ASHFORD HOSPITALITY TRUST INC
Form 8-K/A
October 14, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported): September 2, 2004

ASHFORD HOSPITALITY TRUST, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

EXPLANATORY NOTE: Pursuant to Item 9.01 of Form 8-K, this Current Report on Form 8-K/A amends the Registrant s Current Report on Form 8-K for the event dated August 4, 2004, to include the historical financial statements and pro forma financial information required by Item 9.01 (a) and (b).

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ITEM 2.01. ACQUISITION OR DISPOSITION OF ASSETS

On September 2, 2004, Ashford Hospitality Trust, Inc. (the Company) closed on its acquisition of nine hotel properties from Dunn Hospitality Group (Dunn) for approximately $62.0 million, which includes approximately $59.0 million in cash plus approximately $3.0 million worth of limited partnership units (333,333 units at $9.0 per unit). The purchase price was the result of an arms length negotiation. The nine acquired hotel properties are described below:

Hampton Inn, Evansville, Indiana

Hampton Inn, Terre Haute, Indiana

Hampton Inn, Horse Cave, Kentucky

Fairfield Inn, Evansville, Indiana

Fairfield Inn, Princeton, Indiana

Courtyard by Marriott, Bloomington, Indiana

Courtyard by Marriott, Columbus, Indiana

Courtyard by Marriott, Louisville, Kentucky

Residence Inn, Evansville, Indiana

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ITEM 9.01. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION, AND EXHIBITS

REPORT OF INDEPENDENT AUDITORS

BOARD OF TRUSTEES AND SHAREHOLDERS
ASHFORD HOSPITALITY TRUST, INC.

We have audited the accompanying Combined Historical Summary of Revenue and Direct Operating Expenses (the Combined Historical Summary) of the Dunn Properties (as described in Note 1) for the year ended December 31, 2003. The Combined Historical Summary is the responsibility of Ashford Hospitality Trust, Inc. s management. Our responsibility is to express an opinion on the Combined Historical Summary based on our audit.

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

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

In our opinion, the Combined Historical Summary referred to above presents fairly, in all material respects, the revenue and direct operating expenses described in Note 1 of the Dunn Properties for year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ Holland Shipes Vann, P.C.

Atlanta, Georgia
October 1, 2004

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DUNN PROPERTIES

COMBINED HISTORICAL SUMMARIES OF REVENUE AND DIRECT OPERATING EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2004
AND YEAR ENDED DECEMBER 31, 2003

	Six Months Ended June 30, 2004 (unaudited)	Year Ended December 31, 2003
Revenue		
Rooms	$ 9,695,374	$18,566,911
Food and beverage	275,462	455,202
Other	269,344	464,523
Total Revenue	10,240,180	19,486,636
Direct Operating Expenses		
Rooms	2,052,417	4,041,496
Food and beverage	151,680	280,341
Other direct	157,389	253,906
Indirect	2,938,855	5,777,254
Property taxes and insurance	523,884	991,960
Management fees	613,600	1,168,705
Total Direct Operating Expenses	6,437,825	12,513,662
Excess Revenue Over Direct Operating Expenses	$ 3,802,355	$ 6,972,974

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

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DUNN PROPERTIES

NOTES TO COMBINED HISTORICAL SUMMARIES OF REVENUE
AND DIRECT OPERATING EXPENSES

1. ORGANIZATION AND BASIS FOR PRESENTATION

The accompanying Combined Historical Summaries of Revenue and Direct Operating Expenses (the Combined Historical Summaries) are comprised of the revenue and direct operating expenses of nine hotel properties (the Dunn Properties) managed by Dunn Hospitality Group Manager, Inc. during the year ended December 31, 2003 (audited) and the six month period ended June 30, 2004 (unaudited) as follows:

Hampton Inn, Evansville, Indiana, owned by Dunn Group of Indiana, Inc.

Hampton Inn, Terre Haute, Indiana, owned by Encore Hotels of Terre Haute, LLC

Hampton Inn, Horse Cave, Kentucky, owned by Encore Hotels of Horse Cave, LLC

Fairfield Inn, Evansville, Indiana, owned Hotel Investment, LLC

Fairfield Inn, Princeton, Indiana, owned by Encore Hotels of Princeton II, LLC

Courtyard by Marriott, Bloomington, Indiana, owned by Encore Hotels of Bloomington, Inc.

Courtyard by Marriott, Columbus, Indiana, owned by Encore Hotels of Columbus, LLC

Courtyard by Marriott, Louisville, Kentucky, owned by Dunn Hospitality Group, LLC

Residence Inn, Evansville, Indiana, owned by Encore Residential Hotels of Evansville, LLC

On September 2, 2004, Ashford Hospitality Trust, Inc. acquired the Dunn Properties for approximately $62.0 million, which consisted of approximately $59.0 million in cash and approximately $3.0 million worth of limited partnership units, which equates to 333,333 units based on the market price of the Company s common stock on the date of issuance. The Combined Historical Summaries were prepared for the purpose of assisting management of Ashford Hospitality Trust, Inc. in complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission. Accordingly, the Combined Historical Summaries exclude certain items not comparable to the proposed future operations of the Dunn Properties such as mortgage interest expense, depreciation expense, hotel facility rent, corporate expenses, and interest income. Consequently, the Combined Historical Summaries are not representative of the actual operations of the Dunn Properties for the periods presented nor is it necessarily indicative of future operations.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Advertising and Promotion Costs Advertising and promotion costs are expensed as incurred. For the six months ended June 30, 2004 and year ended December 31, 2003, total advertising and promotion cost was approximately $104,000 (unaudited) and $197,000, respectively.

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

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

3. LEASES

The Dunn Properties have entered into certain noncancelable operating leases for certain equipment. For the six months ended June 30, 2004 and year ended December 31, 2003, total rent expense was approximately $25,000 (unaudited) and $39,000, respectively. Future minimum lease payments under these leases as of June 30, 2004 and December 31, 2003 are as follows:

	As of June 30, 2004 (unaudited)		**As of December 31, 2003**
2004-2005	$ 41,417	2004	$ 47,893
2005-2006	20,632	2005	32,202
2006-2007	10,272	2006	13,866
2008-2009	5,010	2007	5,994
2009-2010	5,176	2008	5,176
Thereafter	36,232	Thereafter	38,820
Total	$118,739	Total	$143,951

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

4. MANAGEMENT AND FRANCHISE AGREEMENTS

All of the Dunn Properties are operated under management agreements with Dunn Hospitality Group Manager, Inc., a related party. Management fees are based on 6% of total revenue. These management agreements expire beginning in 2005 through 2008 and generally have renewal and termination options.

Each of the Dunn Properties is operated under a franchise agreement, which includes royalties, reservation fees, marketing fees, and property management system fees. In general, franchise fees are based on 7% to 8.75% of room revenue, and are included in indirect operating expenses in the accompanying Combined Historical Summaries of Revenue and Direct Operating Expenses. These franchise agreements expire beginning in August 2015 through February 2020 and require new franchise agreements upon any change in ownership. For the six months ended June 30, 2004 and year ended December 31, 2003, total franchise fees were approximately $1.1 million (unaudited) and $2.2 million, respectively.

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ASHFORD HOSPITALITY TRUST, INC.
CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS

Management has prepared the following pro forma financial statements, which are based on the historical consolidated financial statements of Ashford Hospitality Trust, Inc. (the Company) and adjusted to give effect to 1) the completion of the Company s formation transactions and its initial public offering on August 29, 2003, 2) the acquisition of five hotel properties from FelCor Lodging Limited Partnership (the FelCor Properties) on October 8, 2003, and 3) the acquisition of four hotel properties from Noble Investment Group (the Noble Properties) on November 24, 2003, 4) the acquisitions of four individual hotel properties (the Acquired Properties) from each of JHM Ruby Lake Hotel, Ltd. (JHM), Huron Jacksonville Limited Partnership (Huron), BPG Hotel Partners V (BPG), and Household OPEB I, Inc. (Household), which closed on March 24, 2004, April 2, 2004, May 17, 2004, and July 7, 2004, respectively, 5) the acquisition of four hotel properties from Day Hospitality Group, Inc. (the Day Properties) on July 23, 2004, 6) the acquisition of nine hotel properties from Dunn Hospitality Group, Inc. (the Dunn Properties) on September 2, 2004, and the related interest expense associated with the $210.0 million term loan, net of debt reductions, which also closed September 2, 2004, and 7) additional interest expense associated with the $27.8 million mortgage note payable executed on December 24, 2004, the $60.0 million credit facility executed on February 5, 2004, the $9.7 million mortgage note payable executed on July 7, 2004, and the $19.6 million mortgage note payable executed on July 23, 2004, as if such debt instruments were outstanding the entire periods presented.

The Unaudited Pro Forma Consolidated Balance Sheet at June 30, 2004 has been prepared to reflect the acquisitions of the Acquired Properties that occurred after June 30, 2004, the Day Properties, and the Dunn Properties, as well as the completions of the $9.7 million mortgage note payable, the $19.6 million mortgage note payable, and the $210.0 million term loan, net of the related debt reductions associated with funds received from the $210.0 term loan, as if such transactions had occurred on June 30, 2004.

The Unaudited Pro Forma Consolidated Statements of Operations for the year ended December 31, 2003 and the six-month period ended June 30, 2004 have been prepared to present the results of operations of the Company as if the following transactions occurred at the beginning of each period presented: the formation transactions and initial public offering, the acquisitions of the Felcor Properties, the Noble Properties, the Acquired Properties, the Day Properties, and the Dunn Properties, and the completions of the $27.8 million mortgage note payable, the $60.0 million credit facility, the $9.7 million mortgage note payable, the $19.6 million mortgage note payable, and the $210.0 million term loan, net of the related debt reductions associated with the completion of the $210.0 term loan.

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The following consolidated pro forma financial statements should be read in conjunction with the Company s Form 8-K filed with the Securities and Exchange Commission on August 4, 2004, which announced the acquisition of the Dunn Properties, the Company s consolidated financial statements and notes thereto for the year ended December 31, 2003, which are incorporated by reference in the Company s Form 10-K, filed March 29, 2004, and the Combined Historical Summary of Revenue and Direct Operating Expenses and Notes included elsewhere in this Form 8-K/A. In the Company s opinion, all significant adjustments necessary to reflect the acquisitions have been made.

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Ashford Hospitality Trust, Inc.

Consolidated Pro Forma Balance Sheet
As of June 30, 2004
(Unaudited)

	Historical June 30, 2004	(a) Acquired Properties Pro Forma Adjustments	(b) Day Properties Pro Forma Adjustments	(c) Dunn Properties Pro Forma Adjustments	Pro Forma June 30, 2004
Assets					
Investment in hotel properties, net	$240,392,569	$17,488,089(1)	25,544,577(1)	62,942,653(1)	$346,367,888
Cash	28,603,413	(7,867,489)(2),(3)	(6,129,577)(2),(4)	4,477,201(2),(5)	19,083,548
Restricted cash	3,283,013			12,961,796(8)	16,244,809
Accounts receivable, net of allowance	3,247,756				3,247,756
Inventories	387,629				387,629
Notes receivable	71,584,070				71,584,070
Deferred costs, net	4,502,695	79,400(1)	185,000(1)	4,434,781(6)	9,201,876
Prepaid expenses	1,370,548				1,370,548
Other assets	4,204,051				4,204,051
Due from affiliates	131,849				131,849
Total assets	$357,707,593	$ 9,700,000	$19,600,000	$84,816,431	$471,824,024
Liabilities and Owners Equity					
Indebtedness	$133,159,210	$ 9,700,000(3)	$19,600,000(4)	$82,400,000(5)	$244,859,210
Capital leases payable	377,870				377,870
Accounts payable	3,335,409				3,335,409
Accrued expenses	6,667,989			946,470(1)	7,614,459
Dividends payable	3,157,504				3,157,504
Deferred income	331,661				331,661
Due to affiliates	700,671				700,671

Total liabilities	$147,730,314	$ 9,700,000	$19,600,000	$83,346,470	$260,376,784
Commitments & contingencies	$	$	$	$	$
Minority interest	$ 38,304,362	$	$	$ 3,103,330(7)	$ 41,407,692
Common stock	$ 258,104	$	$	$	$ 258,104
Additional paid-in capital	180,047,727				180,047,727
Unearned compensation	(5,125,089)				(5,125,089)
Accumulated deficit	(3,507,825)			(1,633,369)(9)	(5,141,194)
Total owners equity	$171,672,917	$	$	$ (1,633,369)	$170,039,548
Total liabilities and owners equity	$357,707,593	$ 9,700,000	$19,600,000	$84,816,431	$471,824,024

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

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Explanation of pro forma adjustments:

(a) Represents pro forma adjustments to reflect the acquisition of the Acquired Properties acquired after June 30, 2004.

(b) Represents pro forma adjustments to reflect the acquisition of the Day Properties on July 23, 2004.

(c) Represents pro forma adjustments to reflect the acquisition of the Dunn Properties on September 2, 2004.

(1) Represents management s estimate of the allocation of the purchase price and closing costs.

(2) Represents payment of the purchase price, closing costs, and related costs of acquiring the properties.

(3) Represents the $9.7 million mortgage note payable completed on July 7, 2004, in connection with the acquisition of one of the Acquired Properties.

(4) Represents the $19.6 million mortgage note payable completed on July 23, 2004, in connection with the acquisition of the Day Properties.

(5) Represents the $210.0 million term loan, net of debt payments of $127.6 million, completed September 2, 2004, in connection with the acquisition of the Dunn Properties.

(6) Represents $484,200 related to franchise costs associated with the acquisition of the Dunn Properties, plus $5,583,950 related to deferred loan costs related to the $210.0 million term loan, less $1,633,369 of unamortizd deferred loan costs charged-off related to debt reductions associated with the $210.0 million term loan.

(7) Represents 333,333 units of limited partnership interest issued in connection with the acquisition of the Dunn Properties valued at $9.04 per unit on the date of issuance.

(8) Represent escrow accounts established in connection with the acquisition of the Dunn Properties and related execution of the $210.0 million term loan.

(9) Represents $1,633,369 of unamortizd deferred loan costs charged-off related to debt reductions associated with the $210.0 million term loan.

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Ashford Hospitality Trust, Inc.
Consolidated Pro Forma Statement of Operations
For the Six Months Ended June 30, 2004
(Unaudited)

	Historical June 30, 2004	(a) Acquired Properties Pro Forma Adjustments		(b) Day Pro Forma Adjustments		(c) Dunn Pro Forma Adjustments		(d) Debt Pro Forma Adjustments	Adjusted Pro Forma June 30, 2004
Revenue									
Rooms	$35,082,931	6,628,979	(4)	3,941,702	(4)	9,695,374	(4)		$55,348,986
Food and beverage	5,200,552	2,383,787	(4)		(4)	275,462	(4)		7,859,801
Other	1,331,454	446,193	(4)	54,807	(4)	269,344	(4)		2,101,798
Total hotel revenue	41,614,937	9,458,959		3,996,509		10,240,180			65,310,585
Interest income from mezzanine loans	2,871,141								2,871,141
Asset management fees	659,322								659,322
Total Revenue	45,145,400	9,458,959		3,996,509		10,240,180			68,841,048
Expenses									
Hotel operating expenses									
Rooms	7,884,390	1,453,012	(4)	846,753	(4)	2,052,417	(4)		12,236,572
Food and beverage	3,737,800	1,691,677	(4)		(4)	151,680	(4)		5,581,157
Other direct	777,401	245,115	(4)	30,827	(4)	157,389	(4)		1,210,732
Indirect	13,751,419	2,954,337	(4)	1,293,235	(4)	2,938,855	(4)		20,937,846
Management fees	1,283,060	400,391	(4)	170,213	(4)	613,600	(4)		2,467,264
Property taxes, insurance, and other	2,610,458	336,609	(4)	199,892	(4)	523,884	(4)		3,670,843
Depreciation & amortization	3,959,240	898,687	(5)	352,017	(5)	1,159,142	(5)		6,369,086
Corporate general and	5,607,616								5,607,616

administrative						
Total Operating Expenses	39,611,384	7,979,828	2,892,937	7,596,967		58,081,116
Operating Income (Loss)	5,534,016	1,479,131	1,103,572	2,643,213		10,759,932
Interest income	131,237					131,237
Interest expense	(2,759,723)	(609,492) (6)	(490,000) (6)	(453,725) (7) (2,717,295) (8)	(10,767) (9) (618,589) (10)	(7,659,591)
Net Income (Loss) before Minority Interest and Income Taxes	2,905,530	869,639	613,572	(527,807)	(629,356)	3,231,578
Income tax benefit (expense)	(156,700)	369,366 (1)	58,814 (1)	(253,579) (1)	(1)	17,901
Minority interest	(500,264)	(261,811) (3)	(128,493) (3)	149,323 (3)	120,270 (3)	(620,975)
Net Income (Loss)	$ 2,248,566	977,194	543,893	(632,063)	(509,086)	$ 2,628,504
Earnings (Loss) Per Share:						
Basic						$ 0.10
Diluted						$ 0.10
Weighted Average Shares Outstanding:						

Basic	(2)	25,293,969
Diluted	(2)	31,400,045

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

Explanation of pro forma adjustments:

(a) Represents pro forma adjustments to reflect the acquisition of the Acquired Properties on various dates in 2004, and the completion of the related $9.7 million mortgage note payable on July 7, 2004.

(b) Represents pro forma adjustments to reflect the acquisition of Day Properties on July 23, 2004, and the completion of the related $19.6 million mortgage note payable on July 23, 2004.

(c) Represents pro forma adjustments to reflect the acquisition of Dunn Properties on September 2, 2004, and the completion of the related $210.0 million term loan, net of debt payments of $127.6 million, completed September 2, 2004.

(d) Represents pro forma adjustments to reflect the completion of the $27.8 million mortgage note payable and the $60.0 million credit facility as if such transactions occurred at the beginning of the period presented.

(1) Represents the income tax benefit (expense) related to these transactions.

(2) Common shares issuable include:

Shares issued in the initial public offering	22,500,000	
Shares issued upon exercise of underwriters over-allotment	1,734,072	
Shares sold to Archie and Montgomery Bennett	500,000	
Shares conveyed to a limited partnership owned by Archie and Montgomery Bennett	216,634	
Restricted shares issuable to Company directors	25,000	assumed to be fully vested
Shares issued to Company underwriters	65,024	
Restricted shares issued to executives and employees	253,239	759,717 shares, one-third vested
Total basic shares	25,293,969	
Shares issuable upon conversion of limited partnership units issued upon formation	5,657,917	
Shares issuable upon conversion of limited partnership units issued upon acquistion of Dunn Properties	106,675	
Shares issuable upon conversion of limited partnership units issued upon acquistion of Acquired Properties	333,333	
Incremental diluted shares issuable for unvested restricted shares	8,151	
Total diluted shares	31,400,045	

(3) Minority interest represents 19.11% of the net income (loss) before minority interest.

(4) Represents Day, Dunn, or Acquired Properties estimated unaudited statements of operations for the periods preceding their acquisitions.

(5) Represents additional depreciation expense associated with Day, Dunn, or Acquired Properties based on preliminary purchase price allocations.

(6) Represents estimated interest expense associated with the mortgage debt assumed from the Acquired Properties or the mortgage debt executed with the acquisitions of Day Properties and one of the Acquired Properties purchased from Household.

(7) Represents estimated interest expense associated with the $210.0 million term loan, net of interest expense associated with debt payments of $127.6 million, associated with the acquisition of the Dunn Properties.

(8) Represents additional amortization of deferred loan costs related to the $210.0 million term loan, plus the write-off of unamortized deferred loan costs charged-off with respect to the related debt reductions, less the deferred loan costs amortization savings related to the written-off deferred loan costs.

(9) Represents interest expense associated with the $28.4 million mortgage note payable entered into on December 24, 2003, as if such debt balance was outstanding the entire period.

(10) Represents interest expense associated with the $60 million credit facility entered into on February 5, 2004, as if such debt were outstanding the entire period.

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Ashford Hospitality Trust, Inc.

Consolidated Pro Forma Statement of Operations
For the Year Ended December 31, 2003
(Unaudited)

	Historical December 31, 2003	(a) Formation Pro Forma Adjustments		(b) FelCor Pro Forma Adjustments		(c) Noble Pro Forma Adjustments		(d) Acquired Properties Pro Forma Adjustments	
Revenue									
Rooms	$34,682,916			16,903,815	(10)	8,481,820	(10)	20,274,283	(10)
Food and beverage	6,158,916			2,000,382	(10)	193,408	(10)	6,214,127	(10)
Other	1,189,450			902,865	(10)	169,248	(10)	1,329,955	(10)
Total hotel revenue	42,031,282			19,807,062		8,844,476		27,818,365	
Interest income from mezzanine loans	110,000								
Asset management fees	137,319								
Total Revenue	42,278,601			19,807,062		8,844,476		27,818,365	
Expenses									
Hotel operating expenses									
Rooms	8,113,097			4,009,914	(10)	1,906,659	(10)	4,306,535	(10)
Food and beverage	4,702,780			1,863,416	(10)	160,677	(10)	4,400,336	(10)
Other direct	900,621			803,714	(10)	93,203	(10)	680,186	(10)
Indirect	14,823,432			7,182,638	(12)	2,626,606	(10)	8,150,486	(10)
Management fees	1,369,888			447,156	(10)	356,151	(10)	887,694	(10)
Property taxes, insurance, and other	2,858,050			1,186,956	(10)	480,617	(10)	1,214,622	(10)
Depreciation & amortization	4,932,676	140,284	(6)	1,383,821	(11)	950,548	(11)	2,939,014	(11)
Corporate general and administrative	4,002,950	4,823,917	(5)						
		1,622,922	(4) (8)						
Total Operating Expenses	41,703,494	6,587,123		16,877,615		6,574,461		22,578,873	
	575,107	(6,587,123)		2,929,447		2,270,015		5,239,492	

Operating Income (Loss)					
Interest income	289,133				
Interest expense	(5,000,206)	3,173,010 (1) 284,000 (2)		(419,222) (13)	(1,930,610) (13)
Net Income (Loss) before Minority Interest and Income Taxes	(4,135,966)	(3,130,113)	2,929,447	1,850,793	3,308,882
Income tax benefit (expense)	(142,178)	(3)	(110,004) (3)	(74,024) (3)	(181,324) (3)
Minority interest	357,943	1,057,775 (9)	(538,796) (9)	(339,541) (9)	(597,676) (9)
Net Income (Loss)	$ (3,920,201)	(2,072,338)	2,280,647	1,437,228	2,529,882
Earnings (Loss) Per Share:					
Basic					
Diluted					
Weighted Average Shares Outstanding:					
Basic					
Diluted					

[Additional columns below]

[Continued from above table, first column(s) repeated]

	(e) Day Pro Forma Adjustments	**(f) Dunn Pro Forma Adjustments**	**(g) Debt Pro Forma Adjustments**	**Adjusted Pro Forma December 31, 2003**
Revenue				
Rooms	7,601,074 (10)	18,566,911 (10)		$106,510,819
Food and beverage	(10)	455,202 (10)		15,022,035
Other	121,352 (10)	464,523 (10)		4,177,393

Total hotel revenue	7,722,426		19,486,636				125,710,247
Interest income from mezzanine loans							110,000
Asset management fees							137,319
Total Revenue	7,722,426		19,486,636				125,957,566
Expenses							
Hotel operating expenses							
Rooms	1,856,017	(10)	4,041,496	(10)			24,233,718
Food and beverage		(10)	280,341	(10)			11,407,550
Other direct	88,763	(10)	253,906	(10)			2,820,393
Indirect	2,599,559	(10)	5,777,254	(10)			41,159,975
Management fees	364,145	(10)	1,168,705	(10)			4,593,739
Property taxes, insurance, and other	386,122	(10)	991,960	(10)			7,118,327
Depreciation & amortization	704,033	(11)	2,318,284	(11)			13,368,660
Corporate general and administrative							10,449,789
Total Operating Expenses	5,998,639		14,831,946				115,152,151
Operating Income (Loss)	1,723,787		4,654,690				10,805,415
Interest income							289,133
Interest expense	(980,000)	(13)	(907,450)	(14)	(1,291,000)	(16)	(13,507,697)
			(3,801,219)	(15)	(2,635,000)	(17)	
Net Income (Loss) before Minority Interest and Income Taxes	743,787		(53,979)		(3,926,000)		(2,413,149)
Income tax benefit (expense)	507,530	(3)		(3)		(3)	
Minority interest	(239,127)	(9)	10,315	(9)	750,259	(9)	461,153
Net Income (Loss)	1,012,190		(43,664)		(3,175,741)		$ (1,951,996)
Earnings (Loss) Per Share:							
Basic							$ (0.08)
Diluted							$ (0.08)

Weighted Average Shares Outstanding:		
Basic	(7)	25,293,969
Diluted	(7)	31,400,045

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

Explanation of pro forma adjustments:

(a) Represents pro forma adjustments to reflect the Company s formation transactions and its initial public offering on August 29, 2003.

(b) Represents pro forma adjustments to reflect the acquisition of FelCor Properties on October 8, 2003.

(c) Represents pro forma adjustments to reflect the acquisition of Noble Properties on November 24, 2003.

(d) Represents pro forma adjustments to reflect the acquisition of the Acquired Properties on various dates in 2004, and the completion of the related $9.7 million mortgage note payable on July 7, 2004.

(e) Represents pro forma adjustments to reflect the acquisition of Day Properties on July 23, 2004, and the completion of the related $19.6 million mortgage note payable on July 23, 2004.

(f) Represents pro forma adjustments to reflect the acquisition of Dunn Properties on September 2, 2004, and the completion of the related $210.0 million term loan, net of debt payments of $127.6 million, completed September 2, 2004.

(g) Represents pro forma adjustments to reflect the completion of the $27.8 million mortgage note payable and the $60.0 million credit facility as if such transactions occurred at the beginning of the period presented.

(1) Represents the interest expense reduction due to payoff of mortgage notes payable.

(2) Represents elimination of deferred loan costs amortization due to payoff of mortgage notes payable.

(3) Represents the income tax benefit (expense) related to these transactions.

(4) Represents restricted shares issued to officers, employees, and employees of affiliates vesting one-third annually. Pro forma compensation expense is calculated as follows: 689,317 shares valued at $9 per share offering price for total compensation cost of $6,203,853, of which one third vests annually to generate an eight-month cost of $1,378,634 for the period preceding the Company s formation plus 70,400 shares valued at $10.41 per share at the date of grant for total compensation cost of $732,864, of which one third vests annually to generate an annual cost of $244,288.

(5) Represents additional general and administrative expenses associated with the operations of the Company, which includes projected compensation and benefit expenses, along with related overhead and administration expense calculated on an historical basis.

(6) Represents additional depreciation expense resulting from step-up of net carrying value due to acquisition of minority interests.

(7) Common shares issuable include:

Shares issued in the initial public offering	22,500,000
Shares issued upon exercise of underwriters over-allotment	1,734,072
Shares sold to Archie and Montgomery Bennett	500,000
Shares conveyed to a limited partnership owned by Archie and Montgomery Bennett	216,634

Restricted shares issuable to Company directors	25,000	assumed to be fully vested
Shares issued to Company underwriters	65,024	
Restricted shares issued to executives and employees	253,239	759,717 shares, one-third vested
Total basic shares	25,293,969	
Shares issuable upon conversion of limited partnership units issued upon formation	5,657,917	
Shares issuable upon conversion of limited partnership units issued upon acquistion of Acquired Properties	106,675	
Shares issuable upon conversion of limited partnership units issued upon acquistion of Dunn Properties	333,333	
Incremental diluted shares issuable for unvested restricted shares	8,151	
Total diluted shares	31,400,045	

(8) Represents restricted shares issued to directors that vest after three months. Pro forma compensation expense is calculated as follows: 25,000 shares valued at $9 per share offering price for total compensation cost of $225,000, which was recorded by the Company prior to December 31, 2003.

(9) Minority interest represents 19.11% of the net income (loss) before minority interest.

(10) Represents FelCor, Noble, Day, Dunn, or Acquired Properties estimated unaudited statements of operations for the periods preceding their acquisitions.

(11) Represents additional depreciation expense associated with the acquired FelCor, Noble, Day, Dunn, or Acquired Properties based on preliminary purchase price allocations.

(12) Represents FelCor s estimated unaudited statements of operations for the period preceding its acquisition plus additional franchise fees of $313,500.

(13) Represents estimated interest expense associated with the mortgage debt assumed from Noble Properties or Acquired Properties or the mortgage debt executed with the acquisitions of the Day Properties and one of the Acquired Properties purchased from Household.

(14) Represents estimated interest expense associated with the $210.0 million term loan, net of interest expense associated with debt payments of $127.6 million, associated with the acquisition of the Dunn Properties.

(15) Represents additional amortization of deferred loan costs related to the $210.0 million term loan, plus the write-off of unamortized deferred loan costs charged-off with respect to the related debt reductions, less the deferred loan costs amortization savings related to the written-off deferred loan costs.

(16)

Represents interest expense associated with the $27.8 million mortgage note payable completed on December 24, 2003, as if such debt were outstanding the entire year.

(17) Represents interest expense associated with the $60 million credit facility completed on February 5, 2004, as if such debt were outstanding the entire year.

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EXHIBITS

23.1 Consent of Independent Auditors

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SIGNATURE

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

Dated: October 14, 2004

ASHFORD HOSPITALITY TRUST, INC.

By: /s/ DAVID J. KIMICHIK

David J. Kimichik
Chief Financial Officer

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