

ASHFORD HOSPITALITY TRUST INC

Form DEF 14A

March 31, 2006

**Table of Contents**

**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**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Ashford Hospitality Trust, 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):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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: \_\_\_\_\_

Fee paid previously with preliminary materials.

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: \_\_\_\_\_

---

Table of Contents

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held May 2, 2006**

To the stockholders of

ASHFORD HOSPITALITY TRUST, INC.:

The annual meeting of stockholders of Ashford Hospitality Trust, Inc., a Maryland corporation, will be held at the Embassy Suites Hotel, 14021 Noel Road, Dallas, Texas on May 2, 2006 beginning at 10:00 a.m., Central time, for the following purposes:

- (i) To elect seven directors to hold office until the next annual meeting of stockholders and until their successors are elected and qualified;
- (ii) To ratify the appointment of Ernst & Young LLP, a national public accounting firm, as our independent auditors for the fiscal year ending December 31, 2006; and
- (iii) To transact any other business that may properly come before the annual meeting of stockholders or any adjournment of the annual meeting.

Stockholders of record at the close of business on March 6, 2006 will be entitled to notice of and to vote at the annual meeting of stockholders. **It is important that your shares be represented at the annual meeting of stockholders regardless of the size of your holdings.** Whether or not you plan to attend the annual meeting of stockholders 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 annual meeting of stockholders, you may revoke your proxy by any one of the methods described herein if you choose to vote in person at the annual meeting of stockholders. Voting promptly saves us the expense of a second mailing.

By order of the board of directors,

David A. Brooks  
Secretary

14185 Dallas Parkway, Suite 1100  
Dallas, Texas 75254  
March 31, 2006

---

**TABLE OF CONTENTS**

PROXY STATEMENT

FORWARD-LOOKING STATEMENTS

GENERAL INFORMATION ABOUT VOTING

PROPOSAL NUMBER ONE ELECTION OF DIRECTORS

Nominees for Director

BOARD OF DIRECTORS AND COMMITTEE MEMBERSHIP

OUR CORPORATE GOVERNANCE PRINCIPLES

OTHER GOVERNANCE INFORMATION

EXECUTIVE OFFICERS

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

EQUITY COMPENSATION PLANS

COMPENSATION COMMITTEE

COMPENSATION COMMITTEE REPORT

PERFORMANCE GRAPH

AUDIT COMMITTEE

AUDIT COMMITTEE REPORT

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

PROPOSAL NUMBER TWO RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP

AS OUR INDEPENDENT AUDITORS

STOCKHOLDER PROPOSALS

ADDITIONAL INFORMATION

---

**Table of Contents**

**ASHFORD HOSPITALITY TRUST, INC.  
14185 Dallas Parkway, Suite 1100  
Dallas, Texas 75254**

**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS  
To Be Held May 2, 2006**

This proxy statement, together with the enclosed proxy, is solicited by and on behalf of the board of directors of Ashford Hospitality Trust, Inc., a Maryland corporation, for use at the annual meeting of stockholders to be held at the Embassy Suites Hotel, 14021 Noel Road, Dallas, Texas on May 2, 2006 beginning at 10:00 a.m., Central time. The board of directors is requesting that you allow your shares to be represented and voted at the annual meeting of stockholders by the proxies named on the enclosed proxy card. We, our, us, Ashford, and the Company each refer to Ashford Hospitality Trust, Inc. This proxy statement and accompanying proxy will first be mailed to stockholders on or about March 31, 2006.

At the annual meeting of stockholders, action will be taken to:

elect seven directors to hold office until the next annual meeting of stockholders and until their successors are elected and qualified ( Proposal 1 );

to ratify the appointment of Ernst & Young LLP, a national public accounting firm, as our independent auditors for the fiscal year ending December 31, 2006 ( Proposal 2 ); and

transact any other business that may properly come before the annual meeting of stockholders or any adjournment of the annual meeting.

**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 forward-looking statements include, but are not limited to, our business and investment strategy, our understanding of our competition, current market trends and opportunities, and projected capital expenditures. Such statements are subject to numerous assumptions and uncertainties, many of which are outside of our control.

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: general volatility of the capital markets and the market price of our common stock; changes in our business or investment strategy; availability, terms and deployment of capital; availability of qualified personnel; changes in our industry and the market in which we operate, interest rates or the general economy; and the degree and nature of our competition. These and other risk

factors are more fully discussed in the section entitled "Risk Factors" in our Annual Report on Form 10-K, and from time to time, in Ashford's other filings with the Securities and Exchange Commission.

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.

---

**Table of Contents**

**GENERAL INFORMATION ABOUT VOTING**

**Solicitation of Proxies**

The enclosed proxy is solicited by and on behalf of our board of directors. The expense of soliciting proxies for the annual meeting of stockholders, including the cost of mailing, will be borne by us. 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.

**Voting Securities**

Our outstanding voting equity securities include shares of our common stock and shares of our Series B-1 Cumulative Convertible Redeemable Preferred Stock ( Series B-1 Preferred Stock ). Each share of common stock and each share of Series B-1 Preferred Stock entitles the holder to one vote. As of March 6, 2006 there were outstanding and entitled to vote 55,939,017 shares of common stock and 7,447,865 shares of Series B-1 Preferred Stock. Only stockholders of record at the close of business on March 6, 2006 are entitled to vote at the annual meeting of stockholders or any adjournment of the annual meeting.

**Voting**

If you hold your common stock or Series B-1 Preferred Stock in your own name as a holder of record, you may instruct the proxies to vote your common stock or Series B-1 Preferred Stock by signing, dating and mailing the proxy card in the postage-paid envelope provided. You may also vote your common stock or Series B-1 Preferred Stock in person at the annual meeting of stockholders.

If your common stock or Series B-1 Preferred Stock is held on your behalf by a broker, bank or other nominee, you will receive instructions from them that you must follow to have your common stock or Series B-1 Preferred Stock voted at the annual meeting of stockholders.

**Counting of Votes**

A quorum will be present if the holders of a majority of the outstanding shares entitled to vote are present, in person or by proxy, at the annual meeting of stockholders. If you have returned valid proxy instructions or if you hold your shares in your own name as a holder of record and attend the annual meeting of stockholders in person, your shares will be counted for the purpose of determining whether there is a quorum. If a quorum is not present, the annual meeting of stockholders may be adjourned by the vote of a majority of the shares represented at the annual meeting until a quorum has been obtained.

The affirmative vote of a plurality of the shares of common stock and shares of Series B-1 Preferred Stock, voting together as a single class, cast at the annual meeting of stockholders is required to elect each nominee to our board of directors. The affirmative vote of a majority of the shares present and voting is required to ratify the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2006. For any other matter, unless otherwise required by Maryland or other applicable law, the affirmative vote of a majority of the shares of common stock and shares of Series B-1 Preferred Stock, voting together as a single class, present and voting at the annual meeting of stockholders is required to approve the matter.



If you abstain or withhold votes or your shares are treated as broker non-votes, your abstention, withheld vote or broker non-vote will not be counted as votes cast and will have no effect on the outcome in the election of our board of directors or the ratification of the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2006.

If you sign and return your proxy card without giving specific voting instructions, your shares will be voted FOR the nominees to our board of directors and FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2006.

## **Table of Contents**

### **Right To Revoke Proxy**

If you hold shares of common stock or Series B-1 Preferred Stock in your own name as a holder of record, you may revoke your proxy instructions through any of the following methods:

notify our Secretary in writing before your shares of common stock or Series B-1 Preferred Stock have been voted at the annual meeting of stockholders;

sign, date and mail a new proxy card to Computershare Trust Company, N.A.; or

attend the annual meeting of stockholders and vote your shares of common stock or Series B-1 Preferred Stock in person.

You must meet the same deadline when revoking your proxy as when voting your proxy. See the Voting section of this proxy statement for more information.

If shares of common stock or Series B-1 Preferred 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.

### **Multiple Stockholders Sharing the Same Address**

The Securities and Exchange Commission (the SEC) rules allow for the delivery of a single copy of an annual report and proxy statement to any household at which two or more stockholders reside, if it is believed the stockholders are members of the same family. Duplicate account mailings will be eliminated by allowing stockholders to consent to such elimination, or through implied consent if a stockholder does not request continuation of duplicate mailings. 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 or Series B-1 Preferred 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 Hospitality Trust, Inc., Attention: Stockholder Relations, 14185 Dallas Parkway, Suite 1100, Dallas, Texas, 75254. You can also obtain copies from our web site at [www.ahtreit.com](http://www.ahtreit.com).

## **PROPOSAL NUMBER ONE ELECTION OF DIRECTORS**

One of the purposes of the annual meeting of stockholders is to elect directors to hold office until the next annual meeting of stockholders and until their successors have been elected and qualified. Set forth below are the names, principal occupations, committee memberships, ages, directorships held with other companies, and other biographical data for the nominees for director, as well as the month and year each nominee was first elected as one of our directors. Also set forth below is the beneficial ownership of our shares of common stock as of March 6, 2006 for each nominee. This beneficial ownership figure does not necessarily demonstrate the nominee's individual ownership. No nominee owns any shares of Series B-1 Preferred Stock. For discussion of beneficial ownership, see the Security Ownership of Management and Certain Beneficial Owners section of this proxy statement. If any nominee becomes unable to stand for election as a director, an event that our board of directors does not presently expect, the proxy will be voted for a replacement nominee if one is designated by our board of directors.

**The board of directors recommends a vote FOR all nominees.**

**Table of Contents**

**Nominees for Director**

**ARCHIE BENNETT, JR.**

*Chairman of the Board,  
Ashford Hospitality Trust, Inc.*

Director since May, 2003

Shares of common stock  
beneficially owned

4,008,973\*

Age 68

Mr. Archie Bennett, Jr. was elected to the board of directors in May 2003 and has served as the Chairman of the board of directors since that time. He has served as the Chairman of the board of directors of Remington Hotel Corporation since its formation in 1992 and continues to do so. Mr. Bennett started in the hotel industry in 1968. Since that time, he has been involved with hundreds of hotel properties. Mr. Bennett was a founding member of the Industry Real Estate Finance Advisory Council ( IREFAC ) of the American Hotel & Motel Association and served as its chairman for two separate terms.

**MONTGOMERY J. BENNETT**

*President and Chief Executive Officer,  
Ashford Hospitality Trust, Inc.*

Director since May, 2003

Shares of common stock  
beneficially owned

3,982,223\*

Age 40

Mr. Montgomery Bennett was elected to the board of directors in May 2003 and has served as the President and Chief Executive Officer since that time. Mr. Bennett also serves as the President and Chief Executive Officer of Remington Hotel Corporation. Mr. Bennett joined Remington Hotel Corporation in 1992 and has served as its President since 1997. He has also served in several other key positions at Remington Hotel Corporation, such as Executive Vice President, Director of Information Systems, General Manager and Operations Director. Mr. Montgomery Bennett is the son of Mr. Archie Bennett, Jr.

**MARTIN L. EDELMAN**

*Of Counsel,  
Paul, Hastings, Janofsky & Walker LLP*

Chairman: Nominating/Corporate Governance  
Committee

Director since August, 2003

Shares of common stock beneficially  
owned by Mr. Edelman or members  
of his family

327,358\*

Age 64

Mr. Edelman was elected to the board of directors in August 2003 and has served on our board since that time. Since 2000, Mr. Edelman has served as Of Counsel to Paul, Hastings, Janofsky & Walker LLP. From 1972 to 2000, he served as a partner at Battle Fowler LLP. Mr. Edelman has been a real estate advisor to Quantum Realty Partners/Soros Real Estate Partners and is one of the managing partners of GSR Hotel Portfolio and Grupo Chartwell de Mexico, privately-owned hotel companies. He is a director of Cendant Incorporated and Capital Trust.

**W.D. MINAMI**

*President,  
Billy Casper Golf LLC*

Member: Audit Committee

Mr. Minami was elected to the board of directors in August 2003 and has served on our board since that time. Mr. Minami also serves as President of Billy Casper LLC. From 2001 until 2002, Mr. Minami served as President of Charles E. Smith Residential division of Archstone-Smith. From

Director since August, 2003

Shares of common stock  
beneficially owned

13,500

Age 49

1997 to 2001, Mr. Minami worked for Charles E. Smith Residential Realty Inc., a NYSE-listed real estate investment trust, initially as Chief Financial Officer, then as Chief Operating Officer, and beginning in 2001, as President. Prior to 1997, Mr. Minami served in various financial service capacities for numerous entities, including Ascent Entertainment Group, Comsat Corporation, Oxford Realty Services Corporation and Satellite Business Systems. Mr. Minami also serves on the board of directors of NorthStar Realty Finance Corp., a NYSE-listed publicly traded REIT.

\* Includes common units of our operating partnership, which are convertible on a one for one basis into shares of our common stock, at our option.

**Table of Contents****W. MICHAEL MURPHY**

*Executive Vice President,  
First Fidelity Mortgage Corporation*

Chairman: Compensation Committee  
Member: Audit and Nominating/Corporate  
Governance Committee

Director since August, 2003

Shares of common stock  
beneficially owned

Age 60

11,000

**PHILIP S. PAYNE**

*Chairman of the Board,  
BNP Residential Properties, Inc.*

Chairman: Audit Committee  
Member: Compensation Committee

Director since August, 2003

Shares of common stock  
beneficially owned

Age 54

14,000

**CHARLES P. TOPPINO**

*Managing Director,  
Eastdil Secured*

Member: Compensation Committee

Director since August, 2003

Shares of common stock  
beneficially owned

Age 47

14,100

Mr. Murphy was elected to the board of directors in August 2003 and has served on our board since that time. Mr. Murphy also serves as Executive Vice President of the First Fidelity Mortgage Corporation. From 1998 to 2002 Mr. Murphy served as the Senior Vice President and Chief Development Officer of ResortQuest International, Inc., a public, NYSE-listed company. Prior to joining ResortQuest, from 1995 to 1997, he was President of Footprints International, a company involved in the planning and development of environmentally friendly hotel properties. From 1994 to 1996, Mr. Murphy was a Senior Managing Director of Geller & Co., a Chicago-based hotel advisory and asset management firm. Mr. Murphy has twice been Co-Chairman of IREFAC.

Mr. Payne was elected to the board of directors in August 2003 and has served on our board since that time. Mr. Payne also is currently Chairman of the Board of BNP Residential Properties, Inc., an AMEX-listed real estate investment trust. Mr. Payne joined BT Venture Corporation, which was subsequently purchased by BNP Residential Properties, Inc., in 1990 as Vice President of Capital Market Activities and became Executive Vice President and Chief Financial Officer in January 1993. He was named Treasurer in April 1995, a director in December 1997, and elected Chairman in 2004. From 1987 to 1990 he was a principal in Payne Knowles Investment Group, a financial planning firm. Mr. Payne maintains his license to practice law in Virginia.

Mr. Toppino was elected to the board of directors in August 2003 and has served on our board since that time. As of 2006, Mr. Toppino is a Managing Director at Eastdil Secured which is a real estate investment bank that is a wholly owned subsidiary of Wells Fargo & Company. Mr. Toppino leads Eastdil Secured's loan sale business and also helps in coordinating that line of business with other lines of business which include investment property sales and debt and equity financings for commercial real estate and hospitality properties. Mr. Toppino also serves on Eastdil Secured's Management Committee. Eastdil Secured is the successor entity via acquisition of Secured Capital Corp., a company Mr. Toppino and others founded in 1990 and where he served as the Executive Vice President and principal. Mr. Toppino is also a director of Secured Capital Japan Co. Ltd., which is a corporation incorporated under the law of Japan and a

public company that trades on the Tokyo Stock Exchange. Secured Capital Japan is an investment manager and asset manager of Japanese commercial real estate properties and Japanese loan portfolios.

**Table of Contents**

**BOARD OF DIRECTORS AND COMMITTEE MEMBERSHIP**

Our business is managed through the oversight and direction of our board of directors. Members of our board of directors are kept informed of our business through discussions with our Chairman of the board of directors, Chief Executive Officer and other officers, by reviewing materials provided to them and by participating in meetings of our board of directors and its committees.

During the year ended December 31, 2005, our board of directors held five regular meetings and eight special meetings. All directors standing for re-election attended, in person or by telephone, at least 75 percent of all meetings of our board of directors and committees on which such director served.

**Attendance at Annual Meeting of Stockholders**

In keeping with our corporate governance principles, directors are expected to attend the annual meeting of stockholders in person. All directors standing for re-election attended the 2005 annual meeting of stockholders.

**Board Member Independence**

Section 303A.02 Independence Tests of the NYSE Listed Company Manual describes the requirements for a director to be deemed independent by the NYSE, including the requirement of an affirmative determination by our board of directors that the director has no material relationship with us that would impair independence. The full text of our board of director s Corporate Governance Guidelines can be found in the Investor Relations section of our website at [www.ahtreit.com](http://www.ahtreit.com) by clicking INVESTOR RELATIONS, then CORPORATE GOVERNANCE, and then Corporate Governance Guidelines. In determining whether any of our director nominees has a material relationship with us that would impair independence, our board of directors reviewed both the NYSE Listed Company Manual requirements on independence as well as our own Guidelines. Our Guidelines provide that if any director receives more than \$100,000 per year in compensation from the Company, exclusive of director and committee fees, he or she will not be considered independent. Our board of directors has affirmatively determined that, with the exception of Messrs. Archie Bennett, Jr. and Montgomery J. Bennett who are our Chairman of the board of directors and Chief Executive Officer, respectively, all of the directors nominated for election at the annual meeting are independent of Ashford and its management under the standards set forth in the Corporate Governance Guidelines and the NYSE listing requirements. In making its determination, our board of directors examined relationships between directors or their affiliates with Ashford and its affiliates including those reported below under the heading Certain Relationships and Related Transactions on page 25. Therefore, our board of directors is comprised of a majority of independent directors, as required in Section 303A.01 of the NYSE Listed Company Manual. Any reference to an independent director herein infers compliance with the NYSE independence tests.

**Board Committees and Meetings**

The current standing committees of our board of directors are the Audit Committee, the Compensation Committee and the Nominating/Corporate Governance Committee. Each of these committees has a written charter approved by our board of directors. A copy of each charter can be found in the Investor Relations section of our website at [www.ahtreit.com](http://www.ahtreit.com) by clicking INVESTOR RELATIONS and then CORPORATE GOVERNANCE. The members of the committees are identified in the table below, and a description of the principal responsibilities of each committee follows.

**Nominating/Corporate**



	<b>Audit</b>	<b>Compensation</b>	<b>Governance</b>
Archie Bennett, Jr.			
Montgomery J. Bennett			
Martin L. Edelman			Chair
W.D. Minami	X		
W. Michael Murphy	X	Chair	X
Philip S. Payne	Chair	X	
Charles P. Toppino		X	

## **Table of Contents**

The *Audit Committee*, composed of three independent directors, met four times during 2005. This committee's purpose is to provide assistance to our board of directors in fulfilling their oversight responsibilities relating to:

- The integrity of our financial statements;
- Our compliance with legal and regulatory requirements;
- The independent auditor's qualifications and independence; and
- The performance of our internal audit function and independent auditors.

Our board of directors has determined that both Mr. Payne and Minami are audit committee financial experts, as defined in the applicable rules and regulations of the Securities Exchange Act of 1934, as amended and that Mr. Murphy is financially literate.

The *Compensation Committee*, composed of three independent directors, met seven times during 2005. This committee's purpose is to:

- Discharge the board of director's responsibilities relating to compensation of our executives;
- Produce an annual report on executive compensation for inclusion in the our proxy statement; and
- Oversee and advise the board of directors on the adoption of policies that govern our compensation programs, including stock and benefit plans.

The *Nominating/Corporate Governance Committee*, composed of two independent directors, met one time during 2005. This committee's purpose is to:

- Identify individuals qualified to become members of our board of directors;
- Recommend that our board of directors select the director nominees for the next annual meeting of stockholders;
- Identify and recommend candidates to fill vacancies occurring between annual stockholder meetings; and
- Develop and implement our Corporate Governance Guidelines.

## **Board Member Compensation**

During 2005 each of our independent directors who did not serve as the chairman of one of our committees was paid a director's fee of \$20,000 per year, and each director who served as a committee chairman, other than the chairman of our Audit Committee, was paid a director's fee of \$25,000. The director who served as the chairman of our Audit Committee was paid a director's fee of \$35,000. Each independent director and the chairman of our board were also paid a fee of \$2,000 for each board of directors or committee meeting that he attended in person, except that the chairman of each committee was paid a fee of \$3,000 for each committee meeting that he attended in person. Each independent director and the chairman of our board were also paid a fee of \$500 for each telephone board or telephone committee meeting that he attended or other board or committee meeting that he attended via teleconference.

In February 2006, the board approved increases for certain of the directors' fees which were retroactively effective to January 1, 2006. As a result, commencing January 1, 2006, each of our independent directors who does not serve as the chairman of one of our committees will be paid a directors' fee of \$35,000 per year. The director who serves as chairman of our Audit Committee will be paid a director's fee of \$60,000 per year; and the director who serves as chairman of our Compensation Committee will be paid a director's fee \$50,000 per year. Each independent director will continue to be paid a fee of \$2,000 for each board of directors or committee meeting that he or she attends in person, except that the chairman of each committee will be paid a fee of \$3,000 for each committee meeting that he or she attends in person. Additionally, the chairman of the board will be paid a fee of \$3,000 for each board of directors meeting that he attends in person. Each independent director and the chairman of our board will continue to be paid a fee of \$500 for each telephone board or telephone committee meeting that he or she attends or other board or committee meeting that he or she attends via teleconference.

## **Table of Contents**

In addition, we have historically reimbursed and will continue to reimburse all directors for reasonable out-of-pocket expenses incurred in connection with their services on the board of directors.

In 2004, our board of directors formed a special committee comprised solely of independent directors to evaluate a potential 21 property related party acquisition. The special committee retained independent advisors to review, evaluate, and negotiate the transaction, which the special committee unanimously approved. On March 8, 2005, the compensation committee approved a payment of \$60,000 to the chairman of the special committee and a payment of \$45,000 to each of the other three special committee members, in each case as compensation for their service on the special committee.

Following each annual meeting of stockholders at which an independent director is reelected to our board of directors, each independent director has historically received additional restricted stock grants of 2,000 shares of our common stock. Commencing January 1, 2006, our board of directors approved future annual stock grants of 3,200 shares of our common stock to each independent director that is re-elected to our board of directors at our annual meeting. These restricted stock grants will be fully vested immediately. In accordance with this policy, we granted 2,000 shares of fully vested common stock to each of our independent directors in May 2005.

Additionally, we granted to our Chairman 56,000 shares of common stock in March 2005 based, in part, on his leadership role on the board during 2004 and 80,000 shares of common stock in March 2006 based, in part, on his leadership role on the board during 2005.

## **Non-Compete Agreement**

We entered into a non-compete agreement with Mr. Archie Bennett, Jr. in August 2003. The non-compete agreement provides for Mr. Bennett to serve as our executive Chairman. The non-compete agreement has an initial term ending December 31, 2006 and is subject to automatic one-year extensions thereafter, in each case, unless either party provides at least six months' notice of non-renewal. Mr. Bennett's non-compete agreement allows him to continue to act as Chairman of Remington Hotel and Remington Lodging provided his duties for Remington Hotel do not materially interfere with his duties to us. In February 2006, our board reviewed Mr. Bennett's non-compete agreement and approved an increase in his director's fee from \$200,000 to \$300,000 per year. The board also determined that, because of a contract misinterpretation, we erroneously failed to pay a director's fee to Mr. Bennett in connection with his attendance at board meetings in 2003, 2004 and 2005. As a result, we made a payment to Mr. Bennett of \$29,000 in December 2005 to compensate him for the director's fees he should have received in 2003, 2004 and 2005.

The non-compete agreement currently provides for, among other provisions:

an annual director's fee of \$300,000, of which \$25,000 may be paid in the form of shares of our common stock, at the discretion of our compensation committee;

director's and officer's liability insurance coverage; and

participation in other incentive, savings and retirement plans, in the discretion of our compensation committee.

## **OUR CORPORATE GOVERNANCE PRINCIPLES**

Our policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of the New York Stock Exchange (the "NYSE") and the corporate governance requirements of the Sarbanes-Oxley Act of 2002. We maintain a corporate governance section on our website which includes key information about our corporate governance initiatives including our Board of Director Guidelines, charters for the committees of our board of

directors, our Code of Business Conduct and Ethics and our Code of Ethics for the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. The corporate governance section can be found on our website at [www.ahtreit.com](http://www.ahtreit.com) by clicking INVESTOR RELATIONS and then CORPORATE GOVERNANCE.

**Table of Contents**

Each director should perform, to the best of his ability, the duties of a director, including the duties as a member of a committee of our board of directors in good faith; in our best interests and the best interests of our stockholders; and with the care that an ordinarily prudent person in a like position would use under similar circumstances. This duty of care includes the obligation to make, or cause to be made, an inquiry when, but only when, the circumstances would alert a reasonable director to the need thereof. Directors are expected to attend all meetings of our board of directors and meetings of committees on which they serve. Directors are also expected to attend the annual meeting of stockholders.

Our Nominating/Corporate Governance Committee is responsible for seeking, considering and recommending to the board of directors qualified candidates for election as directors and recommending a slate of nominees for election as directors at the annual meeting of stockholders. It also periodically prepares and submits to the board for adoption the Nominating/Corporate Governance Committee's selection criteria for director nominees. Before recommending an incumbent, replacement or additional director, our Nominating/Corporate Governance Committee reviews his or her qualifications, including personal and professional integrity, capability, judgment, availability to serve, conflicts of interest, ability to act on behalf of shareholders and other relevant factors. It reviews and makes recommendations on matters involving general operation of the board of directors and our corporate governance, and it annually recommends to the board of directors nominees for each committee of the board. In addition, our Nominating/Corporate Governance Committee annually facilitates the assessment of the board of directors performance as a whole and of the individual directors and reports thereon to the board. Our Nominating/Corporate Governance Committee has the sole authority to retain and terminate any search firm to be used to identify director candidates. Stockholders wishing to recommend director candidates for consideration by the committee can do so by writing to our secretary at our corporate headquarters in Dallas, Texas, giving the candidate's name, biographical data and qualifications. The secretary will, in turn, deliver any stockholder recommendations for director candidates prepared in accordance with our bylaws to the nominating/corporate governance committee. Any such recommendation must be accompanied by a written statement from the individual of his or her consent to be named as a candidate and, if nominated and elected, to serve as director. The Nominating/Corporate Governance Committee will consider candidates recommended by stockholders provided stockholders follow, when submitting recommendations, the procedures set forth below in the Stockholder Procedures for Recommending Candidate for Director section of this proxy statement. The Nominating/Corporate Governance Committee evaluates a candidate using the minimum criteria set forth above without regard to who nominated the candidate.

Our board of directors does not prohibit its members from serving on boards and/or committees of other organizations, and our board of directors has not adopted guidelines limiting such activities. The Nominating/Corporate Governance Committee and our board of directors will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations for inclusion in the slate of directors to be submitted to stockholders for election at the annual meeting of stockholders.

None of the directors on the Compensation Committee, or any of our executive officers will serve as a member of a board of directors or any compensation committee of any entity that has one or more executive officers serving as a member of our board of directors.

Upon attaining the age of 75 and annually thereafter, a director will tender a letter of proposed retirement from our board of directors to the chairperson of our Nominating/Corporate Governance Committee. Our Nominating/Corporate Governance Committee will review the director's continuation on our board of directors, and recommend to the board whether, in light of all the circumstances, our board should accept such proposed retirement or request that the director continue to serve.

If the Chief Executive Officer resigns from his position with Ashford, he will tender to our board of directors a letter of proposed resignation from the board. Our Nominating/Corporate Governance Committee will review the director's continuation on our board of directors, and recommend to the board whether, in light of all the circumstances, our board of directors should accept such proposed resignation or request that the director continue to serve.

## **Table of Contents**

When a director's principal occupation or business association changes substantially from the position he held when originally invited to join our board of directors, the director will tender a letter of proposed resignation from the board to the chairperson of our Nominating/Corporate Governance Committee. Our Nominating/Corporate Governance Committee will review the director's continuation on our board of directors, and recommend to the board whether, in light of all the circumstances, the board should accept such proposed resignation or request that the director continue to serve.

## **OTHER GOVERNANCE INFORMATION**

### **Stockholder Procedures for Recommending Candidate for Director**

Stockholders who wish to recommend individuals for consideration by the Nominating/Corporate Governance Committee to become nominees for election to our board of directors may do so by submitting a written recommendation to our Secretary at 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254. For the committee to consider a candidate, submissions must include sufficient biographical information concerning the recommended individual, including age, employment history, a description of each employer's business that includes employer names and phone numbers, affirmation of whether such individual can read and understand basic financial statements and a list of board memberships the candidate holds, if any. The secretary will, in turn, deliver any stockholder recommendations for director candidates prepared in accordance with our bylaws to our Nominating/Corporate Governance Committee. The recommendation must be accompanied by a written consent of the individual to stand for election if nominated by the board of directors and to serve if elected by the stockholders. Once a reasonably complete recommendation is received by our Nominating/Corporate Governance Committee, a questionnaire will be delivered to the recommended candidate which will request additional information regarding the recommended candidate's independence, qualifications and other information that would assist our Nominating/Corporate Governance Committee in evaluating the recommended candidate, as well as certain information that must be disclosed about the candidate in our proxy statement, if nominated. The recommended candidate must return the questionnaire within the time frame provided to be considered for nomination by our Nominating/Corporate Governance Committee. Recommendations received between the period December 1, 2006 and December 31, 2006, will be considered for candidacy at the 2007 annual meeting of stockholders.

### **Stockholder Communication with our Board of Directors**

Stockholders who wish to contact any of our directors either individually or as a group may do so by writing to them c/o David A. Brooks, Corporate Secretary, Ashford Hospitality Trust, Inc., 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254. Stockholder letters are screened by company personnel based on criteria established and maintained by our Nominating/Corporate Governance Committee, which includes filtering out improper or irrelevant topics such as solicitations.

### **Meetings of Non-Management Directors**

Our board of directors will have at least two regularly scheduled meetings per year for the non-management directors without management present. At these meetings, the non-management directors will review strategic issues for our board of directors' consideration, including future agendas, the flow of information to directors, management progression and succession, and our corporate governance guidelines. The non-management directors have determined that the chairman of our Nominating/Corporate Governance Committee, currently Mr. Edelman, will preside at such meetings. The presiding director is responsible for advising the Chief Executive Officer of decisions reached and suggestions made at these meetings. The presiding director may have other duties as determined by the directors. These meetings shall also constitute meetings of our Nominating/Corporate Governance Committee, with any non-management directors who are not members of such committee attending by invitation. Stockholders may



communicate with the presiding director or non-management directors as a group by utilizing the communication process identified in the Stockholder Communication with our Board of Directors section of this proxy statement. If non-management directors include a director that is not an independent director, then at least one of the scheduled meetings should include only independent directors.

**Table of Contents****Director Orientation and Continuing Education**

Our board of directors and senior management conduct a comprehensive orientation process for new directors to become familiar with our vision, strategic direction, core values including ethics, financial matters, corporate governance practices and other key policies and practices through a review of background material and meetings with senior management. Our board of directors also recognizes the importance of continuing education for directors and is committed to provide such education in order to improve both our board of directors and its committees' performance. Senior management will assist in identifying and advising our directors about opportunities for continuing education, including conferences provided by independent third parties.

**EXECUTIVE OFFICERS**

The following table shows the names and ages of each of our current executive officers and the positions held by each individual. A description of the business experience of each for at least the past five years follows the table.

	<b>Age</b>	<b>Title</b>
Montgomery J. Bennett	40	President and Chief Executive Officer
Douglas A. Kessler	45	Chief Operating Officer
David A. Brooks	46	Chief Legal Officer and Secretary
David J. Kimichik	45	Chief Financial Officer and Treasurer
Mark L. Nunneley	48	Chief Accounting Officer

For a description of the business experience of Mr. Montgomery Bennett, see the "Election of Directors" section of this proxy statement.

*Mr. Kessler* has served as our Chief Operating Officer and Head of Acquisitions since May, 2003. From July of 2002 until August, 2003, Mr. Kessler served as the managing director/chief investment officer of Remington Hotel Corporation. Prior to joining Remington Hotel Corporation in 2002, from 1993 to 2002, Mr. Kessler was employed at Goldman Sachs' Whitehall Real Estate Funds, where he assisted in the management of more than \$11 billion of real estate (including \$6 billion of hospitality investments) involving over 20 operating partner platforms worldwide. During his nine years at Whitehall, Mr. Kessler served on the boards or executive committees of several lodging companies, including Westin Hotels and Resorts and Strategic Hotel Capital. Mr. Kessler co-led the formation of Goldman Sachs' real estate investment management operations in France.

*Mr. Brooks* has served as our Chief Legal Officer and Head of Transactions since May, 2003. He served as Executive Vice President and General Counsel for Remington Hotel Corporation and Ashford Financial Corporation from January, 1992 until August, 2003. Prior to joining Remington Hotel Corporation, Mr. Brooks served as a partner with the law firm of Sheinfeld, Maley & Kay.

*Mr. Kimichik* has served as our Chief Financial Officer and Head of Asset Management since May, 2003. Mr. Kimichik has been associated with the Remington Hotel Corporation principals for the past 23 years and was President of Ashford Financial Corporation, an affiliate of ours, from 1992 until August, 2003. Mr. Kimichik previously served as Executive Vice President of Mariner Hotel Corporation, an affiliate of Remington Hotel Corporation, in which capacity he administered all corporate activities, including business development, financial management and operations.

*Mr. Nunneley* has served as our Chief Accounting Officer since May, 2003. From 1992 until 2003, Mr. Nunneley served as Chief Financial Officer of Remington Hotel Corporation. He previously served as tax consultant at Arthur Andersen & Company and as a tax manager at Deloitte & Touche. Mr. Nunneley is a certified public accountant and is a member of the American Institute of Certified Public Accountants, Texas Society of CPAs and Dallas Chapter of AICPAs.

**Table of Contents****EXECUTIVE COMPENSATION**

Our direction and policies are established by our board of directors and implemented by our Chief Executive Officer. The Summary Compensation Table below shows certain compensation information for our Chief Executive Officer and four other most highly compensated executive officers, for services rendered in all capacities during the years ended December 31, 2005, 2004 and 2003.

**SUMMARY COMPENSATION TABLE**

	Year	Annual Compensation		Long-Term Compensation Restricted Stock Awards
		Salary	Bonus	
Montgomery J. Bennett President and Chief Executive Officer	2005	\$ 467,500	\$ 584,375	\$ 1,099,380 <sup>(1)</sup>
	2004	425,000	531,250	256,086 <sup>(2)</sup>
	2003	149,044 <sup>(3)</sup>	141,667 <sup>(3)</sup>	1,990,602 <sup>(4)</sup>
Douglas A. Kessler Chief Operating Officer	2005	\$ 360,000	\$ 360,000	\$ 907,616 <sup>(1)</sup>
	2004	300,000	300,000	124,920 <sup>(2)</sup>
	2003	106,736 <sup>(3)</sup>	75,000 <sup>(3)</sup>	947,079 <sup>(4)</sup>
David A. Brooks Chief Legal Officer and Secretary	2005	\$ 286,000	\$ 257,400	\$ 411,640 <sup>(1)</sup>
	2004	260,000	234,000	73,911 <sup>(2)</sup>
	2003	93,198 <sup>(3)</sup>	52,000 <sup>(3)</sup>	343,656 <sup>(4)</sup>
David J. Kimichik Chief Financial Officer and Treasurer	2005	\$ 286,000	\$ 257,400	\$ 411,640 <sup>(1)</sup>
	2004	260,000	234,000	73,911 <sup>(2)</sup>
	2003	88,000 <sup>(3)</sup>	52,000 <sup>(3)</sup>	645,345 <sup>(4)</sup>
Mark L. Nunneley Chief Accounting Officer	2005	\$ 181,500	\$ 108,900	\$ 165,660 <sup>(1)</sup>
	2004	150,000	90,000	36,435 <sup>(2)</sup>
	2003	45,000 <sup>(3)</sup>	27,000 <sup>(3)</sup>	162,504 <sup>(4)</sup>

- (1) Represents shares of restricted stock issued on March 24, 2005, valued at \$10.04 per share, the closing price of our common stock on the date of issuance. All such shares vest 1/3 annually beginning with the first anniversary of issuance. Dividends, if declared, will be paid on the shares of restricted common stock.
- (2) Represents shares of restricted common stock issued on March 17, 2004, valued at \$10.41 per share, the closing price of our common stock on the date of issuance. All such shares vest 1/3 annually beginning with the first anniversary of issuance. Dividends, if declared, will be paid on the shares of restricted common stock.
- (3) Represents salaries or bonuses for the period August 29, 2003 (the date of our initial public offering) through December 31, 2003.
- (4) Represents shares of restricted common stock issued upon the completion of our initial public offering valued at \$9.00 per share, the initial public offering price of our common stock. All such shares vest 1/3 annually beginning with the first anniversary of issuance. Dividends, if declared, will be paid on the shares of restricted common stock.

## **Employment Agreements**

In addition to the non-compete agreement with our Chairman described above under Board of Directors and Committee Membership Non Compete Agreement, we entered into employment agreements with each of Messrs. Montgomery Bennett, Kessler, Brooks, Kimichik and Nunneley in August, 2003. The employment agreements provide for Mr. Bennett to serve as our President and Chief Executive Officer, Mr. Kessler to serve as our Chief Operating Officer, Mr. Brooks to serve as our Chief Legal Officer and Secretary, Mr. Kimichik to serve as our Chief Financial Officer and Treasurer, and Mr. Nunneley to serve as our Chief Accounting Officer. These employment agreements require Messrs. Kessler, Brooks, Kimichik and Nunneley to devote substantially full-time attention and time to our affairs, but also permit them to devote time to their outside business interests consistent with past practice. Mr. Bennett's employment agreement allows him to continue to act as Chief Executive Officer and President of Remington Hotel and to act as an executive officer of the general partner of Remington Lodging, provided his duties for Remington Hotel and Remington Lodging do not materially interfere with his duties to us.

**Table of Contents**

In March 2006, our compensation committee reviewed the employment agreements of each of our executive officers and determined that it would be in the best interest of the Company to eliminate the fixed bonus range for our executive officers and include instead a targeted bonus range for each executive officer. Each of the employment agreements has a term ending December 31, 2006 (December 31, 2007 in the case of Mr. Bennett) and is subject to automatic one-year renewals at the end of such term, unless either party provides at least six months' notice of non-renewal.

The employment agreements currently provide for:

An annual base salary of \$650,000 for Mr. Bennett, \$500,000 for Mr. Kessler, \$325,000 for Mr. Brooks, \$325,000 for Mr. Kimichik and \$220,000 for Mr. Nunneley, which amounts were increased in 2006 to their current levels in accordance with our normal executive compensation practices;

Eligibility for annual cash performance bonuses under our incentive bonus plans;

Director's and officer's liability insurance coverage;

Participation in other incentive, savings and retirement plans applicable generally to our senior executives; and

Medical and other group welfare plan coverage and fringe benefits provided to our senior executives.

Mr. Bennett's targeted annual bonus range is 75% to 125% of his base salary. Mr. Kessler's targeted annual bonus range is 50% to 100% of his base salary. Mr. Brooks' targeted annual bonus range is 30% to 90% of his base salary. Mr. Kimichik's targeted annual bonus range is 30% to 90% of his base salary. Mr. Nunneley's targeted annual bonus range is 20% to 60% of his base salary.

In addition, in connection with our initial public offering:

Mr. Bennett was granted 221,178 shares of our common stock (valued at \$1,990,602, at the initial public offering price of our common stock);

Mr. Kessler was granted 105,231 shares of our common stock (valued at \$947,079, at the initial public offering price of our common stock);

Mr. Brooks was granted 38,184 shares of our common stock (valued at \$343,656, at the initial public offering price of our common stock);

Mr. Kimichik was granted 71,705 shares of our common stock (valued at \$645,345, at the initial public offering price of our common stock); and

Mr. Nunneley was granted 18,056 shares of our common stock (valued at \$162,504, at the initial public offering price of our common stock).

The restricted stock granted to each of our executive officers in connection with our initial public offering vests in equal annual installments on each of the first three anniversaries of the initial public offering of our common stock. The actual number of shares of restricted stock granted to these five executive officers was equal, in the aggregate, to 1.45% of the fully-diluted shares of common stock outstanding after completion of the initial public offering of our common stock, excluding the 65,024 shares issued to the underwriters but including shares sold upon the exercise of the underwriters' overallotment option.

The employment agreements provide that, if an executive's employment is terminated by the executive for good reason or after a change of control (each as defined in the applicable employment agreement), or by us without cause during the initial term of his employment agreement, the executive will be entitled to accrued and unpaid salary to the date of such termination and any unpaid incentive bonus from the prior year plus the following severance payments and benefits, subject to his execution and non-revocation of a general release of claims:

a lump-sum cash payment equal to two times (three times in the case of Mr. Bennett) of the sum of his then-current annual base salary plus average bonus over the prior three years;

pro-rated payment of the incentive bonus;

**Table of Contents**

all restricted stock held by such executive will become fully vested; and

health benefits for one year (18 months in the case of Mr. Bennett) following the executive's termination of employment at the same cost to the executive as in effect immediately preceding such termination, subject to reduction to the extent that the executive receives comparable benefits from a subsequent employer.

If the executive is terminated by us without cause after the initial term of his employment agreement or we do not renew his agreement, then the executive will receive all of the benefits above except that his lump sum cash payment will be equal to one times the sum of his then-current annual base salary plus his average bonus over the prior three years.

In addition, if the severance payment to any executive is deemed to be a golden parachute payment under § 280G of the Internal Revenue Code of 1986, as amended, then such executive would also be entitled to a tax gross-up payment to cover his excise tax liability under § 280G.

Each employment agreement also provides that the executive or his estate will be entitled to certain severance benefits in the event of his death or disability.

Mr. Bennett's employment agreement also contains standard confidentiality, non-compete and non-solicitation provisions. The confidentiality provisions apply during the term of the employment agreement and for a period of two years thereafter. The non-compete and non-solicitation provisions apply during the term of his employment agreement, and if Mr. Bennett resigns without cause, for a period of one year thereafter, or if Mr. Bennett is removed for cause (as defined in his employment agreement), for a period of 18 months thereafter. In the case of Mr. Bennett's resignation without cause, in consideration for his non-compete, Mr. Bennett will receive a cash payment, to be paid in equal monthly installments during the one-year non-compete period, equal to the sum of his then-current annual base salary plus average bonus over the prior three years. Mr. Bennett's non-compete period will terminate if Remington Lodging terminates our exclusivity rights under the mutual exclusivity agreement between Remington Lodging and us.

The other executives' employment agreements also contain standard confidentiality, non-compete and non-solicitation provisions. The non-compete and non-solicitation provisions apply during the terms of their employment agreement, and if any of them resigns without cause during the initial three-year term of his agreement, for a period of one year thereafter. In the case of such executive's resignation without cause, in consideration for his non-compete, he will receive a cash payment, to be paid in equal monthly installments during the one-year non-compete period, equal to the sum of his then-current annual base salary, plus average bonus over the prior three years. In the event either Mr. Kessler, Mr. Brooks, Mr. Kimichik or Mr. Nunneley's employment is terminated for cause (as defined in the respective employment agreement), or he resigns without cause after the initial three-year term of his employment agreement, he will not be subject to a non-compete and will not be entitled to any cash payment other than accrued and unpaid base salary to the date of his separation from us.

**EQUITY COMPENSATION PLANS**

The following table summarizes the total number of outstanding securities in each of our equity compensation plans and the number of securities remaining for future issuance, as well as the weighted-average exercise price of all outstanding securities as of December 31, 2005.

**Number of Securities**



<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, warrants and Rights</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)</b>
Equity compensation plans approved by stockholders:	None	N/A	2,803,553
Equity compensation plans not approved by stockholders:	None	N/A	-0-
Total	None	N/A	2,803,553

**Table of Contents**

**COMPENSATION COMMITTEE**

*Compensation for our executive officers is administered under the direction of our Compensation Committee. In their role as our administrator of compensation programs, our Compensation Committee approves the compensation arrangements of all executives.*

*The following is our Compensation Committee's report, in its role as reviewer of our executive pay programs, on 2005 compensation practices for our executive officers. The report and the performance graph that appears immediately after such report shall not be deemed to be soliciting material or to be filed with the SEC under the Securities Act of 1933 or the Securities Exchange Act of 1934 or incorporated by reference in any document so filed.*

**COMPENSATION COMMITTEE REPORT**

**Executive Compensation Program Philosophy**

The philosophy behind Ashford's executive compensation programs is to attract, motivate and retain the executives needed in order to maximize the creation of long-term stockholder value. The Compensation Committee (the Committee) believes that the uniqueness of Ashford's business, its strategic direction and the required caliber of employees needed to execute its strategy require that compensation be determined based on the following factors:

Responsibilities within Ashford.

Completion of individual business objectives (which objectives may vary greatly from person to person).

Overall performance of Ashford.

Amount and form of prior compensation.

Contributions toward executing the business strategy of Ashford.

The Committee believes that each of the above factors is important when determining compensation levels. No specific weighting or formula regarding such factors is used in determining compensation.

**2005 Compensation for Executive Officers**

For 2005, the primary components of Ashford's executive's compensation consist of: (i) base salaries; (ii) annual bonuses; and (iii) other executive programs and benefits. Each element is described in more detail below.

***Base Salaries***

The Chief Executive Officer, utilizing the above factors, reviews base salaries annually and makes recommendations to the Committee. Any interim modifications to salaries are also based on the above factors and recommendations are made to the Committee. In March 2006, the Chief Executive Officer made recommendations to the Committee with respect to increases in the base salaries for each of our executive officers other than the Chief Executive Officer, and the Committee and our Board of Directors approved increased base salaries of \$500,000, \$325,000, \$325,000 and \$220,000 for our Chief Operating Officer, our Chief Financial Officer, our Chief Legal Officer and our Chief Accounting Officer, respectively. These new base salaries were effective as of January 1, 2006.

***Annual Bonuses***

As revised in March 2006, the employment agreements for each of the executive officers provide for a targeted annual bonus during the terms of the respective agreements based on the level of accomplishment of management and performance objectives as established by the board or the Committee. Prior to the revisions made in March 2006, each of the employment agreements provided for a minimum and a maximum annual bonus amount. Each of the executive officers received the maximum bonus amounts set forth in their respective employment agreements for the 2005 fiscal year. In making its determination as to the level of bonuses paid to the executive officers, the

## **Table of Contents**

compensation committee utilized the services of a consulting firm, which conducted a survey of executive officer compensation within competitive industries and made a recommendation as to bonuses for our executive officers.

### ***Long-Term Incentives***

The Committee believes that Ashford's key employees should have an ongoing stake in the long-term success of the business. The Committee also believes that key employees should have a considerable portion of their total compensation paid in the form of stock. This element of the total compensation program is intended to align the executive's interest to that of Ashford stockholders through the granting of stock options, restricted stock and other incentive-based awards. The same factors that are used in determining other elements of compensation are used in determining long-term incentive grants. In March 2005, the Committee granted 188,900 shares of common stock to executive officers, other than the Chief Executive Officer, and 18,000 shares of common stock to other key employees based, in part, on the performance of these executive officers and employees during 2005. Additionally, in March 2006, the Committee granted 320,000 shares of common stock to executive officers, other than the Chief Executive Officer, and 30,000 shares of common stock to other key employees in March 2006 based, in part, on the performance of these executive officers and employees during 2005. All such shares will vest in equal annual installments on each of the first three anniversaries of the date of issuance.

### ***Other Executive Programs and Benefits***

During 2005, Ashford maintained an Employee Savings Incentive Plan ( ESIP ). Under the ESIP, Ashford matched 25% of a participant's contribution to the ESIP, up to 10% of such participant's base salary. In January 2006, Ashford implemented a 401(k) plan under which Ashford matches 50% of an eligible participant's contribution to the plan, up to 6% of such participant's base salary, subject to limitations imposed by the Internal Revenue Service.

### **2005 Compensation for the Chief Executive Officer**

The same philosophies described above for executive compensation were used by the Committee to set the compensation of our Chief Executive Officer, Mr. Montgomery Bennett.

### ***Base Salary***

Mr. Bennett is compensated pursuant to an employment agreement entered into in August, 2003. Mr. Bennett's employment agreement currently provides for an annual base salary of \$650,000, subject to increase in accordance with our normal executive compensation practices.

### ***Annual Bonus***

As revised in March 2006, the employment agreement for Mr. Bennett provides for a targeted annual bonus during the term of the agreement based on the level of accomplishment of management and performance objectives as established by the board or the Committee. Prior to the revisions in March 2006, Mr. Bennett's employment agreement provided for a minimum and a maximum annual bonus amount. Mr. Bennett received the maximum bonus amount set forth in his employment agreement for the 2005 fiscal year. In making its determination as to the level of bonuses paid, the compensation committee utilized the services of a consulting firm which conducted a survey a chief executive officer compensation within competitive industries and made a recommendation as to the bonus of our chief executive officer.

### ***Long-Term Incentives***

In March 2005, the Committee granted 109,500 shares of common stock to Mr. Bennett based, in part, on his performance during 2004. Additionally, in March 2006, the Committee granted 180,000 shares of common stock to Mr. Bennett based, in part, on his performance during 2005. All such shares will vest in equal annual installments on each of the first three anniversaries of the date of issuance.

**Table of Contents**

**Deductibility of Executive Compensation Pursuant to Section 162(m)**

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally precludes a publicly-held corporation from a federal income tax deduction for a taxable year for compensation in excess of \$1 million paid to the Chief Executive Officer or any of the four other most highly compensated executive officers. Exceptions are made for, among other things, qualified performance-based compensation. Qualified performance-based compensation means compensation paid solely on account of attainment of objective performance goals, provided that (i) performance goals are established by a compensation committee consisting solely of two or more outside directors, (ii) the material terms of the performance-based compensation are disclosed to and approved by a separate stockholder vote prior to payment, and (iii) prior to payment, the Committee certifies that the performance goals were attained and other material terms were satisfied. The Committee intends, to the extent feasible and where it believes it is in the best interests of Ashford and its stockholders, to attempt to qualify executive compensation as tax deductible; however, the Committee does not intend to allow this tax provision to negatively affect the Committee's development and execution of effective compensation plans. The Committee intends to maintain the flexibility to take actions it considers to be in the best interests of Ashford and its stockholders.

**Conclusion**

Executive compensation at Ashford is subject to considerable focus by the Committee, the board of directors and management. The Committee believes that Ashford's compensation programs and other benefits produce a strong attraction and motivation for Ashford's executive officers and help align their interests with the interests of Ashford's stockholders.

COMPENSATION COMMITTEE

W. Michael Murphy, Chairman  
Philip S. Payne  
Charles P. Toppino

**Table of Contents****PERFORMANCE GRAPH**

Set forth below is a line graph comparing the percentage change in the cumulative total stockholder return on our common stock, with the cumulative total return of the S&P 500 Stock Index, the NAREIT Mortgage Index and the NAREIT Lodging Resort Index for the period August 29, 2003, the date of our initial public offering, through December 31, 2005, assuming the investment of \$100 on August 29, 2003 in stock or index-including reinvestment of dividends. The NAREIT Lodging Resorts Index is not a published index; however, we believe the companies included in this index provide a representative example of enterprises in the lodging resort line of business in which we engage. Stockholders who wish to request a list of companies in the NAREIT Lodging Resorts Index may send written requests to Ashford Hospitality Trust, Inc., Attention: Stockholder Relations, 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254. The stock price performance shown on the graph is not necessarily indicative of future price performance.

**COMPARISON OF 28 MONTH CUMULATIVE TOTAL RETURN\*  
AMONG ASHFORD HOSPITALITY TRUST, INC., THE S & P 500 INDEX,  
THE NAREIT MORTGAGE INDEX AND THE NAREIT LODGING & RESORTS INDEX**

\* \$100 invested on 8/29/03 in stock or on 7/31/03 in index including reinvestment of dividends. Fiscal year ending December 31.

Copyright © 2006, Standard & Poor's, a division of The McGraw-Hill Companies, Inc. All rights reserved.  
[www.researchdatagroup.com/S&P.htm](http://www.researchdatagroup.com/S&P.htm)

**Ashford Hospitality Trust -NYSE**

	<b>8/03</b>	<b>8/03</b>	<b>9/03</b>	<b>10/03</b>	<b>11/03</b>	<b>12/03</b>	<b>1/04</b>	<b>2/04</b>	<b>3/04</b>
TY									
E.	100.00	103.00	99.67	101.67	105.56	104.33	106.11	110.00	113.91
	100.00	101.95	100.87	106.57	107.51	113.15	115.23	116.83	115.07
MORTGAGE	100.00	98.33	97.94	106.03	113.45	116.18	121.92	130.76	140.37
LDGING &	100.00	100.00	107.87	109.63	116.66	124.43	128.80	127.45	133.33
	<b>5/04</b>	<b>6/04</b>	<b>7/04</b>	<b>8/04</b>	<b>9/04</b>	<b>10/04</b>	<b>11/04</b>	<b>12/04</b>	<b>1/05</b>
TY									
E.	99.26	94.44	101.11	97.26	107.90	111.22	113.63	126.51	116.85
	114.81	117.05	113.17	113.63	114.86	116.61	121.33	125.46	122.40
MORTGAGE	113.60	117.50	113.77	123.03	126.38	121.50	131.61	137.59	133.66
LDGING &	125.37	129.35	130.74	135.61	139.53	143.85	152.75	165.79	155.68

	<b>3/05</b>	<b>4/05</b>	<b>5/05</b>	<b>6/05</b>	<b>7/05</b>	<b>8/05</b>	<b>9/05</b>	<b>10/05</b>	<b>11/05</b>
TY	120.59	121.06	117.75	129.73	142.82	138.02	131.46	128.28	130.36
E.	122.77	120.44	124.27	124.45	129.07	127.90	128.93	126.78	131.58
MORTGAGE	120.05	119.18	124.69	127.38	128.50	114.86	106.01	99.19	105.98
LDGING &	155.12	158.59	162.43	170.69	180.27	173.15	170.38	166.37	175.37



**Table of Contents**

**AUDIT COMMITTEE**

*Our Audit Committee is governed by a written charter adopted by our board of directors and is composed of three independent directors, each of whom has been determined by our board of directors to be independent in accordance with the rules of the NYSE.*

*The following is our Audit Committee's report in its role as the overseer of the integrity of our financial statements, the financial reporting process, our independent auditor's performance, including their qualification and independence, and our compliance with legal and regulatory requirements. In carrying out its oversight responsibilities, our Audit Committee is not providing any expert or special assurance as to our financial statements or any professional certification as to the outside auditor's work. This report shall not be deemed to be soliciting material or to be filed with the SEC under the Securities Act of 1933 or the Securities Exchange Act of 1934 or incorporated by reference in any document so filed.*

**AUDIT COMMITTEE REPORT**

The Audit Committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. The Audit Committee meetings include, whenever appropriate, executive sessions with the independent auditors and with Ashford's internal auditors, in each case without the presence of management.

The Audit Committee has reviewed and discussed the consolidated financial statements with management and Ernst & Young LLP, Ashford's independent registered public accounting firm. Management is responsible for the preparation, presentation and integrity of Ashford's consolidated financial statements; accounting and financial reporting principles; establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)); establishing and maintaining internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)); evaluating the effectiveness of disclosure controls and procedures; evaluating the effectiveness of internal control over financial reporting; and evaluating any change in internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting. Ernst & Young LLP is responsible for performing an independent audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States, as well as expressing an opinion on (i) management's assessment of the effectiveness of internal control over financial reporting and (ii) the effectiveness of internal control over financial reporting.

During the course of the year, management completed the documentation, testing and evaluation of Ashford's system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was kept apprised of the progress of the evaluation and provided oversight and advise to management during the process. In connection with this oversight, the Audit Committee received periodic updates provided by management and Ernst & Young LLP at each regularly scheduled Audit Committee meeting. At the conclusion of the process, management provided the Audit Committee with, and the Audit Committee reviewed a report on, the effectiveness of Ashford's internal control over financial reporting. The Audit Committee also reviewed the report of management contained in Ashford's annual report on Form 10-K for the fiscal year ended December 31, 2005 filed with the SEC, as well as Ernst & Young LLP's Report of Independent Registered Public Accounting Firm included in Ashford's annual report on Form 10-K for the fiscal year ended December 31, 2005 related to its audit of (i) the consolidated financial statements, (ii) management's assessment of the effectiveness of internal control over financial reporting and (iii) the effectiveness of internal control over financial reporting. The Audit Committee continues to oversee Ashford's efforts related to its internal control over financial reporting and management's preparation for the evaluation in fiscal 2006.

The Audit Committee has discussed with Ernst & Young LLP the matters required to be discussed with the independent auditors pursuant to Statement on Auditing Standards No. 61 (Communication with the Audit Committees), including the quality of Ashford's accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee also discussed with Ernst & Young LLP matters relating to its independence, including review of audit and non-audit fees and the written disclosures and letter from Ernst & Young LLP to the Audit Committee pursuant to Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).

**Table of Contents**

Taking all of these reviews and discussions into account, the undersigned Audit Committee members recommended to the board of directors that the board approve the inclusion of Ashford's audited financial statements in Ashford's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, for filing with the Securities and Exchange Commission.

**AUDIT COMMITTEE**

Philip S. Payne, Chairman

W.D. Minami

W. Michael Murphy

**SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS**

For purposes of this proxy statement a beneficial owner means any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares:

(i) *Voting power* which includes the power to vote, or to direct the voting of, any class of our voting securities; and/or

(ii) *Investment power* which includes the power to dispose, or to direct the disposition of, any class of our voting securities.

**Security Ownership of Management**

Listed in the following table and the notes thereto is certain information with respect to the beneficial ownership of our common stock as of March 6, 2006, by (i) each of our directors, (ii) each of our executive officers and (iii) all of our directors and executive officers as a group. No directors or executive officers own any shares of Series B-1 Preferred Stock.

<b>Name of Stockholder</b>	<b>Number of Shares Beneficially Owned(1)</b>	<b>Percent of Class(2)</b>
Archie Bennett, Jr.	4,008,973	6.77%
Montgomery J. Bennett	3,982,223	6.73%
Martin Edelman	327,358	*
Charles P. Toppino	14,100	*
Philip S. Payne	14,000	*
W.D. Minami	13,500	*
W. Michael Murphy	11,000	*
David A. Brooks	352,719	*
Douglas Kessler	207,631	*
David Kimichik	165,593	*
Mark L. Nunneley	144,646	*
All executive officers and directors as a group (11 persons)	9,241,744	14.62%

\* Denotes less than 1.0%.

- (1) Assumes that all units of our operating partnership held by such person or group of persons are redeemed for common stock (regardless of when such units are redeemable) and includes all restricted stock grants made since our initial public offering through March 6, 2006. All such stock grants vest in equal annual installments on each of the first three anniversaries of the date of their issuance.
- (2) The total number of shares outstanding used in calculating the percentage assumes that none of the operating partnership units held by other persons are redeemed for common stock.

**Table of Contents****Security Ownership of Certain Beneficial Owners**

Listed in the following table and the notes thereto is certain information with respect to the beneficial ownership of our common stock and our Series B-1 Preferred Stock as of March 6, 2005, by the persons known to Ashford to be the beneficial owners of five percent or more of either our common stock or our Series B-1 Preferred Stock. To our knowledge, other than as set forth in the table below, there are no persons owning more than five percent of any class of Ashford's voting securities. Unless otherwise indicated, all shares are owned directly and the indicated person has sole voting and investment power.

<b>Title of Securities</b>	<b>Name of Stockholder</b>	<b>Number of Shares Beneficially Owned</b>	<b>Percent of Class<sup>(1)</sup></b>
Common Stock	Eubel Brady & Suttman Asset Management, Inc	4,097,386 <sup>(2)</sup>	7.32%
Common Stock	Kensington Investment Group, Inc Security Capital Secured Growth Incorporated	2,918,700 <sup>(3)</sup>	5.22%
Series B-1 Preferred Stock		7,447,865	100.00%

- (1) The total number of shares of common stock outstanding used in calculating the percentage assumes that none of the operating partnership units held by other persons are redeemed for common stock.
- (2) Based on information provided by Eubel Brady & Suttman Asset Management, Inc. in Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2006. Eubel Brady & Suttman Asset Management, Inc.'s address is 7777 Washington Drive, Suite 210, Dayton, Ohio 45459.
- (3) Based on information provided by Kensington Investment Group, Inc. in Schedule 13G filed with the Securities and Exchange Commission on February 9, 2006. Kensington Investment Group, Inc.'s address is 4 Orinda Way, Suite 200C, Orinda, California 94563.

**Compliance with Section 16(a) of the Securities Exchange Act of 1934**

To our knowledge, based solely on review of the copies of such reports furnished to us and written representations that no other reports were required, during the year ended December 31, 2005, all of our directors, executive officers and beneficial owners of more than ten percent of our common stock were in compliance with the Section 16(a) filing requirements, except as follows: Mr. Archie Bennett failed to file four Form 4 reports on a timely basis with respect to five separate transactions, and Messrs. Montgomery J. Bennett, Douglas Kessler, David Brooks, David Kimichik and Mark Nunneley each failed to file one Form 4 report on a timely basis with respect to a single transaction for each such filer. All such reports have now been filed.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Our operating partnership entered into a master management agreement with Remington Lodging, subject to certain independent director approvals, pursuant to which Remington Lodging operates and manages a significant number of our hotels. Remington Lodging is an affiliate of Remington Hotel Corporation, both of which are beneficially owned 100% by Messrs. Archie and Montgomery Bennett. The fees due to Remington Lodging under the management

agreement include management fees, project and purchase management fees and other fees. The actual amount of management fees for the properties managed by Remington Lodging for the 12 months ended December 31, 2005, was equal to approximately \$7.3 million. The actual amount of project and purchase management fees for the same period was approximately \$3.3 million.

Further, we and our operating partnership entered into a mutual exclusivity agreement with Remington Lodging and Remington Hotel and Messrs. Archie and Montgomery Bennett, pursuant to which we have a first right of refusal to purchase lodging investments identified by them. We also agreed to hire Remington Lodging for the management or construction of any hotel which is part of an investment we elect to pursue, unless either all of our independent directors elect not to do so or a majority of our independent directors elect not to do so based on a determination that special circumstances exist or that another manager or developer could perform materially better than Remington Lodging.

**Table of Contents**

On March 16, 2005, we acquired 21 hotel properties from selling entities controlled by affiliates of Fisher Brothers, Gordon Getty Trust, and George Soros, which collectively owned approximately 78% of the acquired hotels, and certain members of our senior management, which collectively owned approximately 22% of the acquired hotels, for approximately \$250.0 million plus certain closing costs. The selling entities are collectively referred to as FGSB. The \$250 million purchase price consisted of approximately \$35.0 million in cash, approximately \$164.7 million in assumed mortgage debt, and approximately \$50.3 million worth of limited partnership units, which equates to 4,994,150 units based on the \$10.07 average market price of the Company's common stock for the 20-day period ending five business days before signing a definitive agreement to acquire these properties on December 23, 2004. The \$250 million purchase price was determined based on an 8.8x trailing 12-month EBITDA multiple, an EBITDA yield of 11.4% and a trailing 12-month net operating income capitalization rate of 9.5% on the entire 21-hotel portfolio based on a trailing 12-month net operating income of \$23.7 million. The members of our senior management and one of our independent directors who owned minority interests in these properties, and the consideration each received in the transaction, are as follows:

Archie Bennett, Jr., Chairman of our Board of Directors	361,604 Common Units 419,967 Class B Units \$ 246,008*
Montgomery J. Bennett, Director President and Chief Executive Officer	361,604 Common Units 419,967 Class B Units \$ 247,689*
Martin L. Edelman, Director	92,712 Common Units \$ 930,000
David A. Brooks, Chief Legal Officer	45,788 Common Units \$ 461,159*
David J. Kimichik, Chief Financial Officer	45,788 Common Units \$ 461,159*
Mark L. Nunneley, Chief Accounting Officer	18,333 Common Units \$ 184,468*

\* In connection with the consummation of this transaction, the selling entity owned by our senior management team was required to repay indebtedness owed to FGS entities totaling \$1,531,899. Netting each individual's portion of such repayment against the consideration received by that individual, Messrs. Archie and Montgomery Bennett had to pay to the FGS entities \$365,282 and \$363,601, respectively, and Messrs Brooks, Kimichik and Nunneley received \$384,402, \$384,402 and \$153,765, respectively.

In connection with this acquisition, our board of directors formed a special committee solely comprised of independent directors to evaluate this transaction. The special committee retained independent advisors to review, evaluate, and negotiate the transaction, which the Special Committee unanimously approved. The special committee was comprised of the following disinterested directors, who received the following compensation for their service on the special committee:

W.D. Minami, Director and Chairman of the Special Committee	\$ 60,000
W. Michael Murphy, Director	45,000
Philip S. Payne,	45,000

Director Charles P. Toppino, Director	45,000
---	--------

In connection with the consummation of our initial public offering, we acquired eight asset management and consulting agreements between Ashford Financial Corporation and eight hotel management companies in consideration of 1,025,000 units of limited partnership interest in Ashford Hospitality Limited Partnership. Under these eight agreements, Ashford Financial Corporation provided asset management and consulting services to 27 hotels managed under contract with the eight management companies. We now hold Ashford Financial Corporation s



**Table of Contents**

interest under the contributed agreements and perform the services instead of Ashford Financial Corporation. Each of the eight management companies is either a wholly owned subsidiary of Remington Hotel Corporation, which is owned 100% by Messrs. Archie and Montgomery Bennett, or is 100% owned by one or both of the Bennetts. Messrs. Archie and Montgomery Bennett also own 100% of Ashford Financial Corporation. Pursuant to a written guaranty agreement executed by Ashford Financial Corporation for our benefit, Ashford Financial Corporation guaranteed that we will be paid a minimum of \$1.2 million per year for five years from our initial public offering, in consulting fees under all of the asset management and consulting agreements, for a total guarantee of \$6.0 million. The minimum guaranteed amount will be subject to annual adjustments based on the consumer price index. In March 2005, we acquired 21 of the 27 hotel properties for which we previously provided the asset management and consulting services, and the remaining six hotels for which we provided such services have either been sold or are currently being marketed for sale. In connection with the acquisition of the 21 hotel properties and any subsequent sale of the remaining six properties, the asset management and consulting agreements for these properties have been or will be terminated, and we will no longer receive any fees under the terminated agreements. We do not expect the remaining unsold hotel properties for which we provide asset management and consulting services to generate sufficient revenue to result in annual fees of at least \$1.2 million (as adjusted) as guaranteed in the agreement. However, pursuant to the written guaranty agreement executed in connection with our initial public offering, Ashford Financial Corporation will continue to guarantee a minimum fee of approximately \$1.2 million per year through December 31, 2008. We were paid approximately \$1.2 million in 2005 under the remaining asset management and consulting agreements and the related Ashford Financial Corporation guaranty. We expect to continue to receive the guaranteed minimum amount from Ashford Financial Corporation through December 31, 2008.

Remington Hotel Corporation, which is owned 100% by Messrs. Archie and Montgomery Bennett, pay for certain corporate general and administrative expenses on our behalf, including rent, payroll, office supplies and travel. Such charges are allocated to us based on various methodologies, including headcount, office space, usage and actual amounts incurred. For the year ended December 31, 2005, such costs were approximately \$3.0, which are reimbursed by us monthly.

**PROPOSAL NUMBER TWO RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT AUDITORS**

We are asking our stockholders to ratify our Audit Committee's appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006. Ernst & Young LLP has audited our financial statements since we commenced operations in 2003. Stockholder ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm is not required by our bylaws or otherwise. However, our board of directors is submitting the selection of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate practice. If our stockholders fail to ratify the selection the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent accounting firm at any time during the year if it determines that such a change would be in the best interests of us and our stockholders.

Our Audit Committee is responsible for appointing, setting compensation, retaining and overseeing the work of our independent registered public accounting firm. Our Audit Committee pre-approves all audit and non-audit services provided to us by our independent registered public accounting firm. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. The Audit Committee has delegated pre-approval authority to its chairperson when expedition of services is necessary. The independent registered public accounting firm and management are required to periodically report to the full Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee approved all fees paid to Ernst & Young LLP during the past two years with no reliance placed on the *de minimis*

exception established by the SEC for approving such services.

Services provided by Ernst & Young LLP during 2005 included the audits of (i) our annual financial statements and the financial statements of our subsidiaries, (ii) management's assessment of the effectiveness of internal

**Table of Contents**

control over financial reporting, and (iii) the effectiveness of internal control over financial reporting. Services also included the limited review of unaudited quarterly financial information; review and consultation regarding filings with the SEC and the Internal Revenue Service; assistance with management's evaluation of internal accounting controls; and consultation on financial and tax accounting and reporting matters. During the years ended December 31, 2005 and 2004, fees incurred related to our principal accountants, Ernst & Young LLP, consisted of the following:

	<b>Year Ended December 31</b>	
	<b>2005</b>	<b>2004</b>
Audit Fees	\$ 1,032,000	\$ 841,500 <sup>(1)</sup>
Audit-Related Fees	155,000	0 <sup>(2)</sup>
Tax Fees	59,760	53,974 <sup>(3)</sup>
All Other Fees		
<b>Total</b>	<b>\$ 1,246,760</b>	<b>\$ 895,474</b>

- (1) Represents professional fees associated with the audits of the Company's annual consolidated financial statements, including assessment of internal controls and quarterly reviews.
- (2) Represents professional fees associated with required audits of acquired properties in compliance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission.
- (3) Represents professional fees associated with tax planning, tax consultation, and review of tax returns.

Our Audit Committee has considered all fees provided by the independent auditors to us and concluded this involvement is compatible with maintaining the auditors' independence.

Representatives of Ernst & Young LLP will be present at the annual meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

**The board of directors recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2006.**

**STOCKHOLDER PROPOSALS**

The proxies intend to exercise their discretionary authority to vote on any stockholder proposals submitted at the 2006 annual meeting as permitted by Rule 14a-4(c) promulgated under the Securities Exchange Act of 1934, as amended. Any stockholder proposal to be presented at the 2007 annual meeting of stockholders must have been received at our principal office to the attention of Stockholder Relations at 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254 no earlier than December 1, 2006 and no later than December 31, 2006 in order to be included in the proxy statement and form of proxy for such meeting. As to any proposal that a stockholder intends to present to stockholders other than by inclusion in our proxy statement for the 2007 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 not later than February 14, 2007. Even if the proper notice is received on or prior to February 14, 2007, 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 Securities Exchange Act of 1934, as amended.

**Table of Contents**

**ADDITIONAL INFORMATION**

We file annual, quarterly and special reports, proxy statements and other information with the SEC at 450 Fifth Street NW, Washington, DC 20549. 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 services and on the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). We make available on our website at [www.ahltreit.com](http://www.ahltreit.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 Hospitality Trust, Inc., Attention: Stockholder Relations, 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254.

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 information contained in our Annual Report on Form 10-K for the year ended December 31, 2005. We also incorporate by reference the information contained in all other documents we file with the SEC after the date of this proxy statement and prior to the annual meeting. The information contained in any of these documents will be considered part of this proxy statement from the date these documents are filed.

Any statement contained in this proxy statement or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this proxy statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this proxy statement.

**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 March 31, 2006. You should not assume that the information contained in this proxy statement is accurate as of any later.**

By order of the board of directors,

David A. Brooks  
Secretary

March 31, 2006

**Table of Contents**

MR A SAMPLE  
 DESIGNATION (IF ANY)  
 ADD 1  
 ADD 2  
 ADD 3  
 ADD 4  
 ADD 5  
 ADD 6

000000000.000 ext  
 000000000.000 ext  
 000000000.000 ext  
 000000000.000 ext  
 000000000.000 ext  
 000000000.000 ext  
 000000000.000 ext

C 1234567890 JNT

Mark this box with an X if you have made changes to your name or address details  
 above.

**Annual Meeting Proxy Card**

**The Board of Directors recommends a vote FOR the election of the nominees in Proposal 1 and FOR Proposals 2 and 3.**

**A Election of Directors**

1. Nominees:

	<b>For</b>	<b>Withhold</b>		<b>For</b>	<b>Withhold</b>		<b>For</b>	<b>Withhold</b>
01 Archie Bennett, Jr.	<input type="radio"/>	<input type="radio"/>	02 Montgomery J. Bennett	<input type="radio"/>	<input type="radio"/>	03 Martin L. Edelman	<input type="radio"/>	<input type="radio"/>
04 W.D. Minami	<input type="radio"/>	<input type="radio"/>	05 W. Michael Murphy	<input type="radio"/>	<input type="radio"/>	06 Phillip S. Payne	<input type="radio"/>	<input type="radio"/>
07 Charles P. Toppino	<input type="radio"/>	<input type="radio"/>						

**B Issues**

- |  | <b>For</b>            | <b>Against</b>        | <b>Abstain</b>        |
|--|-----------------------|-----------------------|-----------------------|
| 2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 3. In the discretion of such proxies, upon such other business as may properly come before the annual meeting or any                                 |                       |                       |                       |

adjournment of the meeting, including any matter of which we did not receive timely notice as provided by Rule 14a-4c promulgated under the Securities Exchange Act of 1934, as amended.

Mark this box with an X if you have  made comments below.

**C Authorized Signatures Sign Here This section must be completed for your instructions to be executed.**

NOTE: If voting by mail, please sign exactly as your name(s) appear on the above. If more than one name appears, all persons so designated should sign. When signing in a representative capacity, please give your full title.

Signature 1 Please keep signature within the box	Signature 2 Please keep signature within the box	Date (mm/dd/yyyy)	
		/ /	
X	1 U P X	0 0 8 2 8 0	+

---

**Table of Contents**

**Proxy**

**Ashford Hospitality Trust, Inc.  
14185 Dallas Parkway, Suite 1100  
Dallas, Texas 75254**

**THIS PROXY IS SOLICITED BY AND ON BEHALF OF THE BOARD OF DIRECTORS  
Proxy for Annual Meeting of Stockholders to be held May 2, 2006**

The undersigned, a stockholder of Ashford Hospitality Trust, Inc., a Maryland Corporation, hereby appoints David A. Brooks and David J. Kimichik, as proxies, each with the power of substitution to vote the shares of common stock, which the undersigned would be entitled to vote if personally present at the annual meeting of stockholders to be held at 10:00 a.m., Dallas time, on May 2, 2006 at 14201 Noel Road, Dallas, Texas and at any adjournment of the meeting. I hereby acknowledge receipt of the notice of annual meeting and proxy statement.

**This proxy when properly completed and returned, will be voted in the manner directed herein by the undersigned stockholder. IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE NOMINEES FOR THE DIRECTOR NAMED HEREIN, FOR PROPOSAL 2. IN THE DISCRETION OF THE PROXYHOLDER, ON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING, OR ANY ADJOURNMENT OF THE MEETING.**

**DO NOT STAPLE OR MUTILATE**

**PLEASE RETURN PROMPTLY IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE U.S.A.**

**PLEASE VOTE YOUR PROXY PROMPTLY.**

Dear Stockholder:

Stockholders of Ashford Hospitality Trust can take advantage of several services available through our transfer agent, Computershare Trust Company, N.A.

These services include:

**Direct Deposit of Dividends:**

To receive your dividend payments via direct deposit, please mail a copy of your voided check, along with your request to Computershare at the address referenced below.

**Internet Account Access**

Stockholders may now access their accounts on-line at [www.computershare.com/Equiserve](http://www.computershare.com/Equiserve). Among the services offered through Account Access, certificate histories can be viewed, address changes requested and tax identification numbers certified.

**Transfer Agent Contact Information**

Computershare Trust Company,  
N.A.  
P.O. Box 43069  
  
Providence, RI 02940-3069

Telephone Inside the           (877) 282-1168  
USA:  
Telephone Outside the       (781) 575-2723  
USA: