Ashford Inc.
Form 8-K
March 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported): **March 1, 2018**

ASHFORD INC.

(Exact name of registrant as specified in its charter)

Maryland	**001-36400**	**46-5292553**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

14185 Dallas Parkway, Suite 1100 **Dallas, Texas**	**75254**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(972) 490-9600**

Check the appropriate box if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Company under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933(§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company x

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

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

The information set forth under Item 2.03 below is incorporated by reference into this Item 1.01. The Credit Facility (as defined below) is filed with this Form 8-K as Exhibit 10.1 and is incorporated herein by reference.

ITEM 2.03 CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT.

On March 1, 2018, Ashford Inc. (the Company) entered into a Credit Agreement (the Credit Facility) with Ashford Hospitality Holdings LLC, a subsidiary of the Company (the Borrower), Bank of America, N.A., as administrative agent and letters of credit issuer, and the lenders from time to time party thereto.

The Credit Facility is a senior secured revolving credit facility in the amount of $35.0 million, including $5.0 million available in letters of credit, and an accordion feature whereby the aggregate commitments may be expanded to $75.0 million, subject to certain conditions. The Credit Facility is a three-year interest-only facility with all outstanding principal due at maturity, with a one-year extension option and an extension fee equal to 0.25% of the aggregate commitments. The proceeds of the Credit Facility may be used for working capital, capital expenditures and other lawful corporate purposes, including property acquisitions; provided, however, no proceeds will be used for investments in business held by Ashford Hospitality Services, LLC or any person that is, or is expected to be, a subsidiary of Ashford Hospitality Services, LLC.

The Credit Facility is guaranteed by the Company and certain subsidiaries of the Company, and secured by: (i) all of the assets of Borrower and each guarantor, (ii) an assignment of proceeds under the advisory agreements with Ashford Hospitality Prime, Inc. and Ashford Hospitality Trust, Inc., and any other similar advisory agreement, (iii) an assignment of the intercompany credit agreement between Borrower and Ashford Hospitality Advisors LLC, and (iv) a pledge of the equity interests in the Borrower and each guarantor.

Borrowings under the Credit Facility will bear interest, at the Borrower s option, at either LIBOR for a designated interest period plus an applicable margin, or the base rate (as defined as the highest of the Bank of America prime rate, the federal funds rate plus 0.5% or LIBOR plus 1.0%) plus an applicable margin. The anticipated applicable margin for borrowings under the Credit Facility for LIBOR loans will range from 3.0% to 3.5% per annum and the applicable margin for the base rate loans will range from 2.0% to 2.5% per annum, depending on the ratio of consolidated funded indebtedness to EBITDA of the Company, with the lowest rate applying if such ratio is less than 1.5 to 1.0, and the highest rate applying if such ratio is equal or greater than 2.0 to 1.0. The Borrower is also required to pay a commitment fee to the lenders assessed on the unused portion of this facility. A default rate will apply on all obligations in the event of default under the Credit Facility at 2.0% above the otherwise applicable rate.

The Credit Facility contains customary terms, covenants, negative covenants, events of default, limitations and other conditions for credit facilities of this type. Subject to certain exceptions, the Company and the Borrower are subject to restrictions on incurring additional indebtedness and liens, investments, mergers and fundamental changes, sales or other dispositions of property, dividends and stock redemptions, changes in the nature of the Borrower s business, transactions with affiliates, burdensome agreements and capital expenditures.

The Company is also subject to certain financial covenants, including: (i) maintaining consolidated tangible net worth not less than 75% of the consolidated tangible net worth as of September 30, 2017 plus 75% of the net equity proceeds of any future equity issuances by the Company; (ii) the ratio of consolidated funded indebtedness that is recourse to Borrower or any guarantor (less unrestricted cash) to consolidated EBITDA, excluding EBITDA attributable to Ashford Hospitality Services, LLC or its subsidiaries, not exceeding 2.75 to 1.0; (iii) maintaining a ratio of consolidated EBITDA, excluding EBITDA attributable to Ashford Hospitality Services, LLC or its subsidiaries, to consolidated interest charges attributable to consolidated funded indebtedness that is recourse to Borrower or any guarantor not less than 5.0 to 1.0; (iv) the ratio of the consolidated funded indebtedness to consolidated EBITDA of the consolidated parties not exceeding 4.5 to 1.0; and (v) dividend payments or stock repurchases (if any) solely being made with cash available for distribution of the Company and its subsidiaries.

The Credit Facility includes customary events of default, and the occurrence of an event of default will permit the lenders to terminate commitments to lend under the Credit Facility and accelerate payment of all amounts outstanding thereunder. If a default occurs and is continuing, the Company will be precluded from making dividends on the Company s shares of common stock.

The foregoing summary is qualified in its entirety by reference to the Credit Facility filed as Exhibit 10.1 hereto and incorporated herein by reference.

ITEM 9.01   FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

Exhibit Number	**Description**
10.1	Credit Agreement, dated as of March 1, 2018, by and among Ashford Hospitality Holdings LLC, Ashford Inc., Bank of America, N.A. and the other lenders party thereto.

SIGNATURE

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

Dated: March 7, 2018

ASHFORD INC.

By: /s/ David A. Brooks
David A. Brooks
General Counsel and Secretary