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ASHFORD HOSPITALITY TRUST INC

Form 8-K/A

November 12, 2003

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K/A  
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported): October 8, 2003

ASHFORD HOSPITALITY TRUST, INC.  
(Exact name of registrant as specified in its charter)

|                          |                          |   |
|--------------------------|--------------------------|---|
| MARYLAND                 | 001-31775                | 86-1062192                                    |
| (State of Incorporation) | (Commission File Number) | (I.R.S. Employer<br>Identification<br>Number) |

|  |            |
|--|------------|
| 14180 Dallas Parkway, 9th Floor          |            |
| Dallas, Texas                            | 75254      |
| (Address of principal executive offices) | (Zip code) |

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

EXPLANATORY NOTE: Pursuant to Item 7(a) (4) of Form 8-K, this Current Report on Form 8-K/A amends the Registrant's Current Report on Form 8-K for the event dated September 16, 2003, as filed on September 23, 2003, to include the historical financial statements and pro forma financial information required by Item 7(a) and (b).

FORM 8-K/A

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### ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On October 8, 2003, Ashford Hospitality Trust, Inc. (the "Company") acquired five hotel properties from FelCor Lodging Limited Partnership (the "FelCor Properties") for \$50 million in cash. The purchase price was the result of an arms' length negotiation. The Company used a portion of the proceeds from its initial public offering of common stock as the source of funds for the acquisition of these properties. A copy of the related press release, dated October 9, 2003, is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

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### ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION, AND EXHIBITS

#### REPORT OF INDEPENDENT AUDITORS

BOARD OF TRUSTEES AND SHAREHOLDERS  
ASHFORD HOSPITALITY TRUST, INC.

We have audited the accompanying Combined Historical Summary of Revenue and Direct Operating Expenses (the Combined Historical Summary) of the FelCor Properties (as described in Note 1) for the year ended December 31, 2002. The Combined Historical Summary is the responsibility of FelCor Lodging Limited Partnership's management. Our responsibility is to express an opinion on the Combined Historical Summary based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Combined Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Combined Historical Summary. An audit also includes assessing the basis of accounting used and significant estimates made by management, as well as evaluating the overall presentation of the Combined Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Combined Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the filing of a Form 8-K/A of Ashford Hospitality Trust, Inc. as described in Note 1, and are not intended to be a complete presentation of the FelCor Properties' revenue and expenses.

In our opinion, the Combined Historical Summary referred to above presents fairly, in all material respects, the revenue and direct operating expenses described in Note 1 of the FelCor Properties for year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Dallas, Texas  
November 6, 2003

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## FELCOR PROPERTIES COMBINED HISTORICAL SUMMARIES OF REVENUE AND DIRECT OPERATING EXPENSES FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND YEAR ENDED DECEMBER 31, 2002

|                              | SIX MONTHS<br>ENDED<br>JUNE 30, 2003<br>(UNAUDITED) | YEAR<br>ENDED<br>DECEMBER 31, 2002 |
|------------------------------|---|------------------------------------|
|                              | -----   | -----                              |
| REVENUE                      |   |                                    |
| Rooms                        | \$ 11,269,210                                       | \$ 22,085,533                      |
| Food and beverage            | 1,333,588   | 2,574,917                          |
| Other                        | 601,910   | 1,296,961                          |
|                              | -----   | -----                              |
| TOTAL REVENUE                | 13,204,708  | 25,957,411                         |
| DIRECT OPERATING EXPENSES    |   |                                    |
| Rooms                        | 2,673,276   | 5,627,969                          |
| Food and beverage            | 1,242,277   | 2,360,119                          |
| Other direct                 | 535,809   | 1,296,233                          |
| Indirect                     | 4,579,425   | 8,884,323                          |
| Property taxes and insurance | 791,304   | 1,565,158                          |
| Management fees              | 298,104   | 583,879                            |

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|  |              |              |
|--|--------------|--------------|
| TOTAL DIRECT OPERATING EXPENSES                  | 10,120,195   | 20,317,681   |
| EXCESS REVENUE OVER DIRECT<br>OPERATING EXPENSES | \$ 3,084,513 | \$ 5,639,730 |
|  | =====        | =====        |

The accompanying notes are an integral part of these financial statements.

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## FELCOR PROPERTIES NOTES TO COMBINED HISTORICAL SUMMARIES OF REVENUE AND DIRECT OPERATING EXPENSES

### 1. ORGANIZATION AND BASIS FOR PRESENTATION

The accompanying Combined Historical Summaries of Revenue and Direct Operating Expenses ("the Combined Historical Summaries") are comprised of the revenue and direct operating expenses of five hotel properties owned by FelCor Lodging Limited Partnership (the "FelCor Properties") during the year ended December 31, 2002 and the six month period ended June 30, 2003 as follows:

- o Embassy Suites Hotel, East Syracuse, New York
- o Embassy Suites Hotel, Phoenix Airport, Arizona
- o Embassy Suites Hotel, Flagstaff, Arizona
- o Doubletree Guest Suites, Columbus, Ohio
- o Doubletree Guest Suites, Dayton, Ohio

On October 8, 2003, Ashford Hospitality Trust, Inc. acquired the FelCor Properties for approximately \$50 million in cash. The Combined Historical Summaries were prepared for the purpose of assisting management of Ashford Hospitality Trust, Inc. in complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission. Accordingly, the Combined Historical Summaries exclude certain items not comparable to the proposed future operations of the FelCor Properties such as mortgage interest expense, depreciation expense, corporate expenses, and interest income. Consequently, the Combined Historical Summaries are not representative of the actual operations of the FelCor Properties for the periods presented nor is it necessarily indicative of future operations.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue and Direct Operating Expenses -- Revenue is recognized as the related service is performed. Expenses are recognized when incurred. Other revenue consists primarily of revenue from telephone and in-house movie services. Indirect expenses primarily consist of general and administrative, sales and marketing, property operations, and energy expenses.

Advertising and Promotion Costs -- Advertising and promotion costs are expensed as incurred.

Repairs and Maintenance Costs -- Repairs and maintenance costs that do not extend the life of the property are expensed as incurred.

Use of Estimates -- The preparation of the Combined Historical Summaries in

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conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the Combined Historical Summaries and accompanying notes. Actual results could differ from those estimates.

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### FELCOR PROPERTIES NOTES TO COMBINED HISTORICAL SUMMARIES OF REVENUE AND DIRECT OPERATING EXPENSES

#### 3. LEASES

The FelCor Properties have entered into certain noncancelable operating leases for certain equipment. Additionally, one of the FelCor Properties has entered into a land lease. The land lease is subject to a base rent plus contingent rent based on the related property's net operating income. For the six months ended June 30, 2003 and year ended December 31, 2002, total rent expense was approximately \$220,000 (unaudited) and \$524,000, respectively. Future minimum lease payments under these leases as of June 30, 2003 and December 31, 2002 are as follows:

|            | As of<br>June 30, 2003<br>(unaudited) |            | As of<br>December 31, 2002 |
|------------|---------------------------------------|------------|----------------------------|
|            | -----                                 |            | -----                      |
| 2003-2004  | \$ 100,832                            | 2003       | \$ 98,904                  |
| 2004-2005  | 79,277                                | 2004       | 95,541                     |
| 2005-2006  | 63,732                                | 2005       | 65,488                     |
| 2006-2007  | 51,780                                | 2006       | 57,756                     |
| 2007-2008  | 51,780                                | 2007       | 51,780                     |
| Thereafter | 2,302,495                             | Thereafter | 2,328,385                  |
|            | -----                                 |            | -----                      |
| Total      | \$ 2,649,896                          | Total      | \$ 2,697,854               |
|            | =====                                 |            | =====                      |

#### 4. MANAGEMENT AND FRANCHISE AGREEMENTS

All of the FelCor Properties are operated under management agreements. In general, management fees are based on a percentage (ranging from 2% to 3%) of total revenue. These management agreements expire beginning in 2005 through 2012 and generally have renewal options.

The Embassy Suite Hotels included in the FelCor Properties also operate under franchise agreements. In general, franchise fees are based on 4% of room revenue, and are included in indirect operating expenses in the accompanying Combined Historical Summaries of Revenue and Direct Operating Expenses. These franchise agreements expire beginning in 2015 through 2017.

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## ASHFORD HOSPITALITY TRUST, INC. CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS

Management has prepared the following pro forma financial statements, which are based on the historical consolidated financial statements of Ashford Hospitality Trust, Inc. (the "Company") and adjusted to give effect to 1) the completion of the Company's formation transactions and its initial public offering on August 28, 2003, and 2) the acquisition of the FelCor Properties on October 8, 2003.

The Unaudited Pro Forma Consolidated Balance Sheet at June 30, 2003 has been prepared to reflect the formation transactions and initial public offering as well as the subsequent acquisition of the FelCor Properties as if such transactions had occurred on June 30, 2003. The Unaudited Pro Forma Consolidated Statements of Operations for the year ended December 31, 2002 and the six-month period ended June 30, 2003 have been prepared to present the results of operations of the Company as if the formation transactions and initial public offering as well as the acquisition of the FelCor Properties occurred at the beginning of each period presented.

The following consolidated pro forma financial statements should be read in conjunction with the Company's Form 8-K filed with the Securities and Exchange Commission on September 23, 2003, the Company's consolidated financial statements and notes thereto for the year ended December 31, 2002, that are incorporated by reference in the Company's Post-Effective Amendment No. 1 to Form S-11, filed August 28, 2003, and the Combined Historical Summaries of Revenue and Direct Operating Expenses and Notes included elsewhere in this Form 8-K/A. In the Company's opinion, all significant adjustments necessary to reflect the acquisition have been made.

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## ASHFORD HOSPITALITY TRUST, INC. CONSOLIDATED PRO FORMA BALANCE SHEET AS OF JUNE 30, 2003 (UNAUDITED)

|                                     | HISTORICAL<br>JUNE 30,<br>2003 | (a)<br>PRO FORMA<br>ADJUSTMENTS | UNADJUSTED<br>PRO FORMA<br>JUNE 30,<br>2003 | (b)<br>PRO<br>ADJUSTED |
|-------------------------------------|--------------------------------|---------------------------------|---|------------------------|
| ASSETS                              |                                |                                 |   |                        |
| Investment in hotel properties      | \$ 101,187,622                 | \$ 8,107,973 (15)               | \$ 109,295,595                              | 50                     |
| Accumulated depreciation            | (18,069,539)                   |                                 | (18,069,539)                                |                        |
| Investment in hotel properties, net | 83,118,083                     | 8,107,973                       | 91,226,056                                  | 50                     |
| Cash                                | 3,927,720                      | 216,911,164 (1)                 | 136,826,461                                 | (49)                   |
|                                     |                                | 4,185,000 (2)                   |   |                        |
|                                     |                                | (3,598,738) (3)                 |   |                        |
|                                     |                                | (17,374,411) (4)                |   |                        |
|                                     |                                | (3,000,000) (9)                 |   |                        |
|                                     |                                | (62,821,155) (11)               |   |                        |
|                                     |                                | 2,554,984 (12)                  |   |                        |
|                                     |                                | (2,933,333) (14)                |   |                        |
|                                     |                                | (550,000) (16)                  |   |                        |

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|   |               |                      |  |                |
|---|---------------|----------------------|--|----------------|
| Restricted cash   | 2,899,810     | (474,770) (18)       |  | 344,826        |
| Accounts receivable, net of allowance for doubtful accounts of \$13,263 | 1,070,296     | (2,554,984) (12)     |  | 1,070,296      |
| Inventories   | 191,112       |                      |  | 191,112        |
| Deferred costs, net   | 1,001,045     | (169,528) (13)       |  | 831,517        |
| Prepaid expenses  | 416,369       |                      |  | 416,369        |
| Other assets  | 44,830        |                      |  | 44,830         |
|   | -----         | -----                |  | -----          |
| Total assets  | \$ 92,669,265 | \$138,282,202        |  | \$ 230,951,467 |
|   | =====         | =====                |  | =====          |
| LIABILITIES AND OWNERS' EQUITY  |               |                      |  |                |
| Mortgage notes payable  | \$ 82,096,150 | \$ (66,096,150) (11) |  | \$ 16,000,000  |
| Capital lease payable   | 528,919       |                      |  | 528,919        |
| Accounts payable  | 1,240,448     |                      |  | 1,240,448      |
| Accrued payroll expense   | 531,111       |                      |  | 531,111        |
| Accrued vacation expense  | 228,209       |                      |  | 228,209        |
| Accrued sales and occupancy taxes                                       | 361,846       |                      |  | 361,846        |
| Accrued real estate taxes   | 426,379       |                      |  | 426,379        |
| Accrued expenses  | 452,610       |                      |  | 452,610        |
| Accrued interest  | 273,000       |                      |  | 273,000        |
| Due to affiliates   | 123,502       |                      |  | 123,502        |
|   | -----         | -----                |  | -----          |
| Total liabilities   | \$ 86,262,174 | \$ (66,096,150)      |  | \$ 20,166,024  |
|   |               |                      |  | \$ 1           |
| Commitments & contingencies   |               |                      |  |                |
| Minority interest   | --            | 38,004,615 (17)      |  | 38,004,615     |
| Owners' equity  | 6,407,091     | (4,455,764) (3)      |  | --             |
|   |               | 3,997,875 (8)        |  |                |
|   |               | (4,754,904) (10)     |  |                |
|   |               | (550,000) (16)       |  |                |
|   |               | (169,528) (13)       |  |                |
|   |               | (474,770) (18)       |  |                |
| Common stock  | --            | 242,341 (1)          |  | 257,339        |
|   |               | 5,000 (2)            |  |                |
|   |               | 250 (5)              |  |                |
|   |               | 6,893 (6)            |  |                |
|   |               | 689 (7)              |  |                |
|   |               | 2,166 (10)           |  |                |
| Additional paid-in capital  | --            | 216,668,823 (1)      |  | 178,952,342    |
|   |               | 4,180,000 (2)        |  |                |
|   |               | 857,026 (3)          |  |                |
|   |               | (17,374,411) (4)     |  |                |
|   |               | 224,750 (5)          |  |                |
|   |               | 6,196,960 (6)        |  |                |
|   |               | (689) (7)            |  |                |
|   |               | (3,997,875) (8)      |  |                |
|   |               | (3,000,000) (9)      |  |                |
|   |               | 4,754,904 (10)       |  |                |
|   |               | (2,166) (10)         |  |                |
|   |               | 3,274,995 (11)       |  |                |
|   |               | (2,933,333) (14)     |  |                |
|   |               | 8,107,973 (15)       |  |                |
|   |               | (38,004,615) (17)    |  |                |
| Unearned compensation   | --            | (225,000) (5)        |  | (6,428,853)    |

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|                                      |               | (6,203,853)   | (6)            |    |   |
|--------------------------------------|---------------|---------------|----------------|----|---|
| Total owners' equity                 | \$ 6,407,091  | \$166,373,737 | \$ 172,780,828 | \$ |   |
| Total liabilities and owners' equity | \$ 92,669,265 | \$138,282,202 | \$ 230,951,467 | \$ | 1 |

The accompanying notes and management's assumptions are an integral part of this consolidated pro forma balance sheet.

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## Explanation of pro forma adjustments:

- (a) Represents pro forma adjustments to reflect the completion of the Company's formation transactions and its initial public offering on August 28, 2003, as described in the Company's Post-Effective Amendment No. 1 to Form S-11, filed August 28, 2003.
- (b) Represents pro forma adjustments to reflect the acquisition of FelCor Properties.
  - (1) Represents the sale of 22,500,000 shares of common stock, par value of \$.01, at the initial price of approximately \$9, plus an additional 1,734,072 shares of common stock, par value of \$.01, related to the underwriters' over-allotment option, at an initial price of \$9 less fees.
  - (2) Represents the sale of 500,000 shares of common stock, par value of \$.01, to Messrs. Archie and Montgomery Bennett at the initial price of \$9 less the underwriters discount of 7%.
  - (3) Represents payment of net working capital to Messrs. Archie and Montgomery Bennett of \$3,598,738 (net of fixed asset commitments of \$857,026).
  - (4) Represents payment of \$17.3 million in offering costs, including \$14.2 of underwriters discount.
  - (5) Represents the issuance of 25,000 restricted shares of common stock, par value of \$.01, to Company directors.
  - (6) Represents the issuance of 689,317 restricted shares of common stock, par value of \$.01, to Company employees and employees of affiliates.
  - (7) Represents the issuance of 68,926 shares of common stock, par value of \$.01, to the underwriters of the offering.
  - (8) Represents the contribution of five hotel properties to the Company in exchange for 4,632,917 limited partnership units.
  - (9) Represents additional consideration of \$3,000,000 paid in cash for the Las Vegas property.
  - (10) Represents the contribution of one hotel property to the Company in exchange for 216,634 shares of common stock, par value of \$.01.
  - (11) Represents mortgage loans payoffs and debt forgiveness as follows:



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|                              |    |            |   |
|------------------------------|----|------------|---|
| Austin Embassy               | \$ | 12,400,000 |   |
| Dallas Embassy               |    | 12,560,000 |   |
| Dulles Embassy               |    | 14,040,000 |   |
| Covington                    |    | 9,274,995  | (includes debt forgiven of \$3,274,995) |
| Holtsville                   |    | 17,821,155 |   |
|                              |    | -----      |   |
| Total mortgage loans payoffs |    | 66,096,150 |   |
| Less Covington debt forgiven |    | 3,274,995  |   |
|                              |    | -----      |   |
| Total cash paid              | \$ | 62,821,155 |   |
|                              |    | =====      |   |

- (12) Represents adjustment to restricted cash balance due to mortgage loans payoffs.
- (13) Represents a write-down of deferred loan costs due to mortgage loans payoffs.
- (14) Represents payment of \$2.9 million related to Special Limited Partner interest associated with one of the contributed hotel properties.
- (15) Represents the 15.5% partial step-up of the historical net carrying value resulting from the acquisition of the minority partner interests.
- (16) Represents a reduction in purchased working capital from a 1% termination fee on the payoff of the \$39,000,000 loan for the Austin Embassy, Dallas Embassy, and Dulles Embassy properties and the \$16,000,000 loan for the Las Vegas Embassy.
- (17) Establish minority interest in accordance with EITF No. 94-2, Treatment of Minority Interest in Certain Real Estate Investments.
- (18) Represents net loss, distributions paid to owners, and contributions from owners prior to the initial public offering.
- (19) Represents management's estimate of the allocation of the purchase price and closing costs.
- (20) Represents payment of the purchase price, closing costs, and related costs of acquiring the properties.
- (21) Represents the historical balance sheet of the acquired properties plus other closing costs paid or accrued.

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## ASHFORD HOSPITALITY TRUST, INC. CONSOLIDATED PRO FORMA STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2003 (UNAUDITED)

HISTORICAL

(a)

UNADJUSTED  
PRO FORMA

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|   | JUNE 30,<br>2003 | PRO FORMA<br>ADJUSTMENTS                      | JUNE 30,<br>2003 | PRO<br>ADJU |
|---|------------------|---|------------------|-------------|
|   | -----            | -----   | -----            | -----       |
| REVENUE   |                  |   |                  |             |
| Rooms   | \$ 14,590,287    |   | \$ 14,590,287    | \$ 11       |
| Food and beverage   | 2,797,012        |   | 2,797,012        | 1           |
| Other   | 471,102          |   | 471,102          |             |
|   | -----            | -----   | -----            | -----       |
| TOTAL REVENUE   | 17,858,401       | --  | 17,858,401       | 13          |
| EXPENSES  |                  |   |                  |             |
| Hotel operating expenses  |                  |   |                  |             |
| Rooms   | 3,366,255        |   | 3,366,255        | 2           |
| Food and beverage   | 2,113,005        |   | 2,113,005        | 1           |
| Other direct  | 370,117          |   | 370,117          |             |
| Indirect  | 4,443,590        |   | 4,443,590        | 4           |
| Management fees   | 535,730          |   | 535,730          |             |
| Property taxes, insurance,<br>and other                           | 1,224,659        |   | 1,224,659        |             |
| Depreciation & amortization                                       | 2,192,332        | 105,213 (6)                                   | 2,297,545        |             |
| Corporate general and<br>administrative                           | 2,010,491        | 3,557,000 (5)<br>1,034,000 (4)<br>225,000 (8) | 6,826,491        |             |
|   | -----            | -----   | -----            | -----       |
| TOTAL OPERATING EXPENSES  | 16,256,179       | 4,921,213                                     | 21,177,392       | 11          |
|   | -----            | -----   | -----            | -----       |
| OPERATING INCOME (LOSS)   | 1,602,222        | (4,921,213)                                   | (3,318,991)      | 1           |
|   | -----            | -----   | -----            | -----       |
| Interest income   | 16,849           |   | 16,849           |             |
| Interest expense  | 3,015,866        | (2,306,050 (1)<br>(13,565) (2)                | 696,251          |             |
|   | -----            | -----   | -----            | -----       |
| NET INCOME (LOSS) BEFORE<br>MINORITY INTEREST AND<br>INCOME TAXES | (1,396,795)      | (2,601,598)                                   | (3,998,393)      | 1           |
|   | -----            | -----   | -----            | -----       |
| Income tax expense  | --               | -- (3)  | --               |             |
| Minority interest   | --               | (720,910) (9)                                 | (720,910)        |             |
|   | -----            | -----   | -----            | -----       |
| NET INCOME (LOSS)   | \$ (1,396,795)   | \$ (1,880,688)                                | \$ (3,277,483)   | \$ 1        |
|   | =====            | =====   | =====            | =====       |
| EARNINGS (LOSS) PER SHARE:  |                  |   |                  |             |
| Basic and diluted   |                  |   | \$ (0.13)        |             |
|   |                  |   | =====            |             |
| WEIGHTED AVERAGE SHARES OUTSTANDING:                              |                  |   |                  |             |
| Basic and diluted   |                  | (7)   | 25,733,949       |             |
|   |                  |   | =====            |             |

The accompanying notes and management's assumptions are an integral part of this consolidated pro forma statement of operations.

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## Explanation of pro forma adjustments:

- (a) Represents pro forma adjustments to reflect the completion of the Company's formation transactions and its initial public offering on August 28, 2003, as described in the Company's Post-Effective Amendment No. 1 to Form S-11, filed August 28, 2003.
- (b) Represents pro forma adjustments to reflect the acquisition of FelCor Properties.
- (1) Represents the interest expense reduction due to payoff of mortgage notes, as follows:

|                |              |
|----------------|--------------|
| Austin Embassy | \$ 523,694   |
| Dallas Embassy | 530,450      |
| Dulles Embassy | 592,956      |
| Covington      | 224,994      |
| Holtsville     | 433,956      |
|                | -----        |
|                | \$ 2,306,050 |
|                | =====        |

- (2) Represents elimination of deferred loan costs amortization due to payoff of mortgage notes.
- (3) Income tax expense on a pro forma basis is zero.
- (4) Represents restricted shares issued to officers, employees, and employees of affiliates vesting one-third annually. Pro forma compensation expense is calculated as follows: 689,317 shares valued at \$9 per share offering price for total compensation cost of \$6,203,853, of which one third vests annually to generate a six-month pro forma cost of \$1,034,000.
- (5) Represents additional general and administrative expenses associated with the operations of the Company, which includes projected compensation and benefit expenses, along with related overhead and administration expense calculated on an historical basis, as well as property-level general and administrative expenses.
- (6) Represents additional depreciation expense resulting from step-up of net carrying value due to acquisition of minority interests.
- (7) Common shares issuable include:

|   |            |        |
|---|------------|--------|
| Shares issued in the initial public offering                                    | 22,500,000 |        |
| Shares issued upon exercise of underwriters' over-allotment                     | 1,734,072  |        |
| Shares sold to Archie and Montgomery Bennett                                    | 500,000    |        |
| Shares conveyed to a limited partnership owned by Archie and Montgomery Bennett | 216,634    |        |
| Restricted shares issuable to Company directors                                 | 25,000     | assume |
| Shares issued to Company underwriters   | 68,926     |        |
| Restricted shares issued to executives and employees                            | 689,317    | assume |
|   | -----      |        |

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Total basic shares

25,733,949  
=====

Shares issuable upon conversion of 5,657,917 units of partnership interest in the Company's operating partnership are excluded from the calculation of diluted weighted average shares outstanding in periods reporting a net loss as such units would be anti-dilutive.

- (8) Represents restricted shares issued to directors that vest after three months. Pro forma compensation expense is calculated as follows: 25,000 shares valued at \$9 per share offering price for total compensation cost of \$225,000.
- (9) Minority interest represents 18.03% of the net loss before minority interest.
- (10) Represents FelCor Properties unaudited combined historical summary of revenue and direct operating expenses for the six months ended June 30, 2003.
- (11) Represents the estimated depreciation expense associated with the acquired properties based on the preliminary purchase price allocation.
- (12) Represents FelCor Properties unaudited combined historical summary of revenue and direct operating expenses for the six months ended June 30, 2003 plus additional franchise fees of \$209,000.

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## ASHFORD HOSPITALITY TRUST, INC. CONSOLIDATED PRO FORMA STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2002 (UNAUDITED)

|                          | HISTORICAL<br>DECEMBER 31,<br>2002 | (a)<br>PRO FORMA<br>ADJUSTMENTS | UNADJUSTED<br>PRO FORMA<br>DECEMBER 31,<br>2002 | (<br>PRO<br>ADJ |
|--------------------------|------------------------------------|---------------------------------|---|-----------------|
|                          | -----                              | -----                           | -----   | -----           |
| REVENUE                  |                                    |                                 |   |                 |
| Rooms                    | \$ 28,529,640                      |                                 | \$ 28,529,640                                   | \$ 22           |
| Food and beverage        | 5,698,029                          |                                 | 5,698,029                                       | 2               |
| Other                    | 1,130,112                          |                                 | 1,130,112                                       | 1               |
|                          | -----                              | -----                           | -----   | -----           |
| TOTAL REVENUE            | 35,357,781                         | --                              | 35,357,781                                      | 25              |
| EXPENSES                 |                                    |                                 |   |                 |
| Hotel operating expenses |                                    |                                 |   |                 |
| Rooms                    | 6,461,721                          |                                 | 6,461,721                                       | 5               |
| Food and beverage        | 4,183,371                          |                                 | 4,183,371                                       | 2               |
| Other direct             | 621,693                            |                                 | 621,693   | 1               |
| Indirect                 | 8,702,894                          |                                 | 8,702,894                                       | 9               |
| Management fees          | 1,059,867                          |                                 | 1,059,867                                       |                 |

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|   |                |   |                |       |
|---|----------------|---|----------------|-------|
| Property taxes, insurance,<br>and other                           | 2,437,482      |   | 2,437,482      | 1     |
| Depreciation & amortization                                       | 4,833,551      | 210,426 (6)                                   | 5,043,977      | 1     |
| Corporate general and<br>administrative                           | 3,667,410      | 7,114,000 (5)<br>2,068,000 (4)<br>225,000 (8) | 13,074,410     |       |
|   | -----          | -----   | -----          | ----- |
| TOTAL OPERATING EXPENSES  | 31,967,989     | 9,617,426                                     | 41,585,415     | 22    |
|   | -----          | -----   | -----          | ----- |
| OPERATING INCOME (LOSS)   | 3,389,792      | (9,617,426)                                   | (6,227,634)    | 3     |
|   | -----          | -----   | -----          | ----- |
| Interest income   | 53,485         |   | 53,485         |       |
| Interest expense  | 6,536,195      | (4,759,515) (1)<br>(27,129) (2)               | 1,749,551      |       |
|   | -----          | -----   | -----          | ----- |
| NET INCOME (LOSS) BEFORE<br>MINORITY INTEREST AND<br>INCOME TAXES | (3,092,918)    | (4,830,782)                                   | (7,923,700)    | 3     |
|   | -----          | -----   | -----          | ----- |
| Income tax expense  | --             | -- (3)  | --             |       |
| Minority interest   | --             | (1,428,643) (9)                               | (1,428,643)    |       |
|   | -----          | -----   | -----          | ----- |
| NET INCOME (LOSS)   | \$ (3,092,918) | \$ (3,402,139)                                | \$ (6,495,057) | \$ 2  |
|   | =====          | =====   | =====          | ===== |
| EARNINGS (LOSS) PER SHARE:  |                |   |                |       |
| Basic and diluted   |                |   | \$ (0.25)      |       |
|   |                |   | =====          |       |
| WEIGHTED AVERAGE SHARES OUTSTANDING:                              |                |   |                |       |
| Basic and diluted   |                | (7)   | 25,733,949     |       |
|   |                |   | =====          |       |

The accompanying notes and management's assumptions are an integral part of this consolidated pro forma statement of operations.

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## Explanation of pro forma adjustments:

- Represents pro forma adjustments to reflect the completion of the Company's formation transactions and its initial public offering on August 28, 2003, as described in the Company's Post-Effective Amendment No. 1 to Form S-11, filed August 28, 2003.
- Represents pro forma adjustments to reflect the acquisition of FelCor Properties.
- Represents the interest expense reduction due to payoff of mortgage notes, as follows:

Austin Embassy

\$ 1,056,067

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|                |              |
|----------------|--------------|
| Dallas Embassy | 1,069,693    |
| Dulles Embassy | 1,195,740    |
| Covington      | 499,849      |
| Holtsville     | 938,166      |
|                | -----        |
|                | \$ 4,759,515 |
|                | =====        |

- (2) Represents elimination of deferred loan costs amortization due to payoff of mortgage notes.
- (3) Income tax expense on a pro forma basis is zero.
- (4) Represents restricted shares issued to officers, employees, and employees of affiliates vesting one-third annually. Pro forma compensation expense is calculated as follows: 689,317 shares valued at \$9 per share offering price for total compensation cost of \$6,203,853, of which one third vests annually to generate an annual pro forma cost of \$2,068,000.
- (5) Represents additional general and administrative expenses associated with the operations of the Company, which includes projected compensation and benefit expenses, along with related overhead and administration expense calculated on an historical basis, as well as property-level general and administrative expenses.
- (6) Represents additional depreciation expense resulting from step-up of net carrying value due to the acquisition of minority interests.
- (7) Common shares issuable include:

|   |          |
|---|----------|
| Shares issued in the initial public offering                                    | 22,500,0 |
| Shares issued upon exercise of underwriters' over-allotment                     | 1,734,0  |
| Shares sold to Archie and Montgomery Bennett                                    | 500,0    |
| Shares conveyed to a limited partnership owned by Archie and Montgomery Bennett | 216,6    |
| Restricted shares issuable to Company directors                                 | 25,0     |
| Shares issued to Company underwriters   | 68,9     |
| Restricted shares issued to executives and employees                            | 689,3    |
|   | -----    |
| Total basic shares  | 25,733,9 |
|   | =====    |

Shares issuable upon conversion of 5,657,917 units of partnership interest in the Company's operating partnership are excluded from the calculation of diluted weighted average shares outstanding in periods reporting a net loss as such units would be anti-dilutive.

- (8) Represents restricted shares issued to directors that vest after three months. Pro forma compensation expense is calculated as follows: 25,000 shares valued at \$9 per share offering price for total compensation cost of \$225,000.
- (9) Minority interest represents 18.03% of the net loss before minority interest.
- (10) Represents FelCor Properties combined historical summary of revenue and direct operating expenses for the year ended December 31, 2002.

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- (11) Represents the estimated depreciation expense associated with the acquired properties based on the preliminary purchase price allocation.
- (12) Represents FelCor Properties combined historical summary of revenue and direct operating expenses for the year ended December 31, 2003 plus additional franchise fees of \$417,000.

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### EXHIBITS

- 23.1 Consent of Independent Auditors
- 99.3 Press Release of the Company dated October 9, 2003, announcing the acquisition of the FelCor Properties.

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### SIGNATURE

Pursuant to the requirements of Section 12 of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: November 12, 2003

ASHFORD HOSPITALITY TRUST, INC.

By: /s/ DAVID J. KIMICHIK

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David J. Kimichik  
Chief Financial Officer

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