime to its respective stockholders pro rata) in the same proportion as the unaffiliated stockholders of the Company vote their shares;

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that the Investor Rights Agreement will restrict, following the consummation of the transactions, each of Archie Bennett, Jr.'s, Monty Bennett's, and MJB Investments' respective abilities to directly or indirectly compete with the Company and Remington;

the transactions are expected to be accretive to the Company's stockholders;

the transactions are expected to benefit the Company's stockholders in both the short term and long term by allowing them to participate in a stronger company with greater prospects for growth;

the transactions are expected to build operating scale and increased earnings power that should enhance investor and analyst interest in the Company and support the Company's access to the capital markets;

the Special Committee's belief that it was unlikely that any alternative transaction could be consummated at this time, or in the immediate future, in light of (i) the position of the Bennetts as significant stockholders in the Company, (ii) Section 203 of the DGCL, which provides restrictions on business combinations with a person other than the Bennetts who has acquired ownership of 15% or more of the Company's common stock, and (iii) the Company's charter documents and shareholder rights plan, which impacts unsolicited offers to acquire significant portions of the outstanding shares of the Company's common stock, that, together or separately, make it unlikely that a third party could acquire control of the Company without the support of the Bennetts;

the likelihood that the transactions will be consummated, including the number and nature of the conditions to the Bennetts' obligations to consummate the transaction and the likelihood that those conditions would be satisfied; and

the Special Committee's belief, after extensive deliberations, that the transactions were likely to be more favorable to the Company's stockholders unaffiliated with the Bennetts than the value likely to be realized from other alternatives available to the Company, including pursuing the Company's current strategic plan or engaging in an alternative significant transaction, in light of the potential rewards, risks and uncertainties associated with those alternatives.

The Special Committee also considered a variety of risks and potentially negative factors concerning the Transaction Documents and the transactions, including, but not limited to, the following (not necessarily in order of relative importance):

Remington's business plan and related financial projections, the economic environment facing Remington and the risks and uncertainties in executing its business plan and achieving previously-stated financial projections;

that there is no reverse termination fee payable by the Remington Sellers to the Company if the Remington Sellers are unable to consummate the merger or act to terminate the Acquisition Agreement;

the risk that the transactions might not be completed and, in that event, the Company's directors, executive officers and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the transaction and the Company will have incurred significant transaction costs;

the significant costs involved in connection with negotiating the Transaction Documents and completing the transactions, the substantial management time and effort required to effectuate the transactions and the related disruption to the Company's day-to-day operations during the pendency of the transactions;

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the risk of incurring substantial expenses related to the transactions, including in connection with any litigation related to the transactions that may arise in the future;

the termination fee of $6,688,000 plus the costs and expenses incurred by the Remington Holders, which would be payable by the Company to the Remington Holders if the Acquisition Agreement is terminated in order to accept a superior proposal;

the fact that the Acquisition Agreement contains certain limitations regarding the operation of the Company during the period between the signing of the Acquisition Agreement and the consummation of the transactions, and the possible disruptions to the Company's business that might result from the announcement of the transaction and the resulting distraction of the attention of our management and employees;

the risk that the consummation of the transactions will be delayed or will not be completed, including the risk that the required regulatory approvals, including the Private Letter Ruling, may not be obtained, as well as the potential loss of value to the Company's stockholders and the potential negative impact on the operations and prospects of the Company if the transactions are delayed or not completed for any reason;

the risk that the interests of the Company and the Bennetts will not be aligned, following the consummation of the transactions, with respect to the distribution of cash generated by Remington or Newco, which the Company may desire to invest rather than distribute;

the inability of investors to accurately assess the value of the Company's common stock, which may adversely impact the market price of the Company's common stock, because the Company will be, following the consummation of the transactions, structured as a non-operating holding company and, with respect to the Company's financial condition and results of operations, will depend entirely upon the performance of Newco and Remington;

that, following the consummation of the transactions, the Company will receive substantially all of its cash from distributions made to the Company by Newco, which will require the approval of the holders of at least 66.67% of the shares of Newco Preferred Stock to make any distributions to the Company other than by means of a dividend pro rata to the holders of Newco's common stock, which may also be subject to claims by Newco's creditors and to limitations applicable to Newco under federal and state laws, including securities and bankruptcy laws;

that, following the consummation of the transactions, the Company's equity interests in Newco and its subsidiaries will rank junior to all of the respective indebtedness, whenever incurred, the Newco Preferred Stock and all equity interests of Newco's subsidiaries in the event of their respective liquidation or dissolution, which would result in the Company's stockholders' right to participate in such liquidation or dissolution being subordinated to the claims of Newco's creditors and all of the other equity interests of Newco;

the risk that, because the Company will be, following the consummation of the transactions, structured as a non-operating holding company, a decrease in the Company's relative ownership of Newco may require the Company to register as an investment company under the Investment Company Act;

the fact that the Bennetts were not willing to agree to an Unaffiliated Stockholder Approval condition, which would require that the transactions be approved by the holders of a majority of the outstanding shares of the Company's common stock, excluding shares held by the Bennetts, Ashford Trust or Ashford Prime, over which the Bennetts exert some level of control; and

the risks of the type and nature described under "Risk Factors" beginning on page 28 and the matters described under "Forward-Looking Statements" beginning on page 26.

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The Special Committee also considered a number of factors relating to the procedural safeguards involved in the negotiation of the Transaction Documents and the transactions, including those discussed below (not necessarily in order of relative importance), each of which it believed supported its determination and recommendation and provided assurance of the fairness of the transactions to the stockholders of the Company unaffiliated with the Bennetts:

- that the Special Committee consists solely of disinterested and independent directors who are not officers or controlling stockholders of the Company, or affiliated with the Bennetts, and who do not otherwise have a conflict of interest or lack independence with respect to the transactions;

- that the members of the Special Committee were adequately compensated for their services and that their compensation was in no way contingent on their approving the Transaction Documents or the transactions and taking the other actions described in this proxy statement;

- that the members of the Special Committee will not personally benefit from the consummation of the transactions in a manner different from the Company's unaffiliated public stockholders;

- that the Special Committee was delegated the exclusive power and authority to review and evaluate the advisability of the Bennetts' proposal and any other alternatives available to the Company;

- each of the Special Committee and the Company Board was aware that it had no obligation to recommend any transaction and that the Special Committee had the authority to "say no" to any proposals made by the Bennetts;

- that the Special Committee made its evaluation of the Transaction Documents and the transactions based upon the factors discussed in this proxy statement, independent of members of management, including Monty Bennett, and with knowledge of the interests of management in the transactions;

- that the Special Committee received the advice and assistance of BMO, as its financial advisor, Riveron Consulting, as its financial due diligence advisor, and Norton Rose Fulbright US LLP, as its legal advisor;

- that the Special Committee was involved in extensive deliberations since the time of the submission of the Bennetts' initial proposal on February 2, 2015, until the execution of the Acquisition Agreement and was provided with access to Remington's management (including Monty Bennett) in connection with the due diligence conducted by it and its advisors;

- that the financial and other terms and conditions of the Transaction Documents were the product of negotiations that took place over the course of approximately nine months between the Special Committee and its independent legal and financial advisors, on the one hand, and the Bennetts and Remington Holdings GP and their representatives, on the other hand;

- the Acquisition Agreement allows the Special Committee or the Company Board to change or withdraw its recommendation of the Transaction Documents and transactions in response to a Company Intervening Event (defined below under "The Transaction Documents Acquisition Agreement Covenants "No-Shop" Restrictions and "Fiduciary Out"," on page 78) if the Company Board or the Special Committee, after consultation with its legal advisors, determines in good faith that the failure to do so would be inconsistent with their respective fiduciary duties;

- the Acquisition Agreement permits the Company, prior to the time that the Company's stockholders approving the proposals at the special meeting, to discuss and negotiate, under specified circumstances, an unsolicited proposal if the Company Board (acting through the

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Special Committee), after consultation with its legal and financial advisors, determines in good faith that such proposal constitutes, or would reasonably be expected to result in, a superior proposal and to terminate the Acquisition Agreement in order to enter into a definitive agreement for that superior proposal, subject to matching rights for the Bennetts and the requirement that the Company pay the Remington Holders a termination fee of $6,688,000 plus the costs and expenses incurred by them in connection with the transactions;

the structure of the transactions would allow sufficient time for a third party to make a superior proposal if it desired to do so;

the Special Committee's belief that the $6,688,000 termination fee if the Acquisition Agreement is terminated by the Company in response to a Company Superior Proposal or a Company Intervening Event (each defined below under "The Transaction Documents Acquisition Agreement Covenants "No-Shop" Restrictions and "Fiduciary Out"," on page 78) is reasonable in light of the circumstances and the overall terms of the Acquisition Agreement, consistent with fees in comparable transactions, and not preclusive of other offers;

all of the other terms and conditions of the Acquisition Agreement and other Transaction Documents, including, among other things, the representations, warranties, covenants and agreements of the parties, including the "fiduciary out" provision, the conditions to the closing of the merger, and the parties' termination rights set forth in the Acquisition Agreement; and

the fact that it is a non-waivable condition to the closing of the transactions that the transactions be approved by stockholders holding a majority of the outstanding shares of the Company's common stock.

The above discussion of the information and factors considered by the Special Committee is not intended to be exhaustive, but indicates the material matters considered. In reaching its determination and recommendation, the Special Committee did not quantify, rank or assign any relative or specific weight to any of the foregoing factors, and individual members of the Special Committee may have considered various factors differently. The Special Committee did not undertake to make any specific determination as to whether any specific factor, or any particular aspect of any factor, supported or did not support its ultimate recommendation. Moreover, in considering the information and factors described above, individual members of the Special Committee may have given differing weights to differing factors. The Special Committee based its unanimous recommendation on the totality of the information presented.

Recommendation of the Board of Directors

The board of directors consists of seven directors. On September 17, 2015, based in part on the unanimous recommendation of the Special Committee, as well as on the basis of the other factors described above, the Company Board unanimously (with Monty Bennett and J. Robison Hays, III recusing themselves due to Monty Bennett's interest in the transactions and Mr. Hays' status as an executive officer of the Company who reports to Monty Bennett), (i) approved and adopted the favorable recommendation of the Special Committee in respect of the transactions and the Transaction Documents; (ii) approved the form, terms and provisions of the Transaction Documents; and (iii) determined to recommend that the stockholders of the Company vote to approve the transactions to the extent required by applicable law or the terms of the Company's listing on the NYSE MKT.

In reaching these determinations, the Company Board (with Monty Bennett and J. Robison Hays, III recusing themselves) considered a number of factors, including, but not limited to, the following material factors (not necessarily in order of relative importance):

the Special Committee's analysis (as to both substantive and procedural aspects of the transactions), its conclusions and its unanimous determination, which the Company Board

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adopts, that the Transaction Documents and transactions are advisable, fair to and in the best interests of the Company and its stockholders;

the Special Committee's unanimous recommendation that the Company Board determine the advisability of the Transaction Documents and transactions, approve the Transaction Documents and transactions and recommend that the Company's stockholders approve the transactions;

that Special Committee consisted solely of three disinterested and independent directors;

that the Special Committee was advised by its own independent legal and financial advisors;

the process undertaken by the Special Committee and its advisors in connection with evaluating and negotiating the transactions over a period of several months, as described above in the section entitled " Background of the Transactions;"

the various analyses undertaken by BMO, independent financial advisor to the Special Committee, each of which is described under " Opinion of Financial Advisor to the Special Committee" and the opinion of BMO, dated September 14, 2015, that as of such date and based on, and subject to, various assumptions and limitations described in its opinion, the consideration to be paid for the Transferred Securities was fair, from a financial point of view, to the Company.

The foregoing discussion of factors considered by the Company Board is not intended to be exhaustive, but it does include the material factors considered in recommending that the Company's stockholders vote their shares of common stock in favor of approval of the proposals set forth in this proxy statement. The Company Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determinations and recommendations. Moreover, each member of the Company Board applied his own personal business judgment to the process and may have given different weight to different factors. The Company Board did not undertake to make any specific determination as to whether any factor, or any particular aspect of any factor, supported or did not support its ultimate determination. The Company Board based its recommendation on the totality of the information presented.

Accordingly, the Company Board (with Monty Bennett and J. Robison Hays, III recusing themselves) unanimously recommends that stockholders vote "FOR" the approval of the Contribution and "FOR" the approval of the Share Issuances.

Description of Fairness Opinion of BMO Capital Markets

The Special Committee retained BMO Capital Markets to act as its financial advisor in connection with the transactions, and if requested by the Special Committee, to render an opinion, as investment bankers, as to the fairness as of the date of such opinion, from a financial point of view, to the Company of the aggregate consideration to be paid by the Company in the transactions.

On September 14, 2015, at the request of the Special Committee, BMO Capital Markets rendered an oral opinion to the Special Committee, which was subsequently confirmed in a written opinion as of the same date (the "*Opinion*"), to the effect that as of such date, and based upon and subject to the assumptions made, matters considered and limitations and qualifications upon the review undertaken by BMO Capital Markets, the aggregate consideration to be paid by the Company in the transactions was fair, from a financial point of view, to the Company.

In selecting BMO Capital Markets, Special Committee considered, among other things, the fact that BMO Capital Markets is a reputable investment banking firm with substantial experience advising companies in the real estate sector and in providing strategic advisory services in general. BMO Capital Markets, as part of its investment banking business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings,

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secondary distributions of listed and unlisted securities, private placements, and valuations for estate, corporate and other purposes.

The full text of the Opinion is attached hereto as *Annex G* and is incorporated into this document by reference in its entirety. The summary of the Opinion set forth herein is qualified in its entirety by reference to the full text of the Opinion. Stockholders are urged to read the Opinion carefully and in its entirety for a discussion of, among other things, the scope of review undertaken and the assumptions made, matters considered and limitations and qualifications upon the review undertaken by BMO Capital Markets in connection with such Opinion.

In arriving at its opinion, BMO Capital Markets reviewed, among other things:

1. The Company's public filings;
2. Ernst & Young Global Limited Private Letter Ruling Request Submission to the Internal Revenue Service dated July 31, 2015;
3. Draft Amended and Restated Advisory Agreement between the Company and Ashford Trust received on May 29, 2015;
4. Key Money Memorandum regarding potential changes to the Advisory Agreement between the Company and Ashford Trust dated June 4, 2015;
5. Revised Draft Amended and Restated Advisory Agreement between the Company and Ashford Trust received on June 10, 2015;
6. Certain historical and projected financial and operating information relating to the business, earnings, assets, liabilities and prospects of both the Company and Remington, including, without limitation, the projection model, as prepared by Remington management and amended by the Company management (the "*Projection Model*") (The projections and estimates supplied to and utilized by BMO Capital Markets are summarized below under " Projected Financial Information") ;
7. Quality of Earnings report on Remington prepared by Riveron Consulting dated July 14, 2015;
8. Draft of Acquisition Accounting Memo prepared by the Company dated September 9, 2015;
9. Draft of Certificate of Designation of 6.625% Convertible Preferred Stock of Newco dated September 9, 2015;
10. Draft of Investor Rights Agreement dated September 9, 2015;
11. Draft of Acquisition Agreement and disclosure schedules dated September 9, 2015 and supplemented on September 11, 2015 (the "*Draft Acquisition Agreement*");
12. Draft of Agreement of Limited Partnership of Remington Holdings LP dated September 9, 2015;
13. Drafts of GP Holdings and GP Holdings I Certificates of Formation dated September 9, 2015; and
14. Drafts of Newco and Newco Sub Charters dated September 9, 2015.

In addition, BMO Capital Markets:

1. Conducted discussions with members of the Company senior management concerning their view of the Company's and Remington's operations, financial condition, and prospects on a stand-alone and on a combined basis;

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2. Reviewed certain financial and stock market information for selected publicly traded companies that BMO Capital Markets deemed to be relevant;

3. Reviewed the financial terms, to the extent publicly available, of selected acquisitions of companies in the Company's and Remington's industry that BMO Capital Markets deemed to be relevant;

4. Performed discounted cash flow analyses for the Company and Remington based on projections provided by the Company management (the projections and estimates supplied to and utilized by BMO Capital Markets are summarized below under " Projected Financial Information.");

5. Performed relative contribution analysis on the basis of Revenue, EBITDA, and Net Income;

6. Analyzed selected macroeconomic and other commercial factors that BMO Capital Markets deemed to be relevant to the Company's and Remington's industry and prospects; and

7. Performed such other studies and analyses, conducted such discussions, and reviewed such other presentations, reports, and materials as BMO Capital Markets deemed appropriate in the circumstances.

In rendering its opinion, BMO Capital Markets assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it by the Company or their representatives or advisors, Remington or their representatives or advisors, or obtained by it from other sources. BMO Capital Markets did not independently verify (and has not assumed any obligation to verify) any such information, undertake an independent valuation or appraisal of the assets or liabilities (contingent or otherwise) of the Company or Remington, nor was BMO Capital Markets furnished with any such valuation or appraisal. BMO Capital Markets did not evaluate the solvency or fair value of the Company or Remington under any state or federal laws relating to bankruptcy, insolvency or similar matters. BMO Capital Markets also assumed that all material governmental, regulatory, or other approvals and consents required in connection with the consummation of the transactions will be obtained and that in connection with obtaining any necessary governmental, regulatory, or other approvals and consents, no restrictions, terms, or conditions will be imposed that would be material to its analysis. BMO Capital Markets also assumed that the transactions will be consummated in accordance with the terms of the Acquisition Agreement, without any waiver, modification or amendment of any terms, condition, or agreement that would be material to its analysis; that the representations and warranties of each party contained in the Acquisition Agreement would be true and correct; that each party would perform all of the covenants and agreements required to be performed by it under the Acquisition Agreement, and that all conditions to the consummation of the transactions would be satisfied without waiver or modification. With respect to financial projections for the Company and Remington (including, without limitation, the Projection Model), BMO Capital Markets was advised by the Company, and BMO Capital Markets assumed, without independent investigation, that they have been reasonably prepared and reflect the best currently available estimates and good faith judgment of the Company of the expected future competitive, operating and regulatory environments and related financial performance of the Company and Remington. BMO Capital Markets expresses no opinion with respect to such projections, including the assumptions on which they are based. Furthermore, BMO Capital Markets has not assumed any obligation to conduct, and has not conducted, any physical inspection of the properties or facilities of the Company or Remington. The projections and estimates supplied to and utilized by BMO Capital Markets are summarized below under " Projected Financial Information."

The Opinion is necessarily based upon financial, economic, market and other conditions and circumstances as they existed and could be evaluated, and the information made available to BMO Capital Markets, as of the date of the Opinion. BMO Capital Markets disclaims any undertakings or

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obligations to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to BMO Capital Markets' attention after the date of the Opinion.

The Opinion does not constitute a recommendation as to any action the Special Committee or the Company Board of Directors of Ashford should take in connection with the transactions contemplated by the Draft Acquisition Agreement or any aspect thereof and is not a recommendation to any director of Ashford or stockholder on how such person should vote with respect to the transactions or related transactions and proposals. The Opinion relates solely to the fairness, from a financial point of view, to the Company as of the date of the Opinion, of the aggregate consideration to be paid in the transactions. BMO Capital Markets expresses no opinion as to the relative merits of the transactions and any other transactions or business strategies discussed by the Special Committee as alternatives to the transactions or the decision of the Special Committee to recommend the transactions, nor does BMO Capital Markets express any opinion on the structure, terms or effect of any other aspect of the transactions contemplated by the Draft Acquisition Agreement. The Opinion does not in any manner address the prices at which the Company's common stock or other securities will trade following the announcement or consummation of the transactions. BMO Capital Markets are not experts in, and the Opinion does not address, any of the legal, tax or accounting aspects of the transactions, including, without limitation, whether or not the transactions contemplated by the Draft Acquisition Agreement constitute a change of control under any contract or agreement to which the Company or any of its subsidiaries is a party.

The summary set forth below does not purport to be a complete description of the analyses performed by BMO Capital Markets, but describes, in summary form, the material elements of the presentation that BMO Capital Markets made to the Special Committee on September 14, 2015, in connection with BMO Capital Markets' Opinion. In accordance with customary investment banking practice, BMO Capital Markets employed generally accepted valuation methods and financial analyses in reaching its Opinion. The following is a summary of the material financial analyses performed by BMO Capital Markets in arriving at its Opinion. These summaries of financial analyses alone do not constitute a complete description of the financial analyses BMO Capital Markets employed in reaching its conclusions.

None of the analyses performed by BMO Capital Markets were assigned a greater significance by BMO Capital Markets than any other, nor does the order of analyses described represent relative importance or weight given to those analyses by BMO Capital Markets. The summary text describing each financial analysis does not constitute a complete description of BMO Capital Markets' financial analyses, including the methodologies and assumptions underlying the analyses, and if viewed in isolation could create a misleading or incomplete view of the financial analyses performed by BMO Capital Markets. The summary text set forth below does not represent and should not be viewed by anyone as constituting conclusions reached by BMO Capital Markets with respect to any of the analyses performed by it in connection with its Opinion. Rather, BMO Capital Markets made its determination as to the fairness to the Company of the aggregate consideration to be paid by the Company in the transactions, from a financial point of view, on the basis of its experience and professional judgment after considering the results of all of the analyses performed.

Except as otherwise noted, the information utilized by BMO Capital Markets in its analyses, to the extent that it is based on market data, is based on market data as it existed on or before September 14, 2015 and is not necessarily indicative of current market conditions. The analyses described below do not purport to be indicative of actual future results, or to reflect the prices at which any securities may trade in the public markets, which may vary depending upon various factors, including changes in interest rates, dividend rates, market conditions, economic conditions, and other factors that influence the price of securities.

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In conducting its analysis, BMO Capital Markets used three primary methodologies to review the valuation of each of Remington and the Company on a stand-alone basis, to assess the fairness, from a financial point of view, of the aggregate consideration to be paid by the Company in the transactions. Specifically, BMO Capital Markets conducted selected comparable public companies analyses, selected precedent transactions analyses and discounted cash flow analyses. No individual methodology was given a specific weight, nor can any methodology be viewed individually. Additionally, no company or transaction used in any analysis as a comparison is identical to Remington, the Company, or the transactions, and they all differ in material ways. Accordingly, an analysis of the results described below is not mathematical; rather it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading value of the selected companies or transactions to which they are being compared. BMO Capital Markets used these analyses to determine the impact of various operating metrics on the implied enterprise value of Remington and the implied value per share of the Company. Each of these analyses yielded a range of implied values, and therefore, such implied value ranges developed from these analyses were viewed by BMO Capital Markets collectively and not individually.

Valuation of Remington

Selected Public Companies Analysis. BMO Capital Markets reviewed, analyzed, and compared certain financial information relating to Remington to corresponding publicly available financial information and market multiples for the following 12 publicly traded hotel management companies:

Belmond Ltd.

Choice Hotels International Inc.

Extended Stay America, Inc.

Hilton Worldwide Holdings Inc.

Hyatt Hotels Corporation

Intercontinental Hotels Group plc

La Quinta Holdings Inc.

Marriott International, Inc.

Morgans Hotel Group Co.

Red Lion Hotels Corporation

Starwood Hotels & Resorts Worldwide Inc.

Wyndham Worldwide Corporation

BMO Capital Markets reviewed, among other things, the range of enterprise values of the selected publicly traded hotel management companies (calculated as equity value, using the closing stock prices on September 4, 2015, plus debt and the book value of preferred stock and minority interests, minus cash and equivalents and the book value of investments in unconsolidated affiliates), as a multiple of December 31

("*calendar year*" or "*CY*"), 2015 estimated EBITDA and December 31, 2016 estimated EBITDA, as provided by Thomson Reuters Institutional Brokers' Estimate System ("*Thomson I/B/E/S estimates*").

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The following table sets forth, for the periods indicated, the 3rd quartile, mean, median, and 1st quartile enterprise values as a multiple of EBITDA for the selected publicly traded hotel management companies identified above:

	Enterprise Value as a Multiple of Calendar Year	
	2015E EBITDA	**2016E EBITDA**
3rd Quartile	14.9x	13.4x
Mean	13.1x	11.7x
Median	12.9x	11.2x
1st Quartile	11.6x	10.1x

The following table sets forth, for the periods indicated, the range of enterprise value as a multiple of EBITDA utilized by BMO Capital Markets in performing its analysis, which were derived from the 1st and 3rd quartile values of the selected publicly traded hotel management companies identified above, and the range of the enterprise values for Remington implied by this analysis:

Enterprise Value to:	**Relevant Range of EBITDA Multiples**	**Implied Range of Remington Enterprise Values (US$ mm)**	
CY2015E Remington EBITDA(1)	11.6x - 14.9x	$ 373	$ 477
CY2016E Remington EBITDA(1)	10.1x - 14.4x	$ 422	$ 562

(1) As provided in the Projection Model. See " Projected Financial Information."

BMO Capital Markets compared the results of this analysis to the $414.6 million enterprise value of Remington implied by the aggregate consideration set forth in the Transaction Documents for an 80% limited partnership interest in Remington from the Remington Sellers and 100% of the general partnership interests in Remington from Remington Holdings GP.

BMO Capital Markets selected the companies used in this analysis on the basis of its experience and knowledge of companies in the industry and various factors, including the size of the company and the similarity of the lines of business to Remington's lines of business, as well as the business models, service offerings, operating margin profiles and end-market exposure of such companies. As noted above, no company used as a comparison is identical to Remington.

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Selected Precedent Transactions Analysis. BMO Capital Markets reviewed and analyzed certain publicly available information for the following 10 acquisitions of hotel management companies which disclosed valuation metrics:

Date	Target	Acquiror
12/16/2014	Kimpton Hotel & Restaurant Group, LLC	Intercontinental Hotels Group plc
03/13/2012	Great Wolf Resorts, Inc.	Apollo Global Management, LLC
01/22/2010	Lodgian, Inc.	Lone Star Funds
12/18/2009	Interstate Hotel & Resorts Inc.	Shanghai Jin Jiang International Hotels (Group) Company Limited / Thayer Lodging Group
07/05/2007	Hilton Worldwide, Inc.	Blackstone Real Estate Advisors / The Blackstone Group
04/23/2007	Red Roof Inns Inc.	Citi Global Special Situations Group / Westbridge Hospitality Fund LP
01/29/2006	Fairmont Hotels & Resorts, Inc.	Colony Capital LLC / Kingdom Hotel Investments
11/09/2005	La Quinta Corporation	Blackstone Real Estate Advisors
10/21/2004	Boca Resorts, Inc.	Blackstone Real Estate Advisors
08/18/2004	Prime Hospitality Corp.	Blackstone Real Estate Advisors

BMO Capital Markets selected the precedent transactions based upon its experience and knowledge of companies in the hotel management space. Although none of the precedent transactions are directly comparable to the transactions, nor are any of the target companies directly comparable to Remington, BMO Capital Markets selected transactions involving target companies with similar characteristics to the characteristics identified above in the comparable company analysis.

The following table sets forth the 3rd quartile, mean, median, and 1st quartile enterprise values as a multiple of EBITDA for the selected acquisitions identified above:

	Enterprise Value as a Multiple of Last Twelve Months ("LTM") EBITDA
3rd Quartile	15.5x
Mean	13.5x
Median	12.3x
1st Quartile	11.0x

The following table sets forth, for the period indicated, the range of EBITDA multiples utilized by BMO Capital Markets in performing its analysis, which were derived from the 1st and 3rd quartile values of the selected acquisitions identified above, and the range of the enterprise values for Remington implied by this analysis:

Enterprise Value to:	Relevant Range of EBITDA Multiples	Implied Range of Remington Enterprise Values (US$ mm)	
CY2015E Remington EBITDA(1)	11.0x - 15.5x	$ 353	$ 498

(1) As provided in the Projection Model. See " Projected Financial Information."

BMO Capital Markets compared the results of this analysis to the $414.6 million enterprise value of Remington implied by the aggregate consideration set forth in the Transaction Documents for an

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80% limited partnership interest in Remington from the Remington Sellers and 100% of the general partnership interests in Remington from Remington Holdings GP.

Discounted Cash Flow Analysis. BMO Capital Markets utilized the financial projections and estimates regarding Remington in the Projection Model as prepared by Remington management based on assumptions that the Company management believed were reasonable, to perform a discounted cash flow analysis of Remington. The projections and estimates supplied to and utilized by BMO Capital Markets are summarized below under " Projected Financial Information." In conducting this analysis, BMO Capital Markets assumed that Remington would perform in accordance with these projections and estimates. BMO Capital Markets performed an analysis of the present value of the unlevered free cash flows that Remington would generate as projected by Remington management based on assumptions that the Company management believed were reasonable for the fiscal years 2016 through fiscal year 2019. BMO Capital Markets utilized illustrative terminal values in the year 2019 based on a perpetuity growth rate range of 2.8% to 3.8% (which was selected by BMO Capital Markets based upon historical average annual U.S. hotel sector revenue per available room, or RevPAR, growth of 3.3%) on projected fiscal year 2019 unlevered free cash flow. BMO Capital Markets discounted the cash flows projected for the specified period using discount rates ranging from 9.7% to 12.3%, reflecting estimates of Remington's weighted average cost of capital. Using a discount rate of 9.7% to 12.3% and a perpetuity growth rate of 2.8% to 3.8%, this analysis resulted in implied enterprise values for Remington ranging from $447 million to $705 million. BMO Capital Markets compared the results of this analysis to the $414.6 million enterprise value of Remington implied by the aggregate consideration set forth in the Transaction Documents for an 80% limited partnership interest in Remington from the Remington Sellers and 100% of the general partnership interests in Remington from Remington Holdings GP.

Valuation of the Company

Selected Public Companies Analysis. BMO Capital Markets reviewed, analyzed, and compared certain financial information relating to the Company to corresponding publicly available financial information and market multiples for the following 11 publicly traded asset management companies:

Artisan Partners Asset Management Inc.

Brookfield Asset Management Inc.

Cohen & Steers Inc.

Eaton Vance Corp.

Federated Investors, Inc.

Fifth Street Asset Management Inc.

GAMCO Investors, Inc.

Janus Capital Group, Inc.

Manning & Napier, Inc.

Northstar Asset Management Group Inc.

Pzena Investment Management, Inc.

BMO Capital Markets reviewed, among other things, the range of enterprise values of the selected publicly traded asset management companies (calculated as equity value, using the closing stock prices on September 4, 2015, plus debt and the book value of preferred stock and minority interests, minus cash and equivalents and the book value of investments in unconsolidated affiliates), as a multiple of

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December 31, 2015 LTM estimated EBITDA and December 31, 2016 LTM estimated EBITDA, as provided by Thomson I/B/E/S estimates.

The following table sets forth, for the periods indicated, the 3rd quartile, mean, median, and 1st quartile enterprise values as a multiple of EBITDA for the selected publicly traded asset management companies identified above:

	Enterprise Value as a Multiple of Calendar Year	
	2015E EBITDA	**2016E EBITDA**
3rd Quartile	8.9x	8.4x
Mean	8.0x	7.0x
Median	8.3x	7.3x
1st Quartile	6.7x	5.6x

The following table sets forth, for the periods indicated, the range of enterprise value as a multiple of EBITDA utilized by BMO Capital Markets in performing its analysis, which were based on the 1st and 3rd quartile values of the selected publicly traded asset management companies identified above, and the range of equity values per share for the Company implied by this analysis:

Enterprise Value to:	**Relevant Range of EBITDA Multiples**	**Implied Range of Ashford Equity Values per Share (US$)**	
CY2015E Company EBITDA(1)	6.7x - 8.9x	$ 65.69	$ 83.58
CY2016E Company EBITDA(1)	5.6x - 8.4x	$ 77.10	$ 109.80

(1) As provided in the Projection Model. See " Projected Financial Information."

BMO Capital Markets selected the companies used in this analysis on the basis of its experience and knowledge of companies in the industry and various factors, including the size of the company and the similarity of the lines of business to the Company's lines of business, as well as the business models, service offerings, operating margin profiles and end-market exposure of such companies. As noted above, no company used as a comparison is identical to the Company.

Selected Precedent Transactions Analysis. BMO Capital Markets reviewed and analyzed certain publicly available information for the following 13 recent acquisitions of asset management companies which disclosed valuation metrics:

Date	**Target**	**Acquiror**
06/15/2015	Bentall Kennedy (Canada) Limited Partnership	Sun Life Investment Management Inc.
06/19/2014	Numeric Investors LLC	Man Group plc
04/14/2014	Nuveen Investments, Inc.	TIAA-CREF Asset Management Inc.
01/07/2014	Chartwell Investment Partners, Inc.	TriState Capital Holdings, Inc.
08/15/2013	W.P. Stewart & Co., Ltd.	AllianceBernstein L.P.
03/27/2013	Altegris Holdings II, Inc.	Aquiline Capital Partners LLC / Genstar Capital Management, LLC
02/14/2013	Artio Global Investors Inc.	Aberdeen Asset Management PLC
12/06/2012	Epoch Investment Partners, Inc.	The Toronto-Dominion Bank
02/15/2011	Clarion Partners, LLC	Lightyear Capital LLC
12/06/2010	Claren Road Asset Management, LLC	The Carlyle Group
12/02/2010	Landmark Partners, Inc.	Religare Global Asset Management Inc.
11/22/2010	DundeeWealth Inc.	The Bank of Nova Scotia
02/24/2010	Crystal River Capital Inc.	Brookfield Asset Management Inc.

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BMO Capital Markets selected the precedent transactions based upon its experience and knowledge of companies in the asset management space. Although none of the precedent transactions are directly comparable to the transactions, nor are any of the target companies directly comparable to the Company, BMO Capital Markets selected transactions involving target companies with similar characteristics to the characteristics identified above in the comparable company analysis.

The following table sets forth the 3rd quartile, mean, median, and 1st quartile enterprise values as a multiple of EBITDA for the selected acquisitions identified above:

	Enterprise Value as a Multiple of LTM EBITDA
3rd Quartile	12.7x
Mean	12.4x
Median	10.6x
1st Quartile	10.0x

The following table sets forth, for the period indicated, the range of estimated calendar year 2015 EBITDA multiples utilized by BMO Capital Markets in performing its analysis, which were derived from the 1st and 3rd quartile values of the selected acquisitions identified above, and the range of equity values per share for the Company implied by this analysis:

Enterprise Value to:	**Relevant Range of EBITDA Multiples**		**Implied Range of Ashford Equity Values per Share**	
			(US$)	
CY2015E Company EBITDA(1)	10.0x	12.7x	$ 92.95	$ 115.46

(1) As provided in the Projection Model. See " Projected Financial Information."

Discounted Cash Flow Analysis. BMO Capital Markets utilized the financial projections and estimates regarding the Company in the Projection Model as prepared and amended by the Company management, to perform a discounted cash flow analysis of the Company. The projections and estimates supplied to and utilized by BMO Capital Markets are summarized below under " Projected Financial Information." In conducting this analysis, BMO Capital Markets assumed that the Company would perform in accordance with these projections and estimates. BMO Capital Markets performed an analysis of the present value of the unlevered free cash flows that the Company's management projected it would generate for the fiscal years 2016 through fiscal year 2019. BMO Capital Markets utilized illustrative terminal values in the year 2019 based on a perpetuity growth rate range of 8.9% to 9.9% (which was selected based upon historical indexed annualized U.S. hotel REIT sector total capitalization growth of 9.3%) on projected fiscal year 2019 unlevered free cash flow. BMO Capital Markets discounted the cash flows projected for the specified period using discount rates ranging from 15.6% to 18.4%, reflecting estimates of the Company's weighted average cost of capital. Using a discount rate of 15.6% to 18.4% and a perpetuity growth rate of 8.9% to 9.9%, this analysis resulted in implied values per share for the Company ranging from $80.09 to $127.34.

Relative Contribution Analysis.

In addition, BMO Capital Markets analyzed the relative standalone contribution of the Company and Remington to various pro forma income statement items. To perform this analysis, BMO Capital Markets used estimated 2015 and 2016 revenue, EBITDA, and net income (before preferred dividend) for the Company and Remington as provided in the Projection Model. The results of BMO Capital Markets' analysis are set forth in the following table, which also compares the results of BMO Capital

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Markets' analysis with the implied pro forma fully diluted ownership percentages of the Company and Remington respective stockholders in Newco:

	The Company as a % of Total(2)	Remington as a % of Total(3)
Newco Pro Forma Fully Diluted Ownership(1)	43.8%	56.2%
Revenue		
2015E	52.6%	47.4%
2016E	51.6%	48.4%
EBITDA		
2015E	41.7%	58.3%
2016E	44.1%	55.9%
Net Income (before Preferred Dividend)		
2015E	37.8%	62.2%
2016E	36.1%	63.9%

(1) Reflects 2.206 million Company diluted shares outstanding as of 30-Jun-15, 0.917 million Newco common shares issued as consideration at closing, and 1.917 million Newco common shares issued upon conversion of $230 million of Newco preferred stock.

(2) Company Revenue, EBITDA, and Net Income (before Preferred Dividend) shown excluding contribution from Ashford Investment Management and Ashford Hospitality Select, Inc. not attributable to the Company.

(3) Remington Revenue, EBITDA, and Net Income (before Preferred Dividend) shown at 80% share of standalone total.

Conclusion

Based upon the foregoing analyses and the assumptions and limitations set forth in full in the text of BMO Capital Markets' Opinion, BMO Capital Markets was of the opinion that, as of the date of the Opinion, and subject to and based on the assumptions made, matters considered, and limitations and qualifications upon the review undertaken by BMO Capital Markets, the aggregate consideration to be paid by the Company in the transactions was fair, from a financial point of view, to the Company.

Miscellaneous

Pursuant to the terms of the engagement letter between BMO Capital Markets and the Special Committee of the Board of Directors of Ashford Inc., the Company agreed to pay to BMO Capital Markets, upon the closing of the Transaction, a fee equal to $2.25 million in consideration of financial advisory services rendered in connection with the transactions, $1.0 million of which was payable upon BMO Capital Markets' delivery of its Opinion. In addition, the Company agreed to reimburse BMO Capital Markets up to a limit of $100,000 for its reasonable out-of-pocket expenses, including attorneys' fees and disbursements, and to indemnify BMO Capital Markets and related persons against various liabilities, including certain liabilities under the federal securities laws.

BMO Capital Markets, as part of its investment banking business, is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. BMO Capital Markets or its affiliates may provide investment and corporate banking services to the Company and Remington and

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their respective affiliates in the future, for which BMO Capital Markets or its affiliates may receive customary fees. BMO Capital Markets provides a full range of financial advisory and securities services and, in the course of its normal trading activities, may from time to time effect transactions and hold securities, including, without limitation, derivative securities, of the Company or its affiliates for its own account and for the accounts of customers.

In the two years prior to the date of the Opinion, BMO Capital Markets has not provided or received compensation from the Company, Remington or its affiliates (other than as a financial advisor to the Special Committee) in connection with the provision of any financial advisory or financing services.

Projected Financial Information

We are including in this proxy statement unaudited projected financial information, which includes unaudited projected financial information that was made available to the Special Committee and BMO Capital Markets, the Special Committee's financial advisor, in connection with the Special Committee's evaluation of the transactions. The unaudited projected financial information of Remington was provided by Remington management based on assumptions that the Company management believed were reasonable and that reflected the Company management's best available estimate of acquisitions by Ashford Trust and Ashford Prime at such time. The unaudited financial information of the Company was prepared by the Company's management. The inclusion of this unaudited projected financial information should not be regarded as an indication that any of the Company, the Special Committee, Remington, the Remington Sellers, their respective financial advisors, or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results, and this unaudited projected financial information should not be relied upon as such.

The unaudited projected financial information is not being included in this proxy statement to influence your decision whether to vote for or against the Contribution or the Share Issuance, but is being included because this unaudited projected financial information was provided to the Special Committee in connection with its evaluation of the transactions and BMO Capital Markets in connection with its fairness opinion.

In addition, the unaudited projected financial information was, in general, prepared solely for internal use and is subjective in many respects. As a result, the projected results may not be realized and the actual results may be significantly higher or lower than estimated. Since the unaudited projected financial information covers multiple years, that information by its nature becomes less predictive with each successive year. The unaudited projected financial information also was based on numerous variables and assumptions. Such assumptions are inherently uncertain and may be beyond the control of the Company. Important factors that may affect actual results and cause these financial forecasts to not be achieved include, but are not limited to, risks and uncertainties relating to the Company's and Remington's businesses (including their ability to achieve strategic goals, objectives, and targets over the applicable periods), industry performance and competition, general business and economic conditions, and other factors described under the captions "Risk Factors Risk Factors Relating to the Transactions" and "Forward-Looking Statements". You are encouraged to review the risks and uncertainties described under these captions in this proxy statement and the risks described in the periodic reports filed by the Company with the SEC, which reports can be found as described under the caption "Where You Can Find Additional Information." The unaudited projected financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of projected financial information. In addition, the unaudited projected financial information requires significant estimates and assumptions that make it inherently less comparable to the similarly titled GAAP measures in the Company's historical GAAP financial statements. The Company's independent registered public

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accounting firm has not compiled, examined, or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on the information or its achievability.

The table below presents a projected income statement summary and Total EBITDA of Remington on a stand-alone basis for the fiscal years ending December 31, 2015 through December 31, 2019:

	FY Ending December 31,					CAGR
(US$ millions)	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**'15 - '19**
INCOME STATEMENT SUMMARY						
Total Revenue	**$ 56.0**	**$ 72.8**	**$ 90.1**	**$ 105.7**	**$ 124.5**	22.1%
Total EBITDA	**$ 32.1**	**$ 41.9**	**$ 51.8**	**$ 60.7**	**$ 71.6**	**22.2%**
EBITDA Margin	*57.4%*	*57.5%*	*57.5%*	*57.5%*	*57.5%*	

The table below presents a projected income statement summary and Total EBITDA of the Company on a stand-alone basis for the fiscal years ending December 31, 2015 through December 31, 2019:

	FY Ending December 31,					CAGR
(US$ millions)	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**'15 - '19**
INCOME STATEMENT SUMMARY(1)						
Total Revenue	**$ 49.8**	**$ 62.0**	**$ 76.3**	**$ 94.3**	**$ 113.6**	22.9%
Total EBITDA	**$ 18.4**	**$ 26.5**	**$ 35.8**	**$ 47.8**	**$ 60.3**	**34.5%**
EBITDA Margin	*37.0%*	*42.7%*	*46.9%*	*50.6%*	*53.0%*	

(1) The Company's Income Statement excludes Ashford Investment Management, Inc. and Ashford Hospitality Select, Inc. contributions not attributable to the Company.

The assumptions management made in preparing the above unaudited projected financial information may not reflect actual future conditions. The estimates and assumptions underlying the unaudited projected financial information involve judgments with respect to, among other things, future economic, competitive, regulatory, and financial market conditions and future business decisions which may not be realized and that are inherently subject to significant business, economic, competitive, and regulatory uncertainties and contingencies, including, among others, risks and uncertainties described under "Risk Factors Risk Factors Relating to the Transactions" and "Forward-Looking Statements" and the risks described in the periodic reports filed by the Company with the SEC, which reports can be found as described under the caption "Other Matters Where You Can Find Additional Information,", all of which are difficult to predict and many of which are beyond the control of the Company. The underlying assumptions and projected results may not be realized, and actual results differ whether or not transaction is completed.

Additionally, although presented with numerical specificity, the above unaudited projected financial information with respect to the Company and Remington reflects numerous assumptions and estimates as to future events made by the Company's management that the Company's management believes were reasonably prepared.

You are cautioned not to place undue reliance on the unaudited projected financial information set forth above. No representation is made by the Company or any other person to any of the Company's stockholders regarding the ultimate performance of the Company or Remington compared to the information included in the above unaudited projected financial information. The inclusion of unaudited projected financial information in this proxy statement should not be regarded as an indication that this information will be necessarily predictive of actual future events, and this information should not be relied on as such.

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The unaudited projected financial information does not take into account any circumstances or events occurring after the date they were prepared, and, except as may be required in order to comply with applicable securities laws, none of the Company, the Special Committee, or any of their respective representatives intend to update, or otherwise revise, the unaudited projected financial information, or the specific portions presented, to reflect circumstances existing after the date when they were made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error. In addition, the unaudited projected financial information does not reflect the impact of the transactions, nor does it take into account the effect of any failure of the transactions to occur.

Interests of the Company's Directors and Executive Officers in the Transactions; Potential Conflicts of Interest

In considering the recommendations of the Company Board, you should be aware that certain of the Company's executive officers and directors have interests in the transactions that are different from, or are in addition to, the interests of the Company's stockholders generally, including those described below. These interests may create potential conflicts of interest. The members of the Special Committee and the Company Board were aware of these interest, and considered them, when they approved the Transaction Documents and recommended that stockholders vote to approve the transactions. For additional information on relationships among the parties, see the section entitled "Information about Ashford Inc. Certain Relationships and Related Person Transactions" beginning on page 103.

Ownership Interests of Monty Bennett in the Company and Remington

As of November 13, 2015, Monty Bennett, our chief executive officer and chairman of the Company Board, owned, in the aggregate, 221,172 shares of our common stock (excluding (i) 95,000 shares of common stock issuable upon the exercise of options; (ii) 1,054.82 units of Ashford Hospitality Advisors LLC, our operating subsidiary, which units are redeemable for cash or, at the option of the Company, convertible into shares of our common stock on and after November 12, 2015; and (iii) 211,355 shares of common stock reserved for issuance pursuant to the Company's deferred compensation plan), which represented approximately 11.0% of the equity interest in the Company. Monty Bennett is also a 50% beneficial owner and the chief executive officer of Remington.

Monty Bennett's Interests in the Transactions

Monty Bennett has interests in the transactions that may be different from, or in addition to, the interests of our stockholders generally and that may create potential conflicts of interest, including:

- the payment of consideration in connection with the transactions directly or indirectly to Monty Bennett, and his entry into arrangements relating to the payment of that consideration;
- the Bennetts' board nomination rights to the Company Board, subject to retaining 20% ownership of the common stock of Newco, and the covenant for the board of directors of Newco to mirror the composition of the Company Board;
- the Bennetts' board nomination rights to the board of directors of Newco Sub, subject to retaining 20% of the limited partnership interests in Remington;
- the option of Newco to purchase all or any portion of the Newco Preferred Stock after the fifth anniversary of the closing of the transactions;
- the option of Newco Sub to purchase the Retained Interests after the tenth anniversary of the closing of the transactions;

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the option of the Bennetts to sell to the Company all of their Retained Interests, Newco common stock, and Newco Preferred Stock following the consummation of a change of control of the Company or Newco with a party not affiliated with the Bennetts;

the priority of the Newco Preferred Stock to Newco common stock;

the participation of the Newco Preferred Stock in any dividends on Newco common stock; and

the entry or anticipated entry into a restrictive covenant agreement with Monty Bennett, that will become effective following the transactions.

In addition, following the transactions, without the approval of the Remington Sellers, the Company, Newco, and Newco Sub may not conduct the Company's business operations outside of Newco or Newco Sub, operate any business other than the property and project management business of Remington, transfer the membership interests of GP Holdings to any entity that is not wholly owned by Newco Sub, dissolve Newco Sub, or permit Newco Sub to incur indebtedness; and without approval of the Remington Sellers, Remington may not alter its property management operations, commence bankruptcy, borrow money, alter its accounting policies, or issue any additional general partnership or limited partnership interests.

Furthermore, following the transactions, the Bennetts will continue to own 20% of the limited partnership interests in Remington and Monty Bennett will remain an executive officer of Remington.

Our Executive Officers' Duties to Monty Bennett

All of our executive officers report to Monty Bennett and may be considered to be affiliated with the Bennetts. As a result, those officers may have different interests than the Company as a whole. These potential conflicts would not exist in the case of a transaction negotiated with unaffiliated third parties. Moreover, if the Remington Sellers breach any of the representations, warranties or covenants made by them in the Acquisition Agreement or the other Transaction Documents, we may choose not to enforce, or to enforce less vigorously, our rights because of our desire to maintain our ongoing relationship with the Bennetts.

Compensation of the Special Committee

The Special Committee consists of three independent and disinterested members of the Company Board: Brian Wheeler, Dinesh P. Chandiramani and Gerald J. Reihsen, III. The Company Board, acting pursuant to a written consent dated March 3, 2015, determined to compensate the members of the Special Committee for their service in the form of an annual retainer of $50,000.

In recommending and approving the above compensation structure, the Special Committee and the Board considered, among other things, the Company's existing committee compensation structure, as well as precedent compensation structures for special committees formed for purposes comparable to those for which the Special Committee was formed. The Company Board considered, among other things, the nature and scope of the proposed transactions, the complexities added to the transactions by the involvement of the Bennetts, the time commitment expected to be required of the Special Committee members and the publicly reported compensation of the special committees of the boards of other companies.

Intent to Vote

To the Company's knowledge, each of the Company's executive officers and directors intends to vote all shares of the Company's common stock he or she beneficially owns in favor of the Contribution proposal and the Share Issuance Proposal. The Company's directors and executive officers (including Monty Bennett) have the power to vote 326,996 shares of the Company's common stock as

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of November 13, 2015, representing 16.3% of the Company's outstanding common stock. The Company's unaffiliated stockholders (excluding the Company's directors and executive officers, Archie Bennett, Jr., Ashford Trust and Ashford Prime) collectively have the power to vote 805,370 shares of the Company's common stock as of November 13, 2015, representing 40.1% of the Company's outstanding common stock.

Estimated Fees and Expenses of the Transactions

Regardless of whether the closing of the transactions occurs, Newco is obligated to pay all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants and one-half of all filing and other similar fees payable in connection with any filings or submissions under the HSR Act and one-half of any transfer, documentary, sales, use, stamp, registration, value added and other such taxes and fees (including any penalties and interest thereon) incurred in connection with the transfer of the Transferred Securities.

In the event the closing of the transactions occurs, Newco will also pay up to an aggregate of $2,750,000 for (a) transaction expenses incurred by Remington and the Remington Holders, and (b) bonus and other payments made to employees and agents of Remington and its subsidiaries in connection with the closing.

The estimated fees and expenses incurred or expected to be incurred in connection with the transactions are as follows:

Description		Amount
Company financial advisory fees and expenses	$	2,800,000
Company legal fees and expenses	$	2,741,020
Company accountants and expenses	$	321,100
Remington financial advisory fees and expenses	$	1,712,600
Remington legal fees and expenses	$	935,000
Remington accountants and expenses	$	7,500
Special Committee fees	$	150,000
Special Committee consultant expenses	$	118,785
Antitrust approval filing fees	$	125,000
Proxy solicitation expenses	$	20,000
Proxy printing and mailing costs	$	80,000
SEC filing fees	$	125,000
IRS fees	$	36,400
Total	$	9,172,405

No Appraisal Rights

Under Delaware law, our stockholders are not entitled to appraisal rights in connection with the transactions.

Anticipated Accounting Treatment of the Transactions

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which is referred to as GAAP. If the transactions are consummated, the contribution of substantially all of our assets and business operations to Newco (including the contribution of Ashford LLC to Newco) in exchange for voting common stock of Newco is expected to be accounted for as a common control transaction, and the Company's acquisition of an 80% limited partnership interest in Remington from the Remington Sellers and 100% of the general partnership interests in Remington from Remington Holdings GP through Newco and direct and

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indirect subsidiaries of Newco in exchange for securities of Newco and a promissory note issued by Newco Sub is expected to be accounted for as a business combination, in conformity with GAAP. Newco will be treated as the acquirer in the business combination for accounting purposes.

Regulatory Approvals

Hart-Scott-Rodino Antitrust Improvements Act of 1976. As a condition to the consummation of the transactions contemplated by the Acquisition Agreement, the HSR Act requires parties to observe the HSR Act's notification and waiting period. The HSR Act provides for an initial 30-day waiting period, subject to possible extensions, following the necessary filings by the parties to the transactions. The Company intends to file a notification and report form for the transactions with the Federal Trade Commission and the Antitrust Division later this year.

Internal Revenue Service. As a condition to the consummation of the transactions contemplated by the Acquisition Agreement, the IRS must issue a Private Letter Ruling that Remington will not fail to qualify as an "eligible independent contractor" within the meaning of Section 856(d)(9)(A) of the Code, with respect to specified clients as a result of certain circumstances specified in the Acquisition Agreement. On July 31, 2015, a request for the Private Letter Ruling was filed with the IRS.

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THE TRANSACTION DOCUMENTS

Acquisition Agreement

The following is a summary of the material terms of the Acquisition Agreement. This summary does not purport to describe all the terms of the Acquisition Agreement and is qualified in its entirety by reference to the full text of the Acquisition Agreement, which is attached as Annex C. We encourage you to read the Acquisition Agreement carefully and in its entirety because it, and not the summary set forth in this proxy statement, is one of the legal document that governs the transactions.

General

Under the terms of the Acquisition Agreement, the Company, through Newco, will acquire, directly and indirectly, the Transferred Securities. As part of the transactions, Newco will contribute all of its interests in the 80% LP Interest to Newco Sub in exchange for shares of common stock of Newco Sub, resulting in Newco Sub holding the 80% LP Interest and the Bennetts retaining a 20% limited partnership interest. Newco Sub will remain wholly owned by Newco.

Consideration

In consideration for the Transferred Securities, the respective holders thereof will receive aggregate consideration of $331,650,000 (based on the values agreed by the parties to the Acquisition Agreement as set forth below) as follows: (i) 916,500 shares of nonvoting common stock of Newco with a value agreed by the parties to the Acquisition Agreement of $100 per share, (ii) 9,200,000 shares of Newco Preferred Stock with a value agreed by the parties to the Acquisition Agreement of $25 per share, and (iii) solely in exchange for the general partnership interests in Remington, a $10,000,000 non-negotiable, interest-free promissory note issued by Newco Sub, which will be payable in 16 consecutive and equal quarterly installments.

Closing

Subject to the terms and condition of the Acquisition Agreement, the closing of the transactions will take place at the offices of Norton Rose Fulbright US LLP in Dallas, Texas, at 10:00 a.m. local time on a date no later than two weeks after the satisfaction or waiver of the conditions set forth in the Acquisition Agreement (other than conditions which, by their nature, are to be satisfied on such date), or at such other time or on such other date or at such other place as the parties to the Acquisition Agreement may mutually agree upon in writing.

Representations and Warranties

In the Acquisition Agreement, each of the Remington Holders has made customary representations and warranties to the Company relating to, among other things:

(i) organization and authority to enter into the Transaction Documents and to consummate the transactions;

(ii) organization, authority, and qualification of Remington and its subsidiaries;

(iii) capitalization of Remington and its subsidiaries;

(iv) subsidiaries of Remington;

(v) absence of conflicts, violations or breaches under organizational documents and any applicable law;

(vi) consolidated financial statements of Remington and its subsidiaries;

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(vii) absence of certain undisclosed liabilities;

(viii) absence of certain undisclosed changes in the business of Remington;

(ix) certain management contracts of Remington and its subsidiaries;

(x) material contracts;

(xi) owned and leased real property of Remington and its subsidiaries;

(xii) condition and sufficiency of assets;

(xiii) intellectual property;

(xiv) accounts receivable;

(xv) insurance matters;

(xvi) legal proceedings;

(xvii) compliance with applicable laws;

(xviii) environmental matters;

(xix) employment and employee benefit matters;

(xx) tax matters;

(xxi) finders' fees;

(xxii) related-party transactions; and

(xxiii) accredited investor status.

Additionally, the Company made representations and warranties to the Remington Holders relating to the following matters:

(i) organization and authority to enter into the Transaction Documents and to consummate the transactions;

(ii) organization, authority, and qualification of the Company;

(iii) subsidiaries of the Company;

(iv) capitalization of the Company;

(v) the Company's SEC filings and the accuracy of the information supplied to the SEC in connection with this proxy statement;

(vi) conduct of the Company's business in the ordinary course of business;

(vii) absence of conflicts, violations or breaches under organizational documents and any applicable law;

(viii) tax matters;

(ix) legal proceedings;

(x) compliance with applicable laws;

(xi) finders' fees; and

(xii) fairness opinion.

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Also, Newco made representations and warranties to the Company and the Remington Holders relating to the following matters:

(i) organization and authority of Newco, Newco Sub, and GP Holdings;

(ii) capitalization of Newco and its subsidiaries; and

(iii) tax treatment of GP Holdings and GP Holdings I.

Generally, the representations and warranties survive for 18 months after the consummation of the transactions; however, specified fundamental representations of the parties to the Acquisition Agreement (addressing organization and authority of the parties, capitalization, brokers and financial advisors, and certain related-party transactions) survive indefinitely, the Remington Holders' representations and warranties with respect to environmental and employee benefit matters survive for the respective statute of limitations plus three months, and the parties' representations and warranties with respect to tax related matters survive for the statute of limitations plus six months.

Covenants

General

Prior to the closing of the transactions, Remington and its subsidiaries will continue to operate in the ordinary course of business consistent with past practice and will use reasonable best efforts to maintain and preserve their organization, businesses, goodwill, and business relationships. As such, Remington and its subsidiaries will, among other things, preserve and maintain all of their permits; continue all of their insurance policies, perform all of their obligations under all contracts relating to or affecting their revenues, properties, assets, business, or prospects; and comply in all material respects with all applicable laws, unless, in each case, the Company agrees otherwise.

Furthermore, prior to the closing of the transactions, the Company and Remington and their respective subsidiaries will use reasonable best efforts to promptly take all actions, and to do and to assist and cooperate with each other in doing all things reasonably necessary or advisable to consummate the transactions, including obtaining from any governmental authorities and any third parties any actions, clearances, waivers, consents, approvals, permits, or orders required in connection with the performance of the Acquisition Agreement and the consummation of the transactions and making all necessary or advisable registrations, filings, notifications, or submissions with respect to the Acquisition Agreement and the transactions required under any applicable law.

"No-Shop" Restrictions and "Fiduciary Out"

Prior to the closing of the transactions, none of Remington and its subsidiaries or the Remington Holders will, and they will not authorize or permit any of their affiliates or any their representatives to, directly or indirectly, (i) encourage, solicit, initiate, facilitate, or continue inquiries regarding a "Remington Holder Acquisition Proposal" (as defined below); (ii) enter into discussions or negotiations with, or provide any information to, any person or entity concerning a possible Remington Holder Acquisition Proposal; (iii) enter into any agreements, arrangements, or understandings (whether or not binding) regarding a Remington Holder Acquisition Proposal; or (iv) otherwise knowingly facilitate any effort or attempt to make a Remington Holder Acquisition Proposal. In the event that Remington and its subsidiaries or the Remington Holders receive any inquiry or request for information regarding a Remington Holder Acquisition Proposal, they will promptly (and in any event within two business days after the receipt of such inquiry or request) inform the Company and provide the Company with reasonably detailed information regarding the Remington Holder Acquisition Proposal.

A "*Remington Holder Acquisition Proposal*" is any inquiry, proposal, or offer from any person or entity (other than the Company or any of tis controlled affiliates) concerning (a) a merger,

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consolidation, liquidation, recapitalization, share exchange, or other business combination involving Remington or its subsidiaries representing 10% or more of the assets of Remington and its subsidiaries; (b) a sale, lease, exchange, mortgage, transfer, or other disposition, whether in a single transaction or series of related transactions, of 10% or more of the assets of Remington and its subsidiaries; (c) a purchase or sale of shares of capital stock or other securities, whether in a single transaction or series of related transactions, representing any of the voting power of the capital stock of Remington and its subsidiaries or the general partner of Remington; or (d) any other transaction having a similar effect to those described in the above clauses.

Similarly, the Company will not, and the Company will not permit Newco, Newco Sub, or any of our other affiliates or representatives, including the Special Committee, to, directly or indirectly, (i) encourage, solicit, initiate, facilitate, or continue inquiries regarding a "Company Acquisition Proposal" (as defined below); (ii) enter into discussions or negotiations with, or provide any information to, any person or entity concerning a possible Company Acquisition Proposal; (iii) enter into any agreements, arrangements, or understandings (whether or not binding) regarding a Company Acquisition Proposal; or (iv) otherwise knowingly facilitate any effort or attempt to make a Company Acquisition Proposal. Prior to the Company's stockholders voting on the transactions, however, if we receive an unsolicited bona fide written Company Acquisition Proposal, (A) the Company Board and the Special Committee may participate in discussions regarding such Company Acquisition Proposal to clarify the terms of such Company Acquisition Proposal and (B) if the Company Board determines (1) that such Company Acquisition Proposal constitutes or could reasonably be expected to lead to a "Company Superior Proposal" (as defined below) and (2) after consultation with outside legal counsel, that the failure to take the actions set forth in clauses (x) and (y) below with respect to such Company Acquisition Proposal would be inconsistent with their fiduciary duties, then we may, in response to such Company Acquisition Proposal, (x) provide non-public information of the Company to the person or entity that has made such Company Acquisition Proposal and (y) participate in discussions and negotiations regarding such Company Acquisition Proposal. In the event that we receive any inquiry or request for information that could reasonably be expected to result in a Company Acquisition Proposal, we will promptly (and in any event, within 48 hours after the receipt of such inquiry or request) notify the Remington Holders and provide them with reasonably detailed information regarding the Company Acquisition Proposal.

A "*Company Acquisition Proposal*" is any proposal or offer relating to (a) a merger, consolidation, share exchange, or business combination involving the Company or any of our subsidiaries representing 10% or more of the assets of the Company and our subsidiaries; (b) a sale, lease, exchange, mortgage, transfer, or other disposition, whether in a single transaction or series of related transactions, of 10% or more of the assets of the Company and our subsidiaries; (c) a purchase or sale of shares of capital stock or other securities, in a single transaction or series of related transactions, representing 10% or more of the voting power of the capital stock of the Company, including by way of a tender offer or exchange offer; or (d) any other transaction having a similar effect to those described above in this paragraph.

A "*Company Superior Proposal*" is an unsolicited bona fide Company Acquisition Proposal (except that references to "10%" in the definition of such term will be deemed to be references to "50%") made in writing that the Special Committee determines, after receipt of advice from the Special Committee's financial advisor and legal counsel, (a) is reasonably likely to be consummated in accordance with its terms, taking into account all legal, financial, and regulatory aspects of the proposal and the person or entity making the proposal, and (b) if consummated, would result in a transaction more favorable to the stockholders of the Company (excluding the Remington Holders and their affiliates, and including Ashford Trust and Ashford Prime) from a financial point of view than the transactions.

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In addition to the notices described above, prior to the closing of the transactions, Remington or the Remington Holders will notify the Company of the following: (a) any fact, circumstance, event, or action which (i) has had, or could reasonably be expected to have, a "Target Material Adverse Effect" (as defined below); (ii) has resulted in, or could reasonably be expected to result in, any representation or warranty made by any Remington or the Remington Holders under the Acquisition Agreement not being true and correct; or (iii) has resulted in, or could reasonably be expected to result in, the failure of any of the conditions to closing of the transactions to be satisfied; (b) any communication from any person or entity alleging that the consent of such person or entity is or may be required in connection with the transactions; (c) any communication from any governmental authority in connection with the transactions; and (d) any legal actions commenced or threatened would have been required to be disclosed under the Acquisition Agreement or relate to the to the consummation of the transactions.

A "*Target Material Adverse Effect*" is any event, occurrence, fact, condition, or change that is, or could reasonably be expected to become, materially adverse to (a) the business, results of operations, condition (financial or otherwise), or assets of any of Remington and its subsidiaries, taken as a whole; or (b) the ability of the Remington Holders to consummate the transactions on a timely basis; provided, however, that Target Material Adverse Effect does not include any event, occurrence, fact, condition, or change arising out of or attributable to: (i) general economic or political conditions, (ii) conditions generally affecting the industries in which Remington operates; (iii) any changes in financial or securities markets in general; (iv) acts of war, armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required or permitted by the Acquisition Agreement, except for required consents or governmental approvals; (vi) any changes in applicable laws or accounting rules; (vii) any action taken or omission by any person or entity controlled by the Company; (viii) the public announcement, pendency, or completion of the transactions; or (ix) resulting from acts of god, such as hurricanes, tornadoes, floods, earthquakes, or other natural disasters; provided further, however, that any event, occurrence, fact, condition, or change referred to in clauses (i) through (iv), (vi), and (ix) immediately above will be taken into account in determining whether a Target Material Adverse Effect has occurred or could reasonably be expected to occur to the extent that such event, occurrence, fact, condition, or change has a disproportionate effect on the Target compared to other participants in the industries in which the Target conducts its businesses.

The Company has agreed to take all action necessary in accordance with the DGCL and the rules of the NYSE MKT and our organizational documents to establish a record date for, give notice of, and convene and hold a meeting of our stockholders for the purpose of voting upon the approval of the transactions. Subject to our ability to change our recommendation in certain situations, we have agreed to recommend that you vote in favor of the transactions. The Company Board or the Special Committee may, at any time prior to our stockholders considering the transactions at the special meeting, after consultation with outside legal counsel, determine in good faith that it cannot recommend that you vote in favor of the transactions, if such recommendation would be inconsistent with its fiduciary duties, in response to a Company Superior Proposal, so long as (i) the Company has provided the Remington Holders prior notice that we intend to change our recommendation to our stockholders to vote in favor of the transactions and are prepared to enter into a contract with respect to a Company Superior Proposal, including reasonably detailed information regarding the terms of such Company Superior Proposal; and (ii) the Company provides the Remington Holders the opportunity, and negotiates in good faith, to adjust the terms and conditions of the Acquisition Agreement and related documents so that there is no longer a basis for such proposal to constitute a Company Superior Proposal. In addition, the Company Board or the Special Committee may, at any time prior to our stockholders considering the transactions at the special meeting, after consultation with outside legal counsel, determine in good faith that it cannot recommend that you vote in favor of the transactions, if such recommendation would be inconsistent with its fiduciary duties, in response to a "Company Intervening Event," so long as (i) the Company has provided the Remington Holders prior notice that we intend to change our recommendation to our stockholders to vote in favor of the

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transactions, and (ii) the Company provides the Remington Holders the opportunity, and negotiates in good faith, to adjust the terms and conditions of the Acquisition Agreement and related documents so that there is no longer a basis for such withdrawal, modification, or amendment.

A "*Company Intervening Event*" is an event, change, development, effect, occurrence. or state of facts, in each case (a) that is material to the transactions, (b) that arises or occurs after the date of the Acquisition Agreement and that becomes known to the Special Committee before the vote of the stockholders considering the transactions at the special meeting, and (c) that, prior to the date of the Acquisition Agreement, was not known to or reasonably foreseeable by the Special Committee; provided, that in no event will the receipt, existence of, or terms of a Company Acquisition Proposal or any inquiry relating to a Company Acquisition Proposal or any consequence thereof constitute a Company Intervening Event.

Closing Conditions

The obligations of each of the parties to the Acquisition Agreement to consummate the transactions is subject to the fulfillment of certain closing conditions, including:

(i) the approval of the transactions by required stockholder vote in accordance with applicable law, the rules of the NYSE MKT and the Company's organizational documents;

(ii) the expiration or earlier termination of the waiting period applicable to the transactions under the HSR Act;

(iii) the absence of any legal restraint with respect to the transactions;

(iv) the issuance of the Private Letter Ruling;

(v) the completion by Ashford Trust of the disposition of its common stock of the Company in a manner that complies with the Private Letter Ruling;

(vi) the acquisition by the Company of 100% of the ownership of Ashford Hospitality Advisors LLC;

(vii) the accuracy of the other party's representations and warranties contained in the Transaction Documents (subject to qualifiers, as applicable); and

(viii) the other party's compliance in all material respects with its covenants and agreements contained in the Transaction Documents.

The Bennett's obligation to consummate the transactions is also conditioned on:

(i) there not having occurred a material adverse effect with respect to the Company;

(ii) their receipt of an appraisal satisfactory to them to the effect that the value of a share of Newco Preferred Stock does not exceed $25; and

(iii) the receipt by Archie Bennett, Jr. and Monty Bennett of the Tax Opinion.

A material adverse effect with respect to the Company, or a "*Company Material Adverse Effect*," means any event, occurrence, fact, condition, or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business,

results of operations, condition (financial or otherwise), or assets of the Company and its subsidiaries; or (b) the ability of the Company to consummate the transactions on a timely basis; provided, however, that "Company Material Adverse Effect" will not include any event, occurrence, fact, condition, or change arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industries in which the Company operates; (iii) any changes in financial or securities markets in general; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or

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worsening thereof; (v) any action required or permitted by the Acquisition Agreement, subject to certain exceptions; (vi) any changes in applicable laws or accounting rules; (vii) any action taken or omission by Ashford Trust or Ashford Prime, or by any person or entity controlled by the Remington Holders; (viii) the public announcement, pendency, or completion of the transactions or the Transaction Documents; or (ix) resulting from acts of god, such as natural disasters; provided further, however, that any event, occurrence, fact, condition, or change referred to in clauses (i) through (iv), (vi) and (ix) immediately above will be taken into account in determining whether a Company Material Adverse Effect has occurred or could reasonably be expected to occur to the extent that such event, occurrence, fact, condition, or change has a disproportionate effect on the Company compared to other participants in the industries in which the Company conducts its businesses.

The Company's obligation to consummate the transactions is also conditioned on:

(i) there not having occurred a material adverse effect with respect to Remington; and

(ii) the certification of Monty Bennett, as chief executive officer of the Company, as to the accuracy of the Company's representations and warranties contained in the Transaction Documents.

A material adverse effect with respect to Remington, or a "*Target Material Adverse Effect*," means any event, occurrence, fact, condition, or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, condition (financial or otherwise), or assets of any of Remington and its subsidiaries, taken as a whole, or (b) the ability of the Remington Holders to consummate the transactions on a timely basis; provided, however, that "Target Material Adverse Effect" will not include any event, occurrence, fact, condition, or change arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industries in which Remington operates; (iii) any changes in financial or securities markets in general; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required or permitted by the Acquisition Agreement, subject to certain exceptions; (vi) any changes in applicable laws or accounting rules; (vii) any action taken or omission by any person or entity controlled by the Company; (viii) the public announcement, pendency, or completion of the transactions or the Transaction Documents; or (ix) resulting from acts of god, such as natural disasters; provided further, however, that any event, occurrence, fact, condition, or change referred to in clauses (i) through (iv), (vi), and (ix) immediately above will be taken into account in determining whether a Target Material Adverse Effect has occurred or could reasonably be expected to occur to the extent that such event, occurrence, fact, condition, or change has a disproportionate effect on Remington compared to other participants in the industries in which Remington conducts its businesses.

Liability

Except for breaches of fundamental representations and warranties and certain related matters, neither the Company nor the Remington Holders will be liable for breaches of representations and warranties until the aggregate amount of all damages suffered by the indemnified parties exceeds $5,000,000, in which event the breaching party is liable from the first dollar. Except for breaches of fundamental representations and warranties and certain tax-related matters, the aggregate liability for damages for each of the Company and the Remington Holders is $50,160,000. The aggregate liability for damages for each of the Company and the Remington Holders is $331,650,000 for all breaches of representations and warranties by such party. Notwithstanding the foregoing, the parties have the right to seek damages and equitable relief for fraud without any limitation, and an action for breach of the representations and warranties is not the exclusive remedy for any party.

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The Remington Holders will satisfy indemnification obligations in shares of Newco common stock valued at $100 per share, and, to the extent that shares of Newco common stock are insufficient, in Newco Preferred Stock valued at its liquidation value of $25 per share.

Termination

The Acquisition Agreement may be terminated and the transactions abandoned at any time prior to the closing of the transactions:

(i) by mutual consent of the Company and the Remington Holders;

(ii) by either the Company or the Remington Holders if:

(a) the other party has breached a representation, warranty, or covenant in the Acquisition Agreement that results in the failure to satisfy a closing condition, and such breach is not cured within ten days of notice to the breaching party;

(b) the Company's stockholders do not approve the transactions at the special meeting;

(c) there is a specified adverse tax change applicable to such party;

(d) based on written advice of counsel, Newco would be considered an "investment company" for tax purposes (within the meaning of Section 351 of the Code) at any time; or

(e) the transactions are not consummated by June 30, 2016;

(iii) by the Company for a Company Superior Proposal or a Company Intervening Event; or

(iv) by the Remington Holders if the Company Board or the Special Committee changes its recommendation to the Company's stockholders to approve Proposal 1 or Proposal 2.

If we terminate the Acquisition Agreement for a Company Superior Proposal or a Company Intervening Event, the Company will be required to pay the Remington Holders a termination fee of $6,688,000 plus the costs and expenses incurred by the Remington Holders in connection with the transactions.

Neither the Company nor the Remington Holders, however, will have a right to terminate the Acquisition Agreement, assert a claim that any condition to closing the transactions has not been fulfilled, or claim any damage or seek any other available remedy for any breach of any representation, warranty, or covenant if the non-breaching party or certain of its affiliates or representatives had knowledge of any facts or circumstances that constitute or give rise to such breach or would proximately or directly cause any such condition not to be fulfilled or substantially caused or intentionally permitted such breach (excluding actions of Monty Bennett with respect to any such breach by the Company).

Expenses

Regardless of whether the closing of the transactions occurs, Newco is obligated to pay all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants and one-half of all filing and other similar fees payable in connection with any filings or submissions under the HSR Act and one-half of any transfer, documentary, sales, use, stamp, registration, value added and other such taxes and fees (including any penalties and interest thereon) incurred in connection with the transfer of the Transferred Securities pursuant to the Acquisition Agreement and the other Transaction Documents, and the exchange contemplated pursuant to the contribution agreement between the Company and Newco, setting forth the terms and conditions upon which the Company will contribute substantially all of its assets to Newco, and Newco will assume all of the liabilities of the

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Company, (including any real property transfer tax and any other similar tax) incurred by the Company, Newco, Newco Sub, GP Holding and GP Holding I.

In the event the closing of the transactions occurs, Newco will also pay up to an aggregate of $2,750,000 for (a) transaction expenses incurred by Remington and the Remington Holders, and (b) bonus and other payments made to employees and agents of Remington and its subsidiaries in connection with the closing.

Amendment; Waiver

Subject to applicable law, the Acquisition Agreement may be amended or modified or any term thereof waived by action taken by the Company and the Remington Holders, provided that the prior written approval of the Special Committee is required to approve any amendment, modification, supplement, or waiver of any provisions of the Acquisition Agreement by or on behalf of the Company.

Governing Law; Waiver of Jury Trial

The Acquisition Agreement will be governed by Delaware law. Each party to the Acquisition Agreement has irrevocably and unconditionally waived its right to trial by jury.

Specific Performance

The Acquisition Agreement provides that the parties thereto will be entitled to seek specific performance to enforce the Acquisition Agreement against a non-performing party, in addition to any other remedy to which they are entitled at law or in equity.

Certificate of Designation of Newco Preferred Stock

The following is a summary of the material terms of the Certificate of Designation. This summary does not purport to describe all the terms of the Certificate of Designation and is qualified in its entirety by reference to the full text of the Certificate of Designation, which is attached as Annex D. We encourage you to read the Certificate of Designation carefully and in its entirety because it, and not the summary set forth in this proxy statement, is one of the legal document that governs the transactions.

The designation, rights, preferences, powers, restrictions, and limitations of the Newco Preferred Stock will be established by Newco filing the Certificate of Designation as of the closing of the transactions.

Terms of Newco Preferred Stock

The Certificate of Designation will provide that each share of Newco Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets upon liquidation of Newco, (a) prior to Newco's common stock and any class or series of Newco capital stock subsequently created, unless otherwise agreed by 66.67% of the holders of Newco Preferred Stock; (b) on parity with any class or series of Newco capital stock subsequently created and agreed by 66.67% of the holders of Newco Preferred Stock; and (c) junior to any series of Newco Preferred Stock subsequently created and agreed by 66.67% of the holders of Newco Preferred Stock.

The Certificate of Designation also will provide that each share of Newco Preferred Stock will:

(i) have a liquidation value of $25 per share;

(ii) have cumulative dividends at the rate of 6.625% per annum (payable in cash quarterly in arrears);

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(iii) participate in any dividend or distribution on the common stock of Newco (whether such dividend or distribution is payable in cash, securities, or other property) on a pro rata basis with the Newco common stock, determined on an as-converted basis, in addition to the cumulative dividends on the Newco Preferred Stock; and

(iv) be convertible at any time and from time to time, in full or partially, into non-voting common stock of Newco (but voting after an initial public offering by Newco) at a conversion ratio equal to the liquidation value of a share of Newco Preferred Stock, divided by $120.

The Certificate of Designation also will provide for customary anti-dilution protections upon, among other things, a dividend, subdivision, or combination of common stock of Newco or a reorganization, reclassification, or merger of Newco; provided, however, that all preemptive rights of the holders of Newco Preferred Stock are set forth in the Investor Rights Agreement.

Newco also, at all times, will reserve and keep available out of its authorized but unissued shares of capital stock such number of non-voting common stock issuable upon conversion of all outstanding Newco Preferred Stock, taking into account any applicable anti-dilution adjustments.

In connection with any liquidation, dissolution, or winding up of Newco (in each case, whether voluntary or involuntary), Newco will provide each holder of Newco Preferred Stock written notice of such proposed action and its material terms within ten days of the Newco board of directors approving such an action, or not later than 20 days prior to any Newco stockholders' meeting to approve such an action, or within 20 days of the commencement of any involuntary proceeding, whichever is earlier. Newco will not consummate any voluntary liquidation, dissolution, or winding up before the expiration of 30 days after the mailing of such initial notice or ten days after the mailing of any subsequent written notice, whichever is later; provided that all holders of Newco Preferred Stock may consent to shorten such period.

Board Designation Rights

In the event Newco fails to pay a dividend at the rate of 6.625% per annum for two consecutive quarterly periods, then, until such arrearage is paid in cash in full, (i) the dividend rate on the Newco Preferred Stock will increase to 10% per annum; (ii) no dividends may be declared and paid, and no other distributions or redemptions may be made, on the Newco common stock; and (iii) the Newco board of directors and the Company Board will be increased by two seats and the holders of Newco Preferred Stock will be entitled to designate two individuals to fill such newly created seats.

Restrictive Covenants

The Certificate of Designation will provide that, so long as any shares of Newco Preferred Stock are outstanding, Newco is prohibited from taking certain actions without the consent of a 66.67% of the holders of Newco Preferred Stock, including:

(i) modifying the terms, rights, preferences, privileges, or voting powers of the Newco Preferred Stock;

(ii) altering or changing the rights, preferences, or privileges of any capital stock of Newco so as to affect adversely the Newco Preferred Stock;

(iii) creating or issuing any security senior to the Newco Preferred Stock;

(iv) creating or issuing any shares of Newco Preferred Stock, other than pursuant to the Acquisition Agreement;

(v) entering into any agreement that expressly prohibits or restricts the payment of dividends on the Newco Preferred Stock or the common stock of Newco; and

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(vi) other than the payment of dividends on the Newco Preferred Stock or payments pursuant to a management agreement to be entered into between Newco and the Company, transferring Newco's or its subsidiaries' cash balances or other assets to the Company or any other subsidiary of the Company, other than by means of a dividend payable by Newco pro rata to the holders of Newco common stock.

The Certificate of Designation also will provide that any right of the holders of Newco Preferred Stock may be waived as to all shares of the Newco Preferred Stock upon the consent of 66.67% of the holders of Newco Preferred Stock, unless a higher percentage is required by applicable law.

Investor Rights Agreement

The following is a summary of the material provisions of the Investor Rights Agreement, a copy of which is attached to this proxy statement as Annex E, and which we incorporate by reference into this proxy statement. This summary may not contain all of the information about the Investor Rights Agreement that is important to you and is qualified in its entirety by reference to the full text of such agreement. We encourage you to read carefully the Investor Rights Agreement in its entirety, as the rights and obligations of the parties thereto are governed by the express terms of the Investor Rights Agreement and not by this summary or any other information contained in this proxy statement.

At the closing of the transactions, the parties will enter into an investor rights agreement (the "*Investor Rights Agreement*") that will provide for, among other items, governing rights, operating agreements, noncompetes, transfer restrictions, put and call rights and obligations of the parties with respect to the Company and its subsidiaries, including Remington.

Board Designation Rights

The Investor Rights Agreement will provide that for so long as Archie Bennett, Jr., Monty Bennett and MJB Investments (together with each person that succeeds to the interests as an immediate family member or controlled entity transferee, "*Holder Group Investors*") beneficially own no less than 20% of the issued and outstanding shares of common stock of Newco (taking into account the Newco Preferred Stock on an as-converted basis), those Holder Group Investors holding in the aggregate a majority of the total number of shares of common stock of Newco (taking into account the Newco Preferred Stock on an as-converted basis) held by all Holder Group Investors (a "*Majority in Interest*") will be entitled to nominate one individual for election as a member of the Company Board (the "*Seller Nominee*") and, until a Majority in Interest of the Holder Group Investors otherwise determine, Monty Bennett will serve as the Seller Nominee. The Investor Rights Agreement requires the Company, with respect to the Seller Nominee, (i) to assure that the size of the Company Board will accommodate the Seller Nominee, (ii) at each annual meeting of stockholders of the Company, to cause the slate of nominees standing for election, and recommended by the Company Board, at each such meeting to include the Seller Nominee, (iii) to nominate and reflect in the proxy statement on Schedule 14A for each annual meeting the nomination of the Seller Nominee for election as a director of the Company at each such meeting and (iv) to the extent permitted under applicable law and stock exchange rules, cause all proxies for which a vote is not specified to be voted for the Seller Nominee. In the event Newco fails to pay a dividend at the rate of 6.625% per annum on the Newco Preferred Stock for two consecutive quarterly periods (a "*Preferred Stock Breach*"), the Company Board will be increased by two seats and a Majority in Interest of the Holder Group Investors will be entitled to designate two individuals to fill such newly created seats.

The Investor Rights Agreement further will provide that the board of directors of Newco will, at all times, be made up of the same individuals serving on the Company Board, including the Seller Nominee. In the event of a Preferred Stock Breach, both the Company Board and the Newco board of directors will be increased by two seats and the individuals filling such newly created seats will be the

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same. In addition, for so long as the Holder Group Investors hold any of the 20% limited partnership interest in Remington retained by the Bennetts (the "*Retained Interest*"): (i) a Majority in Interest of the Holder Group Investors will be entitled to nominate one individual for election as a member of the board of directors of Newco Sub; and (ii) the independent directors of Newco will be entitled to nominate two individuals for election as members of the board of directors of Newco Sub. Until a Majority in Interest of the Holder Group Investors otherwise determine, Monty Bennett will serve as the Holder Group Investors' nominee.

If Monty Bennett ceases to be a director of the Company, for any reason other than the Holder Group Investors ceasing to own more than 20% of the issued and outstanding shares of common stock of Newco (taking into account the Newco Preferred Stock on an as-converted basis), a Majority in Interest of the Holder Group Investors may propose to the Company a replacement nominee for election as a director of the Company, in which event such individual will be appointed to fill the vacancy created as a result of Monty Bennett ceasing to be a director of the Company. Similarly, if Monty Bennett ceases to be a director of Newco, for any reason other than the Holder Group Investors ceasing to own more than 20% of the issued and outstanding shares of common stock of Newco (taking into account the Newco Preferred Stock on an as-converted basis), a Majority in Interest of the Holder Group Investors may propose to Newco a replacement nominee for election as a director of Newco, in which event such individual will be appointed to fill the vacancy created as a result of Monty Bennett ceasing to be a director of Newco. The right in the foregoing sentence with respect to the board of Newco will terminate, however, upon the consummation of the filing a registration statement providing for either or both of an initial public offering of the voting common stock of Newco or the registration and resale of all of the registrable securities of Newco, as discussed in greater detail below under " Registration Rights."

If Monty Bennett ceases to be a director of Newco Sub, for any reason other than the Holder Group Investors ceasing to own any of the Retained Interest, a Majority in Interest of the Holder Group Investors may propose to Newco Sub a replacement nominee for election as a director of Newco, in which event such individual will be appointed to fill the vacancy created as a result of Monty Bennett ceasing to be a director of Newco Sub.

Operating Provisions

The Investor Rights Agreement will provide that (i) until the Newco Sub Promissory Note is paid in full, without the prior written consent of a Majority in Interest of the Holder Group Investors, and (ii) from the time the Newco Sub Promissory Note is paid in full, for so long as the Holder Group Investors beneficially own any of the Retained Interest (as defined below), without the prior written consent of a Majority in Interest of the Holder Group Investors, the Company, Newco and Newco Sub will not transfer the membership interests of GP Holdings or permit GP Holdings to transfer its general partnership interest in Remington to any entity that is not wholly owned, directly or indirectly, by Newco Sub, or in any way cause or permit GP Holdings (or any wholly owned transferee) to be treated as other than an entity disregarded from Newco Sub for federal income tax purposes.

Additionally, for so long as the Holder Group Investors beneficially own no less than 20% of the issued and outstanding shares of the common stock of Newco (taking into account Newco Preferred Stock on an as-converted basis), the Company, Newco and Newco Sub are prohibited, without the prior written consent of a Majority in Interest of the Holder Group Investors, from, among other actions:

(i) conducting the property and project management business conducted by Remington in entities other than Newco Sub, GP Holdings and Remington;

(ii) permitting Newco Sub, GP Holdings and Remington to acquire or operate any material assets, business or operations, other than those used in or related to the conduct of the property and project management business conducted by Remington; and

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(iii) taking any action to cause any of the material business operations of the Company to be conducted through entities other than Newco or wholly owned subsidiaries of Newco.

The Limited Partnership Agreement of Remington, which will be entered into at the closing of the transactions (the "*Limited Partnership Agreement*"), will provide for additional approval rights in favor of the LP Transferors, including, without limitation, limiting Remington's ability to incur indebtedness, issue additional interests, and amend the Limited Partnership Agreement.

The Company and Newco will also agree in the Investor Rights Agreement that Newco will not take, and the Company will not cause or permit Newco to take, any corporate action that, if taken by the Company, would require the approval of the stockholders of the Company under the DGCL or the rules and regulations of any stock exchange on which the voting securities of the Company are then listed, unless such corporate action has been approved by the stockholders of the Company by the same vote as would be required if the Company were taking such corporate action.

The Investor Rights Agreement also will provide that, except for issuances contemplated by the Transaction Documents entered into under the Acquisition Agreement, neither the Company, Newco nor Newco Sub will issue any equity securities, rights to acquire equity securities of the Company, Newco or Newco Sub or debt convertible into equity securities of the Company, Newco or Newco Sub ("*New Securities*") unless the Company, Newco or Newco Sub, as the case may be, gives each Holder Group Investor notice of its respective intention to issue New Securities and the right to acquire such Holder Group Investor's pro rata share of the New Securities.

The Investor Rights Agreement will provide that Archie Bennett, Jr. will have the following rights and privileges for the duration of the Investor Rights Agreement:

(i) the title of Chairman of Remington;

(ii) the right to continue his current level of involvement with Remington, including travel to the managed hotels, visits with hotel staff, reporting to Remington's President with his observations and advice for changes or improvements;

(iii) reimbursement of the actual out-of-pocket costs (including first class air travel) incurred by him in connection with the foregoing activities; and

(iv) availability to the directors of the Company and Newco for the purpose of attending meetings of the Company Board and Newco Board.

Incentive Fees

Pursuant to the terms and conditions of hotel management agreements to which Remington is a party, Remington receives annual incentive management fees based on the preceding year's hotel operations subject to such hotel management agreements. The incentive fees are calculated and paid in the first quarter of each calendar year.

The Investor Rights Agreement will provide that for the calendar year in which the closing occurs, the net amount of the aggregate incentive fees less the aggregate amount of officer and executive employee bonuses paid by Remington will be prorated as of the date of the closing based upon the actual number of days elapsed from January 1 through the date of the closing. Under the terms of the Investor Rights Agreement and the Limited Partnership Agreement, the net prorated amounts will be paid by Remington to the Bennetts in cash with respect to the period of time prior to the date of the closing.

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Registration Rights

The Investor Rights Agreement will provide that, as soon as practicable after the second anniversary of the closing of the transactions, Newco, at its expense, will use its best efforts to prepare and file with the SEC a registration statement providing for either, or both, of an initial public offering of the voting common stock of Newco or the registration and resale of all of the registrable securities of Newco, and to cause the corresponding registration statement to become effective no later than the third anniversary of the closing of the transactions. In connection with any underwritten public offering, in the event the underwriters determine that less than all of the registrable securities of Newco can be included in such offering, then the registrable securities of Newco that are included in such offering will be apportioned pro rata among the selling holders of Newco's registrable securities based on the aggregate number of registrable securities of Newco requested to be registered by all such selling holders or in other proportions as mutually agreed by all of the selling holders, provided that at least 50% of the registrable securities of Newco will be included in such offering. In addition, Newco is subject to customary indemnification requirements whereby Newco will indemnify and hold harmless each holder of Newco's registrable securities, as well as the partners, members, officers, directors, managers, equity holders, legal counsel and accountants thereof against losses, claims, damages, or liabilities or actions that arise out of violations of federal and state securities laws by Newco. The right to cause Newco to file a registration statement is not assignable or transferable other than in connection with a transfer permitted under the terms of the Investor Rights Agreement, provided that Newco is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee with respect to which such registration rights are being assigned and such transferee by joinder becomes a party to the Investor Rights Agreement.

In addition, Newco's certificate of incorporation provides that any shares of the non-voting common stock of Newco will automatically convert into an equivalent number of shares of voting common stock of Newco upon the consummation of an initial public offering of the voting common stock of Newco.

Transfer Restrictions

The Investor Rights Agreement will provide that for three years after the closing of the transactions, each of Monty Bennett, Archie Bennett, Jr., MJB Investments, Mark Sharkey and their permitted transferees (collectively, the "*Covered Investors*") are prohibited from transferring common stock of Newco or Newco Preferred Stock, except to family members and in connection with estate planning, unless the transfer has been approved by an independent committee of the Company Board.

Covered Investors are also prohibited from transferring the Retained Interest except to family members or to a charitable foundation, unless approved by an independent committee of the Company Board. In the event the Covered Investors desire to transfer the Retained Interest in any other respect, the Investor Rights Agreement will provide that the Company has a right of first refusal to purchase the Retained Interest on the same terms as the proposed transfer to any such third party. The Company also has the option to pay the purchase price, upon exercising its right of first refusal, over a three year period pursuant to a promissory note issued by the Company bearing interest at the then-prevailing LIBOR interest rate plus 350 basis points. In the event that the Company fails to exercise its right of first refusal to purchase the Retained Interest, the transfer to a third party will be permitted. In each case, assignment of any economic interest (separate from any voting interest) is permitted.

Any transferee from a Covered Investor must, as a condition to such transfer, become a party to the Investor Rights Agreement by joinder and agree to be bound by all of the terms and conditions set forth therein as a Covered Investor.

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Put and Call Options

Preferred Call Option

Pursuant to the Investor Rights Agreement, after the fifth anniversary of the closing of the transactions, Newco will have the option to purchase all or any portion of the Newco Preferred Stock in $25,000,000 increments on a pro rata basis among all Covered Investors (the "*Preferred Call Option*") at a price per share equal to the sum of (i) not more than $25.125, plus (ii) all accrued but unpaid dividends. The purchase price is payable only in cash. The notice of exercise of the Preferred Call Option does not limit or restrict any Covered Investor's right to convert the Newco Preferred Stock into shares of Newco common stock prior to the closing of the Preferred Call Option.

Remington Call Option

In addition, after the tenth anniversary of the closing of the transactions, Newco Sub will have an option to require the Covered Investors to sell to Newco Sub the Retained Interest (the "*Remington Call Option*"). In the event that the Remington Call Option is exercised, the price to be paid will be an amount equal to 110% of the Retained Interests Purchase Price (defined below), and the price will be payable at each Covered Investor's individual election in any combination of:

(i) cash;

(ii) the issuance of a number of shares of Company common stock determined by dividing 110% of the Retained Interests Purchase Price by the greater of (a) the volume-weighted average price of the Company common stock on the business day immediately preceding the notice of exercise of the call option or (b) $100; or

(iii) the issuance of a number of shares of Newco common stock determined by dividing 110% of the Retained Interests Purchase Price by the greater of (a) the volume-weighted average price of the Company common stock on the business day immediately preceding the notice of exercise of the call option or (b) $100.

The "*Retained Interests Purchase Price*" is an amount equal to the product of (a) the Multiple (defined below), multiplied by (b) Remington's adjusted earnings before interest, taxes depreciation and amortization for the prior 12-month rolling period, multiplied by (c) the percentage ownership interest of Remington on a fully diluted basis represented by the Retained Interests. "*Multiple*" means a factor not less than 10.25 and not greater than 16.25 that will be determined by agreement between the Company and the Covered Investors or, if no agreement is reached, by successive appraisal and arbitration procedures.

Change of Control Put Option

The Investor Rights Agreements also will provide each Covered Investor with the option, exercisable on one occasion, to sell to the Company all of the Retained Interests, Newco common stock (unless an initial public offering of Newco has occurred) and the Newco Preferred Stock then owned by such Covered Investor (the "*Change of Control Put Option*"), during a ten business day period following the consummation of a Change of Control (as defined below). In the event that a Covered Investor exercises the Change of Control Put Option, the price to be paid to such exercising Covered Investor will be:

(i) With respect to the Retained Interests, 90% of the Retained Interests Purchase Price, payable at the Covered Investor's election in any combination of:

(a) cash;

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(b) the issuance of a number of shares of Company common stock determined by dividing 90% of the Retained Interests Purchase Price by the greater of (1) the volume-weighted average price of the Company common stock on the business day immediately preceding the Change of Control or (2) $100; or

(c) the issuance of a number of shares of Newco common stock determined by dividing 90% of the Retained Interests Purchase Price by the greater of (1) the volume-weighted average price of the common stock of the Company on the business day immediately preceding the date of the Change of Control or (2) $100.

(ii) With respect to Newco common stock, payable at the Covered Investor's election in any combination of:

(a) cash in an amount per share determined by the volume-weighted average price of the Company common stock on the business day preceding the Change of Control; or

(b) the issuance of a number of shares of Company common stock equal to the number of shares of common stock of Newco to be acquired by the Company.

(iii) With respect to the Newco Preferred Stock, an amount equal to (1) not more than $25.125, plus (2) all accrued and unpaid dividends, plus (3) if prior to the fifth anniversary of the closing of the transactions, an additional amount per share equal to 3% per annum for each year, inclusive of the year in which the Change of Control Put Option is exercised, until the fifth anniversary of the closing of the transactions, payable in any combination of:

(a) cash;

(b) a number of shares of Company common stock determined by dividing such amount by $120;

(c) a number of shares of Newco common stock determined by dividing such amount by $120; or

(d) shares of preferred stock of the Company on a one-for-one basis with terms that are equivalent in all material respects to the Newco Preferred Stock being exchanged.

The $120 conversion price used with respect to the Newco Preferred Stock is subject to adjustment in the event of stock dividends on Newco common stock or any subdivision or combination of Newco common stock.

A "*Change of Control*" means any of the following, in each case that was not consented to, voted for or otherwise supported by Monty Bennett: (a) any person (other than Archie Bennett, Jr., Monty Bennett, MJB Investments, their controlled affiliates, trusts or estates in which any of them has a substantial interest or as to which any of them serves as trustee or a similar capacity, any immediate family member of Archie Bennett, Jr. or Monty Bennett or any group of which they are a member) acquires beneficial ownership of securities of the Company or Newco that, together with the securities of the Company or Newco previously beneficially owned by the first such person, constitutes more than 50% of the total voting power of the Company's or Newco's outstanding securities, or (b) the sale, lease, transfer or other disposition (other than as collateral) of all or a majority of the Company's or Newco's (taken as a whole) assets or income or revenue generating capacity, other than to any direct or indirect majority-owned and controlled affiliate of the Company.

Noncompetition and Non-Solicitation Agreements

Subject to the exclusions described below, the Investor Rights Agreement will provide that for a period of the later of (i) three years following the closing of the transactions, or (ii) three years following the date Monty Bennett is not the principal executive officer of the Company (the "*Restricted*

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Period"), each of Archie Bennett, Jr., Monty Bennett, and MJB Investments will not, directly or indirectly:

(a) engage in, or have an interest in a person that engages in, the business conducted by Remington on the closing of the transactions anywhere in the United States (excluding certain passive investments and existing relationships) (the "*Restricted Business*");

(b) hire or solicit employees of Remington, except pursuant to a general solicitation; or

(c) solicit or entice, any clients of Remington.

In addition to, among other exclusions, exclusions related to service with entities related to the Company and passive investments in publicly traded securities on unaffiliated entities, each of Archie Bennett, Jr., Monty Bennett, and MJB Investments may freely pursue any opportunity to acquire ownership, directly or indirectly, in any interest in real property in the lodging industry if such person has presented such opportunity to the Company Board and the Company (based on a determination by a majority of its independent directors) declines to pursue or participate in such opportunity, provided such person and its controlled affiliates (other than the Company, Remington, and their subsidiaries) do not engage in the Restricted Business for such real property.

The Investor Rights Agreement also will provide that, during the Restricted Period, none of Archie Bennett, Jr., Monty Bennett, or MJB Investments will, or permit any of their controlled affiliates to, hire or solicit the executive officers of Remington and its subsidiaries and any independent contractors or consultants spending a majority of their respective time on the Restricted Business (collectively, the "*Service Providers*"), except pursuant to a general solicitation that is not directed specifically to such Service Providers. Archie Bennett, Jr., Monty Bennett, and MJB Investments, either directly or through any of their controlled affiliates, may hire any Service Providers (i) whose employment has been terminated by Remington, Newco, Newco Sub or the Company, (ii) after 180 days, whose employment has been terminated by the Service Provider or (iii) who will work on a shared basis with Remington and its subsidiaries.

Voting Limitations at the Company and Newco

The Company

On matters submitted to a vote of the Company's stockholders, the Covered Investors have the right to vote as they determine, except if, prior to the fourth anniversary of the closing of the transactions, the combined voting power of the Reference Shares (as defined below) of the Company exceeds 25% (plus the combined voting power of any Company common stock purchased after the closing of the transactions in an arm's length transaction from a person other than the Company or a Company subsidiary, including through open market purchases, privately negotiated transactions or any distributions by either Ashford Trust or Ashford Prime to its respective stockholders pro rata) of the combined voting power of all of the outstanding voting securities of the Company entitled to vote, then Reference Shares of the Company representing voting power equal to such excess will be deemed to be "*Company Cleansed Shares*." The Covered Investors will vote Company shares with voting power equal to the voting power of the Company Cleansed Shares in the same proportion as the Company's stockholders vote their shares with respect to such matters, inclusive of the Reference Shares of the Company voted by the Covered Investors.

Newco

On matters submitted to a vote of Newco stockholders, the Covered Investors have the right to vote as they determine, except if at any time the combined voting power of the Reference Shares of Newco exceeds 25% (plus the combined voting power of any Newco common stock purchased after the closing of the transactions in an arm's length transaction from a person other than Newco or a Newco

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subsidiary, including through open market purchases or privately negotiated transactions) of the combined voting power of all of the outstanding voting securities of Newco entitled to vote, then Reference Shares of Newco representing voting power equal to such excess will be deemed to be "*Newco Cleansed Shares*." The Covered Investors will vote Newco shares with voting power equal to the voting power of the Newco Cleansed Shares in the same proportion as Newco stockholders vote their shares with respect to such matters, inclusive of the Reference Shares of Newco voted by the Covered Investors.

These voting restrictions may be waived by two-thirds majority vote or consent of the independent directors of the Company or Newco, as applicable, that have no personal interest in the matter to be voted upon.

"*Reference Shares*" means all voting securities of the Company or Newco, as applicable, that are (a) beneficially owned by any Covered Investor; (b) beneficially owned by any member of a group of which any Covered Investor is a member; or (c) subject to or referenced in any derivative or synthetic interest that (i) conveys any voting right in the common stock of the Company or Newco, as applicable, or (ii) is required to be, or is capable of being, settled through delivery of common stock of the Company or Newco, as applicable, in either case, that is held or beneficially owned by any Covered Investor or any controlled affiliate or any Covered Investor.

Termination

The Investor Rights Agreement terminates by its terms on the earliest of (i) the written agreement of the Company and a majority in interest of the Covered Investors, (ii) the fifth anniversary of the closing of the transactions, and (iii) the date on which the Covered Investors no longer own any Retained Interests, Newco common stock or Newco Preferred Stock; provided operational covenants, the noncompetition agreement, board designation rights, voting limitations and restrictions on Newco dividends will last for the time periods provided by their terms and the call options, put options and the Private Letter Ruling compliance covenant will last indefinitely.

A Covered Investor will automatically cease to be bound by the Investor Rights Agreement at such time as such Covered Investor no longer owns any Retained Interests, any Newco common stock or Newco Preferred Stock.

Limited Partnership Agreement

The following is a summary of the material provisions of the Amended and Restated Limited Partnership Agreement of Remington, a copy of which is attached to this proxy statement as Annex F, and which we incorporate by reference into this proxy statement. This summary may not contain all of the information about the Amended and Restated Limited Partnership Agreement that is important to you and is qualified in its entirety by reference to the full text of such agreement. We encourage you to read carefully the Amended and Restated Limited Partnership Agreement in its entirety, as the rights and obligations of the parties thereto are governed by the express terms of the Amended and Restated Limited Partnership Agreement and not by this summary or any other information contained in this proxy statement.

At the closing of the transactions, the parties will enter into an Amended and Restated Limited Partnership of Remington (the "*Limited Partnership Agreement*") that will provide for, among other items, the governance of Remington following the closing of the transactions and additional approval rights in favor of Archie Bennett, Jr. and Monty Bennett (the "*LP Transferors*"), including, without limitation, limiting Remington's ability to incur indebtedness, issue additional interests, and amend the Limited Partnership Agreement.

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Distributions and Working Capital Reserve

Under the terms of the Limited Partnership Agreement, within twenty days end of each calendar month, GP Holdings, the general partner of Remington, is required to distribute to the partners pro rata in proportion to their respective percentage interests, an amount equal to the total amount of current assets of the Partnership less the total amount of current liabilities of the Partnership and less an amount of reserved net working capital equal to $4,000,000. Newco Sub will hold an 80% limited partnership interest in Remington and Archie Bennett, Jr. and Monty Bennett (directly or indirectly through MJB Investments) will each hold a 10% limited partnership interest in Remington as of the closing of the transactions.

Operation and Management

Under the terms of the Limited Partnership Agreement, GP Holdings, as the general partner of Remington, has full control over the business and affairs of Remington, subject to certain limitations and consent rights held by the limited partners set forth in the Limited Partnership Agreement and described below. Among other general powers and duties, GP Holdings is authorized to:

(i) make all decisions concerning the operation of Remington's business;

(ii) acquire, hold, sell, transfer, exchange, pledge and dispose of and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to any real or personal property held by Remington;

(iii) open, maintain and close bank accounts and draw checks or other orders for the payment of money and open, maintain and close brokerage, money market fund and similar accounts;

(iv) incur debt obligations solely to the extent relating to the ordinary course acquisition of furniture, fixtures and equipment ("*Permitted Indebtedness*") and pledge, mortgage or encumber assets in connection with such incurrence;

(v) sue and be sued, prosecute, settle or compromise all claims against third parties, compromise, settle or accept judgment with respect to claims against Remington;

(vi) except as restricted by the Investor Rights Agreement, acquire, own, hold, vote, use, employ, sell, mortgage, lend, pledge or otherwise dispose of shares or other equity or debt interests in other entities;

(vii) lend money for any proper purpose, to invest and reinvest its funds and to take and hold real and personal property for the payment of funds so loaned or invested;

(viii) appoint and terminate employees and officers of Remington and define their duties and fix their compensation;

(ix) incur all expenditures relating to Remington and pay all expenses, debts and obligations of Remington;

(x) enter into one or more joint ventures;

(xi) enter into indemnification agreements;

(xii) hire and pay fees and expenses of custodians, advisors, consultants, brokers, attorneys, accountants, appraisers and any and all other third-party agents and assistants;

(xiii)

enter into, execute, maintain and/or terminate contracts, undertakings, leases, agreements and any and all other documents and instruments in Remington's name; and

(xiv) make, execute, acknowledge and file any and all documents or instruments necessary, convenient or incidental to the accomplishment of the purpose of Remington's business.

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The Limited Partnership Agreement will provide that, as applicable, without the prior consent of a majority in interest of Monty Bennett, Archie Bennett, Jr., their controlled affiliates and their family members or charitable foundations to whom they may transfer limited partnership interests in Remington (collectively, the "*Bennett Limited Partners*"), in the event a transfer that results in the Bennett Limited Partners beneficially owning in the aggregate less than 5% of the limited partnership interests of Remington (a "*Disposition Transaction*") has not occurred, and without the prior consent of a majority in interest of the Bennett Limited Partners and each person that is not a Bennett Limited Partner that succeeds to the limited partnership interest of a Bennett Limited Partner (the "*Bennett Transferee Limited Partners*"), GP Holdings cannot:

(i) modify, alter or amend in any material respect the property management operations, taken as a whole, as conducted by Remington as of the date of the closing of the transactions, including the ordinary course business practices regarding allocations of costs and expenses set forth in the Limited Partnership Agreement;

(ii) commence a voluntary Chapter 11 bankruptcy case, take any action to appoint, or take any action to make an assignment of all or substantially all of its assets to, a bankruptcy custodian, trustee or receiver for, or creditors of, it or all or substantially all of Remington's assets;

(iii) incur indebtedness for borrowed money other than Permitted Indebtedness;

(iv) modify, alter or amend Remington's significant accounting policies if such modification, alteration or amendment would result in a material adverse effect upon the interests of the limited partners, except as required to comply with GAAP, the accounting practices of applicable self-regulatory or governmental regulatory authorities, including the SEC, or the independent accountants of Remington; or

(v) issue any additional general partnership or limited partnership interests except in accordance with the terms of the Limited Partnership Agreement.

The Limited Partnership Agreement also requires that, prior to the occurrence of a Disposition Transaction, GP Holdings annually prepare a capital budget for Remington relating to the prospective operations of the Partnership, such budget to include sources of income, expenses and expenditures, including capital expenditures and similar items, and as soon as practicable but in no event later than 30 days prior to the implementation of such budget, provide the Bennett Limited Partners a draft of such budget for their review and comment. GP Holdings is required to reasonably consider any comments provided by the Bennett Limited Partners with respect to such budget.

In addition, under the terms of the Limited Partnership Agreement, Remington will continue to provide certain back office services to Archie Bennett, Jr. and Monty Bennett, in their personal capacity, for administrative, legal, tax, accounting and financial services at no charge for a period of 10 years from the date of the closing.

Transfer Restrictions

The Limited Partnership Agreement prohibits the sale, assignment or transfer of GP Holding's interest as the general partner of Remington without the consent, as applicable, a majority in interest of the Bennett Limited Partners in the event a Disposition Transaction has not occurred, and a majority in Interest of the Bennett Transferee Limited Partners.

The Limited Partnership Agreement also prohibits the transfer of any limited partner's interest in Remington except to the extent permitted under the Investor Rights Agreement. See the section titled "The Transaction Documents Investor Rights Agreement Transfer Restrictions."

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Indemnification

The Limited Partnership Agreement requires that Remington, to the fullest extent permitted by law, indemnify and hold harmless GP Holdings, each limited partner and each of the current and former employees and officers of Remington, GP Holdings and each limited partner (the "*Covered Persons*") from and against any and all claims, liabilities, damages, losses, costs and expenses (including amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and legal or other costs and reasonable expenses of investigating or defending against any claim or alleged claim) of any nature whatsoever, known or unknown, liquidated or unliquidated, that are incurred by any Covered Person and arise out of or in connection with the affairs of Remington or the performance of GP Holdings' responsibilities as general partner, unless it is determined by any court, governmental body of competent jurisdiction or arbitrator or arbitration panel in a final, non-appealable judgment or award, or admitted by such Covered Person in a settlement of any lawsuit, that such Covered Person's conduct constituted fraud, gross negligence or willful malfeasance by such Covered Person. The Limited Partnership Agreement also requires Remington to advance the expenses of a Covered Person indemnified by Remington.

Amendments

Subject to the exceptions set forth in the Limited Partnership Agreement and described below, the provisions of the Limited Partnership Agreement may be waived, terminated, amended, restated, supplemented or otherwise modified only by the written consent of a majority in interest of the Bennett Limited Partners, in the event a Disposition Transaction has not occurred, and a majority in interest of the Bennett Transferee Limited Partners.

The provisions of the Limited Partnership Agreement may be waived, terminated, amended, restated, supplemented or otherwise modified by GP Holdings without the consent of any limited partner in the following situations:

(i) in order to cure any ambiguity, make any inconsequential revision, provide clarity or to correct or supplement any provision which may be defective, incomplete or inconsistent with any other provisions set forth in the Limited Partnership Agreement, or to correct any printing or clerical errors or omissions;

(ii) to comply with any anti-money laundering or anti-terrorist rules, regulations, directions or special measures;

(iii) to take such action in light of changing regulatory conditions, as is necessary in order to permit Remington to continue in existence; or

(iv) to the extent permitted by or approved pursuant to the terms of the Limited Partnership Agreement or the definitive Transaction Documents.

Dissolution and Termination

The Limited Partnership Agreement will provide that Remington will be dissolved upon the first to occur of the following events:

(i) with the consent of, as applicable, a majority in interest of the Bennett Limited Partners; provided that a Disposition Transaction has not occurred and a majority in interest of the Bennett Transferee Limited Partners, the good faith determination by GP Holdings that such earlier dissolution and termination is necessary or advisable because there has been a materially adverse change in any applicable law;

(ii) at such time as there are no remaining limited partners, unless the business of Remington is continued in accordance with Delaware law; or

(iii) the entry of a decree of judicial dissolution under Delaware law.

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Letter Agreements

As part of the transactions, on September 17, 2015, the Company entered into a letter agreement with each of Ashford Trust and Ashford Prime (the "*Letter Agreements*"), clarifying that for purposes of determining the "Termination Fee" under the respective Advisory Agreement entered by the Company with each of Ashford Trust and Ashford Prime and certain other parties, "Net Earnings" and "Adjusted EBITDA" shall not include the Company's Adjusted EBITDA arising under certain Hotel Master Management Agreements entered with Remington Lodging and certain other parties attributable to Management Fees, Project Management Fees and Market Service Fees (all as defined in the Hotel Master Management Agreements) earned by Remington and/or its subsidiaries and consolidated with the Company.

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PROPOSAL 1: THE CONTRIBUTION

The Proposal

The stockholders of the Company are being asked to approve the Contribution. For a detailed discussion about the Contribution, see the section of this proxy statement titled "Special Factors Background of the Transactions." Copies of the Acquisition Agreement, the Certificate of Designation, the Investor Rights Agreement and the Limited Partnership Agreement are attached to this proxy statement as Annexes.

Company Board Recommendation and Required Vote

As discussed in the section of this proxy statement titled "Special Factors Background of the Transactions", the Company Board formed the Special Committee consisting of three independent and disinterested directors to evaluate and negotiate the transactions and the Transaction Documents, to consider and evaluate alternatives for the Company, and to alleviate any potential conflicts of interest. The Special Committee unanimously approved and adopted the Transaction Documents and the transactions and recommended that (i) the Company Board approve and adopt the Transaction Documents and the transactions, and (ii) our stockholders, to the extent required by applicable law or the terms of the Company's listing on the NYSE MKT, approve and adopt the Transaction Documents and the transactions.

The Company Board subsequently unanimously (with Monty Bennett and J. Robison Hays, III recusing themselves due to due to Monty Bennett's interest in the transactions and Mr. Hays' status as an executive officer of the Company who reports to Monty Bennett), (i) approved and adopted the favorable recommendation of the special committee in respect of the transactions and the Transaction Documents; (ii) approved the form, terms and provisions of the Transaction Documents; and (iii) determined to recommend that the stockholders of the Company vote to approve the transactions to the extent required by applicable law or the terms of the Company's listing on the NYSE MKT.

Approval of this Proposal 1 requires the affirmative "**FOR**" vote of a majority of the shares of our outstanding common stock entitled to vote at the special meeting. You may vote "FOR," "AGAINST" or "ABSTAIN" from voting. Abstentions and broker non-votes, if any, will have the same effect as a vote "AGAINST" this Proposal 1. If you provide your proxy or broker instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the Board.

THE COMPANY BOARD, WITH MONTY BENNETT AND J. ROBISON HAYS, III RECUSING THEMSELVES, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS OF COMPANY VOTE "FOR" THIS PROPOSAL 1.

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PROPOSAL 2: THE SHARE ISSUANCES

The Proposal

The stockholders of the Company are being asked to approve the Share Issuances.

Company Board Recommendation and Required Vote

As discussed in the section of this proxy statement titled "Special Factors Background of the Transactions", the Company Board formed the Special Committee consisting of three independent and disinterested directors to evaluate and negotiate the transactions and the Transaction Documents, to consider and evaluate alternatives for the Company, and to alleviate any potential conflicts of interest. The Special Committee unanimously approved and adopted the Transaction Documents and the transactions and recommended that (i) the Company Board approve and adopt the Transaction Documents and the transactions, including the Share Issuances, and (ii) our stockholders, to the extent required by applicable law or the terms of the Company's listing on the NYSE MKT, approve and adopt the Transaction Documents and the transactions, including the Share Issuances.

The Company Board of directors subsequently unanimously (with Monty Bennett and J. Robison Hays, III recusing themselves due to due to Monty Bennett's interest in the transactions and Mr. Hays' status as an executive officer of the Company who reports to Monty Bennett), (i) approved and adopted the favorable recommendation of the Special Committee in respect of the transactions, including the Share Issuances, and the Transaction Documents; (ii) approved the form, terms and provisions of the Transaction Documents; and (iii) determined to recommend that the stockholders of the Company vote to approve the transactions, including the Share Issuances, to the extent required by applicable law or the terms of the Company's listing on the NYSE MKT.

Approval of this Proposal 2 requires the affirmative **"FOR"** vote of a majority of the shares of our outstanding common stock present at the special meeting (in person or by proxy) and cast at the meeting. You may vote **"FOR," "AGAINST"** or **"ABSTAIN"** from voting. Abstentions, if any, will have the same effect as a vote **"AGAINST"** this Proposal 2. Broker non-votes will not be considered present and entitled to vote on, and accordingly will have no effect on the outcome of, this Proposal 2. If you provide your proxy or broker instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the Company Board.

THE COMPANY BOARD, WITH MONTY BENNETT AND J. ROBISON HAYS, III RECUSING THEMSELVES, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS OF COMPANY VOTE "FOR" THIS PROPOSAL 2.

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PROPOSAL 3: ADJOURNMENT OR POSTPONEMENT OF SPECIAL MEETING

The Proposal

The stockholders of the Company are being asked to approve a proposal that will give the Company the authority, if necessary or appropriate, to adjourn or postpone the special meeting for the purpose of soliciting additional proxies in favor of the proposals to approve the Contribution (Proposal 1) or the Share Issuances (Proposal 2) if there are not sufficient votes at the time of the special meeting to approve such proposals. If this adjournment proposal is approved, the special meeting could be adjourned by the Company Board. In addition, under Article I, Section 5 of the Company's bylaws, the chairman of a meeting has the authority to adjourn the meeting, whether or not a quorum is present.

We not anticipate that we will adjourn or postpone the special meeting unless (i) necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the Contribution (Proposal 1) or the Share Issuances (Proposal 2), or (ii) counsel advises us that such adjournment or postponement is necessary under applicable law. Any signed proxies received by the Company in which no voting instructions are provided on such matter will be voted in favor of an adjournment or postponement in these circumstances. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow the Company's stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting, as adjourned or postponed.

Company Board Recommendation and Required Vote

Approval of this Proposal 3 requires the affirmative "**FOR**" vote of a majority of the votes cast at the special meeting. You may vote "FOR," "AGAINST" or "ABSTAIN" from voting. Abstentions and broker non-votes, if any, will not be considered as votes cast under the Company's bylaws, and accordingly will have no effect on the outcome of this Proposal 3. If you provide your proxy or broker instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the Company Board.

THE COMPANY BOARD, WITH MONTY BENNETT AND J. ROBISON HAYS, III RECUSING THEMSELVES, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS OF THE COMPANY VOTE "FOR" THIS PROPOSAL 3.

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FINANCIAL INFORMATION

Unaudited Pro Forma Financial Statements of Ashford Inc. and Subsidiaries

Set forth on Annex A to this proxy statement are the unaudited pro forma financial statements and accompanying notes of Ashford Inc. and its subsidiaries as of and for the six months ended June 30, 2015 and for the year ended December 31, 2014, which have been prepared by our management and are derived from (a) our audited financial statements as of and for the year ended December 31, 2014 included in our Annual Report on Form 10-K for the period then ended; (b) our unaudited financial statements as of and for the six months ended June 30, 2015 included in our Quarterly Report on Form 10-Q for the period then ended; (c) the audited consolidated financial statements of Remington and its subsidiaries as of and for the year ended December 31, 2014 included in Annex B to this proxy statement; and (d) the unaudited consolidated financial statements of Remington and its subsidiaries as of and for the six months ended June 30, 2015 included in Annex B to this proxy statement.

Consolidated Financial Statements of Remington and Subsidiaries

Set forth on Annex B to this proxy statement are the audited consolidated financial statements of Remington and its subsidiaries for each of the three years ended December 31, 2014, 2013 and 2012 and the unaudited interim consolidated financial statements for the six month period ended June 30, 2015.

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INFORMATION ABOUT ASHFORD INC.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the ownership of our common stock as of November 13, 2015 by (i) each person who beneficially owns, directly or indirectly, more than 5% of our common stock, (ii) each of our directors, our chief executive officer and our two most highly compensated executive officers and (iii) all of our directors and executive officers as a group.

In accordance with SEC rules, each listed person's beneficial ownership includes: (i) all shares the person actually owns beneficially or of record; (ii) all shares over which the person has or shares voting or dispositive control (such as in the capacity of a general partner of an investment fund); and (iii) all shares the person has the right to acquire within 60 days. Except as otherwise noted in the footnotes below, each person or entity identified below has sole voting and investment power with respect to such securities.

As of November 13, 2015, we had an aggregate of 2,010,104 shares of common stock outstanding. Except as indicated in the footnotes to the table below, the business address of the stockholders listed below is the address of our principal executive office, 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Class
Monty J. Bennett	221,172(2)	11.0%
David A. Brooks	32,441	1.6%
Dinesh P. Chandiramani	1,423	*
Darrell T. Hail	1,423	*
J. Robison Hays, III	10,000	*
John Mauldin	2,211	*
Gerald J. Reihsen, III	1,423	*
Brian Wheeler	1,423	*
Douglas A. Kessler	29,924	1.5%
Deric S. Eubanks	3,366	*
Mark L. Nunneley	15,415	*
Jeremy Welter	6,775	*
Ashford Hospitality Trust, Inc.	598,163	29.8%
Ashford Hospitality Prime, Inc.	194,880	9.7%
All executive officers and directors as a group (12 persons)	326,996	16.3%

* Denotes less than 1.0%.

(1) Ownership excludes any ownership of common units in Ashford LLC, our operating Company.

(2) This number excludes the Company's obligation to issue common stock to Monty Bennett pursuant to the Company's deferred compensation plan. As of November 13, 2015, the Company has reserved an aggregate of 195,579 shares of common stock for issuance to Monty Bennett, which are issuable periodically over a five-year period that will begin in January 2016.

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Certain Relationships and Related Person Transactions

Advisory Relationship with Ashford Trust and Ashford Prime

Ashford Trust created us to separate its asset management and advisory business from its hospitality investment business. In connection with our separation from Ashford Trust, Ashford LLC became our operating Company, and it continues to advise Ashford Prime pursuant to the existing advisory agreement between Ashford Prime and Ashford LLC. Ashford LLC also became the advisor to Ashford Trust. Pursuant to our advisory agreements with Ashford Trust and Ashford Prime, we (through our operating Company Ashford LLC) are responsible for implementing the investment strategies and decisions and the management of the day-to-day operations of Ashford Trust and Ashford Prime, in each case subject to the supervision and oversight of the respective board of directors of such entity. We may also perform similar services for new or existing platforms created by us, Ashford Trust or Ashford Prime.

Our advisory agreements with Ashford Prime and Ashford Trust each have an initial 10-year term. Each advisory agreement is automatically renewed for successive five-year terms after its expiration unless terminated either by us or Ashford Trust or Ashford Prime, as applicable. We are entitled to receive from each of Ashford Trust and Ashford Prime an annual base fee calculated as 0.70% or less of the total market capitalization of such entities, subject to a minimum quarterly fee. We are also entitled to receive an incentive fee from each of Ashford Trust and Ashford Prime based on their respective out-performance, as measured by total annual stockholder return, as compared to such entity's respective peers. In the year ended December 31, 2014, we received base fees of $4.0 million and $8.7 million from Ashford Trust and Ashford Prime, respectively. We received no incentive fees in 2014.

In addition, we are entitled to receive directly or be reimbursed, on a monthly basis, for all expenses paid or incurred by us or our affiliates on behalf of Ashford Trust or Ashford Prime or in connection with the services provided by us pursuant to the advisory agreements, which includes each of Ashford Trust's and Ashford Prime's pro rata share of our office overhead and administrative expenses incurred in providing our duties under the advisory agreements. For the year ended December 31, 2014, we received reimbursements of approximately $693,000 and $1.8 million from Ashford Trust and Ashford Prime, respectively.

The board of directors of each of Ashford Trust and Ashford Prime also has the authority to make annual equity awards to us or directly to our employees, officers, consultants and non-employee directors, based on the achievement by Ashford Trust or Ashford Prime, as applicable, of certain financial and other hurdles established by the respective boards of directors. In 2014, Ashford Prime awarded equity grants of its common stock or LTIP units to our officers and employees valued at $2.1 million. In June 2015, Ashford Prime awarded performance stock units to our executive officers valued at $6.4 million. In March 2015, Ashford Trust awarded equity grants of its common stock or LTIP units to our executive officers and employees valued at $17.0 million.

If we are requested to perform services outside the scope of an advisory agreement, Ashford Trust or Ashford Prime, as applicable, is obligated to separately pay for such additional services. No such fees for additional services were paid in 2014.

We are also entitled to receive a termination fee from each of Ashford Trust and Ashford Prime under certain circumstances.

Relationship and Agreements between Ashford Inc. and Remington

Immediately prior to the completion of the spin-off from Ashford Trust, we entered into a mutual exclusivity agreement with Remington, pursuant to which we agreed to utilize Remington to provide property management, project management and development services for all hotels, if any, that we may

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acquire as well as all hotels that future companies advised by us may acquire, to the extent that we have the right, or control the right, to direct such matters, unless our independent directors either (i) unanimously vote not to utilize Remington for such services or (ii) based on special circumstances or past performance, by a majority vote elect not to engage Remington because they have determined, in their reasonable business judgment, that it would be in our best interest not to engage Remington or that another manager or developer could perform the duties materially better. In exchange for our agreement to engage Remington for such services for all hotels, if any, that we may acquire as well as all hotels that future companies advised by us may acquire, Remington has agreed to grant to any such companies advised by us a right of first refusal to purchase any investments identified by Remington and any of its affiliates that meet the initial investment criteria of such entities, as identified in the advisory agreement between us and such entities, subject to any prior rights granted by Remington to other entities, including Ashford Trust, Ashford Prime and us. The services that Remington provides under the mutual exclusivity agreement to Ashford Trust, Ashford Prime and future companies advised by us includes (i) property management services, which consist of the day-to-day operations of hotels; (ii) project management services, which consist of planning, management and implementation of capital improvements and plans related to capital projects; and (iii) development services, which consist of building hotel properties or constructing hotel improvements. Currently, our business strategy does not include providing any of these types of services.

Monty Bennett will potentially benefit, indirectly, from Remington's receipt of property management fees, project management fees and development fees by Remington from such future companies that we advise, as well as any such fees payable by us if we acquire or develop hotels in the future. Currently, our business strategy does not contemplate the acquisition or development of hotels.

Conflicts of Interest

Each of our executive officers and two of our directors also serve as key employees and as officers of Ashford Trust and Ashford Prime, and will continue to do so. Furthermore, so long as we serve as an advisor to Ashford Prime, we will be allowed to designate two persons as candidates for election as director of Ashford Prime at any stockholder meeting at which directors are to be elected. Such nominees may be executive officers of us or Ashford Prime. Monty Bennett, is also the chief executive officer and chairman of the board of directors of Ashford Trust and Ashford Prime. Although we consulted with our third-party financial advisors when structuring the terms of our agreements with Ashford Trust and Ashford Prime, we did not conduct arm's-length negotiations with respect to the terms of such agreements. As a result, the principals of Ashford Trust may have had the ability to influence the type and level of benefits that they and our other affiliates will receive. Accordingly, our advisory agreements and other agreements with each of Ashford Trust and Ashford Prime, including fees and other amounts payable, may not be as favorable to us as if they had been negotiated on an arm's-length basis with unaffiliated third parties.

Monty Bennett is an owner and the chief executive officer of Remington and is an owner, the chief executive officer and chairman of Ashford Trust and Ashford Prime. As a result, his duties to us as a director and officer may conflict with his duties to, and pecuniary interest in, Remington, Ashford Trust and Ashford Prime.

Mr. Wheeler is a member of the Company Board, and serves as chairman of the Company's nominating/corporate governance committee and as a member of the Company's compensation committee. Mr. Wheeler's wife owns a commercial printing company that is occasionally utilized by the Company, Ashford Trust and Ashford Prime for printing needs, for which 2014 total fees paid were $87,284, with a similar amount expected to be paid during 2015. The Company Board determined that these transactions did not impair the independence of Mr. Wheeler.

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Pursuant to our advisory agreements with each of Ashford Prime and Ashford Trust, each such entity acknowledges that our personnel will advise Ashford Trust and Ashford Prime and may also advise other businesses in the future and will not be required to present Ashford Trust or Ashford Prime with investment opportunities that we determine are outside of their respective initial investment guidelines and within the investment guidelines of another business we advise. To the extent we deem an investment opportunity suitable for recommendation, we must present Ashford Trust with any such investment opportunity that satisfies its initial investment guidelines and must present Ashford Prime with any such investment opportunity that satisfies Ashford Prime's initial investment guidelines, but in each case we will have discretion to determine which investment opportunities satisfy such entity's initial investment guidelines. If, however, either Ashford Trust or Ashford Prime materially changes its investment guidelines without our express consent, we will be required to use our best judgment to allocate investment opportunities to Ashford Trust, Ashford Prime and other entities we advise, taking into account such factors as we deem relevant, in our discretion, subject to any then-existing obligations we may have to such other entities. Any new individual investment opportunities that satisfy Ashford Prime's investment guidelines will be presented to its board of directors, who will have up to 10 business days to accept any such opportunity prior to it being available to Ashford Trust or another business advised by us. Likewise, any new individual investment opportunities that satisfy Ashford Trust's investment guidelines will be presented to its board of directors, who will have up to 10 business days to accept any such opportunity prior to it being available to Ashford Prime or another business advised by us. Portfolio investment opportunities (the acquisition of two or more properties in the same transaction) are treated differently. Some portfolio investment opportunities may include hotels that satisfy the investment objectives of both Ashford Trust and Ashford Prime or of another business we advise. If the portfolio 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 be required to allocate investment opportunities between Ashford Trust, Ashford Prime and any other businesses we advise in a fair and equitable manner, consistent with such entities' investment objectives. In making this determination, using substantial discretion, we will consider the investment strategy and guidelines of each entity with respect to acquisition of properties, portfolio concentrations, tax consequences, regulatory restrictions, liquidity requirements, financing and other factors we deem appropriate. We may utilize options, rights of first offer or other arrangements to subsequently reallocate assets. In making the allocation determination, we have no obligation to make any investment opportunity available to Ashford Trust or Ashford Prime.

In addition, pursuant to our advisory agreements with each of Ashford Prime and Ashford Trust, we agreed to, from time to time, to make "key money investments" to facilitate the acquisition of properties by Ashford Prime and Ashford Trust if the independent board members of the Company and each of Ashford Prime or Ashford Trust, as applicable, have determined that without such an investment, the acquisition of such property would be uneconomic to Ashford Prime or Ashford Trust. Any such assets are referred to as "key money assets." Any key money investment will be in the form of, but not limited to, cash, notes, equity of the Company, the acquisition of furniture, fixture and equipment by the Company for use at the subject hotel, or other investment mutually agreed to by the Company and Ashford Prime or Ashford Trust, as applicable, at the time the Company makes such an investment. Upon such key money investment, the Company will be engaged as the asset manager for the related key money asset and will receive the key money asset management fees which are included in the base fees. The Company, Ashford Trust and Ashford Prime may also agree to additional incentive fees based on the performance of any key money asset.

From time to time, as may be determined by our independent directors and the independent directors of Ashford Prime, Ashford Trust and any other Company subsequently advised by us, each such entity may provide financial accommodations, guaranties, back-stop guaranties, and other forms of financial assistance to the other entities on terms that the respective independent directors determine to be fair and reasonable.

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OTHER MATTERS

Stockholder Proposals

For a stockholder proposal to be considered for inclusion in the company's proxy statement for the 2016 annual meeting of stockholders, our corporate secretary must receive the written proposal at our principal office no later than the close of business on December 19, 2015. Such proposals also must comply with SEC regulations Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Proposals should be addressed to the attention of Investor Relations at 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254.

As to any proposal that a stockholder intends to present to stockholders other than by inclusion in our proxy statement for the 2016 annual meeting of stockholders, the proxies named in management's proxy for that annual meeting of stockholders will be entitled to exercise their discretionary authority on that proposal unless we receive notice of the matter to be proposed no earlier than December 19, 2015 and no later than January 18, 2016. Even if the proper notice is received timely, the proxies named in management's proxy for that annual meeting of stockholders may nevertheless exercise their discretionary authority with respect to such matter by advising stockholders of such proposal and how they intend to exercise their discretion to vote on such matter, unless the stockholder making the proposal solicits proxies with respect to the proposal to the extent required by Rule 14a-4(c)(2) under the Exchange Act.

All stockholder proposals must be in full compliance with our bylaws to be eligible for inclusion in our proxy or presentation to our stockholders.

Multiple Stockholders Sharing One Address

The SEC rules allow for the delivery of a single copy of an annual report and proxy statement to two or more stockholders who share an address, unless we have received contrary instructions from one or more of the stockholders. We will deliver promptly upon written or oral request separate copies of our annual report and proxy statement to a stockholder at a shared address to which a single copy was delivered. Requests for additional copies of the proxy materials, and requests that in the future separate proxy materials be sent to stockholders who share an address, should be directed to Ashford Inc., Attention: Investor Relations, 14185 Dallas Parkway, Suite 1100, Dallas, Texas, 75254 or by calling (972) 490-9600. In addition, stockholders who share a single address but receive multiple copies of the proxy materials may request that in the future they receive a single copy by contacting us at the address and phone number set forth in the previous sentence. Depending upon the practices of your broker, bank or other nominee, you may need to contact them directly to continue duplicate mailings to your household. If you wish to revoke your consent to householding, you must contact your broker, bank or other nominee. If you hold shares of common stock in your own name as a holder of record, householding will not apply to your shares.

If you wish to request extra copies, free of charge, of any annual report, proxy statement or information statement, please send your request to Ashford Inc., Attention: Investor Relations, 14185 Dallas Parkway, Suite 1100, Dallas, Texas, 75254 or call (972) 490-9600. You can also obtain copies from our web site at www.ashfordinc.com.

Where You Can Find Additional Information

We file annual, quarterly and special reports, proxy statements and other information with the SEC at 100 F Street N.E., Washington, DC 20549-1090. You may read and copy any reports, statements or other information we file at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at (800) SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from commercial document retrieval

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services and on the website maintained by the SEC at www.sec.gov. We make available on our website at www.ashfordinc.com, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, press releases, charters for the committees of our board of directors, our Board of Directors Guidelines, our Code of Business Conduct and Ethics, our Financial Officer Code of Conduct and other Company information, including amendments to such documents as soon as reasonably practicable after such materials are electronically filed or furnished to the SEC or otherwise publicly released. Such information will also be furnished upon written request to Ashford Inc., Attention: Investor Relations, 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254 or by calling (972) 490-9600.

Information Incorporated by Reference

The SEC allows us to "incorporate by reference" information into this proxy statement. That means we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this proxy statement, except to the extent that the information is superseded by information in this proxy statement.

This proxy statement incorporates by reference the documents listed below that the Company has previously filed with the SEC.

Annual Report on Form 10-K for the fiscal year ended December 31, 2014; and

Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2015 and June 30, 2015.

We are delivering to our stockholders with this proxy statement the aforementioned annual report and quarterly reports in accordance with Item 13(b)(2) of Schedule 14A. In addition, the Company incorporates by reference any future filings it makes with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than information furnished pursuant to Item 2.02 or Item 7.01 of a Current Report on Form 8-K) after the date of this proxy statement and prior to the date of the special meeting. Such documents are considered to be a part of this proxy statement, effective as of the date such documents are filed. In the event of conflicting information in these documents, the information in the latest filed document supersedes the former.

You can obtain any of the documents listed above from the SEC, through the SEC's website at www.sec.gov or from the Company by written request to Ashford Inc., Attention: Investor Relations, 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254 or by calling (972) 490-9600. These documents are available from the Company without charge.

You should rely only on the information contained in (or incorporated by reference into) this proxy statement to vote on each of the proposals submitted for stockholder vote. We have not authorized anyone to provide you with information that is different from what is contained in (or incorporated by reference into) this proxy statement. This proxy statement is dated [ ], 2016. You should not assume that the information contained in this proxy statement is accurate as of any later date.

By order of the board of directors,

14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
[ ], 2016

David A. Brooks
Secretary

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ANNEX A

ASHFORD INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The unaudited pro forma financial statements as of and for the six months ended June 30, 2015 and for the year ended December 31, 2014 have been derived from the historical (i) financial statements of Ashford Inc. and subsidiaries and (ii) consolidated financial statements of Remington Holdings, LP and subsidiaries ("Remington").

The pro forma adjustments give effect to the following transactions:

the contribution by Ashford Inc. of substantially all of Ashford Inc.'s asset and business operations, including Ashford LLC to Ashford Advisors, Inc.; and

the acquisition of an 80% limited partnership interest in Remington and 100% of the general partnership interests in Remington directly and indirectly by Ashford Advisors, Inc. for $331.7 million in consideration in the form of:

(i) 916,500 shares of Ashford Advisors, Inc. Class B non-voting common stock with an estimated fair value of $100 per share, representing a 29.4% ownership in Ashford Advisors, Inc.;

(ii) 9,200,000 shares of Ashford Advisors, Inc. 6.625% non-voting convertible preferred stock with a value of $25 per share; and

(iii) $10.0 million interest-free promissory note payable issued by Remington Hospitality Management, Inc.

The unaudited pro forma balance sheet as of June 30, 2015 is presented to reflect adjustments to Ashford Inc.'s balance sheet as if the transactions were completed on June 30, 2015. The unaudited statements of operations for the six months ended June 30, 2015, and year ended December 31, 2014, are presented as if the transactions were completed on January 1, 2014.

The following unaudited pro forma financial statements should be read in conjunction with the (i) Ashford Inc. and subsidiaries financial statements as of June 30, 2015, December 31, 2014 and 2013 and for the three and six months ended June 30, 2015 and 2014 and the years ended December 31, 2014, 2013 and 2012, and the notes thereto included elsewhere in this document and (ii) Remington consolidated financial statements as of June 30, 2015, December 31, 2014 and 2013 and for the six months ended June 30, 2015 and 2014 and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this document. We have based the unaudited pro forma adjustments on available information and assumptions that we believe are reasonable. The following unaudited pro forma financial statements are presented for informational purposes only and are not necessarily indicative of what our actual financial position would have been as of June 30, 2015 assuming the transactions had been completed on June 30, 2015 or what actual results of operations would have been for the six months ended June 30, 2015 and the year ended December 31, 2014 assuming the transactions had been completed on January 1, 2014, nor are they indicative of future results of operations or financial condition and should not be viewed as indicative of future results of operations or financial condition.

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ASHFORD INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA BALANCE SHEET

As of June 30, 2015

(in thousands, except share amounts)

	Historical Ashford Inc. (A)	Historical Remington (B)	Adjustments		Pro Forma Ashford Inc.
Assets					
Current assets:					
Cash and cash equivalents	$ 21,077	$ 6,711	$	(D(i))	$ 27,395
			(393)	(I)	
Restricted cash	7,270	5,712		(D(i))	12,982
Restricted investment for deferred compensation		3,227	(255)	(D(ii))	2,972
Investments in securities	138,030				138,030
Prepaid expenses and other	1,912	508		(D(i))	2,420
Receivables	290	22,810		(D(i))	23,100
Due from Ashford Trust OP, net	5,331				5,331
Due from Ashford Prime OP	2,404				2,404
Deferred tax asset	374		359	(E)	1,953
			1,220	(G)	
Total current assets	176,688	38,968	931		216,587
Investments in unconsolidated entities	4,434				4,434
Furniture, fixtures and equipment, net	4,389	963		(D(iii))	5,352
Deferred tax asset	1,899		(1,899)	(H)	
Intangible assets			299,790	(E)	299,790
Goodwill			199,124	(E)	199,124
Other assets	4,000	655		(D(iv))	4,655
Total assets	$ 191,410	$ 40,586	$ 497,946		$ 729,942
Liabilities and Equity					
Current liabilities:					
Accounts payable and accrued expenses	$ 5,983	$ 25,322	$	(D(i))	$ 34,055
			2,750	(F)	
Current portion of note payable			2,085	(C(iii))	2,085
Capital projects liability		3,800		(D(i))	3,800
Due to affiliates	521				521
Liabilities associated with investments in securities	26,673				26,673
Deferred compensation plan	81	212		(D(v))	293
Other liabilities	7,362	621		(D(i))	7,983
Total current liabilities	40,620	29,955	4,835		75,410
Note payable			6,945	(C(iii))	6,945
Accrued expenses	71		6,104	(E)	6,175
Deferred income		669		(D(vi))	669
Deferred tax liability, net			88,538	(E)	80,504
			(6,135)	(G)	
			(1,899)	(H)	
Liability for managed properties		1,243		(D(vii))	1,243
Deferred compensation plan	18,364				18,364
Total liabilities	59,055	31,867	98,388		189,310
Commitments and contingencies					

Redeemable noncontrolling interests in Ashford LLC	393		(393)	(I)	
6.625% Ashford Advisors, Inc. cumulative convertible preferred stock, $25 liquidation value, 0 shares issued and outstanding at June 30, 2015, 9,200,000 shares issued and outstanding, as adjusted			230,000	(C(ii))	230,000
Noncontrolling interest attributable to Class B common stock of Ashford Advisors, Inc., 0 shares issued and outstanding at June 30, 2015, 916,500 shares issued and outstanding, as adjusted			91,650	(C(i))	91,650
Noncontrolling interest in Remington			82,670	(J)	82,670
Equity:					
Preferred stock, $0.01 par value, 50,000,000 shares authorized:					
Series A cumulative preferred stock, no shares issued and outstanding at June 30, 2015 and December 31, 2014					
Common stock, $0.01 par value, 100,000,000 shares authorized, 1,990,446 shares issued and 1,989,770 shares outstanding at June 30, 2015	20				20
Additional paid-in capital	231,051	8,719	(8,719)	(D(viii)	231,051
Accumulated deficit	(210,232)		(2,750)	(F)	(205,627)
			7,355	(G)	
Treasury stock, at cost, 676 shares at June 30, 2015, 3,598 shares as adjusted	(85)		(255)	(D(ii))	(340)
Total stockholders' equity of the Company	20,754	8,719	(4,369)		25,104
Noncontrolling interests in consolidated entities	111,208				111,208
Total equity	131,962	8,719	(4,369)		136,312
Total liabilities and equity	$ 191,410	$ 40,586	$ 497,946		$ 729,942

See Notes to Unaudited Pro Forma Financial Statements.

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ASHFORD INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

Six Months Ended June 30, 2015

(in thousands, except share and per share amounts)

	Historical Ashford Inc. (AA)	Historical Remington (BB)	Adjustments		Pro Forma Ashford Inc.
Revenues					
Advisory services	$ 27,412	$	$		$ 27,412
Property management fees		13,884			13,884
Project management fees		7,718			7,718
Cost reimbursements from managed properties		124,250			124,250
Other	195				195
Total revenue	27,607	145,852			173,459
Expenses					
Salaries and benefits	23,181		(200)	(CC)	22,981
Property management expenses		6,676			6,676
Project management expenses		3,789			3,789
Other reimbursement costs		(187)			(187)
Reimbursement costs from managed properties		124,250			124,250
Depreciation and amortization	528		5,158	(DD)	5,686
General and administrative	8,672		(1,298)	(EE)	7,374
Total expenses	32,381	134,528	3,660		170,569
Operating income (loss)	(4,774)	11,324	(3,660)		2,890
Equity in loss of unconsolidated entities	(1,066)				(1,066)
Interest expense			(152)	(FF)	(152)
Interest income	52				52
Dividend income	172	33			205
Unrealized loss on investments	(2,990)				(2,990)
Realized gain on investments	1,035	88			1,123
Other income (expense)	(10)	2			(8)
Income (loss) before income taxes	(7,581)	11,447	(3,812)		54
Income tax expense	(464)	(163)	(3,578)	(GG)	(4,205)
Net income (loss)	(8,045)	11,284	(7,390)		(4,151)
Loss from consolidated entities attributable to noncontrolling interests	4,115				4,115
Net income attributable to noncontrolling interests in Remington			(1,235)	(HH)	(1,235)
Net loss attributable to noncontrolling interests in Ashford Advisors, Inc. Class B common stock			2,611	(II)	2,611
Net (income) loss attributable to redeemable noncontrolling interests in Ashford LLC	10		(10)	(JJ)	
Net income (loss) attributable to the Company	(3,920)	11,284	(6,024)		1,340
Preferred dividends			(7,619)	(KK)	(7,619)
Net income (loss) attributable to common stockholders	$ (3,920)	$ 11,284	$ (13,643)		$ (6,279)

Loss per share basic:					
Net loss attributable to common stockholders	$	(1.97)	(LL)	$	(3.16)
Weighted average common shares outstanding basic		1,989	(LL)		1,989
Loss per share diluted:					
Net loss attributable to common stockholders	$	(2.43)	(MM)	$	(3.50)
Weighted average common shares outstanding diluted		2,201	(MM)		2,201

See Notes to Unaudited Pro Forma Financial Statements.

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ASHFORD INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

Year Ended December 31, 2014

(in thousands, except share and per share amounts)

	Historical Ashford Inc. (AA)	Historical Remington (BB)	Adjustments		Pro Forma Ashford Inc.
Revenue					
Advisory services	$ 17,144	$	$		$ 17,144
Property management fees		30,704			30,704
Project management fees		17,181			17,181
Cost reimbursements from managed properties		207,189			207,189
Other	144				144
Total revenue	17,288	255,074			272,362
Expenses					
Salaries and benefits	57,627		(340)	(CC)	57,287
Property management expenses		13,215			13,215
Project management expenses		7,190			7,190
Other reimbursement costs		199			199
Reimbursement costs from managed properties		207,189			207,189
Depreciation and amortization	359		10,317	(DD)	10,676
General and administrative	5,600				5,600
Total expenses	63,586	227,793	9,977		301,356
Operating income (loss)	(46,298)	27,281	(9,977)		(28,994)
Interest expense			(415)	(FF)	(415)
Dividend income		86			86
Realized loss on investments		(171)			(171)
Other income		44			44
Income (loss) before income taxes	(46,298)	27,240	(10,392)		(29,450)
Income tax expense	(783)	(201)	(401)	(GG)	(1,385)
Net income (loss)	(47,081)	27,039	(10,793)		(30,835)
Loss from consolidated entities attributable to noncontrolling interests	647				647
Net income attributable to noncontrolling interests in Remington			(3,329)	(HH)	(3,329)
Net loss attributable to noncontrolling interests in Ashford Advisors, Inc. Class B common stock			14,327	(II)	14,327
Net (income) loss attributable to redeemable noncontrolling interests in Ashford LLC	24		(24)	(JJ)	
Net income (loss) attributable to the Company	(46,410)	27,039	181		(19,190)
Preferred dividends			(15,238)	(KK)	(15,238)
Net income (loss) attributable to common stockholders	$ (46,410)	$ 27,039	$ (15,057)		$ (34,428)

Loss per share basic:

Net loss attributable to common stockholders	$	(23.43)	(NN)	$	(17.38)
Weighted average common shares outstanding basic		1,981	(NN)		1,981
Loss per share diluted:					
Net loss attributable to common stockholders	$	(23.43)	(OO)	$	(17.38)
Weighted average common shares outstanding diluted		1,981	(OO)		1,981

See Notes to Unaudited Pro Forma Financial Statements.

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

1. Basis of Presentation

Ashford Inc. is a Delaware corporation formed on April 2, 2014, that provides asset management and advisory services to Ashford Hospitality Trust, Inc. ("Ashford Trust") and Ashford Hospitality Prime, Inc. ("Ashford Prime"). Ashford Trust commenced operations in August 2003 and is focused on investing in the full service hotels in the upscale and upper-upscale segments in domestic and international markets that have revenue per available room ("RevPAR") generally less than twice the national average, and in all methods including direct real estate, equity, securities and debt. Ashford Prime invests primarily in luxury, upper-upscale and upscale hotels with RevPAR of at least twice the then-current U.S. national average in gateway and resort locations. Ashford Prime became a publicly traded entity in November 2013 upon the completion of its spin-off from Ashford Trust. Each of Ashford Trust and Ashford Prime is a real estate investment trust ("REIT") as defined in the Internal Revenue Code ("Code"), and the common stock of each of Ashford Trust and Ashford Prime is traded on the NYSE. The common stock of Ashford Inc. is listed on the NYSE MKT Exchange.

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

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

Ashford Inc. has filed a Schedule 14A with the Securities and Exchange Commission with respect to a stockholder vote in order to obtain approval to complete the acquisition of Remington.

2. Adjustments to Unaudited Pro Forma Balance Sheet

(A)

Represents the historical balance sheet of Ashford Inc. as of June 30, 2015, as attached to this document.

(B)

Represents the historical consolidated balance sheet of Remington, as of June 30, 2015, as included elsewhere in this document.

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS (Continued)

2. Adjustments to Unaudited Pro Forma Balance Sheet (Continued)

(C)

Represents adjustments for Ashford Advisor Inc.'s acquisition (directly and indirectly) of an 80% limited partnership interest in Remington and 100% of the general partnership interests in Remington for $331.7 million in consideration in the form of (i) 916,500 shares of Ashford Advisors, Inc. Class B non-voting common stock, representing a 29.4% initial ownership in Ashford Advisors, Inc., with an estimated fair value of $91.7 million; (ii) 9,200,000 shares of Ashford Advisors, Inc. 6.625% non-voting convertible preferred stock with an estimated fair value of $230.0 million; and (iii) $10.0 million zero coupon promissory note payable issued by Remington Hospitality Management, Inc., with an estimated fair value of $9.0 million. Preferred stock, noncontrolling interests in Remington and Class B common stock of Ashford Advisors, Inc. are each classified as mezzanine equity because they are each contingently redeemable at the option of the holders of each respective equity interest.

(D)

The following table reconciles the historical assets and liabilities of Remington as of June 30, 2015, to the pro forma balances included in the pro forma balance sheet as of June 30, 2015 (in thousands):

	Historical Remington (B)	Adjustments		Pro Forma Remington
Assets				
Current assets:				
Cash and cash equivalents	$ 6,711	$	(i)	$ 6,711
Restricted cash	5,712		(i)	5,712
Restricted investment for deferred compensation	3,227	(255)	(ii)	2,972
Prepaid expenses and other	508		(i)	508
Receivables	22,810		(i)	22,810
Total current assets	38,968	(255)		38,713
Furniture, fixtures and equipment, net	963		(iii)	963
Other assets	655		(iv)	655
Total assets	$ 40,586	$ (255)		$ 40,331
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued expenses	$ 25,322	$	(i)	$ 25,322
Capital projects liability	3,800		(i)	3,800
Deferred compensation plan	212		(v)	212
Other liabilities	621		(i)	621
Total current liabilities	29,955			29,955
Deferred income	669		(vi)	669
Liability for managed properties	1,243		(vii)	1,243
Total liabilities	31,867			31,867
Net assets	$ 8,719	$ (8,719)	(viii)	$

(i) assumes working capital at June 30, 2015 was acquired and approximates fair value.

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS (Continued)

2. Adjustments to Unaudited Pro Forma Balance Sheet (Continued)

(ii)

Represents investments in marketable securities and is recorded at fair value. The adjustment represents a reclass to treasury stock for the value of Ashford Inc. common stock.

(iii)

Represents furniture, fixtures and equipment, net, which approximates fair value.

(iv)

Represents the note receivable with a related party, which approximates fair value.

(v)

Represents the deferred compensation plan liability, which approximates fair value.

(vi)

Represents deferred income, which approximates fair value.

(vii)

Represents the liability for managed properties, which approximates fair value.

(viii)

Represents the net working capital adjustment to the purchase price.

(E)

The following table represents the fair value of assets acquired and liabilities assumed not reflected in note (D) above (in thousands):

	Fair Value	Estimated Life
Assets		
Current deferred tax asset	$ 359	
Intangible assets		
Customer relationships:		
Property management contracts	149,730	27
Project management contracts	128,820	27
	278,550	
Trade names	21,240	Indefinite
	299,790	
Goodwill	199,124	Indefinite
	$ 499,273	
Liabilities		
Remington Hospitality Management, Inc. note payable	$ 9,030	
Deferred tax liability	88,538	
Back office services liability	6,104	10
	$ 103,672	

(F)

Upon closing, Ashford Advisors, Inc. will assume and pay all Transaction Costs (as defined) incurred solely by the Remington Holders (as defined) and Remington in connection with the transaction, up to approximately $2.8 million in the aggregate. Such amounts are not included in the pro forma income statement for the year ended December 31, 2014 as these costs are considered to be nonrecurring in nature.

(G)

Represents the income tax adjustment associated with the reversal of the historical deferred tax asset valuation allowance on Ashford Inc.'s deferred tax assets upon completion of the transaction.

(H)

Represents reclass of non-current deferred tax asset to non-current deferred tax liability, net for presentation purposes.

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ASHFORD INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS (Continued)

2. Adjustments to Unaudited Pro Forma Balance Sheet (Continued)

(I)

Represents the redemption of the Ashford LLC common units for cash upon the closing of the transaction.

(J)

Represents an adjustment to noncontrolling interest for the 20% limited partnership interest in Remington retained by the Bennetts, at fair value calculated as 20% of the estimated fair value of Remington of $413.4 million.

3. Adjustments to Unaudited Pro Forma Statements of Operations

(AA)

Represents the historical statement of operations of Ashford Inc. for the six months ended June 30, 2015, as attached to this document and the historical statement of operations of Ashford Inc. for the year ended December 31, 2014, as attached to this document.

(BB)

Represents the historical consolidated statements of operations of Remington, for the six months ended June 30, 2015, and the year ended December 31, 2014, as included elsewhere in this document.

(CC)

Represents the amortization of the back office services liability discussed in footnote (E) to the pro forma balance sheet recorded as a reduction to "salaries and benefits" expense over the ten year term of the agreement to provide certain administrative, legal, tax, accounting and financial services at no charge.

(DD)

Represents straight-line amortization expense of intangible assets discussed in footnote (E) to the pro forma balance sheet over the estimated useful life of 27 years.

(EE)

Represents the elimination of nonrecurring costs directly attributable to the transaction for the six months ended June 30, 2015.

(FF)

Represents imputed interest expense on the $10 million interest-free promissory note payable issued by Remington Hospitality Management, Inc.

(GG)

Represents the adjustment to income tax expense based on a blended federal and state tax rate of 37.8%.

(HH)

Represents an adjustment to loss from consolidated entities attributable to noncontrolling interests for the 20% limited partnership interest in Remington retained by the Bennetts.

(II)

Represents an adjustment to loss from consolidated entities attributable to noncontrolling interests for the 30% interest in Ashford Advisors, Inc. obtained by the Bennetts.

(JJ)

Represents the elimination of net loss attrirviving Corporation; provided, however, that effective immediately after the Effective Time, Buyer shall expand the size of its Board of Directors and cause the Buyer Bank to expand the size of its Board of Directors, in each case by one seat and appoint one director of the Company as mutually agreed upon by Buyer and the Company to serve on the Boards of Directors of the Surviving Corporation and of the Buyer Bank (as defined in Section 1.9). The director of the Company appointed to the Boards of Directors of the Surviving Corporation and Buyer Bank shall serve as a director of each such entity for the remainder of the term of the class to which such director is appointed. Upon the expiration of the term to which he is initially appointed, the Board of Directors of the Surviving Corporation shall nominate and recommend such director for election by the shareholders of the

Surviving Corporation to a successive three (3) year term on the Board of Directors of the Surviving Corporation, and the Board of Directors of Buyer Bank shall nominate such director for election to the Board of Directors of Buyer Bank for successive terms such that his terms of service as a director of Buyer Bank are coterminous with this terms of service as a director of the Surviving Corporation, provided that in each case he continues to meet the eligibility requirements for a director under the Articles of Incorporation and Bylaws of the Surviving Corporation or Buyer Bank, as applicable.

1.7 Advisory Board. All members of the Board of Directors of the Company (the Company Board) at the Effective Time who are not added to the Board of Directors of the

Surviving Corporation shall be offered a position on a Southern Region Advisory Board, covering Franklin and Perry counties in Pennsylvania and Washington, County, Maryland, to be established by Buyer in connection with the Merger.

1.8 Officers of the Surviving Corporation. The officers of Buyer immediately prior to the Effective Time shall be the officers of the Surviving Corporation, each to hold office in accordance with the Articles of Incorporation and Bylaws of the Surviving Corporation.

1.9 Bank Merger. Buyer intends to cause the merger of First Community Bank of Mercersburg (the Company Bank) with and into Orrstown Bank (Buyer Bank), with Buyer Bank as the surviving institution (the Bank Merger). Subject to the foregoing and, following the execution and delivery of this Agreement, Buyer will cause Buyer Bank, and the Company will cause the Company Bank, to execute and deliver an agreement and plan of merger in respect of the Bank Merger in a form reasonably acceptable to Buyer and the Company. It is intended that the Bank Merger qualify as a reorganization under Section 368(a) of the Code, and that the agreement and plan of merger in respect of the Bank Merger constitute a plan of reorganization for purposes of Sections 354 and 361 of the Code.

1.10 Tax Consequences. It is intended that the Merger shall qualify as a reorganization under Section 368(a) of the Code, and that this Agreement shall constitute a plan of reorganization for purposes of Sections 354 and 361 of the Code.

1.11 Dissenters Rights.

(a) Each outstanding share of Company Common Stock, the holder of which has perfected his right to dissent under applicable law and has not effectively withdrawn or lost such right as of the Effective Time (the Dissenting Shares), shall not be converted into or represent a right to receive the Merger Consideration hereunder, and the holder thereof shall be entitled only to such rights as are granted by the PBCL. The Company shall give Buyer prompt notice upon receipt by the Company of any such demands for payment of the fair value of such shares of Company Common Stock and of withdrawals of such notice and any other related communications served pursuant to the applicable provisions of the PBCL (any stockholder duly making such demand being hereinafter called a Dissenting Stockholder), and Buyer shall have the right to participate in all discussions, negotiations and proceedings with respect to any such demands. The Company shall not, except with the prior written consent of Buyer, voluntarily make any payment with respect to, or settle or offer to settle, any such demand for payment, or waive any failure to timely deliver a written demand for appraisal or the taking of any other action by such Dissenting Stockholder as may be necessary to perfect appraisal rights under the PBCL. Any payments made in respect of Dissenting Shares shall be made by the Surviving Corporation.

(b) If any Dissenting Stockholder withdraws or loses (through failure to perfect or otherwise) his, her or its right to such payment at or prior to the Effective Time, such holder s shares of Company Common Stock shall be converted into a right to receive the Merger Consideration in accordance with the applicable provisions of this Agreement. If such holder withdraws or loses (through failure to perfect or otherwise) his right to such payment after the Effective Time, each share of Company Common Stock of such holder shall be entitled to receive the Merger Consideration.

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ARTICLE II MERGER CONSIDERATION;

ELECTION AND EXCHANGE PROCEDURES

2.1 Merger Consideration. Subject to the provisions of this Agreement, at the Effective Time, automatically by virtue of the Merger and without any action on the part of Buyer, the Company or any stockholder of the Company:

(a) Each share of common stock, no par value per share, of Buyer (Buyer Common Stock) that is issued and outstanding immediately prior to the Effective Time shall remain outstanding following the Effective Time and shall be unchanged by the Merger.

(b) Each share of Company Common Stock held in the treasury of the Company (Treasury Stock) immediately prior to the Effective Time shall be cancelled and retired at the Effective Time without any conversion thereof, and no payment shall be made with respect thereto.

(c) Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than Treasury Stock and Dissenting Shares) shall become and be converted into, as provided in and subject to the limitations set forth in this Agreement, the right to receive at the election of the holder thereof as provided in Section 2.4 either (1) $40.00 in cash, without interest (the Cash Consideration), or (2) 1.5291 shares (the Exchange Ratio) of Buyer Common Stock (the Stock Consideration). The Cash Consideration and the Stock Consideration are sometimes referred to herein collectively as the Merger Consideration.

2.2 Rights as Stockholders; Stock Transfers. All shares of Company Common Stock, when converted as provided in Section 2.1(c), shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist and, except as to Dissenting Shares, each certificate (a Certificate) previously evidencing such shares shall thereafter represent only the right to receive, for each such share of Company Common Stock, the Merger Consideration and, if applicable, any cash in lieu of fractional shares of Buyer Common Stock in accordance with Section 2.3. At the Effective Time, holders of Company Common Stock shall cease to be, and shall have no rights as, stockholders of the Company, other than the right to receive the Merger Consideration and cash in lieu of fractional shares of Buyer Common Stock as provided under this Article II. After the Effective Time, there shall be no transfers on the stock transfer books of the Company of shares of Company Common Stock, other than transfers of Company Common Stock that have occurred prior to the Effective Time.

2.3 Fractional Shares. Notwithstanding any other provision hereof, no fractional shares of Buyer Common Stock and no certificates or scrip therefor, or other evidence of ownership thereof, will be issued in the Merger. In lieu thereof, Buyer shall pay to each holder of a fractional share of Buyer Common Stock an amount of cash (without interest) determined by multiplying the fractional share interest to which such holder would otherwise be entitled by the average of the daily closing prices during the regular session of Buyer Common Stock on The

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NASDAQ Stock Market LLC (NASDAQ) (as reported in *The Wall Street Journal* or, if not reported therein, in another authoritative source) for the ten consecutive trading days ending on the fifth Business Day immediately prior to the Closing Date, rounded to the nearest whole cent.

2.4 El ection Procedures.

(a) An election form and other appropriate and customary transmittal materials (which shall specify that delivery shall be effected, and risk of loss and title to Certificates shall pass, only upon proper delivery of such Certificates to a bank or trust company designated by Buyer and reasonably satisfactory to the Company (the Exchange Agent)) in such form as the Company and Buyer shall mutually agree (the Election Form), shall be mailed no less than 20 Business Days prior to the anticipated Closing Date or such other date as the Company and Buyer shall mutually agree (the Mailing Date) to each holder of record of Company Common Stock as of five Business Days prior to the Mailing Date. Each Election Form shall permit the holder of record of Company Common Stock (or in the case of nominee record holders, the beneficial owner through proper instructions and documentation) to (i) elect to receive the Cash Consideration for all or a portion of such holder s shares (a Cash Election), (ii) elect to receive the Stock Consideration for all or a portion of such holder s shares (a Stock Election), or (iii) make no election with respect to the receipt of the Cash Consideration or the Stock Consideration (a Non-Election); provided, however, that, notwithstanding any other provision of this Agreement to the contrary, but subject to Section 2.5, eighty-five percent (85%) of the shares of Company Common Stock issued and outstanding immediately prior to the Effective Time (the Stock Conversion Number) shall be converted into the Stock Consideration and the remaining shares of Company Common Stock shall be converted into the Cash Consideration. A record holder acting in different capacities or acting on behalf of other Persons (as defined in Section 9.3) in any way will be entitled to submit an Election Form for each capacity in which such record holder so acts with respect to each Person for which it so acts. Shares of Company Common Stock as to which a Cash Election has been made are referred to herein as Cash Election Shares. Shares of Company Common Stock as to which a Stock Election has been made are referred to herein as Stock Election Shares. Shares of Company Common Stock as to which no election has been made (or as to which an Election Form is not properly completed and returned in a timely fashion) are referred to herein as Non-Election Shares. The aggregate number of shares of Company Common Stock with respect to which a Stock Election has been made is referred to herein as the Stock Election Number.

(b) To be effective, a properly completed Election Form shall be received by the Exchange Agent on or before 5:00 p.m., Eastern Time, on the 25th day following the Mailing Date (or such other time and date as mutually agreed upon by the parties (which date shall be publicly announced by Buyer as soon as practicable prior to such date)) (the Election Deadline), accompanied by the Certificates as to which such Election Form is being made or by an appropriate guarantee of delivery of such Certificates, as set forth in the Election Form, from a member of any registered national securities exchange or a commercial bank or trust company in the United States (provided, however, that such Certificates are in fact delivered to the Exchange Agent by the time required in such guarantee of delivery; failure to deliver shares of Company Common Stock covered by such guarantee of delivery within the time set forth on such guarantee shall be deemed to invalidate any otherwise properly made election, unless otherwise determined by Buyer, in its sole discretion). If a holder of Company Common Stock

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either (i) does not submit a properly completed Election Form in a timely fashion or (ii) revokes the holder s Election Form prior to the Election Deadline (without later submitting a properly completed Election Form prior to the Election Deadline), the shares of Company Common Stock held by such holder shall be designated Non-Election Shares. Subject to the terms of this Agreement and of the Election Form, the Exchange Agent shall have reasonable discretion to determine whether any election, revocation or change has been properly or timely made and to disregard immaterial defects in any Election Form, and any good faith decisions of the Exchange Agent regarding such matters shall be binding and conclusive. Neither Buyer nor the Exchange Agent shall be under any obligation to notify any Person of any defect in an Election Form.

(c) Subject to Section 1.11, the allocation among the holders of shares of Company Common Stock of rights to receive the Cash Consideration and the Stock Consideration will be made as set forth in this Section 2.4(c) (with the Exchange Agent to determine, consistent with Section 2.4(a), whether fractions of Cash Election Shares, Stock Election Shares or Non-Election Shares, as applicable, shall be rounded up or down).

(i) If the Stock Election Number exceeds the Stock Conversion Number, then all Cash Election Shares and all Non-Election Shares shall be converted into the right to receive the Cash Consideration, and, subject to Section 2.3 hereof, each holder of Stock Election Shares will be entitled to receive the Stock Consideration in respect of that number of Stock Election Shares held by such holder equal to the product obtained by multiplying (x) the number of Stock Election Shares held by such holder by (y) a fraction, the numerator of which is the Stock Conversion Number and the denominator of which is the Stock Election Number, with the remaining number of such holder s Stock Election Shares being converted into the right to receive the Cash Consideration;

(ii) If the Stock Election Number is less than the Stock Conversion Number (the amount by which the Stock Conversion Number exceeds the Stock Election Number being referred to herein as the Shortfall Number), then all Stock Election Shares shall be converted into the right to receive the Stock Consideration and the Non-Election Shares and the Cash Election Shares shall be treated in the following manner:

(A) if the Shortfall Number is less than or equal to the number of Non-Election Shares, then all Cash Election Shares shall be converted into the right to receive the Cash Consideration and, subject to Section 2.3 hereof, each holder of Non-Election Shares shall receive the Stock Consideration in respect of that number of Non-Election Shares held by such holder equal to the product obtained by multiplying (x) the number of Non-Election Shares held by such holder by (y) a fraction, the numerator of which is the Shortfall Number and the denominator of which is the total number of Non-Election Shares, with the remaining number of such holder s Non-Election Shares being converted into the right to receive the Cash Consideration; or

(B) if the Shortfall Number exceeds the number of Non-Election Shares, then all Non-Election Shares shall be converted into the right to receive the Stock Consideration, and, subject to Section 2.3 hereof, each holder of Cash Election Shares shall receive the Stock Consideration in respect of that number of Cash Election Shares equal to the product obtained by multiplying (x) the number of Cash Election Shares held by such holder

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by (y) a fraction, the numerator of which is the amount by which (1) the Shortfall Number exceeds (2) the total number of Non-Election Shares and the denominator of which is the total number of Cash Election Shares, with the remaining number of such holder s Cash Election Shares being converted into the right to receive the Cash Consideration.

2.5 Adjustments to Preserve Tax Treatment. If either the tax opinion referred to in Section 7.2(b) or the tax opinion referred to in Section 7.3(b) cannot be rendered (as reasonably determined, in each case, by the counsel charged with giving such opinion) as a result of the Merger potentially failing to satisfy the continuity of interest requirements under applicable federal income tax principles relating to reorganizations under Section 368(a) of the Code, then Buyer shall increase the Stock Conversion Number to the minimum extent necessary to enable the relevant tax opinions to be rendered.

2.6 Exchange Procedures.

(a) On or before the Closing Date, for the benefit of the holders of Certificates, (i) Buyer shall cause to be delivered to the Exchange Agent, for exchange in accordance with this Article II, certificates representing the shares of Buyer Common Stock issuable pursuant to this Article II (New Certificates) and (ii) Buyer shall deliver, or shall cause to be delivered, to the Exchange Agent an aggregate amount of cash sufficient to pay the aggregate amount of cash payable pursuant to this Article II (including the estimated amount of cash to be paid in lieu of fractional shares of Buyer Common Stock) (such cash and New Certificates, being hereinafter referred to as the Exchange Fund).

(b) As promptly as practicable following the Effective Time, and provided that the Company has delivered, or caused to be delivered, to the Exchange Agent all information which is necessary for the Exchange Agent to perform its obligations as specified herein, the Exchange Agent shall mail to each holder of record of a Certificate or Certificates who has not previously surrendered such Certificate or Certificates with an Election Form, a form of letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent) and instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration into which the shares of Company Common Stock represented by such Certificate or Certificates shall have been converted pursuant to Sections 2.1, 2.3 and 2.4 of this Agreement. Upon proper surrender of a Certificate for exchange and cancellation to the Exchange Agent, together with a properly completed letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor, as applicable, (i) a New Certificate representing that number of shares of Buyer Common Stock (if any) to which such former holder of Company Common Stock shall have become entitled pursuant to this Agreement, (ii) a check representing that amount of cash (if any) to which such former holder of Company Common Stock shall have become entitled pursuant to this Agreement and/or (iii) a check representing the amount of cash (if any) payable in lieu of a fractional share of Buyer Common Stock which such former holder has the right to receive in respect of the Certificate surrendered pursuant to this Agreement, and the Certificate so surrendered shall forthwith be cancelled. Until surrendered as contemplated by this Section 2.6(b), each Certificate (other than Certificates representing Treasury Stock and Dissenting Shares) shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Merger

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Consideration provided in Sections 2.1, 2.3 and 2.4 and any unpaid dividends and distributions thereon as provided in Section 2.6(c). No interest shall be paid or accrued on (x) any cash constituting Merger Consideration (including any cash in lieu of fractional shares) or (y) any such unpaid dividends and distributions payable to holders of Certificates.

(c) No dividends or other distributions with a record date after the Effective Time with respect to Buyer Common Stock shall be paid to the holder of any unsurrendered Certificate until the holder thereof shall surrender such Certificate in accordance with this Section 2.6. After the surrender of a Certificate in accordance with this Section 2.6, the record holder thereof shall be entitled to receive any such dividends or other distributions, without any interest thereon, which theretofore had become payable with respect to shares of Buyer Common Stock represented by such Certificate.

(d) The Exchange Agent and Buyer, as the case may be, shall not be obligated to deliver cash and/or a New Certificate or New Certificates representing shares of Buyer Common Stock to which a holder of Company Common Stock would otherwise be entitled as a result of the Merger until such holder surrenders the Certificate or Certificates representing the shares of Company Common Stock for exchange as provided in this Section 2.6, or an appropriate affidavit of loss and indemnity agreement and/or a bond in an amount as may be required in each case by Buyer. If any New Certificates evidencing shares of Buyer Common Stock are to be issued in a name other than that in which the Certificate evidencing Company Common Stock surrendered in exchange therefor is registered, it shall be a condition of the issuance thereof that the Certificate so surrendered shall be properly endorsed or accompanied by an executed form of assignment separate from the Certificate and otherwise in proper form for transfer, and that the Person requesting such exchange pay to the Exchange Agent any transfer or other tax required by reason of the issuance of a New Certificate for shares of Buyer Common Stock in any name other than that of the registered holder of the Certificate surrendered or otherwise establish to the satisfaction of the Exchange Agent that such tax has been paid or is not payable.

(e) Any portion of the Exchange Fund that remains unclaimed by the stockholders of the Company for six months after the Effective Time (as well as any interest or proceeds from any investment thereof) shall be delivered by the Exchange Agent to Buyer. Any stockholders of the Company who have not theretofore complied with Section 2.6(b) shall thereafter look only to the Surviving Corporation for the Merger Consideration deliverable in respect of each share of Company Common Stock such stockholder holds as determined pursuant to this Agreement, in each case without any interest thereon. If outstanding Certificates for shares of Company Common Stock are not surrendered, or the payment for them is not claimed prior to the date on which such shares of Buyer Common Stock or cash would otherwise escheat to or become the property of any governmental unit or agency, the unclaimed items shall, to the extent permitted by abandoned property and any other applicable law, become the property of Buyer (and to the extent not in its possession shall be delivered to it), free and clear of all claims or interest of any Person previously entitled to such property. Neither the Exchange Agent nor any party to this Agreement shall be liable to any holder of shares of Company Common Stock represented by any Certificate for any consideration paid to a public official pursuant to applicable abandoned property, escheat or similar laws. Buyer and the Exchange Agent shall be entitled to rely upon the stock transfer books of the Company to establish the identity of those

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Persons entitled to receive the Merger Consideration specified in this Agreement, which books shall be conclusive with respect thereto. In the event of a dispute with respect to ownership of any shares of Company Common Stock represented by any Certificate, Buyer and the Exchange Agent shall be entitled to deposit any Merger Consideration represented thereby in escrow with an independent third party and thereafter be relieved with respect to any claims thereto.

(f) Buyer (through the Exchange Agent, if applicable) shall be entitled to deduct and withhold from any amounts otherwise payable pursuant to this Agreement to any holder of shares of Company Common Stock such amounts as Buyer is required to deduct and withhold under applicable law. Any amounts so deducted and withheld shall be treated for all purposes of this Agreement as having been paid to the holder of Company Common Stock in respect of which such deduction and withholding was made by Buyer.

2.7 Anti-Dilution Provisions. In the event Buyer or the Company changes (or establishes a record date for changing) the number of, or provides for the exchange of, shares of Buyer Common Stock or Company Common Stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend, recapitalization, reclassification, or similar transaction with respect to the outstanding Buyer Common Stock or Company Common Stock and the record date therefor shall be prior to the Effective Time, the Exchange Ratio and/or the Cash Consideration shall be proportionately and appropriately adjusted; provided, however, that, for the avoidance of doubt, no such adjustment shall be made with regard to the Buyer Common Stock if (i) Buyer issues additional shares of Buyer Common Stock and receives consideration for such shares in a bona fide third party transaction or (ii) Buyer issues employee or director stock grants or similar equity awards or shares of Buyer Common Stock underlying the same.

2.8 Reservation of Right to Revise Structure. Buyer may at any time change the method of effecting the business combination contemplated by this Agreement if and to the extent that it deems such a change to be desirable; provided, however, that no such change shall (a) alter or change the amount of the consideration to be issued to holders of Company Common Stock as merger consideration as currently contemplated in this Agreement, (b) reasonably be expected to materially impede or delay consummation of the Merger, (c) adversely affect the federal income tax treatment of holders of Company Common Stock in connection with the Merger, or (d) require submission to or approval of the Company s stockholders after the plan of merger set forth in this Agreement has been approved by the Company s stockholders. In the event that Buyer elects to make such a change, the parties agree to execute appropriate documents to reflect the change.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE COMPANY

3.1 Making of Representations and Warranties.

(a) As a material inducement to Buyer to enter into this Agreement and to consummate the transactions contemplated hereby, the Company hereby makes to Buyer the representations and warranties contained in this Article III, subject to the standards established by Section 9.1.

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(b) On or prior to the date hereof, the Company has delivered to Buyer a schedule (the Company Disclosure Schedule) listing, among other things, items the disclosure of which is necessary or appropriate in relation to any or all of the Company s representations and warranties contained in this Article III; provided, however, that no such item is required to be set forth on the Company Disclosure Schedule as an exception to a representation or warranty if its absence is not reasonably likely to result in the related representation or warranty being untrue or incorrect under the standards established by Section 9.1.

3.2 Organization, Standing and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania. The Company is duly registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and the regulations of the FRB promulgated thereunder. The Company is duly qualified to do business and is in good standing in the jurisdictions where its ownership or leasing of property or the conduct of its business requires it to be so qualified, except where the failure to so qualify has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect (as defined in Section 9.3). A complete and accurate list of all such jurisdictions is set forth on Schedule 3.2 of the Company Disclosure Schedule.

3.3 Capitalization.

(a) As of the date hereof, the authorized capital stock of the Company consists solely of 7,200,000 shares of common stock, no par value per share, of which 810,080 shares are issued and outstanding. In addition, as of the date hereof, there are no shares of Company Common Stock reserved for issuance upon exercise of outstanding stock options. The outstanding shares of Company Common Stock are validly issued, fully paid and nonassessable with no personal liability attaching to the ownership thereof, and subject to no preemptive or similar rights (and were not issued in violation of any preemptive or similar rights and the Company Board has not granted or approved any such preemptive or similar rights). Except as set forth on Schedule 3.3(a) of the Company Disclosure Schedule, there are no additional shares of the Company s capital stock authorized or reserved for issuance, the Company has not issued any securities (including units of beneficial ownership interest in any partnership or limited liability company) convertible into or exchangeable for any additional shares of stock, any stock appreciation rights, or any other rights to subscribe for or acquire shares of its capital stock issued and outstanding, and the Company has not issued, and is not bound by, any commitment to authorize, issue or sell any such shares or other rights. Except for the Voting Agreements, there are no agreements to which the Company is a party with respect to the voting, sale or transfer, or registration of any securities of the Company. To the Knowledge (as defined in Section 9.3) of the Company, there are no agreements among other parties, to which the Company is not a party, with respect to the voting or sale or transfer of any securities of the Company. All of the issued and outstanding shares of Company Common Stock were issued in compliance with applicable securities laws.

(b) There are no outstanding contractual obligations of the Company to repurchase, redeem or otherwise acquire any shares of capital stock of, or other equity interests in, the Company or to provide funds to, or make any investment (in the form of a loan, capital contribution or otherwise) in, any Subsidiary of the Company.

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3.4 Subsidiaries.

(a) (i) Schedule 3.4(a) of the Company Disclosure Schedule sets forth a complete and accurate list of all of the Company s Subsidiaries, including the jurisdiction of organization of each such Subsidiary, (ii) the Company owns, directly or indirectly, all of the issued and outstanding equity securities of each Subsidiary, (iii) no equity securities of any of the Company s Subsidiaries are or may become required to be issued (other than to the Company) by reason of any contractual right or otherwise, (iv) there are no contracts, commitments, understandings or arrangements by which any of such Subsidiaries is or may be bound to sell or otherwise transfer any of its equity securities (other than to the Company or a wholly-owned Subsidiary of the Company), (v) there are no contracts, commitments, understandings or arrangements relating to the Company s rights to vote or to dispose of such securities and (vi) all of the equity securities of each such Subsidiary held by the Company, directly or indirectly, are validly issued, fully paid and nonassessable, not subject to preemptive or similar rights and are owned by the Company free and clear of all mortgages, pledges, liens, security interests, conditional and installment sale agreements, encumbrances, charges or other claims of third parties of any kind (collectively, Liens).

(b) Except as set forth on Schedule 3.4(b) of the Company Disclosure Schedule, the Company does not own (other than in a bona fide fiduciary capacity or in satisfaction of a debt previously contracted) beneficially, directly or indirectly, any equity securities or similar interests of any Person, or any interest in a partnership or joint venture of any kind.

(c) Each of the Company s Subsidiaries has been duly organized and qualified under the laws of the jurisdiction of its organization and is duly qualified to do business and in good standing in the jurisdictions where its ownership or leasing of property or the conduct of its business requires it to be so qualified, except where the failure to so qualify has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. A complete and accurate list of all such jurisdictions is set forth on Schedule 3.4(c) of the Company Disclosure Schedule. The Company Bank is a member in good standing of the Federal Home Loan Bank of Pittsburgh. The Company Bank engages only in activities (and holds properties only of the types) permitted by the Pennsylvania Banking Code of 1965.

3.5 Corporate Power. Each of the Company and its Subsidiaries has the corporate power and authority to carry on its business as it is now being conducted and to own all of its properties and assets; and the Company has the corporate power and authority to execute and deliver this Agreement, to perform its obligations under this Agreement and to consummate the transactions contemplated hereby, subject to the receipt of Regulatory Approvals (as defined in Section 9.3) and Company Stockholder Approval (as defined in Section 6.1).

3.6 Corporate Authority. This Agreement and the transactions contemplated hereby, subject to approval by the holders of the shares of Company Common Stock as required by law, have been authorized by all necessary corporate action of the Company and the Company Board. The Company Board (i) unanimously approved the Merger and this Agreement and determined that this Agreement and the transactions contemplated hereby, including the Merger, are

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advisable and in the best interests of the Company, (ii) directed that the Merger be submitted for consideration at a meeting of the stockholders of the Company, and (iii) unanimously resolved to recommend that the holders of Company Common Stock vote for the approval of the Merger at a meeting of the stockholders of the Company. The Company has duly executed and delivered this Agreement and, assuming the due authorization, execution and delivery by Buyer, this Agreement is a legal, valid and binding agreement of the Company, enforceable in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors rights or by general principles of equity). The affirmative vote of the holders of at least sixty percent (60%) of the outstanding shares of Company Common Stock as referenced in Section 3.7 below is the only vote of any class of capital stock of the Company required by the PBCL, the Articles of Incorporation of the Company or the Bylaws of the Company to approve this Agreement, the Merger and the transactions contemplated hereby.

3.7 Non-Contravention.

(a) Subject to the receipt of the Regulatory Approvals (as defined in Section 9.3), the required filings under federal and state securities laws and the affirmative vote of the holders of at least sixty percent (60%) of the outstanding shares of Company Common Stock, and except as set forth on Schedule 3.7(a) of the Company Disclosure Schedule, the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby (including, without limitation, the Merger) by the Company do not and will not (i) constitute a breach or violation of, or a default under, result in a right of termination or the acceleration of any right or obligation under, any law, rule or regulation or any judgment, decree, order, permit, license, credit agreement, indenture, loan, note, bond, mortgage, reciprocal easement agreement, lease, instrument, concession, franchise or other agreement of the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries, properties or assets is subject or bound, (ii) constitute a breach or violation of, or a default under, the Company s Articles of Incorporation or Bylaws, or (iii) require the consent or approval of any third party or Governmental Authority (as defined in Section 9.3) under any such law, rule, regulation, judgment, decree, order, permit, license, credit agreement, indenture, loan, note, bond, mortgage, reciprocal easement agreement, lease, instrument, concession, franchise or other agreement.

(b) As of the date hereof, the Company has no Knowledge of any reasons relating to the Company or the Company Bank (including, without limitation, compliance with the Community Reinvestment Act and any equivalent applicable state laws (CRA) or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 (the USA PATRIOT Act), the federal Bank Secrecy Act, as amended, and its implementing regulations and the regulations promulgated thereunder, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury s Office of Foreign Assets Control, or any other applicable anti-money laundering statute, rule or regulation) (i) why all of the Regulatory Approvals shall not be procured from the applicable Governmental Authorities having jurisdiction over the transactions contemplated by this Agreement or (ii) why any Burdensome Condition (as defined in Section 6.8) would be imposed.

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3.8 Articles of Incorporation; Bylaws; Corporate Records. The Company has made available to Buyer a complete and correct copy of its Articles of Incorporation and the Bylaws or equivalent organizational documents, each as amended to date, of the Company and each of its Subsidiaries. The Company is not in violation of any of the terms of its Articles of Incorporation or Bylaws. The minute books of the Company and each of its Subsidiaries contain complete and accurate records of all meetings held by, and complete and accurate records of all other corporate actions of, their respective stockholders and boards of directors (including committees of their respective boards of directors).

3.9 Compliance with Laws. The Company and each of its Subsidiaries:

(a) has been for at least the past three years and is in compliance with all applicable federal, state, and local statutes, laws, regulations, ordinances, rules, judgments, orders or decrees applicable thereto or to the employees conducting their businesses, including, without limitation, the Truth in Lending Act, the Real Estate Settlement Procedures Act, the Consumer Credit Protection Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Homeowners Ownership and Equity Protection Act, the Fair Debt Collections Act, CRA (as defined in Section 3.31), and other federal, state, local and foreign laws regulating lending (Finance Laws), and all other applicable fair lending laws and other laws relating to discriminatory business practices and record retention. In addition, there is no pending or, to the Knowledge of the Company, threatened charge by any Governmental Authority that the Company or any of its Subsidiaries has violated, nor any pending or, to the Knowledge of the Company, threatened investigation by any Governmental Authority with respect to possible violations of, any applicable Finance Laws;

(b) has all permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Authorities that are required in order to permit them to own or lease their properties and to conduct their businesses as presently conducted; all such permits, licenses, authorizations, orders and approvals are in full force and effect and, to the Knowledge of the Company, no suspension or cancellation of any of them is threatened; and

(c) except as set forth on Schedule 3.9(c) of the Company Disclosure Schedule, has received, since January 1, 2015, no notification or communication from any Governmental Authority (i) asserting that the Company or any of its Subsidiaries is not in compliance with any of the statutes, regulations, or ordinances which such Governmental Authority enforces, (ii) threatening to revoke any license, franchise, permit, or governmental authorization, (iii) threatening or contemplating revocation or limitation of, or which would have the effect of revoking or limiting, federal deposit insurance or (iv) failing to approve any proposed acquisition, or stating its intention not to approve acquisitions, proposed to be effected by the Company within a certain time period or indefinitely (nor, to the Knowledge of the Company, do any grounds for any of the foregoing exist).

3.10 Litigation; Regulatory Action.

(a) Except as set forth on Schedule 3.10(a) of the Company Disclosure Schedule, no litigation, claim, suit, investigation or other proceeding before any court,

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governmental agency or arbitrator is pending against the Company or any of its Subsidiaries or has been pending at any time in the past three years, and, to the Knowledge of the Company, (i) no such litigation, claim, suit, investigation or other proceeding has been threatened and (ii) there are no facts which would reasonably be expected to give rise to such litigation, claim, suit, investigation or other proceeding.

(b) Neither the Company nor any of its Subsidiaries nor any of their respective properties is a party to or is subject to any assistance agreement, board resolution, order, decree, supervisory agreement, memorandum of understanding, condition or similar arrangement with, or a commitment letter or similar submission to, any Governmental Authority charged with the supervision or regulation of financial institutions or issuers of securities or engaged in the insurance of deposits (including, without limitation, the FRB, the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (the OCC)) or the supervision or regulation of the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has been subject to any order or directive by, or been ordered to pay any civil money penalty by, or has been since January 1, 2015, a recipient of any supervisory letter from, or since January 1, 2015, has adopted any board resolutions at the request of, any Governmental Authority that currently regulates in any material respect the conduct of its business or that in any manner relates to its capital adequacy, its ability to pay dividends, its credit or risk management policies, its management or its business, other than those of general application that apply to similarly-situated bank or financial holding companies or their subsidiaries.

(c) Neither the Company nor any of its Subsidiaries has been advised by a Governmental Authority that it will issue, or has Knowledge of any facts which would reasonably be expected to give rise to the issuance by any Governmental Authority or has Knowledge that such Governmental Authority is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such order, decree, agreement, board resolution, memorandum of understanding, supervisory letter, commitment letter, condition or similar submission.

3.11 Financial Reports and Regulatory Reports.

(a) The Company has previously delivered to Buyer true, correct and complete copies of the consolidated balance sheets of the Company and its Subsidiaries as of December 31, 2017 and 2016 and the related consolidated statements of income, stockholders equity and cash flows for the fiscal years 2015 through 2017, inclusive, in each case accompanied by the audit report of the Company s independent registered public accounting firm and the interim financial statements of the Company as of and for the three months ended March 31, 2018 and 2017. The financial statements referred to in this Section 3.11 (including the related notes and schedules, where applicable, the Company Financial Statements) fairly present, and the financial statements referred to in Section 6.12 will fairly present, the consolidated results of operations and consolidated financial condition of the Company and its Subsidiaries for the respective fiscal years or as of the respective dates therein set forth, in each case in accordance with GAAP (as defined in Section 9.3) consistently applied during the periods involved, except in each case as may be noted therein, subject to normal year-end audit adjustments in the case of unaudited financial statements. Except for those liabilities that are fully reflected or reserved

against on the most recent audited consolidated balance sheet of the Company and its Subsidiaries as of December 31, 2017, as set forth in the Company s call report for the period ended December 31, 2017 (the Company Balance Sheet) or incurred in the ordinary course of business consistent with past practice or in connection with this Agreement, since December 31, 2017, neither the Company nor any of its Subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise).

(b) The Company and its Subsidiaries maintain internal controls which provide reasonable assurance that (i) transactions are executed with management s authorization, (ii) transactions are recorded as necessary to permit preparation of the consolidated financial statements of the Company and its Subsidiaries, (iii) access to assets of the Company and its Subsidiaries is permitted only in accordance with management s authorization, (iv) the reporting of assets of the Company and its Subsidiaries is compared with existing assets at regular intervals, and (v) assets and liabilities of the Company and its Subsidiaries are recorded accurately in the Company s financial statements.

(c) Since January 1, 2015, the Company and its Subsidiaries have duly filed with the FRB, the FDIC, the OCC and any other applicable Governmental Authority, in correct form the reports required to be filed under applicable laws and regulations and such reports were complete and accurate and in compliance with the requirements of applicable laws and regulations.

3.12 Absence of Certain Changes or Events. Except as set forth on Schedule 3.12 of the Company Disclosure Schedule or in the Company Financial Statements, or as otherwise expressly permitted or expressly contemplated by this Agreement, since December 31, 2017, there has not been (i) any change or development in the business, operations, assets, liabilities, condition (financial or otherwise), results of operations, cash flows or properties of the Company or any of its Subsidiaries which has had, or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (ii) any change by the Company or any of its Subsidiaries in its accounting methods, principles or practices, other than changes required by applicable law or GAAP or regulatory accounting as concurred in by the Company s independent registered public accounting firm, (iii) any entry by the Company or any of its Subsidiaries into any contract or commitment of (A) more than $100,000 or (B) $50,000 per annum with a term of more than one year, other than loans and loan commitments in the ordinary course of business, (iv) any declaration, setting aside or payment of any dividend or distribution in respect of any capital stock of the Company or any of its Subsidiaries or any redemption, purchase or other acquisition of any of its securities, other than in the ordinary course of business consistent with past practice or with respect to shares tendered in payment for the exercise of stock options or withheld for tax purposes upon the vesting of restricted stock awards or performance share awards or upon the exercise of stock options, (v) establishment or amendment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards, or restricted stock awards), stock purchase or other employee benefit plan, or any increase in the compensation payable or to become payable to any directors or executive officers of the Company or any of its Subsidiaries, or any contract or arrangement entered into to make or grant any severance or termination pay, or the taking of any action not in the ordinary course of business with respect to the compensation or employment of directors,

officers or employees of the Company or any of its Subsidiaries, (vi) any material closing agreement, settlement, election or other action made by the Company or any of its Subsidiaries for federal or state income tax purposes, (vii) any material change in the credit policies or procedures of the Company or any of its Subsidiaries, the effect of which was or is to make any such policy or procedure less restrictive in any respect, (viii) any material acquisition or disposition of any assets or properties, or any contract for any such acquisition or disposition entered into, other than loans and loan commitments, or (ix) any material lease of real or personal property entered into, other than in connection with foreclosed property or in the ordinary course of business consistent with past practice.

3.13 Taxes and Tax Returns. For purposes of this Section 3.13, any reference to the Company or its Subsidiaries shall be deemed to include a reference to the Company s predecessors or the predecessors of the Company s Subsidiaries, respectively, except where explicitly inconsistent with the language of this Section 3.13. Except as set forth on Schedule 3.13 of the Company Disclosure Schedule:

(a) The Company and each of its Subsidiaries has filed all Tax Returns that it was required to file under applicable laws and regulations, other than Tax Returns that are not yet due or for which a request for extension was filed consistent with requirements of applicable law or regulation. All such Tax Returns are true, correct and complete in all material respects and have been prepared in substantial compliance with all applicable laws and regulations. Taxes due and owing by the Company and each of its Subsidiaries (whether or not shown on any Tax Return) have been timely paid other than Taxes that have been properly reserved or accrued on the balance sheet of the Company and which the Company is contesting in good faith through appropriate proceedings. Neither the Company nor any of its Subsidiaries is the beneficiary of any extension of time within which to file any Tax Return and neither the Company nor any of its Subsidiaries currently has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to any Tax payment, assessment, deficiency or collection, which waiver or extension is still in effect. No claim has ever been made by an authority in a jurisdiction where the Company or any of its Subsidiaries does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Liens for Taxes (other than Taxes not yet due and payable) upon any of the assets of the Company or any of its Subsidiaries.

(b) The Company and each of its Subsidiaries has withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(c) No foreign, federal, state, or local tax audits or administrative or judicial Tax proceedings are being conducted or to the Company s Knowledge are pending with respect to the Company or any of its Subsidiaries. Other than with respect to audits that have already been completed and resolved, neither the Company nor any of its Subsidiaries has received from any foreign, federal, state, or local taxing authority (including jurisdictions where the Company or any of its Subsidiaries has not filed Tax Returns) any (i) notice indicating an intent to open an audit or other review, (ii) request for information related to Tax matters, or (iii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed by any taxing authority against the Company or any of its Subsidiaries.

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(d) The Company has made available to Buyer true and complete copies of the United States federal, state, local, and foreign income Tax Returns filed with respect to the Company and each of its Subsidiaries for taxable periods ended on or after December 31, 2013. The Company has delivered to Buyer correct and complete copies of all Taxes related examination reports, letter rulings, technical advice memoranda, and similar documents, and statements of deficiencies assessed against or agreed to by the Company and each of its Subsidiaries filed for the years ended on or after December 31, 2013. The Company has timely and properly taken such actions in response to and, in compliance with notices, the Company and each of its Subsidiaries has received from the Internal Revenue Service (the IRS) in respect of information reporting and backup and nonresident withholding as are required by law.

(e) Neither the Company nor any of its Subsidiaries has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(f) The Company has not been a United States real property holding corporation within the meaning of Code Section 897(c)(2) during the applicable period specified in Code Section 897(c)(1)(A)(ii). The Company and each of its Subsidiaries has disclosed on its federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Code Sections 6662 or 6662A and has not participated in a reportable transaction within the meaning of Section 1.6011-4(b) of the Treasury Regulations. Neither the Company nor any of its Subsidiaries is a party to or bound by any Tax allocation, indemnification or sharing agreement. Neither the Company nor any of its Subsidiaries (i) has been a member of an affiliated group filing a consolidated federal income Tax Return (other than a group the common parent of which was the Company), or (ii) has any liability for the Taxes of any individual, bank, corporation, partnership, association, joint stock company, business trust, limited liability company, or unincorporated organization (other than the Company) under Reg. Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

(g) The unpaid Taxes of the Company and each of its Subsidiaries (i) did not, as of December 31, 2017, exceed the reserve for Tax liability (which reserve is distinct and different from any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the Company Financial Statements (rather than in any notes thereto), and (ii) do not exceed that reserve as adjusted for the passage of time in accordance with the past custom and practice of the Company and each of its Subsidiaries in filing its Tax Returns. Since December 31, 2017, neither the Company nor any of its Subsidiaries has incurred any liability for Taxes arising from extraordinary gains or losses, as that term is used in GAAP, outside the ordinary course of business consistent with past custom and practice.

(h) Neither the Company nor any of its Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (i) change in method of accounting for a taxable period ending on or prior to the Closing Date; (ii) closing agreement as described in Code Section 7121 (or any corresponding or similar provision of state, local or foreign income Tax law) executed on or prior to the Closing Date; (iii) intercompany transactions or any excess loss account described in Treasury Regulations under

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Code Section 1502 (or any corresponding or similar provision of state, local or foreign income Tax law); (iv) installment sale or open transaction disposition made on or prior to the Closing Date; (v) prepaid amount received on or prior to the Closing Date; (vi) election with respect to the discharge of indebtedness under Section 108(i) of the Code; (vii) Tax incurred pursuant to Section 965 of the Code (or any corresponding or similar provision of state, local, or foreign Tax law); or (viii) any similar election, action, or agreement that would have the effect of deferring any liability for Taxes of the Company or any of its Subsidiaries from any period ending on or before the Closing Date to any period ending after the Closing Date.

(i) The Company and each of its Subsidiaries has been treated as a subchapter C corporation for U.S. federal income Tax purpose since its formation. Neither the Company nor any of its Subsidiaries own any stock or other ownership interests in (i) any corporation which is a passive foreign investment company within the meaning of Section 1297 of the Code or a controlled foreign corporation within the meaning of Section 957 of the Code or (ii) any partnership, joint venture, limited liability company, or other entity taxed as a partnership or other pass-through entity for U.S. federal income tax purposes (or other arrangement or contract which could be treated as a partnership for U.S. federal income tax purposes).

(j) Neither the Company nor any of its Subsidiaries has distributed stock of another Person or had its stock distributed by another Person in a transaction that was purported or intended to be governed in whole or in part by Section 355 or Section 361 of the Code.

(k) As of the date hereof, the Company is aware of no reason why the Merger or the Bank Merger will fail to qualify as a reorganization under Section 368(a) of the Code.

3.14 Employee Benefit Plans.

(a) Schedule 3.14(a) of the Company Disclosure Schedule sets forth a true, complete and correct list of every Employee Program (as defined below) that is maintained by the Company or any ERISA Affiliate (as defined in Section 3.14(a)) or with respect to which the Company or any ERISA Affiliate has or may have any liability (the Company Employee Programs).

(b) True, complete and correct copies of the following documents, with respect to each Company Employee Program, where applicable, have previously been made available to Buyer: (i) all documents embodying or governing such Company Employee Program and any funding medium for the Company Employee Program; (ii) the most recent IRS determination or opinion letter; (iii) the two most recently filed IRS Forms 5500; (iv) the most recent actuarial valuation report; (v) the most recent summary plan description (or other descriptions provided to employees) and all modifications thereto; and (vi) all non-routine correspondence to and from any state or federal agency.

(c) Each Company Employee Program that is intended to qualify under Section 401(a) or 501(c)(9) of the Code is so qualified and has received a favorable determination or approval letter from the IRS with respect to such qualification, or may rely on an opinion letter issued by the IRS with respect to a prototype plan adopted in accordance with the requirements for such reliance, or has time remaining for application to the IRS for a

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determination of the qualified status of such Company Employee Program for any period for which such Company Employee Program would not otherwise be covered by an IRS determination and, to the Knowledge of the Company, no event or omission has occurred that would cause any Company Employee Program to lose such qualification.

(d) Each Company Employee Program is, and has been operated, in compliance with applicable laws and regulations and is and has been administered in accordance with applicable laws and regulations and with its terms, in each case, in all material respects. No litigation or governmental administrative proceeding, audit or other proceeding (other than those relating to routine claims for benefits) is pending or, to the Knowledge of the Company, threatened with respect to any Company Employee Program or any fiduciary or service provider thereof and, to the Knowledge of the Company, there is no reasonable basis for any such litigation or proceeding. Except as disclosed in Schedule 3.14(d) of the Company Disclosure Schedules, all payments and/or contributions required to have been made with respect to all Company Employee Programs either have been made or have been accrued in accordance with the terms of the applicable Company Employee Program and applicable law and with respect to any such contributions, premiums, or other payments required to be made under or with respect to any Company Employee Program that are not yet due or payable, to the extent required by GAAP, adequate reserves are reflected on the Company Balance Sheet. The Company Employee Programs satisfy in all material respects the minimum coverage and discrimination requirements under the Code.

(e) No Company Employee Program is a single employer pension plan (within the meaning of Section 4001(a)(15) of ERISA (as defined below)) for which the Company or any ERISA Affiliate could incur liability under Section 4063 or 4064 of ERISA or a plan maintained by more than one employer as described in Section 413(c) of the Code.

(f) Neither the Company nor any ERISA Affiliate maintains or contributes to, or has ever maintained or contributed to, any Company Employee Program that is or was subject to Title IV of ERISA, Section 412 of the Code, Section 302 of ERISA or is a Multiemployer Plan (as defined below) and neither the Company nor any ERISA Affiliate has incurred any liability under Title IV of ERISA that has not been paid in full.

(g) None of the Company Employee Programs provides health care or any other non-pension welfare benefits to any employees after their employment is terminated (other than as required by Part 6 of Subtitle B of Title I of ERISA or similar state law) and the Company has never promised to provide such post-termination benefits.

(h) Each Company Employee Program may be amended, terminated, or otherwise modified by the Company to the greatest extent permitted by applicable law, including the elimination of any and all future benefit accruals thereunder and no employee communications or provision of any Company Employee Program has failed to effectively reserve the right of the Company or the ERISA Affiliate to so amend, terminate or otherwise modify such Company Employee Program. Neither the Company nor any of its ERISA Affiliates has announced its intention to modify or terminate any Company Employee Program or adopt any arrangement or program which, once established, would come within the definition of a Company Employee Program. Each asset held under each Company Employee Program may be liquidated or terminated without the imposition of any redemption fee, surrender charge or comparable liability.

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(i) Each Company Employee Program that constitutes in any part a nonqualified deferred compensation plan within the meaning of Section 409A of the Code has been operated and maintained in all material respects in operational and documentary compliance with Section 409A of the Code and applicable guidance thereunder. No payment to be made under any Company Employee Program is, or to the Knowledge of the Company, will be, subject to the penalties of Section 409A(a)(1) of the Code.

(j) No Company Employee Program is subject to the laws of any jurisdiction outside the United States.

(k) Except as set forth and quantified in reasonable detail on Schedule 3.14(k) of the Company Disclosure Schedule, neither the execution and delivery of this Agreement, the stockholder approval of this Agreement, nor the consummation of the transactions contemplated hereby could (either alone or in conjunction with any other event) (i) result in, or cause the accelerated vesting payment, funding or delivery of, or increase the amount or value of, any payment or benefit to any employee, officer, director or other service provider of the Company or any of its ERISA Affiliates; (ii) limit the right of the Company or any of its ERISA Affiliates to amend, merge, terminate or receive a reversion of assets from any Company Employee Program or related trust; (iii) result in any parachute payment as defined in Section 280G(b)(2) of the Code (whether or not such payment is considered to be reasonable compensation for services rendered); or (iv) result in a requirement to pay any tax gross-up or similar make-whole payments to any employee, director or consultant of the Company or an ERISA Affiliate. Schedule 3.14(k) of the Company Disclosure Schedule lists the Company s disqualified individuals for purposes of Section 280G of the Code. Each payment to be made under any Company Employee Program is, or to the Knowledge of the Company, will be deductible under Section 162(m) of the Code.

(l) For purposes of this Agreement:

(i) Employee Program means (A) an employee benefit plan within the meaning of Section 3(3) of ERISA whether or not subject to ERISA; (B) stock option plans, stock purchase plans, bonus or incentive award plans, severance pay plans, programs or arrangements, deferred compensation arrangements or agreements, employment agreements, executive compensation plans, programs, agreements or arrangements, change in control plans, programs, agreements or arrangements, supplemental income arrangements, supplemental executive retirement plans or arrangements, vacation plans, and all other employee benefit plans, agreements, and arrangements, not described in (A) above; and (C) plans or arrangements providing compensation to employee and non-employee directors. In the case of an Employee Program funded through a trust described in Section 401(a) of the Code or an organization described in Section 501(c)(9) of the Code, or any other funding vehicle, each reference to such Employee Program shall include a reference to such trust, organization or other vehicle.

(ii) ERISA means the Employee Retirement Income Security Act of 1974, as amended.

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(iii) An entity maintains an Employee Program if such entity sponsors, contributes to, or provides benefits under or through such Employee Program, or has any obligation to contribute to or provide benefits under or through such Employee Program, or if such Employee Program provides benefits to or otherwise covers any current or former employee, officer or director of such entity (or their spouses, dependents, or beneficiaries).

(iv) An entity is an ERISA Affiliate of the Company (or other entity if the context of this Agreement requires) if it would have ever been considered a single employer with the Company (or other entity if the context of this Agreement requires) under Section 4001(b) of ERISA or part of the same controlled group as the Company for purposes of Section 302(d)(3) of ERISA.

(v) Multiemployer Plan means an employee pension or welfare benefit plan to which more than one unaffiliated employer contributes and which is maintained pursuant to one or more collective bargaining agreements.

3.15 Labor Matters. Schedule 3.15(a) of the Company Disclosure Schedule contains a complete and accurate list of all Company employees as of the date of this Agreement, setting forth for each employee: his or her position or title; whether classified as exempt or non-exempt for wage and hour purposes; whether paid on a salary, hourly or commission basis and the employee s actual annual base salary or other rates of compensation; bonus potential; average scheduled hours per week; date of hire; business location; status (i.e., active or inactive and if inactive, the type of leave and estimated duration); any visa or work permit status and the date of expiration, if applicable; and the total amount of bonus, retention, severance and other amounts to be paid to such employee at the Closing or otherwise in connection with the transactions contemplated hereby. The Company and its Subsidiaries are in compliance with all federal, state and local laws respecting employment and employment practices, terms and conditions of employment, and wages and hours and have been in such compliance for at least the past three years. The Company currently classifies and has properly classified each of its employees as exempt or non-exempt for the purposes of the Fair Labor Standards Act and state wage and hour laws for at least the past three years. Other than normal accruals of wages during regular payroll cycles, there are no arrearages in the payment of wages. Except as set forth on Schedule 3.15(b) of the Company Disclosure Schedule, the Company does not employ or otherwise engage any independent contractors, temporary employees, leased employees or any other servants or agents compensated other than through reportable wages paid by the Company and reported on a Form W-2 (collectively, Contingent Workers). To the extent that any Contingent Workers are engaged by the Company, the Company classifies and has properly classified and treated them as Contingent Workers in accordance with applicable law and for the purpose of all employee benefit plans and perquisites for at least the past three years. Schedule 3.15(c) of the Company Disclosure Schedule identifies each employee of the Company who is subject to an agreement that includes non-disclosure, non-competition and/or non-solicitation obligations to the Company and includes a form of each such agreement. Neither the Company nor any of its Subsidiaries is a party to, or bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor is the Company or any of its Subsidiaries the subject of a proceeding asserting that the Company or any of its Subsidiaries has committed an unfair labor practice (within the meaning of the National Labor Relations Act) or seeking to compel the Company or any of its Subsidiaries to bargain with any labor organization

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as to wages and conditions of employment. No work stoppage involving the Company or any of its Subsidiaries is pending, or to the Knowledge of the Company, threatened. Neither the Company nor any of its Subsidiaries is involved in, or, to the Knowledge of the Company, threatened with or affected by, any dispute, arbitration, lawsuit or administrative proceeding relating to labor or employment matters that would reasonably be expected to interfere in any respect with the respective business activities represented by any labor union, and to the Knowledge of the Company, no labor union is attempting to organize employees of the Company or any of its Subsidiaries or has so attempted in at least the past three years.

3.16 Insurance. The Company and each of its Subsidiaries is insured, and during each of the past three calendar years has been insured, for reasonable amounts with financially sound and reputable insurance companies against such risks as companies engaged in a similar business would, in accordance with good business practice customarily be insured, and has maintained all insurance required by applicable laws and regulations. Schedule 3.16 of the Company Disclosure Schedule lists all insurance policies maintained by the Company and each of its Subsidiaries as of the date hereof, including, without limitation, any bank-owned life insurance policies (BOLI). Except as set forth on Schedule 3.16 of the Company Disclosure Schedule, all of the policies and bonds maintained by the Company or any of its Subsidiaries are in full force and effect and all claims thereunder have been filed in a due and timely manner and, to the Knowledge of the Company, no such claim has been denied. Neither the Company nor any of its Subsidiaries is in breach of or default under any insurance policy, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a breach or default. The value of the BOLI set forth on Schedule 3.16 of the Company Disclosure Schedule is fairly and accurately reflected on the Company Balance Sheet. Except as set forth on Schedule 3.16 of the Company Disclosure Schedule, the BOLI, and any other life insurance policies on the lives of any current and former officers and directors of the Company and its Subsidiaries that are maintained by the Company or any such Subsidiary or otherwise reflected on the Company Balance Sheet are, and will at the Effective Time be, owned by the Company or such Subsidiary, as the case may be, free and clear of any claims thereon by the officers, directors or members of their families.

3.17 Environmental Matters.

(a) Except as disclosed on Schedule 3.17(a) of the Company Disclosure Schedule, to the Knowledge of the Company, (i) each of the Company and its Subsidiaries and each property owned, leased or operated by any of them (the Company Property) and, (ii) the Company Loan Properties (as defined below), are, and have been, in compliance in all material respects with all Environmental Laws (as defined below).

(b) There is no suit, claim, action or proceeding pending or, to the Knowledge of the Company, threatened, before any Governmental Authority or other forum in which the Company or any of its Subsidiaries has been or, with respect to threatened proceedings, may be, named as a defendant, responsible party or potentially responsible party (i) for alleged noncompliance (including by any predecessor) with any Environmental Law or (ii) relating to the release or presence of any Hazardous Material (as defined below) at, in, to, on, from or affecting a Company Property, a Company Loan Property, or any property previously owned, operated or leased by the Company or any of its Subsidiaries.

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(c) Neither the Company nor any of its Subsidiaries, nor to the Knowledge of the Company, any Company Loan Property, has received or been named in any written notice regarding a matter on which a suit, claim, action or proceeding as described in subsection (b) of this Section 3.17 could reasonably be based. No facts or circumstances exist which would reasonably cause it to believe that a suit, claim, action or proceeding as described in subsection (b) of this Section 3.17 would reasonably be expected to occur.

(d) No Hazardous Material is present or has been released at, in, to, on, under, from or affecting any Company Property, any Company Loan Property or any property previously owned, operated or leased by the Company or any of its Subsidiaries in a manner, amount or condition that would result in any liabilities or obligation pursuant to any Environmental Law.

(e) Neither the Company nor any of its Subsidiaries is an owner or operator (as such terms are defined under the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. Section 9601 et seq. (CERCLA)) of any Company Loan Property and there are no Company Participation Facilities (as defined below).

(f) There are and have been no (i) active or abandoned underground storage tanks, (ii) gasoline or service stations, or (iii) dry-cleaning facilities or operations at, on, in, or under any Company Property.

(g) For purposes of this Section 3.17, (i) Company Loan Property means any property in which the Company or any of its Subsidiaries holds a security interest, and, where required by the context (as a result of foreclosure), said term includes any property owned or operated by the Company or any of its Subsidiaries, and (ii) Company Participation Facility means any facility in which the Company or any of its Subsidiaries participates or has participated in the management of environmental matters.

(h) For purposes of this Section 3.17 and Section 4.12, (i) Hazardous Material means any compound, chemical, pollutant, contaminant, toxic substance, hazardous waste, hazardous material, or hazardous substance, as any of the foregoing may be defined, identified or regulated under or pursuant to any Environmental Laws, and including without limitation, Oil, asbestos, asbestos-containing materials, polychlorinated biphenyls, toxic mold, or fungi, or any other material that may pose a threat to the Environment or to human health and safety; (ii) Oil means oil or petroleum of any kind or origin or in any form, as defined in or regulated pursuant to the Federal Clean Water Act, 33 U.S.C. Section 1251 et seq., or any other Environmental Law; (iii) Environment means any air (including indoor air), soil vapor, surface water, groundwater, drinking water supply, surface soil, subsurface soil, sediment, surface or subsurface strata, plant and animal life, and any other environmental medium or natural resource; and (iv) Environmental Laws means any applicable federal, state or local law, statute, ordinance, rule, regulation, code, license, permit, approval, consent, order, judgment, decree, injunction or agreement with any Governmental Authority relating to (A) the protection, preservation or restoration of the Environment, (B) the protection of human or worker health and safety, and/or (C) the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of, or exposure to, Hazardous Material. The

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term Environmental Law includes without limitation (a) CERCLA; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901 et seq.; the Clean Air Act, as amended, 42 U.S.C. § 7401 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251 et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. § 2601 et seq.; the Emergency Planning and Community Right to Know Act, 42 U.S.C. § 11001 et seq.; the Safe Drinking Water Act, 42 U.S.C. § 300f et seq.; and all comparable state and local laws, and (b) any common law (including, without limitation, common law that may impose strict liability) that may impose liability or obligations for injuries or damages due to the presence of or exposure to any Hazardous Material as in effect on or prior to the date of this Agreement.

3.18 Intellectual Property. Schedule 3.18 of the Company Disclosure Schedule contains a complete and accurate list of all Marks (as defined below) and Patents (as defined below) owned or purported to be owned by the Company and its Subsidiaries or used or held for use by the Company and its Subsidiaries in the Business (as defined below). Except as set forth on Schedule 3.18 of the Company Disclosure Schedule:

(a) the Company and its Subsidiaries exclusively own or possess adequate and enforceable rights to use, without payment to a third party, all of the Intellectual Property Assets (as defined below) necessary for the operation of the Business, free and clear of all mortgages, pledges, charges, liens, equities, security interests, or other encumbrances or similar agreements;

(b) all Company Intellectual Property Assets (as defined below) owned or purported to be owned by the Company or any of its Subsidiaries which have been issued by or registered with the U.S. Patent and Trademark Office or in any similar office or agency anywhere in the world have been duly maintained (including the payment of maintenance fees) and are not expired, cancelled or abandoned and are valid and enforceable;

(c) there are no pending, or, to the Knowledge of the Company, threatened claims against the Company or any of its Subsidiaries alleging that any activity by the Company or any of its Subsidiaries or any Product (as defined below) infringes on or violates (or in the past infringed on or violated) the rights of others in or to any Intellectual Property Assets (Third Party Rights) or that any of the Company Intellectual Property Assets is invalid or unenforceable;

(d) no activity of the Company or any of its Subsidiaries nor any Product infringes on or violates (or in the past infringed on or violated) any Third Party Right;

(e) to the Knowledge of the Company, no third party is violating or infringing any of the Company Intellectual Property Assets; and

(f) the Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all Trade Secrets (as defined below) owned by the Company and its Subsidiaries or used or held for use by the Company and its Subsidiaries in the Business.

(g) For purposes of this Section 3.18, (i) Business means the business of the Company and its Subsidiaries as currently conducted; (ii) Company Intellectual Property Assets means all Intellectual Property Assets owned or purported to be owned by the Company

or any of its Subsidiaries or used or held for use by the Company or any of its Subsidiaries in the Business which are material to the Business; (iii) Intellectual Property Assets means, collectively, (A) patents and patent applications (Patents); (B) trade names, logos, slogans, Internet domain names, social media accounts, pages and registrations, registered and unregistered trademarks and service marks and related registrations and applications for registration (Marks); (C) copyrights in both published and unpublished works, including without limitation all compilations, databases and computer programs, manuals and other documentation and all copyright registrations and applications; and (D) rights under applicable US state trade secret laws as are applicable to know-how and confidential information (Trade Secrets); and (iv) Products means those products and/or services researched, designed, developed, manufactured, marketed, performed, licensed, sold and/or distributed by the Company or any of its Subsidiaries.

(h) All computer systems, servers, network equipment and other computer hardware and software owned, leased or licensed by the Company and its Subsidiaries and used in the Business (IT Systems) are adequate and sufficient (including with respect to working condition and capacity) for the operations of the Company and its Subsidiaries. The Company and its Subsidiaries have (i) continuously operated in a manner to preserve and maintain the performance, security and integrity of the IT Systems (and all software, information or data stored on any IT Systems), (ii) continuously maintained all licenses necessary to use its IT Systems, and (iii) maintains reasonable documentation regarding all IT Systems, their methods of operation and their support and maintenance. During the two (2) year period prior to the date of this Agreement, there has been no failure with respect to any IT Systems that has had a material effect on the operations of the Business nor has there been any unauthorized access to or use of any IT Systems.

3.19 Personal Data; Privacy Requirements. In connection with the collection and/or use of an individual s name, address, credit card information, email address, social security number, and account numbers and any other information that is non public personal information concerning a consumer for Title V of the Gramm Leach Bliley Act or otherwise protected information under similar federal or state privacy laws (Personal Data), the Company and its Subsidiaries have at all times complied with and currently comply with all applicable statutes and regulations in all relevant jurisdictions where the Company currently conducts business, its publicly available privacy policy, any privacy policy otherwise furnished for customers and any third party privacy policies which the Company has been contractually obligated to comply with, in each case relating to the collection, storage, use and onward transfer of all Personal Data collected by or on behalf of the Company (the Privacy Requirements). The Company and its Subsidiaries will have the right after the execution of this Agreement to use such Personal Data in substantially the same manner as used by the Company and its Subsidiaries prior to the execution of this Agreement. The Company and its Subsidiaries have adopted a written information security program approved by their respective boards of directors. Such information security program meets the requirements of 12 C.F.R. part 364, Appendix B (the Information Security Requirements) and includes (A) security measures in place to protect all Personal Data under its control and/or in its possession and to protect such Personal Data from unauthorized access by any parties and (B) the Company s and its Subsidiaries hardware, software, encryption, systems, policies and procedures are sufficient to protect the privacy, security and confidentiality of all Personal Data in accordance with the Privacy Requirements.

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To the Knowledge of the Company, neither the Company nor its Subsidiaries has suffered any breach in security that has permitted any unauthorized access to the Personal Data under the Company s or its Subsidiaries control or possession. The Company and its Subsidiaries have required and do require all third parties to which any of them provide Personal Data and/or access thereto to maintain the privacy, security and confidentiality of such Personal Data, including by contractually obliging such third parties to protect such Personal Data from unauthorized access by and/or disclosure to any unauthorized third parties.

3.20 Material Agreements; Defaults.

(a) Except as set forth on Schedule 3.20(a) of the Company Disclosure Schedule, and except for this Agreement and the transactions contemplated hereby, neither the Company nor any of its Subsidiaries is a party to or is bound by any agreement, contract, arrangement, commitment or understanding (whether written or oral), or amendment thereto, (i) with respect to the employment or service of any directors, officers, employees or consultants; (ii) which would entitle any present or former director, officer, employee or agent of the Company or any of its Subsidiaries to indemnification from the Company or any of its Subsidiaries; (iii) the benefits of which will be increased, or the vesting of benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement, or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement; (iv) by and among the Company or any of its Subsidiaries, and/or any Affiliate thereof, other than intercompany agreements entered into in the ordinary course of business; (v) which grants any right of first refusal, right of first offer or similar right with respect to any material assets or properties of the Company or its Subsidiaries; (vi) which provides for payments to be made by the Company or any of its Subsidiaries upon a change in control thereof; (vii) which provides for the lease of personal property having a value in excess of $100,000 individually or $250,000 in the aggregate; (viii) which relates to capital expenditures and involves future payments in excess of $50,000 individually or $100,000 in the aggregate; (ix) which relates to the disposition or acquisition of assets or any interest in any business enterprise outside the ordinary course of Company s business; (x) which is not terminable on sixty (60) days or less notice and involving the payment of more than $50,000 per annum; or (xi) which materially restricts the conduct of any business by the Company or any of its Subsidiaries. Each agreement, contract, arrangement, commitment or understanding of the type described in this Section 3.20(a), whether or not set forth on Schedule 3.20(a) of the Company Disclosure Schedule, is referred to herein as a Company Material Contract. The Company has previously made available to Buyer complete and correct copies of all of the Company Material Contracts, including any and all amendments and modifications thereto.

(b) Each Company Material Contract is legal, valid and binding upon the Company or its Subsidiaries, as the case may be, and to the Knowledge of the Company, all other parties thereto, and is in full force and effect. Neither the Company nor any of its Subsidiaries is in breach of or default under any Company Material Contract, or, to the Knowledge of the Company, any other agreement or instrument to which it is a party, by which its assets, business, or operations may be bound or affected, or under which it or its respective assets, business, or operations receives benefits, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a breach or default. To the Knowledge of the Company,(i) no other party to any Company Material Contract is in breach of

or default under such Company Material Contract, and (ii) there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a breach or default. The Company has not received any notice from any other party to a Company Material Contract that such party intends to terminate, or not renew, a Company Material Contract, or is seeking the renegotiation thereof or substitute performance thereunder.

3.21 Property and Leases.

(a) Each of the Company and its Subsidiaries has good, record and marketable title to all the real property and all other property interests owned or leased by it and included in the Company Balance Sheet, free and clear of all Liens, other than (i) Liens that secure liabilities that are reflected in the Company Balance Sheet or incurred in the ordinary course of business after the date of such balance sheet, (ii) workmen s, repairmen s, warehousemen s and carriers Liens arising in the ordinary course of business of the Company or any of its Subsidiaries consistent with past practice, and (iii) those items that secure public or statutory obligations or any discount with, borrowing from, or obligations to any FRB or Federal Home Loan Bank, interbank credit facilities, or any transaction by the Company s Subsidiaries acting in a fiduciary capacity. Neither the Company nor any of its Subsidiaries has received written notice of any violation of any recorded easements, covenants or restrictions affecting all the real property and all other property interests owned or leased by it and included in the Company Balance Sheet that would reasonably be expected to require expenditures by the Company or any of its Subsidiaries or to result in an impairment in or limitation on the activities presently conducted there, and, to the Knowledge of the Company, no other party is in violation of any such easements, covenants or restrictions.

(b) Each lease or sublease of real property to which the Company or any of its Subsidiaries is a party is listed on Schedule 3.21(b) of the Company Disclosure Schedule, including all amendments and modifications thereto, and is in full force and effect. There exists no breach or default under any such lease by the Company or any of its Subsidiaries, nor any event which with notice or lapse of time or both would constitute a breach or default thereunder by the Company or any of its Subsidiaries, and, to the Knowledge of the Company, there exists no default under any such lease or sublease by any other party, nor any event which with notice or lapse of time or both would constitute a breach or default thereunder by such other party. The Company has not received any notice from any other party to such a lease or sublease that such party intends to terminate, or not renew, such lease or sublease, or is seeking the renegotiation thereof. The Company has previously made available to Buyer complete and correct copies of all such leases and subleases, including all amendments and modifications thereto.

(c) Schedule 3.21(c) of the Company Disclosure Schedule sets forth a complete and accurate list of all real property owned by the Company or any of its Subsidiaries. No tenant or other party in possession of any of such property has any right to purchase, or holds any right of first refusal to purchase, such properties.

(d) Except as set forth on Schedule 3.21(d) of the Company Disclosure Schedule, none of the properties required to be listed on Schedule 3.21(c) of the Company Disclosure Schedule and, to the Knowledge of the Company, none of the properties required to be listed on Schedule 3.21(b) of the Company Disclosure Schedule, or the buildings, structures,

facilities, fixtures or other improvements thereon, or the use thereof, contravenes or violates any building, zoning, administrative, occupational safety and health or other applicable statute, law, ordinance, rule or regulation in any respect that would reasonably be expected to require expenditures by the Company or any of its Subsidiaries or to result in an impairment in or limitation on the activities presently conducted thereon. Except as set forth on Schedule 3.21(d) of the Company Disclosure Schedule, the plants, buildings, structures and equipment located on the properties required to be listed on Schedule 3.21(c) of the Company Disclosure Schedule, and to the Knowledge of the Company, the plants, buildings, structures and equipment located on the properties required to be listed on Schedule 3.21(b) of the Company Disclosure Schedule are in good operating condition and in a state of good maintenance and repair, ordinary wear and tear excepted, are adequate and suitable for the purposes for which they are presently being used and, to the Knowledge of the Company, there are no condemnation or appropriation proceedings pending or threatened against any of such properties or any plants, buildings or other structures thereon.

3.22 Inapplicability of Takeover Laws. The Company has taken all action required to be taken by it in order to render inapplicable to the Merger, this Agreement, the Voting Agreements and the transactions contemplated hereby and thereby the restrictions on business combinations contained in Subchapter F of Chapter 25 of Title 15 of the PBCL. No other business combination , control share acquisition , fair price , moratorium or other takeover or anti-takeover statute or similar federal or state law (collectively with Subchapter F of Chapter 25 of Title 15 of the PBCL and any restrictions contained in the Company s Articles of Incorporation, Takeover Laws) are applicable to the Merger, this Agreement, the Voting Agreements and the transactions contemplated thereby.

3.23 Regulatory Capitalization. The Company Bank is, and as of the Effective Time will be, well capitalized, as such term is defined in the rules and regulations promulgated by the FDIC. The Company is, and immediately prior to the Effective Time will be, well capitalized as such term is defined in the rules and regulations promulgated by the FRB.

3.24 Loans; Nonperforming and Classified Assets.

(a) Each loan agreement, note or borrowing arrangement, including, without limitation, portions of outstanding lines of credit, credit card accounts, and loan commitments, on the Company s or its applicable Subsidiary s books and records (collectively, Loans) (i) is evidenced by notes, agreements, other evidences of indebtedness, security instruments (if applicable) that are true, genuine, enforceable and what they purport to be, and documentation appropriate and sufficient to enforce such loan in accordance with its terms, complete and correct sets of originals of all such documents which (or, to the extent an original is not necessary for the enforcement thereof, true, correct and complete copies thereof) are included in such books and records; (ii) represents the legal, valid and binding obligation of the related borrower, enforceable in accordance with its terms, except as enforcement may be limited by receivership, conservatorship and supervisory powers of bank regulatory agencies generally as well as by bankruptcy, insolvency, reorganization, moratorium or other laws of general applicability relating to or affecting creditors rights, or the limiting effect of rules of law governing specific performance, equitable relief and other equitable remedies or the waiver of rights or remedies; and (iii) complies with applicable law, including the Finance Laws and any other applicable

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lending laws and regulations. With respect to each Loan, to the extent applicable, the Loan file contains all original notes, agreements, other evidences of indebtedness, security instruments and financing statements. Each Loan file contains true, complete and correct copies of all Loan documents evidencing, securing, governing or otherwise related to the Loan and such documents and instruments are in due and proper form.

(b) Other than Loans that have been pledged to the Federal Home Loan Bank in the ordinary course of business, no Loan has been assigned or pledged, and the Company or its applicable Subsidiary has good and marketable title thereto, without any basis for forfeiture thereof. The Company or its applicable Subsidiary is the sole owner and holder of the Loans free and clear of any and all Liens other than a Lien of the Company or its applicable Subsidiary.

(c) Each Loan, to the extent secured by a Lien of the Company or its applicable Subsidiary, is secured by a valid, perfected and enforceable Lien of the Company or its applicable Subsidiary in the collateral for such Loan.

(d) Each Loan was underwritten and originated by the Company or its applicable Subsidiary (i) in the ordinary course of business and consistent with the Company s or its applicable Subsidiary s policies and procedures for loan origination and servicing in place at the time such Loan was made, (ii) in a prudent manner, and (iii) in accordance with applicable law, including without limitation, laws related to usury, truth-in-lending, real estate settlement procedures, consumer credit protection, predatory lending, abusive lending, fair credit reporting, unfair collection practice, origination, collection and servicing.

(e) Each Loan has been marketed, solicited, brokered, originated, made, maintained, serviced and administered in accordance with (i) applicable law, including the Equal Credit Opportunity Act, Regulation B of the Consumer Financial Protection Bureau and the Fair Housing Act; (ii) the Company s or its applicable Subsidiary s applicable loan origination and servicing policies and procedures; and (iii) the Loan documents governing each Loan.

(f) No Loan is subject to any right of rescission, set-off, claim, counterclaim or defense, including the defense of usury, nor will the operation of any of the terms of the note or the mortgage (if applicable), or the exercise of any right thereunder, render either the note or the mortgage (if applicable) unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury.

(g) Each Loan that is covered by an insurance policy or guarantee was (i) originated or underwritten in accordance with the applicable policies, procedures and requirements of the insurer or guarantor of such Loan at the time of origination or underwriting and (ii) continues to comply with the applicable policies, procedures and requirements of the insurer or guarantor, such that the insurance policy or guarantee covering the Loan is in full force and effect.

(h) Schedule 3.24(h) of the Company Disclosure Schedule discloses as of April 30, 2018: (i) any Loan under the terms of which the obligor is sixty (60) or more days delinquent in payment of principal or interest, or to the Knowledge of the Company, in violation, breach or default of any other provision thereof, including a description of such breach or

default; (ii) each Loan which has been classified as other loans specially maintained, classified, criticized, substandard, doubtful, credit risk assets, watch list assets, loss or special mention (or words of similar by the Company, its Subsidiaries or a Governmental Authority (the Classified Loans); (iii) a listing of the real estate owned, acquired by foreclosure or by deed-in-lieu thereof, including the book value thereof; and (iv) each Loan with any director, executive officer or five percent (5%) or greater stockholder of the Company, or to the Knowledge of the Company, any Person controlling, controlled by or under common control with any of the foregoing. All Loans which are classified as Insider Transactions by Regulation O of the FRB have been made by the Company or any of its Subsidiaries in an arms-length manner, on substantially the same terms as, including interest rates and collateral, and following underwriting procedures that are no less stringent than, those prevailing at the time for comparable transactions with other Persons that are not insiders and not employed by the Company and do not involve more than normal risk of collectability or present other unfavorable features.

(i) The allowance for Loan losses reflected in the Company Financial Statements, as of their respective dates, is adequate under GAAP and all regulatory requirements applicable to financial institutions.

(j) The Company has previously made available to Buyer complete and correct copies of its and its applicable Subsidiary s lending and servicing and policies and procedures.

(k) No error, omission, misrepresentation, negligence, fraud or similar occurrence with respect to any Loan has taken place on the part of the Company, any Subsidiary or, to the Company s Knowledge, any other person, including, without limitation, any borrower, any broker, any correspondent or any settlement service provider.

(l) The Company or any Subsidiary is not in breach, and has not breached, any provision contained in any agreement pursuant to which the Company has brokered, originated, made, sold, participated or performed any activity in connection with any Loan.

(m) There is no action, suit, proceeding, investigation, or litigation pending, or to the best of the Company s Knowledge, threatened, with respect to any Loan.

(n) There are no defaults as to the Company s or any Subsidiary s compliance with the terms of any Loan.

3.25 Deposits.

(a) The deposits of the Company Bank have been solicited, originated and administered by the Company Bank in accordance with the terms of their governing documents in effect from time to time and with applicable law.

(b) Each of the agreements relating to the deposits of the Company Bank is valid, binding, and enforceable upon its respective parties in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors rights, and by the exercise of judicial discretion in accordance with general principles applicable to equitable and similar remedies.

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(c) The Company Bank has complied with applicable law relating to overdrafts, overdraft protection and payment for overdrafts.

(d) Any debit cards issued by the Company Bank with respect to the deposits of the Company Bank have been issued and administered in accordance with applicable law, including the Electronic Fund Transfer Act of 1978, as amended, and Regulation E of Consumer Financial Protection Bureau.

3.26 Investment Securities . Each of the Company and its Subsidiaries has good title to all securities owned by it (except those sold under repurchase agreements or held in any fiduciary or agency capacity), free and clear of any Liens, except to the extent such securities are pledged in the ordinary course of business to secure obligations of the Company or its Subsidiaries. Such securities are valued on the books of the Company in accordance with GAAP. The Company and its Subsidiaries and their respective businesses employ investment, securities, risk management and other policies, practices and procedures which the Company believes are prudent and reasonable in the context of such businesses. The Company and its Subsidiaries have complied with the requirements of Section 13 of the Bank Holding Company Act of 1956, as amended (the BHCA) and the regulations promulgated thereunder (the Volcker Rule) and neither the Company nor any of its Subsidiaries will be required to divest securities during the Volcker Rule conformance period.

3.27 Investment Management; Trust Activities.

(a) Except as set forth on Schedule 3.27(a) of the Company Disclosure Schedule, none of the Company, any of its Subsidiaries or the Company s or its Subsidiaries directors, officers or employees is required to be registered, licensed or authorized under the laws or regulations issued by any Governmental Authority as an investment adviser, a broker or dealer, an insurance agency or company, a commodity trading adviser, a commodity pool operator, a futures commission merchant, an introducing broker, a registered representative or associated person, investment adviser, representative or solicitor, a counseling officer, an insurance agent, a sales person or in any similar capacity with a Governmental Authority.

(b) Except as set forth on Schedule 3.27(b) of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries engages in any trust business, nor administers or maintains accounts for which it acts as fiduciary, including accounts for which it serves as trustee, custodian, agent, personal representative, guardian or conservator.

3.28 Derivative Transactions. All Derivative Transactions (as defined below) entered into by the Company or any of its Subsidiaries were entered into in accordance with applicable rules, regulations and policies of any Governmental Authority, and in accordance with the investment, securities, commodities, risk management and other policies, practices and procedures employed by the Company and its Subsidiaries, and were entered into with counterparties believed at the time to be financially responsible and able to understand (either alone or in consultation with their advisers) and to bear the risks of such Derivative Transactions.

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The Company and its Subsidiaries have duly performed all of their obligations under the Derivative Transactions to the extent that such obligations to perform have accrued, and, to the Knowledge of the Company, there are no breaches, violations or defaults or allegations or assertions of such by any party thereunder. The Company and its Subsidiaries have adopted policies and procedures consistent with the requirements of Governmental Authorities with respect to its derivatives program. For purposes of this Section 3.28 and Section 4.13, Derivative Transactions shall mean any swap transaction, option, warrant, forward purchase or forward sale transaction, futures transaction, cap transaction, floor transaction or collar transaction relating to one or more currencies, commodities, bonds, equity securities, loans, interest rates, credit related events or conditions or any indexes, or any other similar transaction or combination of any of these transactions, including collateralized mortgage obligations or other similar instruments or any debt or equity instruments evidencing or embedding any such types of transactions, and any related credit support, collateral or other similar arrangements related to such transactions.

3.29 Repurchase Agreements. With respect to all agreements pursuant to which the Company or any of its Subsidiaries has purchased securities subject to an agreement to resell, if any, the Company or any of its Subsidiaries, as the case may be, has a valid, perfected first lien or security interest in the government securities or other collateral securing the repurchase agreement, and, as of the date hereof, the value of such collateral equals or exceeds the amount of the debt secured thereby.

3.30 Deposit Insurance. The deposits of the Company Bank are insured by the FDIC in accordance with the Federal Deposit Insurance Act (the FDIA) to the fullest extent permitted by law, and each Subsidiary has paid all premiums and assessments and filed all reports required by the FDIA. No proceedings for the revocation or termination of such deposit insurance are pending or, to the Knowledge of the Company, threatened.

3.31 CRA, Anti-money Laundering and Customer Information Security.

(a) Neither the Company nor any of its Subsidiaries is a party to any agreement with any individual or group regarding matters related to the CRA. The Company and each of its Subsidiaries is in compliance with all applicable requirements of the CRA, has a CRA rating of not less than satisfactory in its most recently completed exam, has received no material criticism from regulators with respect to discriminatory lending practices, and to the Knowledge of the Company, there are no conditions, facts or circumstances that could reasonably be expected to result in a CRA rating of less than satisfactory or material criticism from regulators or consumers with respect to discriminatory lending practices.

(b) The Company and each of its Subsidiaries is in compliance, and in the past has complied with, all applicable laws relating to the prevention of money laundering of any Governmental Authority applicable to it or its property or in respect of its operations, including all applicable financial record-keeping, know-your-customer and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended from time to time, including by the USA PATRIOT Act and all such applicable laws (the Money Laundering Laws). Each of the Company Board and the Board of Directors of Company Bank has adopted, and each of the Company and Company Bank has implemented, a written anti-money laundering

program that contains adequate and appropriate customer identification verification procedures that has not been deemed ineffective by any Governmental Authority and that meets the requirements of Sections 352 and 326 and all other applicable provisions of the USA PATRIOT Act and the Bank Secrecy Act, as amended, and the requirements of the regulations implementing the same.

(c) None of (i) the Company, (ii) any of the Subsidiaries, (iii) any Person on whose behalf the Company or any Subsidiary is acting, or (iv) to the Company s Knowledge, any Person who directly or indirectly beneficially owns securities issued by the Company or any of its Subsidiaries, is (A) named on the most current list of Specially Designated Nationals published by the U.S. Department of the Treasury s Office of Foreign Assets Control (OFAC) or the most recent Consolidated Sanctions List published by OFAC, (B) otherwise a country, territory or Person that is the target of sanctions administered by OFAC or the U.S. Department of State, (C) a Person engaged, directly or indirectly, in any transactions or other activities with any country, territory or Person prohibited by OFAC, (D) a Person that resides or has a place of business in a country or territory that is subject to country-wide or region-wide sanctions administered by OFAC or which is designated as a Non-Cooperative Jurisdiction by the Financial Action Task Force on Money Laundering, (E) a Foreign Shell Bank within the meaning of the USA PATRIOT Act, (F) a Person that resides in, or is organized under the laws of, a jurisdiction designated by the Secretary of the Treasury under Section 311 or Section 312 of the USA PATRIOT Act as warranting special measures due to money laundering concerns, (G) a Person that is designated by the Secretary of the Treasury as warranting such special measures due to money laundering concerns or (H) a Person that otherwise appears on any U.S.-government provided list of known or suspected terrorists or terrorist organizations. No Person or Persons collectively owning more than fifty percent (50%) or more of the beneficial interests of the Company or any of its Subsidiaries are described in clauses (A) through (D) above. Neither the Company nor any of its Subsidiaries has engaged in transactions of any type with any party described in clauses (A) through (H) in the past and is not currently engaging in such transactions. The Company and each of its Subsidiaries has in place and maintains internal policies and procedures that are reasonably designed to ensure the foregoing.

(d) The Company has no Knowledge of, and has not been advised of, or has any reason to believe (because of the Company s Home Mortgage Disclosure Act data for the year ended December 31, 2017, filed with the FDIC, or otherwise) that any facts or circumstances exist, which would cause the Company or any of its Subsidiaries to be deemed not to be in compliance with the CRA, the Money Laundering Laws, any economic or trade sanctions programs administered by OFAC or the U.S. Department of State, the Information Security Requirements. No action, suit or proceeding by or before any Governmental Authority or any arbitrator involving the Company or any of its Subsidiaries with respect to the Money Laundering Laws, any economic or trade sanctions administered by OFAC or the U.S. Department of State or the Information Security Requirements is pending or, to the Knowledge of the Company, threatened.

3.32 Transactions with Affiliates. There are no outstanding amounts payable to or receivable from, or advances by the Company or any of its Subsidiaries to, and neither the Company nor any of its Subsidiaries is otherwise a creditor or debtor to, any stockholder owning 5% or more of the outstanding Company Common Stock, director, employee or Affiliate (as

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defined in Section 9.3) of the Company or any of its Subsidiaries, other than as part of the normal and customary terms of such persons employment or service as a director with the Company or any of its Subsidiaries, or banking transactions in the ordinary course of business with Company Bank on substantially the same terms, including interest rates, collateral requirements and repayment terms, with those prevailing at the time for comparable transactions with non-affiliated persons and did not involve more than the normal risk of collections or present other unfavorable features. Except as described in the preceding sentence, neither the Company nor any of its Subsidiaries is a party to any transaction or agreement with any of its respective Affiliates, stockholders owning 5% or more of the outstanding Company Common Stock, directors or executive officers or any material transaction or agreement with any employee other than executive officers. All agreements between the Company and any of its Affiliates comply, to the extent applicable, with Regulation W of the FRB.

3.33 Brokers; Opinion of Financial Advisor. No action has been taken by the Company or any of its Subsidiaries that would give rise to any valid claim against the Company for a brokerage commission, finder s fee or other like payment with respect to the transactions contemplated by this Agreement, except in connection with the engagement of Ambassador Financial Group, Inc. (the Financial Advisor) by the Company. The fee payable to the Financial Advisor in connection with the transactions contemplated by this Agreement is described in an engagement letter between the Company and the Financial Advisor, a complete and correct copy of which has been previously provided to Buyer. The Company Board has received the opinion of the Financial Advisor, to the effect that, as of the date of such opinion and based on and subject to the various limitations and assumptions contained therein, the Merger Consideration to be received by holders of Company Common Stock is fair, from a financial point of view, to such holders.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

OF BUYER

4.1 Making of Representations and Warranties.

(a) As a material inducement to the Company to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer hereby makes to the Company the representations and warranties contained in this Article IV, subject to the standards established by Section 9.1.

(b) On or prior to the date hereof, Buyer has delivered to the Company a schedule (the Buyer Disclosure Schedule) listing, among other things, items the disclosure of which is necessary or appropriate in relation to any or all of its representations and warranties; provided, however, that no such item is required to be set forth on the Buyer Disclosure Schedule as an exception to a representation or warranty if its absence is not reasonably likely to result in the related representation or warranty being untrue or incorrect under the standards established by Section 9.1.

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4.2 Organization, Standing and Authority.

(a) Buyer is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania. Buyer is a bank holding company under the BHCA and the regulations of the FRB promulgated thereunder. Buyer is duly qualified to do business and is in good standing in the jurisdictions where its ownership or leasing of property or the conduct of its business requires it to be so qualified, except where the failure to so qualify has not had and would not reasonably be expected to have, individually or in the aggregate, a Buyer Material Adverse Effect (as defined in Section 9.3). Each of Buyer s Subsidiaries has been duly organized and qualified under the laws of the jurisdiction of its organization and is duly qualified to do business and in good standing in the jurisdiction where its ownership or leasing of property or the conduct of its business requires such Subsidiary to be so qualified, except where the failure to so qualify has not had and would not reasonably be expected to have, individually or in the aggregate, a Buyer Material Adverse Effect. Buyer owns, directly or indirectly, all of the issued and outstanding equity securities of each of its Subsidiaries.

(b) Buyer Bank s deposits are insured by the FDIC to the fullest extent permitted by law. Buyer Bank is a member in good standing of the Federal Home Loan Bank of Pittsburgh. Buyer Bank engages only in activities (and holds properties only of the types) permitted by the FDIA and Pennsylvania law and the rules and regulations of the FDIC and the Pennsylvania Department of Banking and Securities promulgated thereunder.

4.3 Capitalization. As of the date hereof, the authorized capital stock of Buyer consists of 50,000,000 shares of Buyer Common Stock, of which 8,410,728 shares are issued and outstanding, and 500,000 shares of preferred stock, par value $1.25 per share, of which no shares are issued and outstanding. The outstanding shares of Buyer s capital stock are validly issued, fully paid and nonassessable with no personal liability attaching to the ownership thereof, and subject to no preemptive rights or similar rights (and were not issued in violation of any preemptive or similar rights). The shares of Buyer Common Stock to be issued in the Merger have been duly and validly reserved for issuance, and when issued in accordance with the terms of this Agreement, will be duly authorized, validly issued, fully paid and nonassessable and free of any preemptive or similar rights.

4.4 Corporate Power. Buyer has the power and authority to carry on its business as it is now being conducted and to own all of its properties and assets, to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby.

4.5 Corporate Authority. This Agreement and the transactions contemplated hereby have been authorized by all necessary action by Buyer and no action is required of the stockholders of Buyer with respect to any of the transactions contemplated hereby. Buyer has duly executed and delivered this Agreement and, assuming the due authorization, execution and delivery by the Company, this Agreement is a legal, valid and binding agreement of Buyer, enforceable in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors rights or by general principles of equity).

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4.6 Non-Contravention.

(a) Subject to the receipt of the Regulatory Approvals, and the required filings under federal and state securities laws and applicable stock exchange rules, the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby (including, without limitation, the Merger) by Buyer does not and will not (i) constitute a breach or violation of, or a default under, result in a right of termination, or the acceleration of any right or obligation under, any law, rule or regulation or any judgment, decree, order, permit, license, credit agreement, indenture, loan, note, bond, mortgage, reciprocal easement agreement, lease, instrument, concession, franchise or other agreement of Buyer or of any of their Subsidiaries or to which Buyer or any of its Subsidiaries, properties or assets is subject or bound, (ii) constitute a breach or violation of, or a default under the organizational documents of Buyer, or (iii) require the consent or approval of any third party or Governmental Authority under any such law, rule, regulation, judgment, decree, order, permit, license, credit agreement, indenture, loan, note, bond, mortgage, reciprocal easement agreement, lease, instrument, concession, franchise or other agreement.

(b) As of the date hereof, Buyer has no Knowledge of any reasons relating to Buyer or Buyer Bank (including, without limitation, compliance with the CRA or the USA PATRIOT Act, the federal Bank Secrecy Act, as amended, and its implementing regulations and the regulations promulgated thereunder, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury s Office of Foreign Assets Control, or any other applicable anti-money laundering statute, rule or regulation) why (i) all of the Regulatory Approvals shall not be procured from the applicable Governmental Authorities having jurisdiction over the transactions contemplated by this Agreement or (ii) why any Burdensome Condition would be imposed.

4.7 Articles of Incorporation; Bylaws. Buyer has made available to the Company a complete and correct copy of its Articles of Incorporation and Bylaws, each as amended to date, of Buyer. Buyer is not in violation of any of the terms of its organizational documents. The minute books of the Company and each of its Subsidiaries contain complete and accurate records of all meetings held by, and complete and accurate records of all other corporate actions of, their respective stockholders and boards of directors (including committees of their respective boards of directors).

4.8 Compliance wi th Laws. Buyer and each of its Subsidiaries:

(a) has been for at least the past three years and is in compliance with all applicable federal, state, and local statutes, laws, regulations, ordinances, rules, judgments, orders or decrees applicable thereto or to the employees conducting their businesses, including, without limitation, all Finance Laws, and all other applicable fair lending laws and other laws relating to discriminatory business practices. In addition, there is no pending or, to the Knowledge of Buyer, threatened charge by any Governmental Authority that any of Buyer and its Subsidiaries has violated, nor any pending or, to the Knowledge of Buyer, threatened investigation by any Governmental Authority with respect to possible violations of, any applicable Finance Laws;

(b) has all permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Authorities that are required in order to permit them to own or lease their properties and to conduct their businesses as presently conducted; all such permits, licenses, authorizations, orders and approvals are in full force and effect and, to the Knowledge of Buyer, no suspension or cancellation of any of them is threatened; and

(c) except as set forth on Schedule 4.8(c) of the Buyer Disclosure Schedule, has received, since January 1, 2015, no notification or communication from any Governmental Authority (i) asserting that Buyer or any of its Subsidiaries is not in compliance with any of the statutes, regulations, or ordinances which such Governmental Authority enforces, (ii) threatening to revoke any license, franchise, permit, or governmental authorization, (iii) threatening or contemplating revocation or limitation of, or which would have the effect of revoking or limiting, federal deposit insurance or (iv) failing to approve any proposed acquisition, or stating its intention not to approve acquisitions, proposed to be effected by Buyer within a certain time period or indefinitely (nor, to the Knowledge of Buyer, do any grounds for any of the foregoing exist).

4.9 Litigation.

(a) Except as set forth on Schedule 4.9(a) of the Buyer Disclosure Schedule, no litigation, claim, suit, investigation or other proceeding before any court, governmental agency or arbitrator is pending against Buyer or any of its Subsidiaries or has been pending at any time in the past three years, and, to the Knowledge of Buyer, (i) no litigation, claim, suit, investigation or other proceeding has been threatened and (ii) there are no facts which would reasonably be expected to give rise to such litigation, claim, suit, investigation or other proceeding.

(b) Except as set forth on Schedule 4.9(b) of the Buyer Disclosure Schedule, neither Buyer nor any of its Subsidiaries nor any of their respective properties is a party to or is subject to any assistance agreement, board resolution, order, decree, supervisory agreement, memorandum of understanding, condition or similar arrangement with, or a commitment letter or similar submission to, any Governmental Authority charged with the supervision or regulation of financial institutions or issuers of securities or engaged in the insurance of deposits or the supervision or regulation of Buyer or any of its Subsidiaries. Except as set forth on Schedule 4.9(b) of the Buyer Disclosure Schedule, neither Buyer nor any of its Subsidiaries has been subject to any order or directive by, or been ordered to pay any civil money penalty by, or has been since January 1, 2015, a recipient of any supervisory letter from, or since January 1, 2015, has adopted any board resolutions at the request of, any Governmental Authority that currently regulates in any material respect the conduct of its business or that in any manner relates to its capital adequacy, its ability to pay dividends, its credit or risk management policies, its management or its business, other than those of general application that apply to similarly-situated bank or financial holding companies or their subsidiaries.

(c) Neither Buyer nor any of its Subsidiaries, has been advised by a Governmental Authority that it will issue, or has Knowledge of any facts which would reasonably be expected to give rise to the issuance by any Governmental Authority or has

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Knowledge that such Governmental Authority is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such order, decree, agreement, board resolution, memorandum of understanding, supervisory letter, commitment letter, condition or similar submission.

4.10 SEC Documents; Financial Reports; and Regulatory Reports.

(a) Buyer s Annual Report on Form 10 K, as amended through the date hereof, for the fiscal year ended December 31, 2017 (the Buyer 2017 Form 10-K), and all other reports, registration statements, definitive proxy statements or information statements required to be filed or furnished by Buyer or any of its Subsidiaries subsequent to January 1, 2015 under the Securities Act, or under Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act (collectively, the Buyer SEC Documents), with the U.S. Securities and Exchange Commission (the SEC), and all of the Buyer SEC Documents filed with the SEC after the date hereof, in the form filed or to be filed, (i) complied or will comply as to form with the applicable requirements under the Securities Act or the Exchange Act (each as defined in Section 9.3), as the case may be, and (ii) did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; and each of the balance sheets contained in or incorporated by reference into any such Buyer SEC Document (including the related notes and schedules thereto) fairly presents and will fairly present the financial position of the entity or entities to which such balance sheet relates as of its date, and each of the statements of income and changes in stockholders equity and cash flows or equivalent statements in such Buyer SEC Documents (including any related notes and schedules thereto) fairly presents and will fairly present the results of operations, changes in stockholders equity and changes in cash flows, as the case may be, of the entity or entities to which such statement relates for the periods to which it relates, in each case in accordance with GAAP consistently applied during the periods involved, except in each case as may be noted therein, subject to normal year end audit adjustments in the case of unaudited financial statements.

(b) The Buyer and its Subsidiaries maintain internal controls which provide reasonable assurance that (i) transactions are executed with management s authorization, (ii) transactions are recorded as necessary to permit preparation of the consolidated financial statements of the Buyer and its Subsidiaries, (iii) access to assets of the Company and its Subsidiaries is permitted only in accordance with management s authorization, (iv) the reporting of assets of the Buyer and its Subsidiaries is compared with existing assets at regular intervals, and (v) assets and liabilities of the Buyer and its Subsidiaries are recorded accurately in the Buyer s financial statements.

(c) Since January 1, 2015, Buyer and its Subsidiaries have duly filed with the FRB, the OCC, the FDIC and any other applicable Governmental Authority, in correct form the reports required to be filed under applicable laws and regulations and such reports were complete and accurate and in compliance with the requirements of applicable laws and regulations.

4.11 Labor Matters. Neither Buyer nor any of its Subsidiaries is a party to or bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor is Buyer or any of its Subsidiaries the subject of a proceeding

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asserting that it or any such Subsidiary has committed an unfair labor practice (within the meaning of the National Labor Relations Act) or seeking to compel Buyer any of its Subsidiaries to bargain with any labor organization as to wages and conditions of employment. No work stoppage involving Buyer or any of its Subsidiaries is pending, or to the Knowledge of Buyer, threatened.

4.12 Environmental Matters. To Buyer s Knowledge, neither the conduct nor operation of Buyer or any of its Subsidiaries nor any condition of any property presently or previously owned, leased or operated by any of them (including, without limitation, in a fiduciary or agency capacity), or on which any of them holds a Lien, violates or violated Environmental Laws and to Buyer s Knowledge, no condition has existed or event has occurred with respect to any of them or any such property that, with notice or the passage of time, or both, is reasonably likely to result in liability under Environmental Laws. To Buyer s Knowledge, neither Buyer nor any of its Subsidiaries has used or stored any Hazardous Material in, on, or at any property presently or previously owned, leased or operated by any of them in violation of any Environmental Law. To Buyer s knowledge, neither Buyer nor any of its Subsidiaries has received any notice from any Person that Buyer or any of its Subsidiaries or the operation or condition of any property owned, leased, operated, or held as collateral or in a fiduciary capacity by any of them are or were in violation of or otherwise are alleged to have liability under any Environmental Law, including, but not limited to, responsibility (or potential responsibility) for the cleanup or other remediations of any pollutants, contaminants, or hazardous or toxic wastes, substances or materials at, on, beneath, or originating from any such property. Neither Buyer nor any of its Subsidiaries is the subject of any action, claim, litigation, dispute, investigation or other proceeding with respect to violations of, or liability under, any Environmental Law.

4.13 Risk Management Instruments. All Derivative Transactions entered into by Buyer or Buyer Bank were entered into in accordance with applicable rules, regulations and policies of any Governmental Authority, and in accordance with the investment, securities, commodities, risk management and other policies, practices and procedures employed by Buyer or Buyer Bank, and were entered into with counterparties believed at the time to be financially responsible and able to understand (either alone or in consultation with their advisers) and to bear the risks of such Derivative Transactions. Buyer and Buyer Bank have duly performed all of their obligations under the Derivative Transactions to the extent that such obligations to perform have accrued, and, to the Knowledge of Buyer, there are no breaches, violations or defaults or allegations or assertions of such by any party thereunder. Buyer and Buyer Bank have adopted policies and procedures consistent with the requirements of Governmental Authorities with respect to its derivatives program.

4.14 Insu rance. Buyer and Buyer Bank are insured, and during each of the past three calendar years, have been insured, for reasonable amounts with financially sound and reputable insurance companies against such risks as companies engaged in a similar business would, in accordance with good business practice customarily be insured, and has maintained all insurance required by applicable laws and regulations. All such insurance policies are in full force and effect; neither of Buyer or Buyer Bank are in material default thereunder; and all claims thereunder have been filed in due and timely fashion.

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4.15 Buyer Off Balance Sheet Transactions. Each off balance sheet arrangement of Buyer or Buyer Bank required to be disclosed by Item 404 of Regulation S-K is set forth in the Buyer 2017 Form 10-K.

4.16 Properties. Buyer and Buyer Bank have good and marketable title, free and clear of all liens, encumbrances, charges, defaults or equitable interests to all of the properties and assets, real and personal, set forth in the Buyer 2017 Form 10-K as being owned by Buyer or Buyer Bank, as applicable, as of December 31, 2017, except (i) statutory liens for amounts not yet due and payable, (ii) pledges to secure deposits and other liens incurred in the ordinary course of banking business, (iii) such imperfections of title, easements, encumbrances, liens, charges, defaults or equitable interests, if any, as do not affect the use of properties, (iv) dispositions and encumbrances in the ordinary course of business and (v) liens on properties acquired in foreclosure or on account of debts previously contracted. All leases pursuant to which Buyer or Buyer Bank, as lessee, leases real or personal property (except for leases that have expired by their terms or that Buyer or Buyer Bank, as applicable, has agreed to terminate since the date hereof) are valid without default thereunder by the lessee, or, to Buyer s knowledge, the lessor.

4.17 Loans. Each loan reflected as an asset in the Buyer 2017 Form 10-K (i) is evidenced by notes, agreements, other evidences of indebtedness, security instruments (if applicable) that are true, genuine, enforceable and what they purport to be, and documentation appropriate and sufficient to enforce such loan in accordance with its terms, complete and correct sets of originals of all such documents which (or, to the extent an original is not necessary for the enforcement thereof, true, correct and complete copies thereof) are included in such books and records; (ii) represents the legal, valid and binding obligation of the related borrower, enforceable in accordance with its terms, except as enforcement may be limited by receivership, conservatorship and supervisory powers of bank regulatory agencies generally as well as by bankruptcy, insolvency, reorganization, moratorium or other laws of general applicability relating to or affecting creditors rights, or the limiting effect of rules of law governing specific performance, equitable relief and other equitable remedies or the waiver of rights or remedies; and (iii) complies with applicable law, including the Finance Laws and any other applicable lending laws and regulations. All loans and extensions of credit that have been made by Buyer Bank that are subject either to Section 22(h) of the Federal Reserve Act, as amended, or to 12 C.F.R. 337.3, comply therewith.

4.18 Allowance for Loan Losses. The allowance for loan losses reflected in the Buyer 2017 10-K is adequate in all material respects under the requirements of GAAP to provide for reasonably estimated losses on outstanding loans.

4.19 Repurchase Agreements. With respect to all agreements pursuant to which Buyer or Buyer Bank has purchased securities subject to an agreement to resell, if any, Buyer or Buyer Bank as the case may be, has a valid, perfected first lien or security interest in or evidence of ownership in book entry form of the government securities or other collateral securing the repurchase agreement, and the value of such collateral equals or exceeds the amount of the debt secured thereby.

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4.20 Trust Accounts. Buyer and Buyer Bank, respectively, have administered all accounts for which it acts as a fiduciary, including but not limited to accounts for which it serves as trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in all material respects in accordance with the terms of the governing documents and applicable laws and regulations.

4.21 Absence of Certain Changes or Events. Except as disclosed in the Buyer SEC Documents filed or furnished prior to the date hereof, or as otherwise expressly permitted or expressly contemplated by this Agreement, since December 31, 2017, there has been no change or development in the business, operations, assets, liabilities, condition (financial or otherwise), results of operations, cash flows or properties of Buyer or any of its Subsidiaries which has had, or would reasonably be expected to have, individually or in the aggregate, a Buyer Material Adverse Effect.

4.22 Regula tory Capitalization. Buyer Bank is, and immediately after the Effective Time will be, well capitalized, as such term is defined in the rules and regulations promulgated by the FRB. Buyer is, and immediately after the Effective Time will be, well capitalized as such term is defined in the rules and regulations promulgated by the FRB.

4.23 CRA, Anti-money Laundering and Customer Information Security.

(a) Neither Buyer nor any of its Subsidiaries is a party to any agreement with any individual or group regarding matters related to the CRA. Buyer Bank is in compliance with all applicable requirements of the CRA, has a CRA rating of not less than satisfactory in its most recently completed exam, has received no material criticism from regulators with respect to discriminatory lending practices, and to the Knowledge of Buyer, there are no conditions, facts or circumstances that could reasonably be expected to result in a CRA rating of less than satisfactory or material criticism from regulators or consumers with respect to discriminatory lending practices.

(b) Buyer and each of its Subsidiaries, including Buyer Bank, is in compliance, and in the past has complied with, all applicable laws relating to the prevention of money laundering of any Governmental Authority applicable to it or its property or in respect of its operations, including all applicable financial record-keeping, know-your-customer and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended from time to time, including by the USA PATRIOT Act, and the Money Laundering Laws. The Board of Directors of Buyer Bank has adopted and Buyer Bank has implemented a written anti-money laundering program that contains adequate and appropriate customer identification verification procedures that has not been deemed ineffective by any Governmental Authority and that meets the requirements of Sections 352 and 326 and all other applicable provisions of the USA PATRIOT Act and the regulations thereunder.

(c) None of (i) Buyer, (ii) any Subsidiary of Buyer, (iii) any Person on whose behalf Buyer or any Subsidiary of Buyer is acting, or (iv) to Buyer s Knowledge, any Person who directly or indirectly beneficially owns securities issued by Buyer or any Subsidiary of Buyer, is (A) named on the most current list of Specially Designated Nationals published by OFAC or the most recent Consolidated Sanctions List published by OFAC, (B) otherwise a

country, territory or Person that is the target of sanctions administered by OFAC or the U.S. Department of State, (C) a Person engaged, directly or indirectly, in any transactions or other activities with any country, territory or Person prohibited by OFAC, (D) a Person that resides or has a place of business in a country or territory named on such lists or which is designated as a Non-Cooperative Jurisdiction by the Financial Action Task Force on Money Laundering, (E) a Foreign Shell Bank within the meaning of the USA PATRIOT Act, (F) a Person that resides in, or is organized under the laws of, a jurisdiction designated by the Secretary of the Treasury under Section 311 or Section 312 of the USA PATRIOT Act as warranting special measures due to money laundering concerns, (G) a Person that is designated by the Secretary of the Treasury as warranting such special measures due to money laundering concerns or (H) a Person that otherwise appears on any U.S.-government provided list of known or suspected terrorists or terrorist organizations. Neither Buyer and nor any of its Subsidiaries, including Buyer Bank, has engaged in transactions of any type with any party described in clauses (A) through (H) in the past and neither Buyer nor any of its Subsidiaries, including Buyer Bank, is currently engaging in such transactions. Buyer and its subsidiaries, including Buyer Bank, have in place and maintain internal policies and procedures that are reasonably designed to ensure the foregoing.

(d) Buyer is in compliance with the Privacy Requirements, and 12 C.F.R. part 208, Appendix D-2. The Board of Directors of Buyer Bank has adopted and Buyer Bank has implemented a written information security program that meets the requirements of applicable law.

(e) Buyer has no Knowledge of, and none of Buyer and its Subsidiaries has been advised of, or has any reason to believe (because of Buyer Bank s Home Mortgage Disclosure Act data for the year ended December 31, 2016, filed with the FDIC, or otherwise) that any facts or circumstances exist, which would cause Buyer or any Subsidiary of Buyer, including Buyer Bank to be deemed not to be in compliance with the CRA, the Money Laundering Laws, any economic or trade sanctions programs administered by OFAC or the U.S. Department of State, 12 C.F.R. part 208, Appendix D-2. No action, suit or proceeding by or before any Governmental Authority or any arbitrator involving Buyer or its Subsidiaries, including Buyer Bank, with respect to the Money Laundering Laws, any economic or trade sanctions administered by OFAC or the U.S. Department of State, the Privacy Requirements, 12 C.F.R. part 208, Appendix D-2 is pending or, to the knowledge of Buyer, threatened.

4.24 Brokers. No action has been taken by Buyer or any of its Subsidiaries that would give rise to any valid claim against Buyer for a brokerage commission, finder s fee or other like payment with respect to the transactions contemplated by this Agreement, other than the engagement of Hovde Group, LLC, whose expenses shall be paid by Buyer.

4.25 Deposit Insurance. The deposits of Buyer Bank are insured by the FDIC in accordance with the FDIA to the fullest extent permitted by law, and Buyer Bank has paid all premiums and assessments and filed all reports required by the FDIA. No proceedings for the revocation or termination of such deposit insurance are pending or, to the Knowledge of Buyer, threatened.

4.26 Investment Securities. Buyer and each of its Subsidiaries has good title to all securities owned by it (except those sold under repurchase agreements or held in any fiduciary or

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agency capacity), free and clear of any Liens, except to the extent such securities are pledged in the ordinary course of business to secure obligations of Buyer or its Subsidiaries. Such securities are valued on the books of Buyer in accordance with GAAP. Buyer and its Subsidiaries and their respective businesses employ investment, securities, risk management and other policies, practices and procedures which Buyer believes are prudent and reasonable in the context of such businesses. Buyer and its Subsidiaries have complied with the requirements of Section 13 of the BHCA and the Volcker Rule and neither Buyer nor any of its Subsidiaries will be required to divest securities during the Volcker Rule conformance period.

4.27 Sufficient Funds. Buyer has, and will have at the Effective Time, sufficient funds to consummate the transactions contemplated by this Agreement, subject to the terms and conditions of this Agreement.

ARTICLE V COVENANTS RELATING TO CONDUCT OF BUSINESS

5.1 Company Forbearances. From the date hereof until the Effective Time, except as set forth on the Company Disclosure Schedule or as expressly contemplated by this Agreement, without the prior written consent of Buyer, the Company will not, and will cause each of its Subsidiaries not to:

(a) Ordinary Course. Conduct its business other than in the ordinary and usual course consistent with past practice, or fail to use reasonable best efforts to preserve intact its business organizations and assets and maintain its rights, franchises and existing relations with customers, suppliers, employees and business associates, or take any action that would reasonably be expected to (i) adversely affect the ability of any party to obtain any necessary approval of any Governmental Authority required for the transactions contemplated hereby, or (ii) adversely affect the Company s ability to perform any of its material obligations under this Agreement.

(b) Stock. (i) Issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional shares of stock, any securities (including units of beneficial ownership interest in any partnership or limited liability company) convertible into or exchangeable for any additional shares of stock, any stock options or stock appreciation rights, or any other rights to subscribe for or acquire shares of stock, or take any action related to such issuance or sale, (ii) enter into any agreement with respect to the foregoing, (iii) accelerate the vesting of any stock options, stock appreciation rights or other rights to subscribe for or acquire shares of stock, (iv) change (or establish a record date for changing) the number of, or provide for the exchange of, shares of its stock, any securities (including units of beneficial ownership interest in any partnership or limited liability company) convertible into or exchangeable for any additional shares of stock, any stock appreciation rights, or any other rights to subscribe for or, other than with respect to shares withheld for tax purposes upon the vesting of restricted stock awards or performance share awards or tendered to pay withholding taxes or in payment of the exercise price of stock options, acquire shares of stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend, recapitalization, reclassification, or similar transaction with respect to its outstanding stock or any other such securities, or (v) grant or approve any preemptive or similar rights with respect to any shares of Company Common Stock.

(c) Dividends, Etc. (i) Make, declare or pay any dividend on or in respect of, or declare or make any distribution on, any shares of stock other than (x) dividends from wholly owned Subsidiaries to the Company or any other wholly owned Subsidiary of the Company, as applicable or (y) regular quarterly cash dividends on Company Common Stock no greater than the rate paid during the fiscal quarter immediately preceding the date hereof with record and payment dates consistent with past practice (subject to the last sentence of this clause (c)), or (ii) directly or indirectly combine, redeem, reclassify, purchase or otherwise acquire, any shares of its stock (other than with respect to shares withheld for tax purposes upon the vesting of restricted stock awards or performance share awards or tendered to pay withholding taxes or in payment of the exercise price of stock options). After the date hereof, the Company shall coordinate with Buyer regarding the declaration of any dividends in respect of the Company Common Stock and the record dates and payment dates relating thereto, it being the intention of the parties hereto that holders of the Company Common Stock (i) shall not receive two dividends for any single calendar quarter with respect to their shares of Company Common Stock and any shares of Buyer Common Stock that such holders receive in exchange therefor in the Merger and (ii) shall not fail to receive a dividend for any single calendar quarter with respect to shares of Company Common Stock that are exchanged for Buyer Common Stock in the Merger.

(d) Compensation; Employment Agreements; Etc. Enter into or amend any employment, severance, retention, change in control or similar agreements or arrangements with any of its directors, officers, employees or consultants, grant any salary or wage increase, increase any employee benefit, or make any incentive or bonus payments, except for (i) normal increases in compensation to employees in the ordinary course of business consistent with past practice; provided, however, that such increases do not exceed five percent (5%) on an individual basis, (ii) as may be required by law, (iii) to satisfy contractual obligations existing as of the date hereof and disclosed on Schedule 3.20(a) of the Company Disclosure Schedule, or (iv) bonus payments in the ordinary course of business consistent with past practices, provided that such payments or increases pursuant to this Section 5.1(d) shall not exceed the aggregate amounts set forth on Schedule 5.1(d).

(e) Benefit Plans. Except (i) as may be required by applicable law or (ii) to satisfy contractual obligations existing as of the date hereof and disclosed on Schedule 3.14(a) of the Company Disclosure Schedule, enter into, establish, adopt or amend any Company Employee Program or any other pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement related thereto, in respect of any director, officer or other employee of the Company or any of its Subsidiaries, including, without limitation, taking any action that accelerates the vesting or exercise of any benefits payable thereunder.

(f) Company Employees. Hire any member of senior management or other key employee, elect to any office any person who is not a member of the Company s management team as of the date of this Agreement or elect to the Company Board any person who is not a member of the Company Board as of the date of this Agreement, except for the hiring of at-will employees having a title of manager or lower to replace employees of the Company that cease to be employed by the Company after the date hereof, and only at an annual rate of salary not to exceed $50,000.

(g) Dispositions. Sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any of its assets, deposits, business or properties except in the ordinary course of business consistent with past practice and in a transaction that, together with all other such transactions, is not material to the Company and its Subsidiaries taken as a whole.

(h) Governing Documents. Amend its Articles of Incorporation or Bylaws (or equivalent documents).

(i) Acquisitions. Acquire (other than by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice) all or any portion of the assets, business, securities, deposits or properties of any other entity.

(j) Capital Expenditures. Except for any emergency repairs to real or personal property owned by Company, notice of which shall be provided to Buyer 48 hours prior to such repairs, make any capital expenditures other than capital expenditures in the ordinary course of business consistent with past practice in amounts not exceeding $35,000 in the aggregate.

(k) Contracts. Enter into or terminate any Company Material Contract or amend or modify in any material respect any Company Material Contract.

(l) Claims. Enter into any settlement or similar agreement with respect to any action, suit, proceeding, order or investigation to which the Company or any of its Subsidiaries is a party which settlement or similar agreement involves payment by the Company or any of its Subsidiaries of any amount which exceeds $25,000 individually or $50,000 in the aggregate and/or would impose any material restriction on the business of the Company or any of its Subsidiaries after the Effective Time, or waive or release any material rights or claims, or agree or consent to the issuance of any injunction, decree, order or judgment restricting or otherwise affecting its business or operations in any material respect. Any request by the Company for consent by Buyer to the taking of any action by the Company prohibited under this Section 5.1(l) shall be made in writing to the President and Chief Executive Officer of Buyer, and a representative of the Company shall notify the President and Chief Executive Officer of Buyer of such request via telephone. If Buyer fails to respond to a request for such consent made in accordance with this Agreement within three Business Days of receipt of the request, it shall be deemed that the Buyer has consented; provided, however, that the foregoing shall not apply to any stockholder litigation against the Company and/or its directors relating to the transactions contemplated by this Agreement, or any other action, suit, proceeding, order or investigation relating to the transactions contemplated hereby or that would reasonably be expected to result in any of the conditions to the Merger set forth in Article VII not being satisfied.

(m) Banking Operations. Enter into any new material line of business; change its material lending, investment, underwriting, risk and asset liability management and other material banking and operating policies, except as required by applicable law, regulation or policies imposed by any Governmental Authority; introduce any material new products or services, any material marketing campaigns or any material new sales compensation or incentive programs or arrangements; or file any application or make any contract with respect to branching or site location or branching or site relocation.

(n) Derivative Transactions. Enter into any Derivative Transactions.

(o) Indebtedness. Incur, modify, extend or renegotiate any indebtedness for borrowed money (other than deposits, federal funds purchased, Federal Home Loan Bank advances, and securities sold under agreements to repurchase, in each case in the ordinary course of business consistent with past practice), prepay any indebtedness or other similar arrangements so as to cause the Company or any of its Subsidiaries to incur any prepayment penalty thereunder, or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other Person, other than in the ordinary course of business consistent with past practice.

(p) Investment Securities. Acquire (other than by way of foreclosures or acquisitions in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice) (i) any debt security or equity investment of a type or in an amount not in accordance with the Company s investment policy or (ii) any other debt security other than in accordance with the Company s investment policy, or restructure or materially change its investment securities portfolio or its interest rate risk position, through purchases, sales or otherwise, or in accordance with the Company s investment policy.

(q) Loans. (i) Make, increase or purchase any Loan (which for purposes of this Section 5.1(q) shall include both funded and unfunded commitments) if, as a result of such action, the total commitment to the borrower and the borrower s Affiliates would exceed $500,000 in the case of residential mortgage loans, $500,000 in the case of commercial loans, and $1,000,000 in the case of commercial real estate loans; (ii) make, increase or purchase any fixed-rate Loan with pricing below the Federal Home Loan Bank advance rate; or (iii) renegotiate, renew, increase, extend, modify or purchase any existing Loan rated special mention or lower by the Company Bank in an amount equal to or greater than $250,000.

(r) Investments in Real Estate. Make any investment or commitment to invest in real estate or in any real estate development project (other than by way of foreclosure or acquisitions in a bona fide fiduciary capacity or in satisfaction of a debt previously contracted in good faith, in each case in the ordinary course of business consistent with past practice); or foreclose on or take a deed or title to any real estate other than single-family residential properties without first conducting a Phase I environmental assessment of the property that satisfies the requirements of the all appropriate inquiries standard of CERCLA, or foreclose or take a deed or title to any real estate if such environmental assessment indicates the presence of Hazardous Material.

(s) Accounting Methods. Implement or adopt any change in its accounting principles, practices or methods, other than as may be required by changes in laws or regulations or by GAAP.

(t) Tax Matters. Make or change any material Tax election, change an annual accounting period, adopt or change any material accounting method, file any material amended Tax Return, fail to timely file any material Tax Return, enter into any material closing agreement, settle or compromise any material liability with respect to Taxes, agree to any

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material adjustment of any Tax attribute, surrender any material right to claim a refund of Taxes, consent to any material extension or waiver of the limitation period applicable to any Tax claim or assessment, or take any other similar action relating to the filing of any material Tax Return or the payment of any material Tax. For purposes of this Section 5.1(t), material shall mean affecting or relating to $50,000 or more of taxable income.

(u) Loan Policies. Change its loan policies or procedures in effect as of the date hereof, except as required by any Governmental Authority.

(v) Adverse Actions. (i) Knowingly take any action that would, or would be reasonably likely to, prevent or impede the Merger or the Bank Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code or cause a material delay in or impediment to the consummation of the Merger or the Bank Merger; or (ii) take any action that is intended or is reasonably likely to result in (x) any of its representations and warranties set forth in this Agreement being or becoming untrue in any material respect at any time prior to the Effective Time, (y) any of the conditions to the Merger set forth in Article VII not being satisfied, or (z) a material violation of any provision of this Agreement.

(w) Agreements. Resolve, agree or commit to do anything prohibited by this Section 5.1.

5.2 Forbearances of Buyer. From the date hereof until the Effective Time, except as set forth on the Buyer Disclosure Schedule or as expressly contemplated by this Agreement, without the prior written consent of the Company, Buyer will not, and will cause each of its Subsidiaries not to (i) knowingly take any action that would, or would be reasonably likely to, prevent or impede the Merger or the Bank Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code or cause a material delay in or impediment to the consummation of the Merger or the Bank Merger, or (ii) take any action that is intended or is reasonably likely to result in (x) any of its representations and warranties set forth in this Agreement being or becoming untrue in any material respect at any time prior to the Effective Time, (y) any of the conditions to the Merger set forth in Article VII not being satisfied, or (z) a material violation of any provision of this Agreement.

ARTICLE VI ADDITIONAL AGREEMENTS

6.1 Stockholder Approval.

(a) Company Stockholder Approval. Following the execution of this Agreement, the Company shall, in consultation with Buyer, take all action necessary to convene a meeting of its stockholders (including any adjournment or postponement thereof, the Company Meeting) as promptly as practicable and in any event within 45 days following the time when the Registration Statement (as defined in Section 6.2(a)) becomes effective to consider and vote upon the approval of this Agreement and the transactions contemplated hereby (including the Merger) and any other matter required to be approved by the stockholders of the Company in order to consummate the Merger and the transactions contemplated hereby (the Company Stockholder Approval).

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(i) Subject to Section 6.5 hereof, the Company shall ensure that the Company Meeting is called, noticed, convened, held and conducted, and that all proxies solicited by the Company in connection with the Company Meeting are solicited in compliance with the PBCL, the Articles of Incorporation and Bylaws of the Company, and all other applicable legal requirements. The Company shall keep Buyer updated with respect to the proxy solicitation results in connection with the Company Meeting as reasonably requested by Buyer. The Company shall not adjourn or postpone the Company Meeting unless requested by Buyer or with Buyer s prior written consent.

(ii) Subject to Section 6.5 hereof, (i) the Company Board shall unanimously recommend that the Company s stockholders vote to approve the Merger, this Agreement and the transactions contemplated hereby and any other matters required to be approved by the Company s stockholders for consummation of the Merger and the transactions contemplated hereby (the Company Recommendation), and (ii) the Proxy Statement/Prospectus shall include the Company Recommendation.

(b) Solicitation of Proxies. Subject to the provisions of Section 6.5 hereof, the Company shall use its reasonable best efforts to solicit from the Company s stockholders proxies in favor of this Agreement and the transactions contemplated hereby and shall take all other action necessary or advisable to secure the Company Stockholder Approval.

6.2 Registration Statement.

(a) Buyer and the Company agree to cooperate in the preparation of a registration statement on Form S-4 (the Registration Statement) to be filed by Buyer with the SEC in connection with the issuance of Buyer Common Stock in the Merger (including the proxy statement and prospectus and other proxy solicitation materials of the Company constituting a part thereof (the Proxy Statement/Prospectus) and all related documents). Each of Buyer and the Company agree to use its reasonable best efforts to cause the Registration Statement to be declared effective by the SEC as promptly as reasonably practicable after the filing thereof. The Company agrees to cooperate with Buyer and Buyer s counsel and accountants in requesting and obtaining appropriate opinions, consents and letters from the Company s independent registered public accounting firm and other representatives, as applicable, in connection with the Registration Statement and the Proxy Statement/Prospectus. After the Registration Statement is declared effective under the Securities Act, the Company, at its expense, shall promptly mail the Proxy Statement/Prospectus to its stockholders.

(b) Each of Buyer and the Company agrees, upon request, to furnish the other party with all information concerning itself, its Subsidiaries, directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with the Registration Statement, the Proxy Statement/Prospectus or any filing, notice or application made by or on behalf of such other party or any of its Subsidiaries to any Governmental Authority in connection with the transactions contemplated hereby. Each of Buyer and the Company agrees, as to itself and its Subsidiaries, that none of the information supplied or to be supplied by it for inclusion or incorporation by reference in (i) the Registration Statement, at the time the Registration Statement and each amendment or supplement thereto, if any, becomes effective under the Securities Act, will contain any untrue statement of a material fact or omit to state a

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material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading, and (ii) the Proxy Statement/Prospectus and any amendment or supplement thereto, at the date of mailing to the Company s stockholders and at the time of the Company Meeting, will contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. Each of Buyer and the Company further agrees that if it shall become aware, prior to the Company Meeting, of any information that would cause any of the statements in the Proxy Statement/Prospectus to be false or misleading with respect to any material fact, or to omit to state any material fact necessary to make the statements therein not false or misleading, it shall promptly inform the other party thereof and shall take the necessary steps to correct the Proxy Statement/Prospectus.

(c) Buyer will advise the Company, promptly after Buyer receives notice thereof, of the time when the Registration Statement has become effective or any supplement or amendment has been filed, of the issuance of any stop order or the suspension of the qualification of Buyer Common Stock for offering or sale in any jurisdiction, of the initiation of any proceeding for any such purpose, or of any request by the SEC for the amendment or supplement of the Registration Statement or for additional information.

6.3 Press Releases. Buyer and the Company will issue a mutually agreed upon press release announcing this Agreement and the transactions contemplated hereby and will not issue any press release or make any public statement or other disclosure regarding this Agreement or the transactions contemplated hereby without the prior consent of the other party, which consent shall not be unreasonably withheld or delayed; provided, however, that a party may, without the prior consent of the other party (but after consultation with the other party, to the extent practicable), issue such press release or public statements as may be required by applicable law or the rules and regulations of any stock exchange.

6.4 Access; Information.

(a) Upon reasonable notice and subject to applicable laws relating to the exchange of information, the Company shall, and shall cause its Subsidiaries to, afford Buyer and its officers, employees, counsel, accountants, advisors and other authorized representatives (collectively, the Buyer Representatives), access, during normal business hours throughout the period prior to the Effective Time, to all of its properties, books, contracts, commitments and records (including, without limitation, work papers of independent auditors), and to its officers, employees, accountants, counsel or other representatives, and, during such period, it shall, and shall cause its Subsidiaries to, furnish promptly to Buyer and the Buyer Representatives (i) a copy of each material report, schedule and other document filed with any Governmental Authority (other than reports or documents that the Company or its Subsidiaries, as the case may be, are not permitted to disclose under applicable law), and (ii) all other information concerning the business, properties and personnel of the Company and its Subsidiaries as Buyer or any Buyer Representative may reasonably request. Neither the Company nor any of its Subsidiaries shall be required to provide access to or to disclose information where such access jeopardizes the attorney client privilege of the institution in possession or control of such information or contravenes any law, rule, regulation, order, judgment or decree. Consistent with the foregoing, the Company agrees to make appropriate substitute disclosure arrangements under the circumstances in which the restrictions of the preceding sentence apply.

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(b) Buyer agrees to hold all information and documents obtained pursuant to this Section 6.4 in confidence (as provided in, and subject to the provisions of, the Confidentiality Agreement (as defined in Section 9.3), as if it were the party receiving the confidential information as described therein). No investigation by one party of the business and affairs of the other party shall affect or be deemed to modify or waive any representation, warranty, covenant or agreement in this Agreement, or the conditions to each party s obligation to consummate the transactions contemplated by this Agreement.

6.5 No Solicitation.

(a) The Company shall not, and shall cause its Subsidiaries and the respective officers, directors, employees, investment bankers, financial advisors, attorneys, accountants, consultants, affiliates and other agents of the Company and its Subsidiaries (collectively, the Company Representatives) not to, directly or indirectly, (i) initiate, solicit, induce or knowingly encourage, or take any action to facilitate the making of, any inquiry, offer or proposal which constitutes, or could reasonably be expected to lead to, an Acquisition Proposal; (ii) participate in any discussions or negotiations regarding any Acquisition Proposal or furnish, or otherwise afford access, to any Person (other than Buyer) any information or data with respect to the Company or any of its Subsidiaries or otherwise relating to an Acquisition Proposal; (iii) release any Person from, waive any provisions of, or fail to enforce any confidentiality agreement or standstill agreement to which the Company is a party; or (iv) enter into any agreement, agreement in principle or letter of intent with respect to any Acquisition Proposal or approve or resolve to approve any Acquisition Proposal or any agreement, agreement in principle or letter of intent relating to an Acquisition Proposal. Any violation of the foregoing restrictions by any of the Company Representatives, whether or not such Company Representative is so authorized and whether or not such Company Representative is purporting to act on behalf of the Company or otherwise, shall be deemed to be a breach of this Agreement by the Company. The Company and its Subsidiaries shall, and shall cause each of the Company Representatives to, immediately (i) cease and cause to be terminated any and all existing discussions, negotiations, and communications with any Persons with respect to any existing or potential Acquisition Proposal and (ii) request the prompt return or destruction of all confidential information previously made available by it or on its behalf in connection with any actual or potential Acquisition Proposals.

For purposes of this Agreement, Acquisition Proposal shall mean any inquiry, offer or proposal (other than an inquiry, offer or proposal from Buyer), whether or not in writing, contemplating, relating to, or that could reasonably be expected to lead to, an Acquisition Transaction. For purposes of this Agreement, Acquisition Transaction shall mean (A) any transaction or series of transactions involving any merger, consolidation, recapitalization, share exchange, liquidation, dissolution or similar transaction involving the Company or any of its Subsidiaries; (B) any transaction pursuant to which any third party or group acquires or would acquire (whether through sale, lease or other disposition), directly or indirectly, any assets of the Company or any of its Subsidiaries representing, in the aggregate, 15% or more of the assets of the Company and its Subsidiaries on a consolidated basis; (C) any issuance, sale or other

disposition of (including by way of merger, consolidation, share exchange or any similar transaction) securities (or options, rights or warrants to purchase or securities convertible into, such securities) representing 15% or more of the votes attached to the outstanding securities of the Company or any of its Subsidiaries; (D) any tender offer or exchange offer that, if consummated, would result in any third party or group beneficially owning 15% or more of any class of equity securities of the Company or any of its Subsidiaries; or (E) any transaction which is similar in form, substance or purpose to any of the foregoing transactions, or any combination of the foregoing.

(b) Notwithstanding Section 6.5(a), prior to the date of the Company Meeting, the Company may take any of the actions described in clause (ii) of Section 6.5(a) if, but only if, (i) the Company has received a bona fide unsolicited written Acquisition Proposal that did not result from a breach of this Section 6.5; (ii) the Company Board determines in good faith, (A) after consultation with its outside legal counsel and its independent financial advisor, that such Acquisition Proposal constitutes or is reasonably likely to lead to a Superior Proposal and (B) after consultation with its outside legal counsel, that it is required to take such actions to comply with the standard of conduct required of a board of directors under the PBCL or other fiduciary duties owed to the Company s stockholders under applicable law; (iii) the Company has provided Buyer with at least three Business Days prior notice of such determination; and (iv) prior to furnishing or affording access to any information or data with respect to the Company or any of its Subsidiaries or otherwise relating to an Acquisition Proposal, the Company receives from such Person a confidentiality agreement with terms no less favorable to the Company than those contained in the Confidentiality Agreement. The Company shall promptly provide to Buyer any non-public information regarding the Company or its Subsidiaries provided to any other Person which was not previously provided to Buyer, such additional information to be provided no later than the date of provision of such information to such other party.

For purposes of this Agreement, Superior Proposal shall mean any bona fide written proposal (on its most recently amended or modified terms, if amended or modified) made by a third party to enter into an Acquisition Transaction on terms that the Company Board determines in its good faith judgment, after consultation with outside legal counsel and its independent financial advisor (i) would, if consummated, result in the acquisition of all, but not less than all, of the issued and outstanding shares of Company Common Stock or all, or substantially all, of the assets of the Company and its Subsidiaries on a consolidated basis; (ii) would result in a transaction that (A) involves consideration to the holders of the shares of Company Common Stock that is more favorable, from a financial point of view, than the consideration to be paid to the Company s stockholders pursuant to this Agreement, considering, among other things, the nature of the consideration being offered and any material regulatory approvals or other risks associated with the proposed transaction including, without limitation, the timing thereof, beyond or in addition to those specifically contemplated hereby, and which proposal is not conditioned upon obtaining financing and (B) is, in light of the other terms of such proposal, more favorable to the Company s stockholders than the Merger and the transactions contemplated by this Agreement; and (iii) is reasonably likely to be completed on the terms proposed, in each case taking into account all legal, financial, regulatory and other aspects of the proposal.

(c) The Company shall promptly (and in any event within 24 hours) notify Buyer in writing if any inquiries, proposals or offers are received by, any information is

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requested from, or any negotiations or discussions are sought to be initiated or continued with, the Company or the Company Representatives, in each case in connection with any Acquisition Proposal, and such notice shall indicate the name of the Person initiating such discussions or negotiations or making such inquiry, proposal, offer or information request and the material terms and conditions of any proposals or offers and, in the case of written materials relating to such inquiry, proposal, offer, information request, negotiations or discussion, providing copies of such materials (including e-mails or other electronic communications). The Company agrees that it shall keep Buyer informed, on a reasonably current basis (and in any event within 24 hours), of the status and terms of any material developments with respect to such inquiry, proposal, offer, information request, negotiations or discussions (including, in each case, any amendments or modifications thereto). The Company shall provide Buyer and Buyer Bank with at least 48 hours prior notice of any meeting of the Company Board at which the Company Board is reasonably expected to consider any Acquisition Proposal.

(d) Neither the Company Board nor any committee thereof shall (i) withdraw, qualify, amend, modify or withhold, or propose to withdraw, qualify, amend, modify or withhold, in a manner adverse to Buyer in connection with the transactions contemplated by this Agreement (including the Merger), the Company Recommendation, fail to reaffirm the Company Recommendation within three Business Days following a request by Buyer, or make any statement, announcement, or release, in connection with the Company Meeting or otherwise, inconsistent with the Company Recommendation (it being understood that taking a neutral position or no position with respect to an Acquisition Proposal shall be considered an adverse modification of the Company Recommendation); (ii) approve or recommend, or propose to approve or recommend, any Acquisition Proposal; or (iii) enter into (or cause the Company or any of its Subsidiaries to enter into) any letter of intent, agreement in principle, acquisition agreement or other agreement (A) related to any Acquisition Transaction (other than a confidentiality agreement entered into in accordance with the provisions of Section 6.5(b)) or (B) requiring the Company to abandon, terminate or fail to consummate the Merger or any other transaction contemplated by this Agreement.

(e) Notwithstanding Section 6.5(d), prior to the date of the Company Meeting, the Company Board may withdraw, qualify, amend or modify the Company Recommendation (a Company Subsequent Determination) after the fifth Business Day following Buyer s receipt of a notice (the Notice of Superior Proposal) from the Company advising Buyer that the Company Board has decided that a bona fide unsolicited written Acquisition Proposal that it received (that did not result from a breach of this Section 6.5) constitutes a Superior Proposal if, but only if, (i) the Company Board has reasonably determined in good faith, after consultation with outside legal counsel, that it is required to take such actions to comply with the standard of conduct required of a board of directors under the PBCL or other fiduciary duties owed to the Company s stockholders under applicable law, (ii) during the five Business Day period after receipt of the Notice of Superior Proposal by Buyer (the Notice Period), the Company and the Company Board shall have cooperated and negotiated in good faith with Buyer to make such adjustments, modifications or amendments to the terms and conditions of this Agreement as would enable the Company to proceed with the Company Recommendation without a Company Subsequent Determination; provided, however, that Buyer shall not have any obligation to propose any adjustments, modifications or amendments to the terms and conditions of this Agreement and (iii) at the end of the Notice Period, after taking into account any such adjusted,

modified or amended terms as may have been proposed by Buyer since its receipt of such Notice of Superior Proposal, the Company Board has again in good faith made the determination (A) in clause (i) of this Section 6.5(e) and (B) that such Acquisition Proposal constitutes a Superior Proposal. In the event of any material revisions to the Superior Proposal, the Company shall be required to deliver a new Notice of Superior Proposal to Buyer and again comply with the requirements of this Section 6.5(e), except that the Notice Period shall be reduced to three Business Days.

(f) Notwithstanding any Company Subsequent Determination, this Agreement shall be submitted to the Company s stockholders at the Company Meeting for the purpose of voting on, the approval of this Agreement and the transactions contemplated hereby (including the Merger) and nothing contained herein shall be deemed to relieve the Company of such obligation; provided, however, that if the Company Board shall have made a Company Subsequent Determination, then the Company Board may submit this Agreement to the Company s stockholders without recommendation (although the resolutions adopting this Agreement as of the date hereof may not be rescinded), in which event the Company Board may communicate the basis for its lack of a recommendation to the Company s stockholders in the Proxy Statement/Prospectus or an appropriate amendment or supplement thereto. In addition to the foregoing, the Company Board shall not submit to the vote of its stockholders any Acquisition Proposal other than the Merger at the Company Meeting.

6.6 Takeover Laws. No party shall take any action that would cause the transactions contemplated by this Agreement to be subject to requirements imposed by any Takeover Laws, as applicable, and each party shall take all necessary steps within its control to exempt (or ensure the continued exemption of) the transactions contemplated by this Agreement from, or if necessary challenge the validity or applicability of, any applicable Takeover Laws, as now or hereafter in effect, that purports to apply to this Agreement or the transactions contemplated hereby.

6.7 Shares Listed. Prior to the Effective Time, to the extent required by NASDAQ, Buyer shall file a notice of additional listing of shares with NASDAQ with respect to the shares of Buyer Common Stock to be issued to the holders of the Company Common Stock in the Merger.

6.8 Regulatory Applications; Filings; Consents. Buyer and the Company and their respective Subsidiaries shall cooperate and use their respective reasonable best efforts (a) to promptly prepare all documentation, effect all filings and obtain all permits, consents, approvals and authorizations of all third parties and Governmental Authorities necessary to consummate the transactions contemplated by this Agreement, including, without limitation, the Regulatory Approvals, and (b) to comply with the terms and conditions of such permits, consents, approvals and authorizations; provided, however, that in no event shall Buyer be required to (i) agree to any prohibition, limitation, condition or other requirement which would (A) prohibit or materially limit the ownership or operation by the Company or any of its Subsidiaries, or by Buyer or any of its Subsidiaries, of all or any material portion of the business or assets of the Company or any of its Subsidiaries or Buyer or any of its Subsidiaries, (B) compel Buyer or any of its Subsidiaries to dispose of or hold separate all or any material portion of the business or assets of the Company or any of its Subsidiaries or Buyer or any of its Subsidiaries, or (C)

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compel Buyer or any of its Subsidiaries to take any action, or commit to take any action, or agree to any condition or request, if the prohibition, limitation, condition or other requirement described in clauses (A)-(C) of this sentence would have a material adverse effect on the future operation by Buyer and its Subsidiaries of their business, taken as a whole, or (ii) agree to any condition or make any commitment that (A) is not comparable to those imposed in connection with comparable transactions in the United States and that would not be reasonably foreseeable based upon publicly available information or discussions or communications prior to the date of this Agreement involving Buyer or any of its Subsidiaries and any regulatory authority and (B) would have a material adverse effect on the future operation by Buyer and its Subsidiaries of their business, taken as a whole ((i) and (ii) together, the Burdensome Conditions). Provided that the Company has cooperated as required above, Buyer agrees to file the requisite applications or notices to be filed by it with the FRB and the Pennsylvania Department of Banking and Securities. Each of Buyer and the Company shall have the right to review in advance, and to the extent practicable each will consult with the other, in each case subject to applicable laws relating to the exchange of information, with respect to, all material written information submitted to any third party or any Governmental Authority in connection with the transactions contemplated by this Agreement. In exercising the foregoing right, each of the parties hereto agrees to act reasonably and as promptly as practicable. Each party hereto agrees that it will consult with the other parties hereto with respect to the obtaining of all material permits, consents, approvals and authorizations of all third parties and Governmental Authorities necessary or advisable to consummate the transactions contemplated by this Agreement and each party will keep the other parties reasonably apprised of the status of material matters relating to completion of the transactions contemplated hereby.

6.9 Indemnification; Directors and Officers Insurance.

(a) Buyer agrees that all rights to indemnification and all limitations of liability existing in favor of any director, officer or employee of the Company or its Subsidiaries (the Indemnified Parties) as provided in the Company s Articles of Incorporation or Bylaws or in the similar governing documents of the Company s Subsidiaries or as provided in applicable law as in effect as of the date hereof with respect to matters occurring on or prior to the Effective Time shall survive the Merger.

(b) Prior to the Effective Time, the Company shall purchase an extended reporting period endorsement under the Company s existing directors and officers liability insurance coverage for the Company s directors and officers in a form acceptable to the Company which shall provide such directors and officers with coverage for six years following the Effective Time of not less than the existing coverage under, and have other terms at least as favorable to, the insured persons than the directors and officers liability insurance coverage presently maintained by the Company, so long as the aggregate cost is not more than 200% of the annual premium currently paid by the Company for such insurance (the Premium Limit). In the event that the Premium Limit is insufficient for such coverage, the Company may enter into an agreement to spend up to that amount to purchase such lesser coverage as may be obtained with such amount.

(c) In the event Buyer or any of its successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity

of such consolidation or merger, or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, to the extent necessary, proper provision shall be made so that the successors and assigns of Buyer shall assume the obligations set forth in this Section 6.9.

(d) The provisions of this Section 6.9 are intended to be for the benefit of, and to grant third party rights to, and shall be enforceable by, each Indemnified Party and his or her heirs and representatives.

6.10 Employees and Benefit Plans.

(a) From and for, at least, the 12 month period after the Effective Time, Buyer agrees to provide the employees of the Company and any of its Subsidiaries who remain employed after the Effective Time (collectively, the Company Employees) with at least the types and levels of employee benefits substantially comparable in the aggregate to those then maintained by Buyer for similarly-situated employees of Buyer. Buyer will treat, and cause its applicable Buyer Employee Programs to treat, the service of the Company Employees with the Company or any of its Subsidiaries as service rendered to Buyer or any of its Subsidiaries for purposes of eligibility to participate, vesting and for level of benefits (but not for benefit accrual under any defined benefit plan) attributable to any period before the Effective Time. Without limiting the foregoing, but subject to the terms and conditions of Buyer s applicable Employee Programs, Buyer shall take commercially reasonable efforts to cause the Company s employees to receive credit for their prior service for eligibility and vesting purposes in Buyer s 401(k) plan and for purposes of determining the length of vacation, sick time, paid time off and severance under Buyer s applicable plan or policy. Buyer shall also provide that the Company s employees shall not be treated as new employees for purposes of any exclusions under any health or similar plan of Buyer for a pre-existing medical condition to the extent that any such exclusion did not apply under a health or similar plan of the Company or its Subsidiaries immediately prior to the Effective Time, and shall use commercially reasonable efforts to provide that any deductibles, co-payments or out-of-pocket expenses paid under any of the Company s or any of its Subsidiaries health plans shall be credited towards deductibles, co-payments or out-of-pocket expenses under Buyer s health plans upon delivery to Buyer of appropriate documentation, subject to the terms and conditions of the applicable Employee Program. Notwithstanding the foregoing provisions of this Section 6.10, service and other amounts shall not be credited to Company Employees (or their eligible dependents) to the extent the crediting of such service or other amounts would result in the duplication of benefits. Notwithstanding any of the foregoing to the contrary, none of the provisions contained herein shall operate to duplicate any benefit provided to any Company Employee or the funding of any such benefit.

(b) Notwithstanding anything to the contrary contained herein, Buyer shall have sole discretion with respect to the determination as to whether or when to terminate, merge or continue any employee benefit plans and programs of the Company. Notwithstanding the foregoing, unless a Company Employee affirmatively terminates coverage (or causes coverage to terminate) under a Company health plan prior to the time such Company Employee becomes eligible to participate in a health plan of Buyer or Buyer s Subsidiary, no coverage of any of the Company Employees or their dependents shall terminate under any of the Company health plans prior to the time such Company Employees and their dependents become eligible to participate in the health plans, programs and benefits common to all employees of Buyer or any Buyer Subsidiary and their dependents.

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(c) From and after the Effective Time, Buyer agrees to honor and continue to be obligated to perform, or to cause Buyer Bank to honor and continue to be obligated to perform, in accordance with their terms, all contractual rights of current and former employees of the Company or any of its Subsidiaries listed or described in Schedule 6.10(c) of the Company Disclosure Schedule.

(d) If requested by Buyer, the Company shall terminate its 401(k) plan effective as of the day prior to the Effective Time (but contingent upon the occurrence thereof) and adopt all required compliance amendments pursuant to written resolutions, the form and substance of which shall be reasonably satisfactory to Buyer. If the Company 401(k) plan is terminated, Buyer agrees to permit participants in the Company 401(k) plan who are Company Employees to roll over their account balances and outstanding loan balances from such plan to Buyer s 401(k) plan, and such Company Employees who satisfy the eligibility requirements of Buyer s 401(k) plan (taking into account credit for prior years of service with the Company pursuant to Section 6.10(a), other than for purposes of profit-sharing contribution) shall be eligible to immediately participate in Buyer s 401(k) plan.

(e) The Company shall contribute an amount necessary to ensure that the Company Bank s Group Pension Plan is fully funded at the Effective Time.

(f) Buyer agrees to honor the severance guidelines attached as Schedule 6.10(f) in connection with the termination of employment of any Company Employee, other than an employee who is a party to an employment agreement, change in control agreement or other separation agreement that provides a benefit on a termination of employment, whose employment is terminated involuntarily (other than for Cause, as defined in Schedule 6.10(f)) by the Company at the request of Buyer prior to the Effective Time or by Buyer within six (6) months following the Effective Time. Any such terminated Company Employee shall receive a lump sum severance payment in such amounts, at such times, and upon such conditions as set forth on said Schedule.

(g) From the date hereof through the Closing, the Company shall, and shall cause its applicable Subsidiaries or Affiliates to, provide Buyer with reasonable access (at reasonable times, upon reasonable notice and in a manner that will not materially interfere with the normal operations of the Company) to the (i) employees of the Company and any of its Subsidiaries and (ii) the Company s human resources personnel and personnel records (to the extent not prohibited by applicable law) for purposes of (A) facilitating an orderly transition of such employees from and after the Closing, (B) making announcements concerning, and preparing for the consummation of, the transactions contemplated by this Agreement, and (C) engaging, communicating or meeting with and/or presenting to such employees on either an individual or group basis with respect to matters related to their prospective continued employment with Buyer on and after the Closing. The Company and Buyer shall use reasonable best efforts to consult with each other, and will consider in good faith each other s advice, prior to sending any notices or other communication materials to the employees of the Company and its Subsidiaries regarding this Agreement, the Merger or the effects thereof on the employment, compensation or benefits of such employees and, in any case, any such notice or communication materials shall comply with applicable law.

(h) Notwithstanding the foregoing, nothing contained in this Section 6.10 shall (i) be treated as an amendment of any particular Employee Program or any other employee benefit plan, program, policy, agreement or arrangement or (ii) give any third party, including any Company Employee, any former employee of the Company or any of its Subsidiaries or any beneficiary representative thereof, any right to enforce the provisions of this Section 6.10. Nothing contained in this Agreement is intended to (x) confer upon any Company Employee or any other Person any right to continued employment after the Effective Time or (y) prevent Buyer or any of its Affiliates from amending, modifying or terminating any Employee Program or any other employee benefit plan, program, policy, agreement or arrangement.

(i) Buyer shall designate, in mutual agreement with the Company, certain employees of Company and Company Bank who shall remain employed by Company and Company Bank through certain dates following the Effective Time and such employees may be eligible to receive retention bonuses. The amount, allocation and timing of payment of each such bonus will be determined by Buyer, in mutual agreement with the Company.

(j) Buyer shall provide offer letters to the Persons set forth on Schedule 6.10(j), offering them employment with Buyer Bank, with such offers of employment to become effective at Closing.

6.11 Notification of Certain Matters. Each of Buyer and the Company shall give prompt notice to the other of any fact, event or circumstance known to it that (a) is reasonably likely, individually or taken together with all other facts, events and circumstances known to it, to result in any condition set forth in Article VII not being satisfied, or (b) notwithstanding the standards set forth in Section 9.1, would cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained herein. No such notice by Buyer or the Company shall affect or be deemed to modify or waive any representation, warranty, covenant or agreement in this Agreement, or the conditions to Buyer s or the Company s obligations to consummate the transactions contemplated by this Agreement.

6.12 Financial Statements and Other Current Information. As soon as reasonably practicable after they become available, but in no event more than 30 days after the end of each calendar month ending after the date of this Agreement, the Company shall furnish to Buyer (a) consolidated financial statements (including balance sheets, statements of operations and stockholders equity) of the Company and each of its Subsidiaries as of and for such month then ended, (b) internal management financial control reports showing actual financial performance against plan and previous period and (c) any reports provided to the Company Board or any committee thereof relating to the financial performance and risk management of the Company and its Subsidiaries.

6.13 Confidentiality Agreement. The Confidentiality Agreement shall remain in full force and effect after the date hereof in accordance with its respective terms.

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6.14 Certain Tax Matters. During the period from the date of this Agreement to the Effective Time, the Company shall, and shall cause each of its Subsidiaries to: (a) timely file (taking into account any extensions of time within which to file) all Tax Returns required to be filed by it, and such Tax Returns shall be prepared in a manner reasonably consistent with past practice; (b) timely pay all Taxes shown as due and payable on such Tax Returns that are so filed; (c) establish an accrual in its books and records and financial statements in accordance with past practice for all Taxes payable by it for which a Tax Return is due prior to the Effective Time; and (d) promptly notify Buyer of any suit, claim, action, investigation, proceeding or audit pending against or with respect to the Company or any of its Subsidiaries in respect of any Tax matter, including, without limitation, Tax liabilities and refund claims.

6.15 Certain Litigation.

(a) The Company shall provide Buyer prompt written notice of, and the opportunity to participate at its own expense in the defense or settlement of, any stockholder litigation against the Company and/or its directors relating to the transactions contemplated by this Agreement, and no such settlement shall be agreed to without Buyer s prior written consent (such consent not to be unreasonably withheld).

(b) The Buyer shall provide the Company prompt written notice of any material developments and all filings in the SEPTA litigation to which the Company is a party.

6.16 Classified Loans. The Company shall promptly after the end of each quarter after the date hereof and upon Closing provide Buyer with a complete and accurate list, including the amount, of all Classified Loans.

6.17 Leases. Upon request of Buyer, the Company shall use commercially reasonable efforts to obtain an estoppel from any third-party under a lease, sublease or ground lease to which the Company or any of its Subsidiaries is a party, in the form attached to such lease, sublease or ground lease, or in a form as prepared by Buyer.

6.18 Reasonable Best Efforts. Subject to the terms and conditions of this Agreement (including, without limitation, Section 6.8), each of the parties to the Agreement agrees to use reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws, so as to permit consummation of the transactions contemplated hereby as promptly as practicable, including the satisfaction of the conditions set forth in Article VII hereof, and shall cooperate fully with the other parties hereto to that end.

6.19 Reorganization. Neither the Company, on the one hand, nor Buyer, on the other hand, shall take or cause to be taken any action that would prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

ARTICLE VII CONDITIONS TO CONSUMMATION OF THE MERGER

7.1 Conditions to Each Party s Obligations to Effect the Merger. The obligation of each of the parties to consummate the Merger is conditioned upon the satisfaction at or prior to the Effective Time of each of the following conditions:

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(a) Company Stockholder Vote. The Merger, this Agreement and the transactions contemplated hereby shall have been approved by the requisite affirmative vote of a at least sixty percent (60%) of the outstanding shares of Company Common Stock eligible to vote at the Company Meeting in accordance with all applicable laws.

(b) Regulatory Approvals; No Burdensome Condition. All Regulatory Approvals required to consummate the transactions contemplated hereby, shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired. None of such Regulatory Approvals shall impose any term, condition or restriction upon Buyer or any of its Subsidiaries that Buyer reasonably determines, after consultation with the Company, is a Burdensome Condition. All conditions to the Regulatory Approvals shall have been satisfied or waived.

(c) No Injunction, Etc. No order, decree or injunction of any court or agency of competent jurisdiction shall be in effect, and no law, statute or regulation shall have been enacted or adopted, that enjoins, prohibits, materially restricts or makes illegal consummation of any of the transactions contemplated hereby.

(d) Effective Registration Statement. The Registration Statement shall have become effective and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC or any other Governmental Authority.

7.2 Conditions to the Obligations of Buyer. The obligation of Buyer to consummate the Merger is also conditioned upon the satisfaction or waiver by Buyer, at or prior to the Effective Time, of each of the following conditions:

(a) Representations, Warranties and Covenants of the Company. (i) Each of the representations and warranties of the Company contained herein shall be true and correct as of the date hereof and as of the Closing Date with the same effect as though all such representations and warranties had been made on the Closing Date, except for any such representations and warranties made as of a specified date, which shall be true and correct as of such date, in any case subject to the standard set forth in Section 9.1, and (ii) each and all of the agreements and covenants of the Company to be performed and complied with pursuant to this Agreement on or prior to the Closing Date shall have been duly performed and complied with in all material respects. Buyer shall have received a certificate, dated the Closing Date, signed by the Chief Executive Officer and Chief Financial Officer of the Company, to the effect that the conditions set forth in this Section 7.2(a) have been satisfied.

(b) Tax Opinion Relating to the Merger. Buyer shall have received an opinion from Goodwin Procter LLP, dated as of the Closing Date, substantially to the effect that, on the basis of the facts, representations and assumptions set forth in such opinion, the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. The issuance of such opinion shall be conditioned upon the receipt by such counsel of customary representation letters from Buyer, on the one hand, and the Company, on the other hand, in each case, in form and substance reasonably satisfactory to such counsel. Each such representation letter shall be dated on or before the date of such opinion and shall not have been withdrawn or modified in any material respect.

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(c) Dissenters Rights. Holders of no more than ten percent (10%) of the issued and outstanding shares of Company Common Stock shall have exercised their statutory appraisal or dissenters rights pursuant to Section 1.11 hereof.

7.3 Conditions to the Obligations of the Company. The obligation of the Company to consummate the Merger is also conditioned upon the satisfaction or waiver by the Company, at or prior to the Effective Time, of each of the following conditions:

(a) Representations, Warranties and Covenants of Buyer. (i) Each of the representations and warranties of Buyer contained herein shall be true and correct as of the date hereof and as of the Closing Date with the same effect as though all such representations and warranties had been made on the Closing Date, except for any such representations and warranties made as of a specified date, which shall be true and correct as of such date, in any case subject to the standard set forth in Section 9.1, and (ii) each and all of the agreements and covenants of Buyer to be performed and complied with pursuant to this Agreement on or prior to the Closing Date shall have been duly performed and complied with in all material respects. The Company shall have received a certificate, dated the Closing Date, signed by the Chief Executive Officer and Chief Financial Officer of Buyer, to the effect that the conditions set forth in this Section 7.3(a) have been satisfied.

(b) Tax Opinion Relating to the Merger. The Company shall have received an opinion from Stevens & Lee dated as of the Closing Date, substantially to the effect that, on the basis of the facts, representations and assumptions set forth in such opinion, the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. The issuance of such opinion shall be conditioned upon the receipt by such counsel of customary representation letters from Buyer, on the one hand, and the Company, on the other hand, in each case, in form and substance reasonably satisfactory to such counsel. Each such representation letter shall be dated on or before the date of such opinion and shall not have been withdrawn or modified in any material respect.

ARTICLE VIII TERMINATION

8.1 Termination. This Agreement may be terminated, and the Merger and the transactions contemplated hereby may be abandoned:

(a) by the mutual consent of Buyer and the Company in a written instrument;

(b) by Buyer or the Company, in the event that the Merger is not consummated by March 31, 2019 (the Outside Date), except to the extent that the failure of the Merger to be consummated shall be due to the failure of the party seeking to terminate this Agreement to perform or observe the covenants and agreements of such party set forth herein;

(c) by Buyer or the Company (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein), in the event of a breach by the other party of any representation, warranty, covenant or

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other agreement contained herein, which breach cannot be or has not been cured within 30 days after the giving of written notice to the breaching party of such breach or the Outside Date, if earlier, and such breach would entitle the non-breaching party not to consummate the transactions contemplated hereby under Article VII;

(d) by Buyer or the Company, (i) in the event the approval of any Governmental Authority required for consummation of the Merger and the other transactions contemplated by this Agreement shall (A) impose any term, condition or restriction upon Buyer or any of its Subsidiaries that Buyer reasonably determines, after consultation with the Company, is a Burdensome Condition, or (B) have been denied by final nonappealable action of such Governmental Authority, or (ii) any governmental entity of competent jurisdiction shall have issued a final nonappealable order, injunction or decree enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement; provided, however, that subject to Section 6.8, the party seeking to terminate this Agreement shall have used its reasonable best efforts to have such order, injunction or decree lifted or to prevent such Burdensome Condition from being imposed;

(e) by Buyer or the Company, if the Company Stockholder Approval shall not have been obtained at the Company Meeting;

(f) by Buyer, if (i) the Company Board or any committee thereof (A) withdraws, qualifies, amends, modifies or withholds the Company Recommendation, fails to reaffirm the Company Recommendation within three Business Days following a request by Buyer to do so, or makes any statement, announcement or release, in connection with the Company Meeting or otherwise, inconsistent with the Company Recommendation (it being understood that taking a neutral position or no position with respect to an Acquisition Proposal shall be considered an adverse modification of the Company Recommendation), (B) materially breaches its obligation to call, give notice of, hold and/or commence the Company Meeting or to solicit proxies in favor of this Agreement under Section 6.1, (C) approves or recommends an Acquisition Proposal, (D) enters into (or causes the Company to enter into) any letter of intent, agreement in principle, acquisition or other agreement related to an Acquisition Transaction (other than a confidentiality agreement entered into in accordance with the provisions of Section 6.5(b)) or requiring the Company to abandon, terminate or fail to consummate the Merger or the other transactions contemplated hereby, or (E) resolves or otherwise determines to take, or announces an intention or proposes to take, any of the foregoing actions or (ii) there shall have been a material breach of Section 6.5 by the Company or any of the Company Representatives; or

(g) by the Company, if the Company Board so determines by the vote of a majority of its members, at any time during the five (5) business day period commencing with the Determination Date (hereinafter defined), if both of the following conditions are satisfied:

(i) The Buyer Market Value on the Determination Date (hereinafter defined) is less than the Initial Buyer Market Value (hereinafter defined) multiplied by 0.80; and

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(ii) (A) the quotient obtained by dividing the Buyer Market Value on the Determination Date by the Initial Buyer Market Value (such quotient being referred to herein as the Buyer Ratio) shall be less than (B) the quotient obtained by dividing the Final Index Price (hereinafter defined) by the Initial Index Price (hereinafter defined) (such quotient being referred to herein as the Index Ratio) and subtracting 0.20 from the Index Ratio; subject, however, to the following three sentences. If the Company elects to exercise its termination right pursuant to the immediately preceding sentence, it shall give prompt written notice thereof to Buyer (provided that such notice of election to terminate may be withdrawn at any time within the aforementioned five (5) business day period). During the five (5) business day period commencing with its receipt of such notice, Buyer shall have the option of increasing the consideration to be received by the Company shareholders by adjusting the Stock Consideration to an amount which, when multiplied by the Buyer Market Value on the Determination Date, equals the lesser of (i) $40.00 or (ii) $40.00 multiplied by the Index Ratio. If Buyer makes an election contemplated by the preceding sentence within such five (5) business day period, it shall give prompt written notice to the Company of such election and the revised Stock Consideration, whereupon no termination shall have occurred pursuant to this Section 8.1(g) and this Agreement shall remain in full force and effect in accordance with its terms (except that the Stock Consideration shall have been so modified).

For purposes of this Section 8.1(g), the following terms shall have the meaning indicated below:

Buyer Market Value on the Determination Date shall be the volume weighted average price of Buyer Common Stock (as reported on Nasdaq or, if not reported thereon, in another authoritative source) during the fifteen (15) consecutive trading day period immediately preceding the Determination Date.

Determination Date shall mean the later of (i) the date on which the last required approval of a Governmental Authority is obtained with respect to the transactions contemplated by the Agreement without regard to any requisite waiting period or (ii) the date of the Company Meeting to consider this Agreement and the transactions contemplated hereby.

Final Index Price means the volume-weighted average of the daily volume-weighted price of the Nasdaq Bank Index for the fifteen (15) consecutive trading day period immediately preceding the Determination Date.

Index Group means the Nasdaq Bank Index.

Initial Index Price means the volume-weighted average of the daily volume-weighted price of the Nasdaq Bank Index for the fifteen (15) consecutive trading day period ending two (2) days prior to the date of this Agreement.

Initial Buyer Market Value equals $26.16, adjusted as indicated in the last sentence of this Section 8.1(g).

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If any company belonging to the Index Group or the Buyer declares or effects a stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares, or similar transaction between the date of this Agreement and the Determination Date, the prices for the common stock of such company or the Buyer Common Stock shall be appropriately adjusted for the purposes of applying this Section 8.1(g).

8.2 Effect of Termination and Abandonment.

(a) In the event of termination of this Agreement by either Buyer or the Company as provided in Section 8.1, this Agreement shall forthwith become void and have no effect, and none of Buyer, the Company, any of their respective Subsidiaries or any of the officers or directors of any of them shall have any liability of any nature whatsoever hereunder, or in connection with the transactions contemplated hereby, except that Sections 6.3 (Press Releases), 6.13 (Confidentiality Agreement) and 9.5 (Expenses) and this Section 8.2 and all other obligations of the parties specifically intended to be performed after the termination of this Agreement shall survive any termination of this Agreement; provided, however, that, notwithstanding anything to the contrary herein, none of Buyer or the Company shall be relieved or released from any liabilities or damages arising out of its willful breach of any provision of this Agreement.

(b) In the event this Agreement is terminated by Buyer pursuant to Section 8.1(f), the Company shall pay to Buyer an amount equal to $1,250,000 (the Termination Fee).

(c) In the event that this Agreement is terminated by Buyer or the Company pursuant to Section 8.1(b) or Section 8.1(e) due to the failure to obtain the approval of the Company s stockholders at the Company Meeting, and (i) an Acquisition Proposal with respect to the Company shall have been announced, disclosed or otherwise communicated to the Company Board or senior management of the Company prior to the Company Meeting or prior to the date specified in Section 8.1(b), as applicable, and (ii) within 12 months of such termination, the Company shall have (x) recommended to its stockholders or consummated a transaction qualifying as an Acquisition Transaction or (y) entered into a definitive agreement with respect to an Acquisition Transaction, then the Company shall pay to Buyer an amount equal to the Termination Fee. For purposes of this Section 8.2(c), all references in the definition of Acquisition Transaction to 15% shall instead refer to 50%.

(d) In the event that this Agreement is terminated by Buyer pursuant to Section 8.1(c) and (i) an Acquisition Proposal with respect to the Company shall have been announced, disclosed or otherwise communicated to the Company Board or senior management of the Company prior to any breach by the Company of any representation, warranty, covenant or other agreement giving rise to such termination by Buyer or during the cure period therefor provided in Section 8.1(c) and (ii) within 12 months of such termination, the Company shall have (x) recommended to its stockholders or consummated a transaction qualifying as an Acquisition Transaction or (y) entered into a definitive agreement with respect to an Acquisition Transaction, then the Company shall pay to Buyer an amount equal to the Termination Fee. For purposes of this Section 8.2(d), all references in the definition of Acquisition Transaction to 15% shall instead refer to 50%.

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(e) Any payment of the Termination Fee required to be made pursuant to this Section 8.2 shall be made not more than two Business Days after the date of the event giving rise to the obligation to make such payment. All payments under this Section 8.2 shall be made by wire transfer of immediately available funds to an account designated by Buyer.

(f) Buyer and the Company acknowledge that the agreements contained in this Section 8.2 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, Buyer would not have entered into this Agreement. Accordingly, if the Company fails promptly to pay any amount due pursuant to this Section 8.2 and, in order to obtain such payment, Buyer commences a suit which results in a judgment against the Company for the amount set forth in this Section 8.2, the Company shall pay to Buyer its costs and expenses (including reasonable attorneys fees and expenses) in connection with such suit, together with interest on the amount of the Termination Fee at the prime rate (as reported in *The Wall Street Journal* or, if not reported therein, in another authoritative source) on the date such payment was required to be made.

ARTICLE IX MISCELLANEOUS

9.1 Standard. No representation or warranty of the Company contained in Article III or of Buyer contained in Article IV shall be deemed untrue or incorrect for any purpose under this Agreement, and no party hereto shall be deemed to have breached a representation or warranty for any purpose under this Agreement, in any case as a consequence of the existence or absence of any fact, circumstance or event unless such fact, circumstance or event, individually or when taken together with all other facts, circumstances or events inconsistent with any representations or warranties contained in Article III, in the case of the Company, or Article IV, in the case of Buyer, has had or would be reasonably likely to have a Company Material Adverse Effect or a Buyer Material Adverse Effect, respectively (disregarding for purposes of this Section 9.1 any materiality or material adverse effect qualification contained in any representations or warranties other than in Section 3.12(i) and 4.21). Notwithstanding the immediately preceding sentence, the representations and warranties contained in (x) Sections 3.3(a) and 3.3(b) shall be deemed untrue and incorrect if not true and correct except to a de minimis extent, (y) Sections 3.4, 3.5, 3.6, 3.7(a)(ii), 3.14(k), 3.22, 3.23, 3.33 and the first two sentences of Section 3.2, in the case of the Company, and Sections 4.4, 4.5, 4.6(a)(ii), 4.22, 4.24, the first two sentences of Section 4.2, and the last sentence of Section 4.3, in the case of Buyer, shall be deemed untrue and incorrect if not true and correct in all material respects and (z) Section 3.12(i), in the case of the Company, and 4.21, in the case of Buyer, shall be deemed untrue and incorrect if not true and correct in all respects.

9.2 Survival. No representations, warranties, agreements and covenants contained in this Agreement shall survive the Effective Time, except for those agreements and covenants that expressly apply or are to be performed in whole or in part after the Effective Time.

9.3 Certain Definitions.

(a) As used in this Agreement, the following terms shall have the meanings set forth below:

Affiliate shall mean, with respect to any Person, any other Person controlling, controlled by or under common control with such Person. As used in this definition, control (including, with its correlative meanings, controlled by and under common control with) means the possession, directly or indirectly, of power to direct or cause the direction of the management and policies of a Person whether through the ownership of voting securities, by contract or otherwise.

Articles of Incorporation shall have the meaning ascribed to it in Section 1306 of the PBCL.

Business Day means Monday through Friday of each week, except any legal holiday recognized as such by the U.S. Government or any day on which banking institutions in the Commonwealth of Pennsylvania are authorized or obligated to close.

Buyer Material Adverse Effect shall mean any fact, change, event, development, effect or circumstance that, individually or in the aggregate, (a) are, or would reasonably be expected to be, materially adverse to the business, operations, assets, liabilities, condition (financial or otherwise), results of operations, cash flows or properties of Buyer and its Subsidiaries, taken as a whole, or (b) would reasonably be expected to prevent Buyer from performing its obligations under this Agreement or consummating the transactions contemplated by this Agreement; provided, however, that notwithstanding the foregoing, the term Buyer Material Adverse Effect shall not include (i) any fact, change, event, development, effect or circumstance arising after the date hereof affecting banks or their holding companies generally or arising from changes in general business or economic conditions (and not specifically relating to or having the effect of specifically relating to or having a materially disproportionate effect on Buyer and its Subsidiaries, taken as a whole); (ii) any fact, change, event, development, effect or circumstance resulting from any change in law, GAAP or regulatory accounting after the date hereof, which affects generally entities such as Buyer and its Subsidiaries, taken as a whole (and not specifically relating to or having the effect of specifically relating to or having a materially disproportionate effect on Buyer and its Subsidiaries taken as a whole); (iii) actions and omissions of Buyer and its Subsidiaries taken with the prior written consent of the Company in furtherance of the transactions contemplated hereby or otherwise permitted to be taken by Buyer under this Agreement; (iv) any fact, change, event, development, effect or circumstance resulting from the announcement of the transactions contemplated by this Agreement; (v) any failure by Buyer to meet any internal or published industry analyst projections or forecasts or estimates of revenues or earnings for any period (it being understood and agreed that the facts and circumstances giving rise to such failure that are not otherwise excluded from the definition of Buyer Material Adverse Effect may be taken into account in determining whether there has been a Buyer Material Adverse Effect); and (vi) except as provided in Section 8.1(g), changes in the trading price or trading volume of Buyer Common Stock.

Company Material Adverse Effect shall mean any fact, change, event, development, effect or circumstance that, individually or in the aggregate, (a) are, or would reasonably be expected to be, materially adverse to the business, business prospects, operations, assets, liabilities, condition (financial or otherwise), results of operations, cash flows or properties of the Company and its Subsidiaries, taken as a whole, or (b) would reasonably be expected to prevent the Company from performing its obligations under this Agreement or consummating the

transactions contemplated by this Agreement; provided, however, that notwithstanding the foregoing, the term Company Material Adverse Effect shall not include (i) any fact, change, event, development, effect or circumstance arising after the date hereof affecting banks or their holding companies generally or arising from changes in general business or economic conditions (and not specifically relating to or having the effect of specifically relating to or having a materially disproportionate effect on the Company and its Subsidiaries, taken as a whole); (ii) any fact, change, event, development, effect or circumstance resulting from any change in law, GAAP or regulatory accounting after the date hereof, which affects generally entities such as the Company and its Subsidiaries, taken as a whole (and not specifically relating to or having the effect of specifically relating to or having a materially disproportionate effect on the Company and its Subsidiaries taken as a whole); (iii) actions and omissions of the Company and its Subsidiaries taken with the prior written consent of Buyer in furtherance of the transactions contemplated hereby or otherwise permitted to be taken by the Company under this Agreement; (iv) any fact, change, event, development, effect or circumstance resulting from the announcement of the transactions contemplated by this Agreement (except with respect to any representations and warranties of the Company that expressly address the consequences resulting from the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby); and (v) any failure by the Company to meet any internal projections or forecasts or estimates of revenues or earnings for any period (it being understood and agreed that the facts and circumstances giving rise to such failure that are not otherwise excluded from the definition of Company Material Adverse Effect may be taken into account in determining whether there has been a Company Material Adverse Effect).

Confidentiality Agreement shall mean the Confidentiality Agreement, dated as of April 20, 2018, by and between Buyer and the Company.

Exchange Act shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

GAAP shall mean generally accepted accounting principles in the United States.

Governmental Authority shall mean any U.S. or foreign federal, state or local governmental commission, board, body, bureau or other regulatory authority or agency, including, without limitation, courts and other judicial bodies, bank regulators, insurance regulators, applicable state securities authorities, the SEC, the IRS or any self-regulatory body or authority, including any instrumentality or entity designed to act for or on behalf of the foregoing.

Knowledge shall mean, with respect to any fact, event or occurrence, (i) in the case of the Company, the actual knowledge after reasonable inquiry of one or more of those certain executive officers of the Company listed on Schedule 9.3(a)(i), or (ii) in the case of Buyer, the actual knowledge after reasonable inquiry of one or more of Buyer s executive officers, all of whom are listed on Schedule 9.3(a)(ii).

Person or person shall mean any individual, bank, corporation, partnership, limited liability company, association, joint stock company, business trust or unincorporated organization.

Regulatory Approvals shall mean any approval, waiver, or non-objection from any Governmental Authority necessary to consummate the Merger and the other transactions contemplated by this Agreement, including, without limitation, (a) the waiver or approval of the FRB and (b) the approval of the Pennsylvania Department of Banking and Securities.

Securities Act shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

Subsidiary shall mean, when used with reference to a party, any corporation or organization, whether incorporated or unincorporated, of which such party or any other Subsidiary of such party is a general partner or serves in a similar capacity, or with respect to such corporation or other organization, at least 50% of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions is directly or indirectly owned or controlled by such party or by any one or more of its Subsidiaries, or by such party and one or more of its Subsidiaries.

Tax or Taxes shall mean (i) all taxes, charges, fees, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, escheat, goods and services, capital, transfer, franchise, profits, license, withholding, payroll, employment, employer health, excise, estimated, severance, stamp, occupation, property or other taxes, custom duties, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority, whether disputed or not; and (ii) any liability for the payment of amounts with respect to payments of a type described in clause (i) as a result of being a member of an affiliated, consolidated, combined or unitary group, or as a result of any obligation under any tax sharing arrangement or tax indemnity agreement.

Tax Returns shall mean any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

Treasury Regulations shall mean the Treasury regulations promulgated under the Code.

(b) The following terms are defined elsewhere in this Agreement, as indicated below:

Acquisition Proposal shall have the meaning set forth in Section 6.5(a).

Acquisition Transaction shall have the meaning set forth in Section 6.5(a).

Agreement shall have the meaning set forth in the preamble to this Agreement.

Bank Merger shall have the meaning set forth in Section 1.8.

BHCA shall have the meaning set forth in Section 3.25.

BOLI shall have the meaning set forth in Section 3.16.

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Burdensome Conditions shall have the meaning set forth in Section 6.8.

Business shall have the meaning set forth in Section 3.18(g).

Buyer shall have the meaning set forth in the preamble to this Agreement.

Buyer 2017 Form 10-K shall have the meaning set forth in Section 4.10(a)

Buyer Bank shall have the meaning set forth in Section 1.8.

Buyer Common Stock shall have the meaning set forth in Section 2.1(a).

Buyer Disclosure Schedule shall have the meaning set forth in Section 4.1(b).

Buyer Market Value on the Determination Date shall have the meaning set forth in Section 8.1(g).

Buyer Representatives shall have the meaning set forth in Section 6.4(a).

Buyer SEC Documents shall have the meaning set forth in Section 4.10(a).

Cash Consideration shall have the meaning set forth in Section 2.1(c).

Cash Election shall have the meaning set forth in Section 2.4(a).

Cash Election Shares shall have the meaning set forth in Section 2.4(a).

CERCLA shall have the meaning set forth in Section 3.17(e).

Certificate shall have the meaning set forth in Section 2.2.

Classified Loans shall have the meaning set forth in Section 3.24(h).

Closing shall have the meaning set forth in Section 1.4.

Closing Date shall have the meaning set forth in Section 1.4.

Code shall have the meaning set forth in the recitals to this Agreement.

Company shall have the meaning set forth in the preamble to this Agreement.

Company Balance Sheet shall have the meaning set forth in Section 3.11(a).

Company Bank shall have the meaning set forth in Section 1.8.

Company Board shall have the meaning set forth in Section 1.7.

Company Common Stock shall have the meaning set forth in the recitals to this Agreement.

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"Company Disclosure Schedule" shall have the meaning set forth in Section 3.1(b).

"Company Employee Programs" shall have the meaning set forth in Section 3.14(a).

"Company Employees" shall have the meaning set forth in Section 6.10(a).

"Company Financial Statements" shall have the meaning set forth in Section 3.11(a).

"Company Intellectual Property Assets" shall have the meaning set forth in Section 3.18(g).

"Company Loan Property" shall have the meaning set forth in Section 3.17(g).

"Company Material Contract" shall have the meaning set forth in Section 3.20(a).

"Company Meeting" shall have the meaning set forth in Section 6.1(a).

"Company Participation Facility" shall have the meaning set forth in Section 3.17(g).

"Company Property" shall have the meaning set forth in Section 3.17(a).

"Company Recommendation" shall have the meaning set forth in Section 6.1(a)(ii).

"Company Representatives" shall have the meaning set forth in Section 6.5(a).

"Company Subsequent Determination" shall have the meaning set forth in Section 6.5(e).

"Contingent Workers" shall have the meaning set forth in Section 3.15.

"CRA" shall have the meaning set forth in Section 3.7(b).

"Derivative Transactions" shall have the meaning set forth in Section 3.28.

"Determination Date" shall have the meaning set forth in Section 8.1(g).

"Dissenting Shares" shall have the meaning set forth in Section 1.11.

"Dissenting Stockholder" shall have the meaning set forth in Section 1.11.

"Effective Time" shall have the meaning set forth in Section 1.2.

"Election Deadline" shall have the meaning set forth in Section 2.4(b).

"Election Form" shall have the meaning set forth in Section 2.4(a).

"Employee Program" shall have the meaning set forth in Section 3.14(l)(i).

"Environment" shall have the meaning set forth in Section 3.17(g).

Environmental Laws shall have the meaning set forth in Section 3.17(g).

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ERISA shall have the meaning set forth in Section 3.14(l)(ii).

ERISA Affiliate shall have the meaning set forth in Section 3.14(l)(iv).

Exchange Agent shall have the meaning set forth in Section 2.4(a).

Exchange Fund shall have the meaning set forth in Section 2.6(a).

Exchange Ratio shall have the meaning set forth in Section 2.1(c).

FDIA shall have the meaning set forth in Section 3.30.

FDIC shall have the meaning set forth in Section 3.10(b).

Final Index Price shall have the meaning set forth in Section 8.1(g).

Finance Laws shall have the meaning set forth in Section 3.9(a).

Financial Advisor shall have the meaning set forth in Section 3.33.

FRB shall have the meaning set forth in Section 3.2.

Hazardous Material shall have the meaning set forth in Section 3.17(g).

Indemnified Parties shall have the meaning set forth in Section 6.9(a).

Index Group shall have the meaning set forth in Section 8.1(g).

Initial Buyer Market Value shall have the meaning set forth in Section 8.1(g).

Initial Index Price shall have the meaning set forth in Section 8.1(g).

Intellectual Property Assets shall have the meaning set forth in Section 3.18(g).

IRS shall have the meaning set forth in Section 3.13(d).

IT Systems shall have the meaning set forth in Section 3.18(h).

Liens shall have the meaning set forth in Section 3.4(a).

Loans shall have the meaning set forth in Section 3.24.

Mailing Date shall have the meaning set forth in Section 2.4(a).

maintains shall have the meaning set forth in Section 3.14(l)(iii).

Marks shall have the meaning set forth in Section 3.18(g).

Merger shall have the meaning set forth in the recitals to this Agreement.

Merger Consideration shall have the meaning set forth in Section 2.1(c).

Money Laundering Laws shall have the meaning set forth in Section 3.31(b).

Multiemployer Plan shall have the meaning set forth in Section 3.14(l)(v).

NASDAQ shall have the meaning set forth in Section 2.1(c).

New Certificates shall have the meaning set forth in Section 2.6(a).

Non-Election shall have the meaning set forth in Section 2.4(a).

Non-Election Shares shall have the meaning set forth in Section 2.4(a).

Notice of Superior Proposal shall have the meaning set forth in Section 6.5(e).

Notice Period shall have the meaning set forth in Section 6.5(e).

OCC shall have the meaning set forth in Section 3.10(b).

OFAC shall have the meaning set forth in Section 3.31(c).

Oil shall have the meaning set forth in Section 3.17(h).

Outside Date shall have the meaning set forth in Section 8.1(b).

Patents shall have the meaning set forth in Section 3.18(g).

PBCL shall have the meaning set forth in Section 1.1.

Personal Data shall have the meaning set forth in Section 3.19.

Premium Limit shall have the meaning set forth in Section 6.9(b).

Privacy Requirements shall have the meaning set forth in Section 3.19.

Products shall have the meaning set forth in Section 3.18(g).

Proxy Statement/Prospectus shall have the meaning set forth in Section 6.2(a).

Registration Statement shall have the meaning set forth in Section 6.2(a).

SEC shall have the meaning set forth in Section 3.11(a).

Shortfall Number shall have the meaning set forth in Section 2.4(c)(ii).

Stock Consideration shall have the meaning set forth in Section 2.1(c).

Stock Conversion Number shall have the meaning set forth in Section 2.4(a).

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Stock Election shall have the meaning set forth in Section 2.4(a).

Stock Election Number shall have the meaning set forth in Section 2.4(a).

Stock Election Shares shall have the meaning set forth in Section 2.4(a).

Superior Proposal shall have the meaning set forth in Section 6.5(b).

Surviving Corporation shall have the meaning set forth in Section 1.1.

Takeover Laws shall have the meaning set forth in Section 3.22.

Termination Fee shall have the meaning set forth in Section 8.2(b).

Third Party Rights shall have the meaning set forth in Section 3.18(c).

Trade Secrets shall have the meaning set forth in Section 3.18(g).

Treasury Stock shall have the meaning set forth in Section 2.1(a).

USA PATRIOT Act shall have the meaning set forth in Section 3.7(b).

Volcker Rule shall have the meaning set forth in Section 3.26.

Voting Agreement shall have the meaning set forth in the recitals to this Agreement.

Voting Agreement Stockholders shall have the meaning set forth in the recitals to this Agreement.

9.4 Waiver; Amendment. Subject to compliance with applicable law, prior to the Effective Time, any provision of this Agreement may be (a) waived by the party intended to benefit by the provision, or (b) amended or modified at any time, by an agreement in writing between the parties hereto approved by their respective Boards of Directors and executed in the same manner as this Agreement; provided, however, that after any approval of the transactions contemplated by this Agreement by the stockholders of the Company, no amendment of this Agreement shall be made which by law requires further approval of the stockholders of the Company without obtaining such approval.

9.5 Expenses. Each party hereto will bear all expenses incurred by it in connection with this Agreement and the transactions contemplated hereby, except that (i) Buyer and the Company shall each pay fifty percent (50%) of printing expenses for the Proxy Statement/Prospectus, and (ii) SEC filing and registration fees shall be the sole responsibility of Buyer.

9.6 Notices. All notices, requests and other communications hereunder to a party shall be in writing and shall be deemed given if personally delivered, telecopied (with confirmation) or mailed by registered or certified mail (return receipt requested) to such party at its address set forth below or such other address as such party may specify by notice to the other party hereto.

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If to Buyer:

Orrstown Financial Services

77 East King Street

Shippensburg, PA 17257

Attention: Thomas. R. Quinn, Jr.

Facsimile: (717) 532-4131

With a copy to (which shall not constitute notice):

Goodwin Procter LLP

901 New York Avenue, NW

Washington, DC 20001

Attention: Matthew Dyckman, Esq.

Facsimile: (202) 204-7293

If to the Company, to:

Mercersburg Financial Corporation

12 South Main Street

Mercersburg, PA 17236

Attention: Robert J. Fignar

Facsimile: (717) 328-3071

With a copy to (which shall not constitute notice):

Stevens & Lee

17 N. Second Street

16th Floor

Harrisburg, PA 17101

Attention: Dean H. Dusinberre

Facsimile: (601) 371-7978

9.7 Understanding; No Third Party Beneficiaries. Except for the Confidentiality Agreement, which shall remain in effect, this Agreement represents the entire understanding of the parties hereto with reference to the transactions contemplated hereby and thereby and supersedes any and all other oral or written agreements heretofore made. Except for Section 6.9 (Indemnification; Directors and Officers Insurance) and the right of Company stockholders to receive the Merger Consideration as set forth in Article II, nothing in this Agreement, expressed or implied, is intended to confer upon any person, other than the parties hereto or their respective successors, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

9.8 Assignability; Binding Effect. Prior to the Closing, this Agreement may not be assigned by Buyer without the written consent of the Company and no such assignment shall release Buyer of its obligations hereunder. After the Closing, Buyer s rights and obligations hereunder shall be freely assignable. This Agreement may not be assigned by the Company without the prior written consent of Buyer. This Agreement shall be binding upon and

enforceable by, and shall inure to the benefit of, the parties hereto and their respective successors and permitted assigns, and except as expressly set forth herein, is not intended to confer upon any other person any rights or remedies hereunder.

9.9 Headings; Interpretation. The headings contained in this Agreement are for reference purposes only and are not part of this Agreement. The word including and words of similar import when used in this Agreement shall mean including, without limitation, unless the context otherwise requires or unless otherwise specified. Words of number may be read as singular or plural, as required by context.

9.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to constitute an original. A facsimile copy or electronic transmission of a signature page shall be deemed to be an original signature page.

9.11 Governing Law. This Agreement shall be governed by, and interpreted in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to the conflict of law principles thereof. Each of the parties hereto (a) hereby irrevocably and unconditionally consents to and submit itself to the personal jurisdiction of the state or federal courts located in the Commonwealth of Pennsylvania (Pennsylvania Courts) in any action or proceeding arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that all claims in respect of such action or proceeding may be heard and determined only in any such Pennsylvania Courts, and (c) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such Pennsylvania Courts. Each of the parties hereto waives any defense or inconvenient forum to the maintenance of any action or proceeding so brought in any such Pennsylvania Courts and waives any bond, surety or other security that might be required of any other party in any such Pennsylvania Courts with respect thereto. To the extent permitted by applicable law, any party hereto may make service on another party by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for the giving of notices in Section 9.6. Nothing in this Section 9.11, however, shall affect the right of any party to serve legal process in any other manner permitted by law. EACH OF BUYER AND THE COMPANY HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

9.12 Specific Performance. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or were otherwise breached. Each party agrees that, in the event of any breach or threatened breach by any other party of any covenant or obligation contained in this Agreement, the non-breaching party shall be entitled to seek (i) a decree or order of specific performance to enforce the observance and performance of such covenant or obligation, and (ii) an injunction, without the posting of any bond, restraining such breach or threatened breach.

9.13 Entire Agreement. This Agreement, together with the Exhibits and Schedules hereto, the Confidentiality Agreement, the Voting Agreements and any documents delivered by the parties in connection herewith constitutes the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties hereto, or any of them, with respect to the subject matter hereof.

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9.14 Severability. In the event that any one or more provisions of this Agreement shall for any reason be held invalid, illegal, or unenforceable in any respect by any court of competent jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement and the parties shall use their reasonable best efforts to substitute a valid, legal, and enforceable provision which, insofar as practicable, implements the original purposes and intents of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement and Plan of Merger to be executed in counterparts by their duly authorized officers, all as of the day and year first above written.

ORRSTOWN FINANCIAL SERVICES, INC.

By: /s/ Thomas R. Quinn, Jr.
Name: Thomas R. Quinn, Jr.
Title: President and Chief Executive Officer

MERCERSBURG FINANCIAL CORPORATION

By: /s/ Robert J. Fignar
Name: Robert J. Fignar
Title: President and Chief Executive Officer

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ANNEX B

STATUTORY PROVISIONS RELATING TO DISSENTERS RIGHTS

THE PENNSYLVANIA BUSINESS CORPORATION LAW OF 1988, AS AMENDED

Excerpt from Chapter 15 Subchapter C, 15 PA. CONS. STAT. § 333

§ 333. Approval of merger.

(a) Approval by domestic entities. A plan of merger shall not be effective unless it has been approved in both of the following ways:

(1) The plan is approved by a domestic entity that is a merging association in accordance with the applicable provisions of Subchapter B (relating to approval of entity transactions).

(2) The plan is approved in record form by each interest holder, if any, of a domestic entity that is a merging association that will have interest holder liability for debts, obligations and other liabilities that arise after the merger becomes effective, unless, as to an interest holder that does not approve the plan, both of the following apply:

(i) The organic rules of the domestic entity provide in record form for the approval of a merger in which some or all of its interest holders become subject to interest holder liability by the vote or consent of fewer than all the interest holders.

(ii) The interest holder consented in record form to or voted for that provision of the organic rules or became an interest holder after the adoption of that provision.

(b) Approval by foreign associations. A merger under this subchapter in which a foreign association is a merging association is not effective unless the merger is approved by the foreign association in accordance with the laws of its jurisdiction of formation.

(c) Approval by domestic banking institutions. A merger under this subchapter in which a domestic banking institution that is not a domestic entity is a merging association is not effective unless the merger is approved by the domestic banking institution in accordance with the requirements in its organic laws and organic rules for approval of a merger.

(d) Dissenters rights.

(1) Except as provided in paragraph (2), if a shareholder of a domestic business corporation that is to be a merging association objects to the plan of merger and complies with Subchapter D of Chapter 15 (relating to dissenters rights), the shareholder shall be entitled to dissenters rights to the extent provided in that subchapter.

(2) Except as provided under section 317 (relating to contractual dissenters rights in entity transactions), dissenters rights shall not be available to shareholders of a domestic business corporation that is a merging association in a merger described in section 321(d)(1)(i) or (4) (relating to approval by business corporation).

(3) If a shareholder of a domestic banking institution that is to be a merging association objects to the plan of merger and complies with section 1222 of the act of November 30, 1965 (P.L.847, No.356), known as the Banking Code of 1965, the shareholder shall be entitled to the rights provided in that section.

(4) See section 329 (relating to special treatment of interest holders).

Subchapter 15 Subchapter D Dissenters Rights, 15 PA. CONS. STAT. §§ 1571-1580

§ 1571. Application and effect of subchapter.

(a) General rule. Except as otherwise provided in subsection (b), any shareholder (as defined in section 1572 (relating to definitions)) of a business corporation shall have the rights and remedies provided in this subchapter in connection with a transaction under this title only where this title expressly provides that a shareholder shall have the rights and remedies provided in this subchapter. See:

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Section 329(c) (relating to special treatment of interest holders).

Section 333 (relating to approval of merger).

Section 343 (relating to approval of interest exchange).

Section 353 (relating to approval of conversion).

Section 363 (relating to approval of division).

Section 1906(c) (relating to dissenters rights upon special treatment).

Section 1932(c) (relating to dissenters rights in asset transfers).

Section 2104(b) (relating to procedure).

Section 2324 (relating to corporation option where a restriction on transfer of a security is held invalid).

Section 2325(b) (relating to minimum vote requirement).

Section 2704(c) (relating to dissenters rights upon election).

Section 2705(d) (relating to dissenters rights upon renewal of election).

Section 2904(b) (relating to procedure).

Section 2907(a) (relating to proceedings to terminate breach of qualifying conditions).

Section 7104(b)(3) (relating to procedure).

(b) Exceptions.

(1) Except as otherwise provided in paragraph (2), the holders of the shares of any class or series of shares shall not have the right to dissent and obtain payment of the fair value of the shares under this subchapter if, on the record date fixed to determine the shareholders entitled to notice of and to vote at the meeting at which a plan specified in any of section 333, 343, 353, 363 or 1932(c) is to be voted on or on the date of the first public announcement that such a plan has been approved by the shareholders by consent without a meeting, the shares are either:

(i) listed on a national securities exchange registered under section 6 of the Exchange Act; or

(ii) held beneficially or of record by more than 2,000 persons.

(2) Paragraph (1) shall not apply to and dissenters rights shall be available without regard to the exception provided in that paragraph in the case of:

(ii) Shares of any preferred or special class or series unless the articles, the plan or the terms of the transaction entitle all shareholders of the class or series to vote thereon and require for the adoption of the plan or the

effectuation of the transaction the affirmative vote of a majority of the votes cast by all shareholders of the class or series.

(iii) Shares entitled to dissenters rights under section 329(d) or 1906(c) (relating to dissenters rights upon special treatment).

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(3) The shareholders of a corporation that acquires by purchase, lease, exchange or other disposition all or substantially all of the shares, property or assets of another corporation by the issuance of shares, obligations or otherwise, with or without assuming the liabilities of the other corporation and with or without the intervention of another corporation or other person, shall not be entitled to the rights and remedies of dissenting shareholders provided in this subchapter regardless of the fact, if it be the case, that the acquisition was accomplished by the issuance of voting shares of the corporation to be outstanding immediately after the acquisition sufficient to elect a majority or more of the directors of the corporation.

(c) Grant of optional dissenters rights. The bylaws or a resolution of the board of directors may direct that all or a part of the shareholders shall have dissenters rights in connection with any corporate action or other transaction that would otherwise not entitle such shareholders to dissenters rights. See section 317 (relating to contractual dissenters rights in entity transactions).

(d) Notice of dissenters rights. Unless otherwise provided by statute, if a proposed corporate action that would give rise to dissenters rights under this subpart is submitted to a vote at a meeting of shareholders, there shall be included in or enclosed with the notice of meeting:

(1) a statement of the proposed action and a statement that the shareholders have a right to dissent and obtain payment of the fair value of their shares by complying with the terms of this subchapter; and

(2) a copy of this subchapter.

(e) Other statutes. The procedures of this subchapter shall also be applicable to any transaction described in any statute other than this part that makes reference to this subchapter for the purpose of granting dissenters rights.

(f) Certain provisions of articles ineffective. This subchapter may not be relaxed by any provision of the articles.

(g) Computation of beneficial ownership. For purposes of subsection (b)(1)(ii), shares that are held beneficially as joint tenants, tenants by the entireties, tenants in common or in trust by two or more persons, as fiduciaries or otherwise, shall be deemed to be held beneficially by one person.

(h) Cross references. See:

Section 315 (relating to nature of transactions).

Section 1105 (relating to restriction on equitable relief).

Section 1763(c) (relating to determination of shareholders of record).

Section 2512 (relating to dissenters rights procedure).

§ 1572. Definitions.

The following words and phrases when used in this subchapter shall have the meanings given to them in this section unless the context clearly indicates otherwise:

Corporation. The issuer of the shares held or owned by the dissenter before the corporate action or the successor by merger, consolidation, division, conversion or otherwise of that issuer. A plan of division may designate which one or more of the resulting corporations is the successor corporation for the purposes of this subchapter. The designated successor corporation or corporations in a division shall have sole responsibility for payments to dissenters and other liabilities under this subchapter except as otherwise provided in the plan of division.

Dissenter. A shareholder who is entitled to and does assert dissenters rights under this subchapter and who has performed every act required up to the time involved for the assertion of those rights.

Fair value. The fair value of shares immediately before the effectuation of the corporate action to which the dissenter objects, taking into account all relevant factors, but excluding any appreciation or depreciation in anticipation of the corporate action.

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Interest. Interest from the effective date of the corporate action until the date of payment at such rate as is fair and equitable under all the circumstances, taking into account all relevant factors, including the average rate currently paid by the corporation on its principal bank loans.

Shareholder. A shareholder as defined in section 1103 (relating to definitions) or an ultimate beneficial owner of shares, including, without limitation, a holder of depository receipts, where the beneficial interest owned includes an interest in the assets of the corporation upon dissolution.

§ 1573. Record and beneficial holders and owners.

(a) Record holders of shares. A record holder of shares of a business corporation may assert dissenters rights as to fewer than all of the shares registered in his name only if he dissents with respect to all the shares of the same class or series beneficially owned by any one person and discloses the name and address of the person or persons on whose behalf he dissents. In that event, his rights shall be determined as if the shares as to which he has dissented and his other shares were registered in the names of different shareholders.

(b) Beneficial owners of shares. A beneficial owner of shares of a business corporation who is not the record holder may assert dissenters rights with respect to shares held on his behalf and shall be treated as a dissenting shareholder under the terms of this subchapter if he submits to the corporation not later than the time of the assertion of dissenters rights a written consent of the record holder. A beneficial owner may not dissent with respect to some but less than all shares of the same class or series owned by the owner, whether or not the shares so owned by him are registered in his name.

§ 1574. Notice of intention to dissent.

If the proposed corporate action is submitted to a vote at a meeting of shareholders of a business corporation, any person who wishes to dissent and obtain payment of the fair value of his shares must file with the corporation, prior to the vote, a written notice of intention to demand that he be paid the fair value for his shares if the proposed action is effectuated, must effect no change in the beneficial ownership of his shares from the date of such filing continuously through the effective date of the proposed action and must refrain from voting his shares in approval of such action. A dissenter who fails in any respect shall not acquire any right to payment of the fair value of his shares under this subchapter. Neither a proxy nor a vote against the proposed corporate action shall constitute the written notice required by this section.

§ 1575. Notice to demand payment.

(a) General rule. If the proposed corporate action is approved by the required vote at a meeting of shareholders of a business corporation, the corporation shall deliver a further notice to all dissenters who gave due notice of intention to demand payment of the fair value of their shares and who refrained from voting in favor of the proposed action. If the proposed corporate action is approved by the shareholders by less than unanimous consent without a meeting or is taken without the need for approval by the shareholders, the corporation shall deliver to all shareholders who are entitled to dissent and demand payment of the fair value of their shares a notice of the adoption of the plan or other corporate action. In either case, the notice shall:

(1) State where and when a demand for payment must be sent and certificates for certificated shares must be deposited in order to obtain payment.

(2) Inform holders of uncertificated shares to what extent transfer of shares will be restricted from the time that demand for payment is received.

(3) Supply a form for demanding payment that includes a request for certification of the date on which the shareholder, or the person on whose behalf the shareholder dissents, acquired beneficial ownership of the shares.

(4) Be accompanied by a copy of this subchapter.

(b) Time for receipt of demand for payment. The time set for receipt of the demand and deposit of certificated shares shall be not less than 30 days from the delivery of the notice.

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§ 1576. Failure to comply with notice to demand payment, etc.

(a) Effect of failure of shareholder to act. A shareholder who fails to timely demand payment, or fails (in the case of certificated shares) to timely deposit certificates, as required by a notice pursuant to section 1575 (relating to notice to demand payment) shall not have any right under this subchapter to receive payment of the fair value of his shares.

(b) Restriction on uncertificated shares. If the shares are not represented by certificates, the business corporation may restrict their transfer from the time of receipt of demand for payment until effectuation of the proposed corporate action or the release of restrictions under the terms of section 1577(a) (relating to failure to effectuate corporate action).

(c) Rights retained by shareholder. The dissenter shall retain all other rights of a shareholder until those rights are modified by effectuation of the proposed corporate action.

§ 1577. Release of restrictions or payment for shares.

(a) Failure to effectuate corporate action. Within 60 days after the date set for demanding payment and depositing certificates, if the business corporation has not effectuated the proposed corporate action, it shall return any certificates that have been deposited and release uncertificated shares from any transfer restrictions imposed by reason of the demand for payment.

(b) Renewal of notice to demand payment. When uncertificated shares have been released from transfer restrictions and deposited certificates have been returned, the corporation may at any later time send a new notice conforming to the requirements of section 1575 (relating to notice to demand payment), with like effect.

(c) Payment of fair value of shares. Promptly after effectuation of the proposed corporate action, or upon timely receipt of demand for payment if the corporate action has already been effectuated, the corporation shall either remit to dissenters who have made demand and (if their shares are certificated) have deposited their certificates the amount that the corporation estimates to be the fair value of the shares, or give written notice that no remittance under this section will be made. The remittance or notice shall be accompanied by:

(1) The closing balance sheet and statement of income of the issuer of the shares held or owned by the dissenter for a fiscal year ending not more than 16 months before the date of remittance or notice together with the latest available interim financial statements.

(2) A statement of the corporation s estimate of the fair value of the shares.

(3) A notice of the right of the dissenter to demand payment or supplemental payment, as the case may be, accompanied by a copy of this subchapter.

(d) Failure to make payment. If the corporation does not remit the amount of its estimate of the fair value of the shares as provided by subsection (c), it shall return any certificates that have been deposited and release uncertificated shares from any transfer restrictions imposed by reason of the demand for payment. The corporation may make a notation on any such certificate or on the records of the corporation relating to any such uncertificated shares that such demand has been made. If shares with respect to which notation has been so made shall be transferred, each new certificate issued therefor or the records relating to any transferred

uncertificated shares shall bear a similar notation, together with the name of the original dissenting holder or owner of such shares. A transferee of such shares shall not acquire by such transfer any rights in the corporation other than those that the original dissenter had after making demand for payment of their fair value.

§ 1578. Estimate by dissenter of fair value of shares.

(a) General rule. If the business corporation gives notice of its estimate of the fair value of the shares, without remitting such amount, or remits payment of its estimate of the fair value of a dissenter s shares as permitted by section 1577(c) (relating to payment of fair value of shares) and the dissenter believes that the amount stated or remitted is less than the fair value of his shares, he may send to the corporation his own estimate of the fair value of the shares, which shall be deemed a demand for payment of the amount or the deficiency.

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(b) Effect of failure to file estimate. Where the dissenter does not file his own estimate under subsection (a) within 30 days after the mailing by the corporation of its remittance or notice, the dissenter shall be entitled to no more than the amount stated in the notice or remitted to him by the corporation.

§ 1579. Valuation proceedings generally.

(a) General rule. Within 60 days after the latest of:

(1) effectuation of the proposed corporate action;

(2) timely receipt of any demands for payment under section 1575 (relating to notice to demand payment); or

(3) timely receipt of any estimates pursuant to section 1578 (relating to estimate by dissenter of fair value of shares);

if any demands for payment remain unsettled, the business corporation may file in court an application for relief requesting that the fair value of the shares be determined by the court.

(b) Mandatory joinder of dissenters. All dissenters, wherever residing, whose demands have not been settled shall be made parties to the proceeding as in an action against their shares. A copy of the application shall be served on each such dissenter. If a dissenter is a nonresident, the copy may be served on him in the manner provided or prescribed by or pursuant to 42 Pa.C.S. Ch. 53 (relating to bases of jurisdiction and interstate and international procedure).

(c) Jurisdiction of the court. The jurisdiction of the court shall be plenary and exclusive. The court may appoint an appraiser to receive evidence and recommend a decision on the issue of fair value. The appraiser shall have such power and authority as may be specified in the order of appointment or in any amendment thereof.

(d) Measure of recovery. Each dissenter who is made a party shall be entitled to recover the amount by which the fair value of his shares is found to exceed the amount, if any, previously remitted, plus interest.

(e) Effect of corporation s failure to file application. If the corporation fails to file an application as provided in subsection (a), any dissenter who made a demand and who has not already settled his claim against the corporation may do so in the name of the corporation at any time within 30 days after the expiration of the 60-day period. If a dissenter does not file an application within the 30-day period, each dissenter entitled to file an application shall be paid the corporation s estimate of the fair value of the shares and no more, and may bring an action to recover any amount not previously remitted.

§ 1580. Costs and expenses of valuation proceedings.

(a) General rule. The costs and expenses of any proceeding under section 1579 (relating to valuation proceedings generally), including the reasonable compensation and expenses of the appraiser appointed by the court, shall be determined by the court and assessed against the business corporation except that any part of the costs and expenses may be apportioned and assessed as the court deems appropriate against all or some of the dissenters who are parties and whose action in demanding supplemental payment under section 1578 (relating to estimate by dissenter of fair value of shares) the court finds to be dilatory, obdurate, arbitrary, vexatious or in bad faith.

(b) Assessment of counsel fees and expert fees where lack of good faith appears. Fees and expenses of counsel and of experts for the respective parties may be assessed as the court deems appropriate against the corporation and in favor of any or all dissenters if the corporation failed to comply substantially with the requirements of this subchapter and may be assessed against either the corporation or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted in bad faith or in a dilatory, obdurate, arbitrary or vexatious manner in respect to the rights provided by this subchapter.

(c) Award of fees for benefits to other dissenters. If the court finds that the services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated and should not be assessed against the corporation, it may award to those counsel reasonable fees to be paid out of the amounts awarded to the dissenters who were benefited

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ANNEX C

May 31, 2018

Board of Directors

Mercersburg Financial Corporation

12 South Main Street

Mercersburg, PA 17236

Dear Board of Directors,

This letter sets forth the opinion of Ambassador Financial Group, Inc. (Ambassador) as to the fairness, from a financial point of view, to the holders of the common stock of Mercersburg Financial Corporation (Mercersburg) of Mercersburg, Pennsylvania of the Merger Consideration (as defined below) to be received by such holders pursuant to the Merger Agreement (as defined below) in connection with the merger of Mercersburg with and into Orrstown Financial Services, Inc. (Orrstown) (such merger, the Merger). In the Merger, each share of the common stock, no par value per share, of Mercersburg (Mercersburg Common Stock) issued and outstanding immediately prior to the Effective Time will be converted into the right to receive, at the election of the holder thereof (subject to proration and reallocation as set forth in the Merger Agreement, as to which we express no opinion), either (i) $40.00 in cash (the Cash Consideration) or (ii) 1.5291 shares of the common stock, no par value per share, of Orrstown (Orrstown Common Stock and, such shares of Orrstown Common Stock, the Stock Consideration); provided that, as more fully set forth in the Merger Agreement, 85% of the outstanding shares of Mercersburg Common Stock will be converted into the Stock Consideration in the Merger and the remaining outstanding shares of Mercersburg Common Stock will be converted into the Cash Consideration. The Stock Consideration and the Cash Consideration, taken together, are referred to herein as the Merger Consideration. Capitalized terms used herein without definition have the meanings assigned to them in the Merger Agreement. The terms and conditions of the Merger are more fully set forth in the Merger Agreement.

In rendering our opinion, we:

Reviewed a draft dated May 31, 2018 of the Agreement and Plan of Merger to be entered into by Mercersburg and Orrstown (the Merger Agreement);

Reviewed Mercersburg s audited financial statements as of or for the fiscal years ended December 31, 2017 and December 31, 2016 and Mercersburg s interim financial statements as of or for the quarter ended March 31, 2018;

Reviewed Orrstown s Form 10-K for the fiscal year ended December 31, 2017, including the financial statements contained therein;

Reviewed Orrstown s Form 10-Q for the quarter ended March 31, 2018, including the financial statements contained therein;

Reviewed First Community Bank of Mercersburg s and Orrstown Bank s respective quarterly call reports for March 31, 2018, December 31, 2017, September 30, 2017, June 30, 2017, and March 31, 2017;

Reviewed other publicly available information regarding Mercersburg and Orrstown, including research analysts estimates for Orrstown discussed with us by the management of Orrstown;

Reviewed certain non-public information provided to us by or on behalf of Mercersburg and Orrstown, regarding Mercersburg and Orrstown (including financial projections and forecasts for Mercersburg provided to us by the management of Mercersburg and long-term growth rate and other assumptions for Orrstown provided to us by the management of Orrstown) and projected cost savings anticipated by the management of Orrstown to be realized from the Merger;

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- Reviewed recently reported stock prices and trading activity of Mercersburg Common Stock and Orrstown Common Stock;
- Discussed the past and current operations, financial condition and future prospects of Mercersburg and Orrstown with senior executives of Mercersburg and Orrstown, respectively;
- Reviewed and analyzed certain publicly available financial and stock market data of banking companies that we selected as relevant to our analysis of Mercersburg and Orrstown;
- Reviewed and analyzed certain publicly available financial data of transactions that we selected as relevant to our analysis of Mercersburg;
- Considered Orrstown s financial and capital position and certain potential pro forma financial effects of the Merger on Orrstown;
- Conducted other analyses and reviewed other information we considered necessary or appropriate; and
- Incorporated our assessment of the overall economic environment and market conditions, as well as our experience in mergers and acquisitions, bank stock valuations and other transactions.

In rendering our opinion, we also relied upon and assumed, without independent verification, the accuracy, reasonableness and completeness of the information provided to us by or on behalf of Mercersburg and Orrstown (Materials Received) and publicly available information used in our analyses. Ambassador does not assume any responsibility for the accuracy, reasonableness and completeness of any of the foregoing Materials Received and publicly available information or for the independent verification thereof. Further, we have relied on the assurances of managements of Mercersburg and Orrstown that they are not aware of any facts or circumstances that would make any of the Materials Received inaccurate or misleading. With respect to the financial projections and forecasts for Mercersburg and research analysts estimates and long-term growth rate and other assumptions for Orrstown reviewed by us and other non-public information related to projected cost savings referred to above, we have assumed, with your consent, that they have been reasonably prepared on bases reflecting (or, in the case of research analysts estimates, are consistent with) the best currently available estimates and judgments of the respective managements of Mercersburg and Orrstown, as the case may be, as to the future financial performance of Mercersburg and Orrstown and such cost savings and that the financial results reflected in such projections, forecasts, estimates and assumptions as well as such cost savings will be realized in the amounts and at the times projected. We assume no responsibility for and express no view as to any of the foregoing information reviewed by us or the assumptions on which they are based.

Ambassador is not an expert in the evaluation of deposit accounts or loan, mortgage or similar portfolios or allowances for losses with respect thereto and we were not requested to, and we did not, conduct a review of individual credit files or loan, mortgage or similar portfolios. We assume no responsibility for and express no view as to the adequacy or sufficiency of allowances for losses or other matters with respect thereto and we have assumed that each of Mercersburg and Orrstown has, and the pro forma combined company will have, appropriate reserves to cover any such losses. We have not conducted any independent valuation or appraisal of any of the assets or liabilities (contingent or otherwise) of Mercersburg, Orrstown or any other party, and we have not been furnished with any such valuation or appraisal.

We have undertaken no independent evaluation of any potential or actual litigation to which Mercersburg or Orrstown is or may be a party or is or may be subject. We express no view or opinion as to the pending federal securities litigation against Orrstown and certain current and former officers of Orrstown, as to which we understand that Orrstown and Mercersburg have conducted such diligence and other investigations, and have obtained such advice from legal counsel, as they deem necessary and against which Orrstown has advised us it intends to vigorously defend itself. With your consent, we have not considered such litigation or any aspect,

implication or effect thereof for purposes of our analyses or opinion. If the outcome of such litigation had been known or assumed to have a material effect on Orrstown, then the conclusion reached in our opinion could have been affected.

This opinion is based on conditions as they existed and the information we received, as of the date of this opinion. Ambassador does not have any obligation to update, revise or reaffirm this opinion. Ambassador expresses no opinion as to the actual value of Orrstown Common Stock when issued in the Merger or the prices at which Mercersburg Common Stock or Orrstown Common Stock might trade at any time.

In rendering our opinion, we have assumed, with your consent, that the Merger and related transactions will be consummated on the terms described in the Merger Agreement, without any waiver or modification of any material terms or conditions. We also have assumed, with your consent, that, in the course of obtaining the necessary governmental, regulatory and other third party approvals, consents and releases for the Merger, including with respect to any divestiture or other requirements, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Mercersburg, Orrstown or the Merger (including the contemplated benefits thereof). We also have assumed, with your consent, that the final Merger Agreement will not differ from the draft reviewed by us in any respect material to our analyses or opinion. We further have assumed, with your consent, that the Merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

We express no view or opinion as to any terms or other aspects (other than the Merger Consideration to the extent expressly specified herein) of the Merger or any related transaction, including, without limitation, the form of the Merger Consideration or the allocation thereof between cash and Orrstown Common Stock or the relative fairness of the Cash Consideration and the Stock Consideration. Our opinion does not address the relative merits of the Merger as compared to any other transaction or business strategy in which Mercersburg might engage or the merits of the underlying decision by Mercersburg to engage in the Merger. Ambassador expresses no opinion with respect to the fairness of the amount or nature of any compensation to any of the officers, directors, or employees of any party to the Merger, or any class of such persons, relative to the Merger Consideration or otherwise.

Ambassador s fairness committee has approved the issuance of this fairness opinion letter.

Mercersburg has engaged the services of Ambassador to act as its financial advisor in connection with the Merger and has agreed to pay Ambassador a fee for such services, a portion of which is payable upon presentation of this opinion and execution of the Merger Agreement and a significant portion of Ambassador s fee is contingent upon the closing of the Merger. In addition, portions of Ambassador s fee became payable upon the signing of our engagement agreement and upon the signing of the exclusivity agreement between Mercersburg and Orrstown, and a portion of Ambassador s fee will be payable upon the mailing of Mercersburg s proxy statement to its shareholders regarding the Merger. In connection with our engagement, we were not authorized to, and we did not, solicit indications of interest from third parties with respect to the possible sale of Mercersburg.

We are an approved broker-dealer for First Community Bank of Mercersburg and periodically purchase and sell securities to First Community Bank of Mercersburg.

Over the past two years, we have not provided investment banking or other consulting services to Mercersburg or Orrstown for which we have received compensation from Mercersburg or Orrstown. In the future, Ambassador may pursue the opportunities to provide investment banking and other consulting services

to Mercersburg and/or Orrstown.

Our opinion is for the benefit of the Board of Directors of Mercersburg (in its capacity as such) and our opinion is rendered to the Board of Directors of Mercersburg in connection with its evaluation of the Merger. Our opinion is not intended to and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the Merger or any matter relating thereto or whether such shareholder should to elect to receive the Cash Consideration or the Stock Consideration.

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Based on the foregoing, our experience, and other factors we deemed relevant, it is our opinion that, as of the date hereof, that the Merger Consideration to be received by the holders of Mercersburg Common Stock pursuant to the Merger Agreement is fair to such holders from a financial point of view.

Respectfully submitted,

Ambassador Financial Group, Inc.

/s/ Ambassador Financial Group, Inc.