

ASHFORD HOSPITALITY TRUST INC

Form 10-K

February 29, 2008

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 001-31775

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

Maryland
*(State or other jurisdiction of
incorporation or organization)*
**14185 Dallas Parkway,
Suite 1100, Dallas, Texas**
(Address of principal executive offices)

86-1062192
*(I.R.S. Employer
Identification No.)*
75254
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, \$0.01 PAR

Preferred Stock, Series A, \$0.01 PAR

Preferred Stock, Series D, \$0.01 PAR

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined by Rule 405 of the Securities Exchange Act). Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act. Yes No

Indicate by check mark whether the registrant (i) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (ii) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act). Yes No

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant, computed by reference to the price at which the registrant's common stock was last sold on the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1.4 billion. As of February 27, 2008, the registrant had issued and outstanding 120,376,055 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's definitive Proxy Statement pertaining to the 2008 Annual Meeting of Stockholders (the Proxy Statement), filed or to be filed not later than 120 days after the end of the fiscal year pursuant to Regulation 14A, is incorporated herein by reference into Part III.

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Forward-Looking Statements

Throughout this Form 10-K and documents incorporated herein by reference, we make forward-looking statements that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans, and objectives. Statements regarding the following subjects are forward-looking by their nature:

- our business and investment strategy;
- our projected operating results;
- completion of any pending transactions;
- our ability to obtain future financing arrangements;
- our understanding of our competition;
- market trends;
- projected capital expenditures; and
- the impact of technology on our operations and business.

Such forward-looking statements are based on our beliefs, assumptions, and expectations of our future performance taking into account all information currently known to us. These beliefs, assumptions, and expectations can change as a result of many potential events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity, results of operations, plans, and other objectives may vary materially from those expressed in our forward-looking statements. Additionally, the following factors could cause actual results to vary from our forward-looking statements:

- factors discussed in this Form 10-K, including those set forth under the sections titled Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business, and Properties;
- 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.

When we use words or phrases such as will likely result, may, anticipate, estimate, should, expect, believe, similar expressions, we intend to identify forward-looking statements. You 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 otherwise.

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PART I

Item 1. *Business*

OUR COMPANY

Ashford Hospitality Trust, Inc. and subsidiaries (the Company or we or our) is a self-advised real estate investment trust (REIT), which commenced operations on August 29, 2003 when it completed its initial public offering (IPO) and concurrently consummated certain other formation transactions, including the acquisition of six hotels (initial properties). The Company owns its lodging investments and conducts its business through Ashford Hospitality Limited Partnership, its operating partnership. Ashford OP General Partner LLC, its wholly-owned subsidiary, serves as the sole general partner of the Company s operating partnership.

As of December 31, 2007, the Company owned interest in 112 hotel properties, which includes direct ownership in 106 hotel properties and between 75-89% interest in six hotel properties through equity investments with joint venture partners. These hotel properties represent 26,553 total rooms or 26,211 net rooms excluding those attributable to joint venture partners. Of the total 112 hotel properties, 111 are located in the United States and one is located in Canada. As of December 31, 2007, the Company also owned approximately \$94.2 million of mezzanine or first-mortgage loans receivable.

For federal income tax purposes, the Company elected to be treated as a REIT, which imposes limitations related to operating hotels. As of December 31, 2007, 111 of the Company s hotel properties were leased or owned by wholly-owned subsidiaries of the Company that are treated as taxable REIT subsidiaries for federal income tax purposes (collectively, such subsidiaries are referred to as Ashford TRS). Ashford TRS then engages third-party or affiliated hotel management companies to operate the hotels under management contracts. Hotel operating results related to these properties are included in the consolidated results of operations. As of December 31, 2007, the remaining hotel property was leased on a triple-net lease basis to a third-party tenant who operates the hotel. Rental income from this operating lease is included in the consolidated results of operations.

Remington Lodging & Hospitality, L.P. and Remington Management, L.P. (collectively, Remington Lodging), both primary property managers for the Company, are beneficially wholly owned by Mr. Archie Bennett, Jr., the Company s Chairman, and Mr. Montgomery J. Bennett, the Company s President and Chief Executive Officer. As of December 31, 2007, Remington Lodging managed 43 of the Company s 112 hotel properties while third-party management companies managed the remaining 69 hotel properties.

As of December 31, 2007, 120,376,055 shares of common stock, 2,300,000 shares of Series A preferred stock, 7,447,865 shares of Series B preferred stock, 8,000,000 shares of Series D preferred stock, and 13,346,843 units of limited partnership interest held by entities other than the Company were outstanding and 2,389,636 shares of common stock were held as treasury stock. During the year ended December 31, 2007, the Company completed the following transactions:

On March 27, 2007, the Company issued 838,500 shares of restricted common stock to its executive officers and certain employees.

On April 11, 2007, the Company issued 8,000,000 shares of Series C cumulative redeemable preferred stock to a financial institution.

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On April 24, 2007, the Company issued 48,875,000 shares of common stock in a follow-on public offering.

On May 15, 2007, the Company issued 16,000 shares of common stock to its directors as compensation for serving on the Board of Directors through May 2008.

On July 18, 2007, the Company publicly issued 8,000,000 shares of Series D cumulative preferred stock.

On July 18, 2007, the Company redeemed 8,000,000 shares of Series C cumulative redeemable preferred stock.

During the year ended December 31, 2007, the Company acquired 60,177 shares of treasury stock in connection with the Company's incentive stock plan, which allows employees to tender vested shares of

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restricted common stock to the Company at current market prices to cover individual federal income taxes withheld on such shares as such shares vest, of which 36,841 shares were reissued in connection with the aforementioned common stock grants.

During the year ended December 31, 2007, the Company acquired 2,366,300 shares of treasury stock in connection with its stock repurchase program.

During the year ended December 31, 2007, 35,391 unvested shares of restricted common stock were forfeited.

During the year ended December 31, 2007, the Company issued 165,582 shares of common stock in exchange for 165,582 units of limited partnership interest.

We maintain a website at www.ahtreit.com. On our website, we make available free-of-charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with the Securities and Exchange Commission. In addition, our Code of Business Conduct and Ethics, Code of Ethics for the Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, Corporate Governance Guidelines, and Board Committee Charters are also available free-of-charge on our website or can be made available in print upon request.

All reports filed with the Securities and Exchange Commission may also be read and copied at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. Further information regarding the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. In addition, all of our filed reports can be obtained at the SEC's website at www.sec.gov.

OUR BUSINESS STRATEGIES

We currently focus our investment strategies on the upscale and upper-upscale segments within the lodging industry. However, we also believe that as supply, demand, and capital market cycles change, we will be able to shift our investment strategies to take advantage of newly created lodging-related investment opportunities as they develop. Currently, we do not limit our acquisitions to any specific geographical market. While our current investment strategies are well defined, our Board of Directors may change our investment policies at any time without stockholder approval.

We intend to continue to invest in a variety of lodging-related assets based upon our evaluation of diverse market conditions. These investments may include: (i) direct hotel investments; (ii) mezzanine financing through origination or acquisition in secondary markets; (iii) first-lien mortgage financing through origination or acquisition in secondary markets; and (iv) sale-leaseback transactions.

Our strategy is designed to take advantage of current lodging industry conditions and adjust to changes in market conditions over time. In the current market, we believe we can continue to purchase assets at discounts and acquire or originate debt positions with attractive relative yields. Over time, our assessment of market conditions will determine asset reallocation strategies. While we seek to capitalize on favorable market fundamentals, conditions beyond our control may have an impact on overall profitability and our investment returns.

Our business strategy of combining lodging-related equity and debt investments seeks, among other things, to:

capitalize on both current yield and price appreciation, while simultaneously offering diversification of types of assets within the hospitality industry;

vary investments across an array of hospitality assets to take advantage of market cycles for each asset class; and

offer an attractive liquidity alternative to asset sales (through structure and tax deferral) and traditional financing (due to rate, structure, loan-to-value, and asset class).

Our investment strategy primarily targets limited and full-service hotels in primary, secondary, and resort markets throughout the United States. To take full advantage of current and future investment opportunities in the

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lodging industry, we will invest according to the asset allocation strategies described below. Due to ongoing changes in market conditions, we will continually evaluate the appropriateness of our investment strategies. Our Board of Directors may change any or all of these strategies at any time.

Direct Hotel Investments In selecting hotels to acquire, we target hotels that either offer a high current return or have the opportunity to increase in value through repositioning, capital investments, market-based recovery, or improved management practices. We intend to continue to acquire existing hotels and, under appropriate market conditions, may develop new hotels. Our direct hotel acquisition strategy will continue to follow similar investment criteria and will seek to achieve both current income and income from appreciation. In addition, we will continue to assess our existing hotel portfolio and make strategic decisions to sell certain under-performing or smaller hotels that do not fit our investment strategy or criteria.

Mezzanine Financing Subordinated loans, or mezzanine loans, that we acquire or originate relate to upscale, upper-upscale and luxury hotels with reputable managers that are located in established or emerging sub-markets. These mezzanine loans are secured by junior mortgages on hotels or pledges of equity interests in entities owning hotels. We intend to continue to acquire or originate mezzanine loans. Mezzanine loans that we acquire in the future may be secured by individual assets as well as cross-collateralized portfolios of assets. Although these types of loans generally have greater repayment risks than first mortgages due to the subordinated nature of the loans, we have a disciplined approach in underwriting the value of these assets. We expect this asset class to provide us with attractive returns.

First Mortgage Financing From time to time, we acquire or originate junior participations in first mortgages, which we often refer to as mezzanine loans. As interest rates increase and the dynamics in the hotel industry make first-mortgage investments more attractive, we intend to acquire, potentially at a discount to par, or originate loans secured by first priority mortgages on hotels. Related to commercial mortgage lenders, we may be subject to certain state-imposed licensing regulations with which we intend to comply. However, because we are not a bank or a federally chartered lending institution, we are not subject to state and federal regulatory constraints imposed on such entities. Also, we expect we will be able to offer more flexible terms than commercial lenders who contribute loans to securitized mortgage pools.

Sale-Leaseback Transactions To date, we have not participated in any sale-leaseback transactions. However, if the lodging industry fundamentals shift such that sale-leaseback transactions become more attractive investments, we intend to purchase hotels and lease them back to their existing hotel owners.

OUR OPERATING SEGMENTS

As addressed in Item 15, Financial Statements Schedules, we currently operate in two business segments within the hotel lodging industry: direct hotel investments and hotel financing. These operating segments are described above along with additional operating segments where we anticipate future participation.

OUR FINANCING STRATEGY

We utilize our borrowing power to leverage future investments. When evaluating our future level of indebtedness and making decisions regarding the incurrence of indebtedness, our Board of Directors considers a number of factors, including:

the purchase price of our investments to be acquired with debt financing;

the estimated market value of our investments upon refinancing; and

the ability of particular investments, and our Company as a whole, to generate cash flow to cover expected debt service.

We may incur debt in the form of purchase money obligations to the sellers of properties, publicly or privately placed debt instruments, or financing from banks, institutional investors, or other lenders. Any such indebtedness may be secured or unsecured by mortgages or other interests in our properties or mortgage loans. This indebtedness may be recourse, non-recourse, or cross-collateralized. If recourse, such recourse may include our general assets or be limited to the particular investment to which the indebtedness relates. In addition, we may invest in properties or

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loans subject to existing loans secured by mortgages or similar liens on the properties, or we may refinance properties acquired on a leveraged basis. We may use the proceeds from any borrowings for working capital to:

purchase interests in partnerships or joint ventures;

refinance existing indebtedness;

finance the origination or purchase of mortgage investments; or

finance acquisitions, expand, redevelop or improve existing properties, or develop new properties.

In addition, if we do not have sufficient cash available, we may need to borrow to meet taxable income distribution requirements under the Internal Revenue Code. No assurances can be given that we will obtain additional financings or, if we do, what the amount and terms will be. Our failure to obtain future financing under favorable terms could adversely impact our ability to execute our business strategy. In addition, we may selectively pursue mortgage financing on our individual properties and mortgage investments.

OUR DISTRIBUTION POLICY

To maintain our qualification as a REIT, we make annual distributions to our stockholders of at least 90% of our REIT taxable income (which does not necessarily equal net income as calculated in accordance with generally accepted accounting principles). Distributions are authorized by our Board of Directors and declared by us based upon a variety of factors deemed relevant by our directors. No assurance can be given that our dividend policy will not change in the future. Our ability to pay distributions to our stockholders will depend, in part, upon our receipt of distributions from our operating partnership. This, in turn, may depend upon receipt of lease payments with respect to our properties from indirect, wholly-owned subsidiaries of our operating partnership and the management of our properties by our property managers. Distributions to our stockholders are generally taxable to our stockholders as ordinary income. However, since a portion of our investments are equity ownership interests in hotels, which result in depreciation and non-cash charges against our income, a portion of our distributions may constitute a tax-free return of capital. To the extent that it is consistent with maintaining our REIT status, we may maintain accumulated earnings of Ashford TRS in that entity.

Our charter allows us to issue preferred stock with a preference on distributions. The partnership agreement of our operating partnership also allows the operating partnership to issue units with a preference on distribution. Such issuance of preferred stock or preferred units, given the dividend preference on this stock or units, could limit our ability to make a dividend distribution to our common stockholders.

OUR RECENT DEVELOPMENTS

During the year ended December 31, 2007, we completed the following significant transactions:

Business Combinations:

On April 11, 2007, the Company acquired a 51-property hotel portfolio (CNL Portfolio) from CNL Hotels and Resorts, Inc. (CNL) for approximately \$2.4 billion plus closing costs of approximately \$96.0 million. The Company acquired 100% of 33 properties and 70%-89% of 18 properties through existing joint ventures. To fund this acquisition, the Company utilized several sources as follows: a) borrowings of approximately \$928.5 million of ten-year, fixed-rate debt at an average blended interest rate of 5.95%, approximately \$555.1 million of two-year, variable-rate debt with three one-year extension options at an interest rate of LIBOR plus 1.65%, and approximately

\$325.0 million of one-year, variable-rate debt with two one-year extension options at an interest rate of LIBOR plus 1.5%, b) the sale of 8.0 million shares of Series C Cumulative Redeemable Preferred Stock for approximately \$200.0 million less a commitment fee of approximately \$6.3 million at a dividend rate of LIBOR plus 2.5%, c) assumed fixed-rate debt of approximately \$562.1 million (or approximately \$432.3 million net of debt attributable to joint venture partners), representing eleven fixed-rate loans with an average blended interest rate of 6.01% and expiration dates ranging from 2008 to 2027, and d) a \$50.0 million draw on a newly executed \$200.0 million credit facility with an interest rate of LIBOR plus a range of 1.55% to 1.95% depending on the

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loan-to-value ratio, which matures April 9, 2010 with two one-year extension options, and requires interest-only payments through maturity.

On April 11, 2007, the Company acquired the remaining 15% joint venture interest in the Hyatt Regency Dearborn in Detroit, Michigan, for approximately \$7.5 million, which represents approximately \$2.9 million in cash and assumed debt of approximately \$4.6 million. The Company acquired the other 85% interest pursuant to its acquisition of the CNL Portfolio, which was consummated April 11, 2007, as discussed above.

On May 21, 2007, the Company acquired a Marriott Residence Inn and a Hampton Inn, both in Jacksonville, Florida, from MS Resort Holdings LLC for approximately \$35.8 million in cash. The acquisition of these hotel properties, which were previously owned by CNL, related to the Company's acquisition of the CNL Portfolio on April 11, 2007. The Company used proceeds from its sale of seven hotels on May 18, 2007 and cash on hand to fund this acquisition.

On December 15, 2007, the Company completed an asset swap with Hilton Hotels Corporation (Hilton), its partner in two joint ventures which were simultaneously dissolved, whereby the Company surrendered its majority ownership interest in two hotel properties in exchange for the joint venture partner's minority ownership interest in nine hotel properties. In connection with this asset swap, the Company assumed \$41.9 million of debt previously attributable to the joint venture partner's minority ownership in the nine acquired hotel properties that secured such debt and ceded \$109.5 million of debt, of which \$80.1 million was attributable to its majority ownership in the two surrendered hotel properties that secured such debt and the remainder attributable to the joint venture partner's former minority ownership. In addition, the Company will be reimbursed \$2.0 million by Hilton for expenses incurred.

Capital Stock:

On April 11, 2007, the Company issued 8.0 million shares of Series C cumulative redeemable preferred stock at \$25 per share for approximately \$200.0 million less a commitment fee of approximately \$6.3 million. On July 18, 2007, with proceeds received from the issuance of Series D preferred stock discussed below, the Company redeemed its 8.0 million shares of Series C preferred stock for approximately \$200.0 million and received a refund of related commitment fees of approximately \$4.3 million.

On April 24, 2007, in a follow-on public offering, the Company issued 48,875,000 shares of its common stock at \$11.75 per share, which generated gross proceeds of approximately \$574.3 million. However, the aggregate proceeds to the Company, net of underwriters' discount and offering costs, was approximately \$548.2 million. The 48,875,000 shares issued include 6,375,000 shares sold pursuant to an over-allotment option granted to the underwriters. These net proceeds along with cash on hand were used to pay-down the \$45.0 million outstanding balance on its \$47.5 million credit facility, due October 10, 2008, payoff the \$325.0 million variable-rate loan, due April 9, 2008, and pay-down its \$555.1 million variable-rate loan, due May 9, 2009, by approximately \$180.1 million. These three debt payments were made on April 25, 2007, April 24, 2007, and April 25, 2007, respectively.

On July 18, 2007, the Company issued 8.0 million shares of 8.45% Series D cumulative preferred stock at \$25 per share for approximately \$200.0 million less underwriting discounts and commissions of approximately \$6.3 million.

During the year ended December 31, 2007, the Company acquired 60,177 shares of treasury stock for approximately \$728,000 in connection with the Company's Incentive Stock Plan (Stock Plan), which allows employees to tender vested shares of restricted common stock to the Company at current market prices to cover individual federal income taxes withheld on such shares as such shares vest. During the year ended December 31, 2007, the Company reissued 36,841 treasury shares under its Stock Plan as common stock granted to its executives, certain employees, and directors.

During the year ended December 31, 2007, the Company acquired 2,366,300 shares of treasury stock for approximately \$18.2 million in connection with its stock repurchase program.

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Discontinued Operations:

On February 6, 2007, the Company sold its Marriott located in Trumbull, Connecticut, for approximately \$28.3 million. As the Company acquired this property on December 7, 2006, no gain or loss was recognized on the sale.

On February 8, 2007, the Company sold its Fairfield Inn in Princeton, Indiana, for approximately \$3.2 million. In connection with this sale, the Company recognized a gain of approximately \$1.4 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On April 24, 2007, the Company sold its Radisson Hotel in Indianapolis, Indiana, for approximately \$5.4 million. In connection with this sale, the Company recognized a gain of approximately \$2.7 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On April 26, 2007, the Company sold its Fairfield Inn in Evansville, Indiana, for approximately \$5.5 million. In connection with this sale, the Company recognized a gain of approximately \$531,000, of which related income tax gains were deferred through a 1031 like-kind exchange.

On April 27, 2007, the Company sold its Embassy Suites in Phoenix, Arizona, for approximately \$25.0 million. In connection with this sale, the Company recognized a gain of approximately \$8.5 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On May 2, 2007, the Company sold its Radisson Hotel in Covington, Kentucky, and an office building for approximately \$22.4 million. In connection with this sale, the Company recognized a gain of approximately \$3.4 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On May 18, 2007, the Company sold its portfolio of seven TownePlace Suites hotels for approximately \$57.5 million. In connection with this sale, the Company recognized a gain of approximately \$18.3 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On July 2, 2007, the Company sold its Hampton Inn in Horse Cave, Kentucky, for approximately \$3.5 million. In connection with this sale, the Company recognized a gain of approximately \$363,000.

On September 27, 2007, the Company sold its Doubletree Guest Suites in Dayton, Ohio, for approximately \$6.5 million. In connection with this sale, the Company recognized a gain of approximately \$168,000.

On October 2, 2007, the Company sold its Hilton in Birmingham, Alabama, for approximately \$25.0 million. As the Company acquired this property on April 11, 2007, no gain or loss was recognized on the sale. In connection with this sale, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$23.7 million.

On November 2, 2007, the Company sold two Residence Inns in Torrance, California, and Atlanta, Georgia, for approximately \$61.5 million. As the Company acquired these properties on April 11, 2007, no gain or loss was recognized on the sale. In connection with this sale and using corporate funds, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$67.7 million.

On November 20, 2007, the Company sold its Residence Inn in Kansas City, Missouri, for approximately \$7.0 million. As the Company acquired this property on April 11, 2007, no gain or loss was recognized on this sale. In connection with this sale and using corporate funds, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$7.4 million.

On November 30, 2007, the Company sold its Marriott in Baltimore, Maryland, for approximately \$61.5 million. As the Company acquired this property on April 11, 2007, no gain or loss was recognized on this sale. In connection with this sale, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$62.4 million.

Notes Receivable:

On February 6, 2007, the Company received approximately \$8.1 million related to all principal and interest due under its \$8.0 million note receivable, due February 2007.

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On May 8, 2007, the Company received approximately \$8.6 million related to all principal and interest due under its \$8.5 million note receivable, due June 2007.

On June 11, 2007, the Company received approximately \$8.1 million related to all principal and interest due under its \$8.0 million note receivable, due May 2010.

On June 18, 2007, the Company received approximately \$5.7 million related to all principal and interest due under its \$5.6 million note receivable, due July 2008.

On December 5, 2007, the Company originated a \$21.5 million mezzanine loan receivable, due January 2018.

Indebtedness:

On January 30, 2007, the Company completed a \$20.0 million draw on its \$150.0 million credit facility, due August 16, 2008.

On February 6, 2007, in connection with the Company's sale of its Marriott located in Trumbull, Connecticut, for approximately \$28.3 million, the Company paid down its \$212.0 million mortgage note payable, due December 11, 2009, by approximately \$28.0 million. Consequently, the \$212.0 million mortgage loan secured by seven hotels outstanding at December 31, 2006 became the \$184.0 million mortgage loan secured by six hotels outstanding at December 31, 2007.

On March 8, 2007, the Company terminated its \$100.0 million credit facility, due December 23, 2008. This credit facility never had an outstanding balance.

On April 9, 2007, the Company drew \$45.0 million on its \$47.5 million credit facility, due October 10, 2008.

On April 10, 2007, the Company repaid its \$45.0 million outstanding balance on its \$150.0 million credit facility, due August 16, 2008, and terminated the facility.

On April 11, 2007, in connection with its acquisition of the CNL Portfolio for approximately \$2.4 billion plus closing costs of approximately \$96.0 million, the Company executed a \$928.5 million, ten-year, fixed-rate loan at an average blended interest rate of 5.95%, a \$555.1 million, two-year, variable-rate loan with three one-year extension options at an interest rate of LIBOR plus 1.65%, and a \$325.0 million, one-year, variable-rate loan with two one-year extension options at an interest rate of LIBOR plus 1.5%, and assumed fixed-rate debt of approximately \$562.1 million (or approximately \$432.3 million net of debt attributable to joint venture partners), representing eleven fixed-rate loans with an average blended interest rate of 6.01% and expiration dates ranging from 2008 to 2027. In addition, the Company executed a \$200.0 million credit facility with an interest rate of LIBOR plus a range of 1.55% to 1.95% depending on the loan-to-value ratio, which matures April 9, 2010 with two one-year extension options, requires interest-only payments through maturity, and requires quarterly commitment fees ranging from 0.125% to 0.20% of the average undrawn balance during the quarter. To fund this acquisition, the Company drew approximately \$50.0 million on this credit facility.

On April 11, 2007, in connection with its acquisition of the remaining 15% joint venture interest in the Hyatt Regency Dearborn in Detroit, Michigan, for approximately \$7.5 million, the Company assumed debt attributable to the joint venture partner of approximately \$4.6 million. The Company acquired the other 85% interest pursuant to its acquisition of the CNL portfolio on April 11, 2007, as discussed above.

On April 16, 2007, the Company drew \$25.0 million on its \$200.0 million credit facility, due April 9, 2010.

On April 24 and 25, 2007, with proceeds received from its follow-on public offering completed April 24, 2007, the Company paid down the \$45.0 million outstanding balance on its \$47.5 million credit facility, due October 10, 2008, paid off the \$325.0 million variable-rate loan, due April 9, 2008, and paid down its \$555.1 million variable-rate loan, due May 9, 2009, by approximately \$180.1 million. These three debt payments were made on April 25, 2007, April 24, 2007, and April 25, 2007, respectively.

On May 3, 2007, the Company repaid \$25.0 million on its \$200.0 million credit facility, due April 9, 2010.

On May 18, 2007, in connection with the Company's sale of its portfolio of seven TownePlace Suites hotels for approximately \$57.5 million, the Company paid down approximately \$32.0 million related to its mortgage loan due

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July 1, 2015. Consequently, the \$487.1 million mortgage loan secured by 32 hotels outstanding at December 31, 2006 became the \$455.1 million mortgage loan secured by 25 hotels outstanding at December 31, 2007.

On May 22, 2007, the Company modified its \$200.0 million credit facility, due April 9, 2010, to increase its capacity to \$300.0 million.

On October 2, 2007, in connection with the sale of its Hilton in Birmingham, Alabama, for approximately \$25.0 million, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$23.7 million.

On October 9, 2007, the Company drew approximately \$47.5 million on its \$47.5 million credit facility, and used the proceeds to repay \$20.0 million on its \$300.0 million credit facility, due April 9, 2010. On October 11, 2007, the revolving period on this \$47.5 million credit facility expired and the outstanding balance converted to a \$47.5 million mortgage loan, due October 10, 2008, at an interest rate of LIBOR plus 2%, requiring monthly interest-only payments through maturity, with three one-year extension options.

On October 9, 2007, the Company repaid \$20.0 million on its \$300.0 million credit facility, due April 9, 2010.

On November 2, 2007, in connection with the sale of two Residence Inns in Torrance, California, and Atlanta, Georgia, for approximately \$61.5 million, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$67.7 million pursuant to the loan agreement, with proceeds from the sale and corporate cash.

On November 20, 2007, in connection with the sale of its Residence Inn in Kansas City, Missouri, for approximately \$7.0 million, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$7.4 million.

On November 30, 2007, in connection with the sale of its Marriott in Baltimore, Maryland, for approximately \$61.5 million, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$62.4 million.

On December 4, 2007, the Company drew \$25.0 million on its \$300.0 million credit facility, due April 9, 2010.

On December 15, 2007, in connection with an asset swap with a joint venture partner, the Company assumed \$41.9 million of mortgage debt previously attributable to the joint venture partner's minority ownership in nine acquired hotel properties that secured such debt and ceded \$109.5 million of mortgage debt, of which \$80.1 million was attributable to its majority ownership in the two surrendered hotel properties that secured such debt and the remainder attributable to the joint venture partner's former minority ownership. Such ceded debt had maturities ranging from 2010 to 2011.

On December 15, 2007, in connection with the aforementioned asset swap, the Company repaid an additional \$8.7 million of mortgage debt attributable to its majority ownership in such joint ventures, which was secured by hotels involved in the asset swap and had maturities ranging from 2010 to 2011.

On December 20, 2007, the Company drew \$10.0 million on its \$300.0 million credit facility, due April 9, 2010.

Dividends:

During the year ended December 31, 2007, the Company declared cash dividends of approximately \$100.4 million, or \$0.21 per share per quarter, related to both common stockholders and common unit holders, of which approximately

\$92.3 million and \$8.1 million related to each, respectively. During the year ended December 31, 2007, the Company declared cash dividends of approximately \$2.9 million, or \$0.19 per share per quarter, related to Class B unit holders.

During the year ended December 31, 2007, the Company declared cash dividends of approximately \$4.9 million, or \$0.5344 per share per quarter, related to Series A preferred stockholders.

During the year ended December 31, 2007, the Company declared cash dividends of approximately \$6.3 million, or \$0.21 per share per quarter, related to Series B preferred stockholders.

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During the year ended December 31, 2007, the Company declared cash dividends of approximately \$4.3 million, based on LIBOR plus 2.5% for the period outstanding, related to Series C preferred stockholders. In addition, the Company recognized non-cash preferred dividends of approximately \$845,000 related to the amortization of the discount attributable to the increasing-rate preferred dividend clause effective 18 months after issuance.

During the year ended December 31, 2007, the Company declared cash dividends of approximately \$7.7 million, or \$0.5281 per share per quarter prorated for the period outstanding, related to Series D preferred stockholders.

OUR COMPETITION

The hotel industry is highly competitive. All of our hotels are located in developed areas that include other hotel properties. Accordingly, our hotels compete for guests with other full-service or limited-service hotels in their immediate vicinities and, secondarily, with hotels in their geographic markets. The future occupancy, ADR, and RevPAR of any hotel could be materially and adversely affected by an increase in the number or quality of competitive hotel properties in its market area. We believe that brand recognition, location, quality of the hotel and the services provided, and price are the principal competitive factors affecting our hotels.

OUR EMPLOYEES

At December 31, 2007, we had 66 full-time employees. Such employees perform directly or through our operating partnership various acquisition, development, redevelopment, and corporate management functions. All persons employed in the day-to-day operations of our hotels are employees of the management companies rather than employees of ours.

OUR ENVIRONMENTAL MATTERS

Under various federal, state, and local laws and regulations, an owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on such property. These laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence of hazardous or toxic substances. Furthermore, a person who arranges for the disposal of a hazardous substance or transports a hazardous substance for disposal or treatment from property owned by another may be liable for the costs of removal or remediation of hazardous substances released into the environment at that property. The costs of remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect the owner's ability to sell the affected property or to borrow using the affected property as collateral. In connection with the ownership and operation of our properties, we, our operating partnership, or Ashford TRS may be potentially liable for any such costs. In addition, the value of any lodging property loan we originate or acquire would be adversely affected if the underlying property contained hazardous or toxic substances.

Phase I environmental assessments, which are intended to identify potential environmental contamination for which our properties may be responsible, have been obtained on each of our properties. Phase I environmental assessments included:

historical reviews of the properties,

reviews of certain public records,

preliminary investigations of the sites and surrounding properties,

screening for the presence of hazardous substances, toxic substances, and underground storage tanks, and the preparation and issuance of a written report.

Phase I environmental assessments did not include invasive procedures, such as soil sampling or ground water analysis.

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Phase I environmental assessments have not revealed any environmental liability that we believe would have a material adverse effect on our business, assets, results of operations, or liquidity, and we are not aware of any such liability. To the extent Phase I environmental assessments reveal facts that require further investigation, we would perform a Phase II environmental assessment. However, it is possible that these environmental assessments will not reveal all environmental liabilities. There may be material environmental liabilities of which we are unaware, including environmental liabilities that may have arisen since the environmental assessments were completed or updated. No assurances can be given that (i) future laws, ordinances, or regulations will not impose any material environmental liability, or (ii) the current environmental condition of our properties will not be affected by the condition of properties in the vicinity (such as the presence of leaking underground storage tanks) or by third parties unrelated to us.

We believe our properties are in compliance in all material respects with all federal, state, and local ordinances and regulations regarding hazardous or toxic substances and other environmental matters. Neither we nor, to our knowledge, any of the former owners of our properties have been notified by any governmental authority of any material noncompliance, liability, or claim relating to hazardous or toxic substances or other environmental matters in connection with any of our properties.

OUR INSURANCE

We maintain comprehensive insurance, including liability, property, workers' compensation, rental loss, environmental, terrorism, and, when available on reasonable commercial terms, flood and earthquake insurance, with policy specifications, limits, and deductibles customarily carried for similar properties. Certain types of losses (for example, matters of a catastrophic nature such as acts of war or substantial known environmental liabilities) are either uninsurable or require substantial premiums that are not economically feasible to maintain. Certain types of losses, such as those arising from subsidence activity, are insurable only to the extent that certain standard policy exceptions to insurability are waived by agreement with the insurer. We believe, however, that our properties are adequately insured, consistent with industry standards.

OUR FRANCHISE LICENSES

We believe that the public's perception of quality associated with a franchisor is an important feature in the operation of a hotel. Franchisors provide a variety of benefits for franchisees, which include national advertising, publicity, and other marketing programs designed to increase brand awareness, training of personnel, continuous review of quality standards, and centralized reservation systems. As of December 31, 2007, the Company owned interest in 112 hotels, 110 of which operated under the following franchise licenses or brand management agreements:

Embassy Suites is a registered trademark of Hilton Hospitality, Inc.

Doubletree is a registered trademark of Hilton Hospitality, Inc.

Hilton is a registered trademark of Hilton Hospitality, Inc.

Hilton Garden Inn is a registered trademark of Hilton Hospitality, Inc.

Homewood Suites by Hilton is a registered trademark of Hilton Hospitality, Inc.

Hampton Inn is a registered trademark of Hilton Hospitality, Inc.

Radisson is a registered trademark of Radisson Hotels International, Inc.

Marriott is a registered trademark of Marriott International, Inc.

JW Marriott is a registered trademark of Marriott International, Inc.

SpringHill Suites is a registered trademark of Marriott International, Inc.

Residence Inn by Marriott is a registered trademark of Marriott International, Inc.

Courtyard by Marriott is a registered trademark of Marriott International, Inc.

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Fairfield Inn by Marriott is a registered trademark of Marriott International, Inc.

TownePlace Suites is a registered trademark of Marriott International, Inc.

Renaissance is a registered trademark of Marriott International, Inc.

Hyatt Regency is a registered trademark of Hyatt Corporation.

Sheraton is a registered trademark of Sheraton Hotels and Resorts, a division of Starwood Hotels and Resorts Worldwide, Inc.

Westin is a registered trademark of Westin Hotels and Resorts, a division of Starwood Hotels and Resorts Worldwide, Inc.

Crowne Plaza is a registered trademark of InterContinental Hotels Group.

Our management companies, including Remington Lodging, must operate each hotel pursuant to the terms of the related franchise or brand management agreement, and must use their best efforts to maintain the right to operate each hotel as such. In the event of termination of a particular franchise or brand management agreement, our management companies must operate any affected hotels under another franchise or brand management agreement, if any, that we enter into. We anticipate that most of the additional hotels we acquire will be operated under franchise licenses or brand management agreements as well.

Our franchise licenses and brand management agreements generally specify certain management, operational, recordkeeping, accounting, reporting, and marketing standards and procedures with which the franchisee or brand operator must comply, including requirements related to:

training of operational personnel;

safety;

maintaining specified insurance;

types of services and products ancillary to guestroom services that may be provided;

display of signage; and

type, quality, and age of furniture, fixtures, and equipment included in guestrooms, lobbies, and other common areas.

OUR SEASONALITY MATTERS

Our properties' operations historically have been seasonal as certain properties maintain higher occupancy rates during the summer months and some during the winter months. This seasonality pattern can cause fluctuations in our quarterly lease revenue under our percentage leases. We anticipate that cash flow from the operations of our properties will be sufficient to enable us to make quarterly distributions to maintain our REIT status. To the extent that cash flow from operations is insufficient during any quarter due to temporary or seasonal fluctuations in lease revenue, we expect to utilize other cash on hand or borrowings to make required distributions. However, we cannot make any assurances that we will make distributions in the future.

Item 1A. Risk Factors

Risks Related to Our Business

Our business strategy depends on our continued growth. We may fail to integrate recent and additional investments into our operations or otherwise manage our planned growth, which may adversely affect our operating results.

Our business plan contemplates a period of continued growth in the next several years. We cannot assure you that we will be able to adapt our management, administrative, accounting, and operational systems, or hire and retain sufficient operational staff to successfully integrate our recent investments into our portfolio and manage any future acquisitions of additional assets without operating disruptions or unanticipated costs. Acquisitions of any

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additional portfolios of properties or mortgages would generate additional operating expenses that we will be required to pay. As we acquire additional assets, we will be subject to the operational risks associated with owning new lodging properties. Our failure to successfully integrate our recent acquisitions as well as any future acquisitions into our portfolio could have a material adverse effect on our results of operations and financial condition and our ability to pay dividends to stockholders.

We may be unable to identify additional real estate investments that meet our investment criteria or to acquire the properties we have under contract.

We cannot assure you that we will be able to identify real estate investments that meet our investment criteria, that we will be successful in completing any investment we identify, or that any investment we complete will produce a return on our investment. Moreover, we will have broad authority to invest in any real estate investments that we may identify in the future. We also cannot assure you that we will acquire properties we currently have under firm purchase contracts, if any, or that the acquisition terms we have negotiated will not change.

Conflicts of interest could result in our management acting other than in our stockholders' best interest.

Conflicts of interest relating to Remington Lodging may lead to management decisions that are not in the stockholders' best interest. The Chairman of our Board of Directors, Mr. Archie Bennett, Jr., serves as the Chairman of the Board of Directors of Remington Lodging, and our Chief Executive Officer and President, Mr. Montgomery Bennett, serves as the Chief Executive Officer and President of Remington Lodging. Messrs. Archie and Montgomery Bennett own 100% of Remington Lodging, which, as of December 31, 2007, manages 43 of our 112 properties and provides related services, including property management services and project management services.

Messrs. Archie and Montgomery Bennett's ownership interests in and management obligations to Remington Lodging present them with conflicts of interest in making management decisions related to the commercial arrangements between us and Remington Lodging and will reduce the time and effort they each spend managing us. Our Board of Directors has adopted a policy that requires all approvals, actions or decisions to which the Company has the right to make under the management agreements with Remington Lodging be approved by a majority or, in certain circumstances, all of our independent directors. However, given the authority and/or operational latitude to Remington Lodging under the management agreements to which the Company is a party, Messrs. Archie Bennett and Montgomery Bennett, as officers of Remington Lodging, could take actions or make decisions that are not in the stockholders' best interest or that are otherwise consistent with their obligations under the management agreements or the Company's obligations under the applicable franchise agreements.

Holders of units in our operating partnership, including members of our management team, may suffer adverse tax consequences upon our sale of certain properties. Therefore, holders of units, either directly or indirectly, including Messrs. Archie and Montgomery Bennett, Mr. David Brooks, our Chief Legal Officer, Mr. David Kimichik, our Chief Financial Officer, Mr. Mark Nunneley, our Chief Accounting Officer, and Mr. Martin L. Edelman (or his family members), one of our directors, may have different objectives regarding the appropriate pricing and timing of a particular property's sale. These officers and directors of ours may influence us not to sell or refinance certain properties, even if such sale or refinancing might be financially advantageous to our stockholders, or to enter into tax deferred exchanges with the proceeds of such sales when such a reinvestment might not otherwise be in our best interest. In addition, we have agreed to indemnify contributors of properties contributed to us in exchange for operating partnership units, including (indirectly) Messrs. Archie and Montgomery Bennett, Brooks, Kimichik, Nunneley, and Edelman (or his family members), against the income tax they may incur if we dispose of the specified contributed properties. Because of this indemnification, our indemnified management team members may make decisions about selling any of these properties that are not in our stockholders' best interest.

We are a party to a master hotel management agreement and an exclusivity agreement with Remington Lodging, which describes the terms of Remington Lodging's management of our hotels, as well as any future hotels we may acquire that will be managed by Remington Lodging. If we terminate the management agreement as to any of the remaining five hotels we acquired in connection with our initial public offering, which are all subject to the management agreement, because we elect to sell those hotels, we will be required to pay Remington Lodging a

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substantial termination fee. Remington Lodging may agree to waive the termination fee if a replacement hotel is substituted but is under no contractual obligation to do so. The exclusivity agreement requires us to engage Remington Lodging, unless our independent directors either (i) unanimously vote to hire a different manager or developer, or (ii) by a majority vote, elect not to engage Remington Lodging because they have determined that special circumstances exist or that, based on Remington Lodging's prior performance, another manager or developer could perform the duties materially better. As the sole owners of Remington Lodging, which would receive any development, management, and management termination fees payable by us under the management agreement, Messrs. Archie and Montgomery Bennett may influence our decisions to sell, acquire, or develop hotels when it is not in the best interests of our stockholders to do so.

In addition, Ashford Financial Corporation, an affiliate, contributed certain asset management and consulting agreements to us in connection with our initial public offering relating to management and consulting services that Ashford Financial Corporation agreed to perform for hotel property managers with respect to 27 identified hotel properties in which Messrs. Archie and Montgomery Bennett held a minority interest. Ashford Financial Corporation is 100% owned by Messrs. Archie and Montgomery Bennett. The agreements provided for annual payments to us, as the assignee of Ashford Financial Corporation, in consideration for our performance of certain asset management and consulting services. The exact amount of the consideration due to us under the remaining asset management and consulting agreements was initially contingent upon the revenue generated by the hotels underlying the asset management and consulting agreements. Ashford Financial Corporation guaranteed a minimum payment to us of \$1.2 million per year, subject to adjustments based on the consumer price index, through December 31, 2008. All of the 27 hotel properties for which we previously provided the asset management and consulting services have been sold, including our acquisition of 21 of the hotel properties in March 2005. Accordingly, we anticipate collecting the balance of the guaranteed minimum payment of \$1.2 million per year from Ashford Financial Corporation under its guarantee.

Tax indemnification obligations that apply in the event that we sell certain properties could limit our operating flexibility.

If we dispose of the four remaining properties that were contributed to us in exchange for units in our operating partnership in connection with our initial public offering, we may be obligated to indemnify the contributors, including Messrs. Archie and Monty Bennett whom have substantial ownership interests, against the tax consequences of the sale. In addition, under the tax indemnification agreements, we have agreed for a period of 10 years to use commercially reasonable efforts to maintain non-recourse mortgage indebtedness in the amount of at least \$16.0 million, which will allow the contributors to defer recognition of gain in connection with the contribution of the Las Vegas hotel property as part of our formation.

Additionally, for certain periods of time, we are prohibited from selling or transferring the Sea Turtle Inn in Atlantic Beach, Florida, and the Marriott Crystal Gateway in Arlington, Virginia, if as a result, the entity from which we acquired the property would recognize gain for federal tax purposes.

Further, in connection with our acquisition of certain properties in March 2005 that were contributed to us in exchange for units in our operating partnership, we agreed to certain tax indemnities with respect to 11 additional properties. If we dispose of any of these 11 properties or reduce the debt on these properties in a transaction that results in a taxable gain to the contributors, we may be obligated to indemnify the contributors or their specified assignees against the tax consequences of the transaction.

In general, our tax indemnities will be equal to the amount of the federal, state, and local income tax liability the contributor or its specified assignee incurs with respect to the gain allocated to the contributor. The terms of the contribution agreements also generally require us to gross up tax indemnity payments for the amount of income taxes

due as a result of the tax indemnity.

While the tax indemnities generally do not contractually limit our ability to conduct our business in the way we desire, we are less likely to sell any of the contributed properties for which we have agreed to the tax indemnities described above in a taxable transaction during the applicable indemnity period. Instead, we would either hold the property for the entire indemnity period or seek to transfer the property in a tax-deferred like-kind exchange. In addition, a condemnation of one of our properties could trigger our tax indemnification obligations.

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Hotel franchise requirements could adversely affect distributions to our stockholders.

We must comply with operating standards, terms, and conditions imposed by the franchisors of the hotel brands under which our hotels operate. Franchisors periodically inspect their licensed hotels to confirm adherence to their operating standards. The failure of a hotel to maintain standards could result in the loss or cancellation of a franchise license. With respect to operational standards, we rely on our property managers to conform to such standards. Franchisors may also require us to make certain capital improvements to maintain the hotel in accordance with system standards, the cost of which can be substantial. It is possible that a franchisor could condition the continuation of a franchise based on the completion of capital improvements that our management or Board of Directors determines is too expensive or otherwise not economically feasible in light of general economic conditions or the operating results or prospects of the affected hotel. In that event, our management or Board of Directors may elect to allow the franchise to lapse or be terminated, which could result in a change in brand franchising or operation of the hotel as an independent hotel.

In addition, when the term of a franchise expires, the franchisor has no obligation to issue a new franchise. The loss of a franchise could have a material adverse effect on the operations or the underlying value of the affected hotel because of the loss of associated name recognition, marketing support, and centralized reservation systems provided by the franchisor. The loss of a franchise could also have a material adverse effect on cash available for distribution to stockholders.

Future terrorist attacks similar in nature to the events of September 11, 2001 may negatively affect the performance of our properties, the hotel industry in general, and our future results of operations and financial condition.

The terrorist attacks of September 11, 2001, their after-effects, and the resulting U.S.-led military action in Iraq substantially reduced business and leisure travel throughout the United States and hotel industry revenue per available room, or RevPAR, generally during the period following September 11, 2001. We cannot predict the extent to which additional terrorist attacks, acts of war, or similar events may occur in the future or how such events would directly or indirectly impact the hotel industry or our operating results.

Future terrorist attacks, acts of war, or similar events could have further material adverse effects on the hotel industry at large and our operations in particular.

Our investments will be concentrated in particular segments of a single industry.

Our entire business is hotel related. Our current investment strategy is to acquire or develop upscale to upper-upscale hotels, acquire first mortgages on hotel properties, invest in other mortgage-related instruments such as mezzanine loans to hotel owners and operators, and participate in hotel sale-leaseback transactions. Adverse conditions in the hotel industry will have a material adverse effect on our operating and investment revenues and cash available for distribution to our stockholders.

We rely on third party property managers, including Remington Lodging, to operate our hotels and for a significant majority of our cash flow.

For us to continue to qualify as a REIT, third parties must operate our hotels. A REIT may lease its hotels to taxable REIT subsidiaries in which the REIT can own up to a 100% interest. A taxable REIT subsidiary, or TRS, pays corporate-level income tax and may retain any after-tax income. A REIT must satisfy certain conditions to use the TRS structure. One of those conditions is that the TRS must hire, to manage the hotels, an eligible independent contractor (EIC) that is actively engaged in the trade or business of managing hotels for parties other than the REIT.

An EIC cannot (i) own more than 35% of the REIT, (ii) be owned more than 35% by persons owning more than 35% of the REIT, or (iii) provide any income to the REIT (i.e., the EIC cannot pay fees to the REIT, and the REIT cannot own any debt or equity securities of the EIC).

Accordingly, while we may lease hotels to a TRS that we own, the TRS must engage a third-party operator to manage the hotels. Thus, our ability to direct and control how our hotels are operated is less than if we were able to manage our hotels directly. We have entered into management agreements with Remington Lodging, which is

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owned 100% by Messrs. Archie and Montgomery Bennett, to manage 43 of our 112 lodging properties owned as of December 31, 2007 and have hired unaffiliated third party property managers to manage our remaining properties. We do not supervise any of the property managers or their respective personnel on a day-to-day basis, and we cannot assure you that the property managers will manage our properties in a manner that is consistent with their respective obligations under the applicable management agreement or our obligations under our hotel franchise agreements. We also cannot assure you that our property managers will not be negligent in their performance, will not engage in other criminal or fraudulent activity, or will not otherwise default on their respective management obligations to us. If any of the foregoing occurs, our relationships with the franchisors may be damaged, we may be in breach of the franchise agreement, and we could incur liabilities resulting from loss or injury to our property or to persons at our properties. Any of these circumstances could have a material adverse effect on our operating results and financial condition, as well as our ability to pay dividends to stockholders.

If we cannot obtain additional financing, our growth will be limited.

We are required to distribute to our stockholders at least 90% of our REIT taxable income, excluding net capital gains, each year to continue to qualify as a REIT. As a result, our retained earnings available to fund acquisitions, development, or other capital expenditures are nominal. As such, we rely upon the availability of additional debt or equity capital to fund these activities. Our long-term ability to grow through acquisitions or development of hotel-related assets will be limited if we cannot obtain additional financing. Market conditions may make it difficult to obtain financing, and we cannot assure you that we will be able to obtain additional debt or equity financing or that we will be able to obtain it on favorable terms.

We may be unable to generate sufficient revenue from operations to pay our operating expenses and to pay dividends to our stockholders.

As a REIT, we are required to distribute at least 90% of our REIT taxable income each year to our stockholders. We intend to distribute to our stockholders all or substantially all of our taxable income each year so as to qualify for the tax benefits accorded to REITs, but our ability to make distributions may be adversely affected by the risk factors described herein. We cannot assure you that we will be able to make distributions in the future. In the event of continued or future downturns in our operating results and financial performance, unanticipated capital improvements to our hotels, or declines in the value of our mortgage portfolio, we may be unable to declare or pay distributions to our stockholders. The timing and amount of distributions are in the sole discretion of our Board of Directors, which will consider, among other factors, our financial performance, debt service obligations applicable debt covenants, and capital expenditure requirements.

We are subject to various risks related to our use of, and dependence on, debt.

The interest we pay on variable rate debt increases as interest rates increase, which may decrease cash available for distribution to stockholders. We cannot assure you that we will be able to meet our debt service obligations. If we do not meet our debt service obligations, we risk the loss of some or all of our assets to foreclosure. Changes in economic conditions or our financial results or prospects could (i) result in higher interest rates on variable rate debt, (ii) reduce the availability of debt financing generally or debt financing at favorable rates, (iii) reduce cash available for distribution to stockholders, and (iv) increase the risk that we could be forced to liquidate assets to repay debt, any of which could have a material adverse affect on us.

If we violate covenants in any debt agreements, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all. Violations of certain debt covenants may prohibit us from borrowing unused amounts under our lines of credit, even if repayment of some or all the borrowings is not required. In any event, financial covenants under our current or

future debt obligations could impair our planned business strategies by limiting our ability to borrow beyond certain amounts or for certain purposes. Our governing instruments do not contain any limitation on our ability to incur indebtedness.

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We compete with other hotels for guests. We also face competition for acquisitions of lodging properties and of desirable mortgage investments.

The mid, upscale, and upper-upscale segments of the hotel business are competitive. Our hotels compete on the basis of location, room rates, quality, service levels, reputation, and reservation systems, among many other factors. New hotels may be constructed and these additions to supply create new competitors, in some cases without corresponding increases in demand for hotel rooms. The result in some cases may be lower revenue, which would result in lower cash available for distribution to stockholders.

We compete for hotel acquisitions with entities that have similar investment objectives as we do. This competition could limit the number of suitable investment opportunities offered to us. It may also increase the bargaining power of property owners seeking to sell to us, making it more difficult for us to acquire new properties on attractive terms or on the terms contemplated in our business plan.

We also compete for mortgage asset investments with numerous public and private real estate investment vehicles, such as mortgage banks, pension funds, other REITs, institutional investors, and individuals. Mortgages and other investments are often obtained through a competitive bidding process. In addition, competitors may seek to establish relationships with the financial institutions and other firms from which we intend to purchase such assets. Competition may result in higher prices for mortgage assets, lower yields, and a narrower spread of yields over our borrowing costs.

Some of our competitors are larger than us, may have access to greater capital, marketing, and other resources, may have personnel with more experience than our officers, may be able to accept higher levels of debt or otherwise may tolerate more risk than us, may have better relations with hotel franchisors, sellers, or lenders, and may have other advantages over us in conducting certain business and providing certain services.

We may engage in hedging transactions, which can limit our gains and increase exposure to losses.

We may enter into hedging transactions to protect (i) us from the effects of interest rate fluctuations on floating rate debt and (ii) our portfolio of mortgage assets from interest rate and prepayment rate fluctuations. Our hedging transactions may include entering into interest rate swap agreements or interest rate cap or floor agreements, purchasing or selling futures contracts, purchasing put and call options on securities or securities underlying futures contracts, or entering into forward rate agreements. Hedging activities may not have the desired beneficial impact on our results of operations or financial condition. No hedging activity can completely insulate us from the risks associated with changes in interest rates and prepayment rates. Moreover, interest rate hedging could fail to protect us or adversely affect us because, among other things:

Available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought.

The duration of the hedge may not match the duration of the related liability.

The party owing money in the hedging transaction may default on its obligation to pay.

The credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction.

The value of derivatives used for hedging may be adjusted from time to time in accordance with generally accepted accounting rules to reflect changes in fair value. Downward adjustments, or mark-to-market losses,

would reduce our stockholders' equity.

Hedging involves both risks and costs, including transaction costs, which may reduce our overall returns on our investments. These costs increase as the period covered by the hedging relationship increases and during periods of rising and volatile interest rates. These costs will also limit the amount of cash available for distributions to stockholders. We generally intend to hedge as much of the interest rate risk as management determines is in our best interests given the cost of such hedging transactions. The REIT qualification rules may limit our ability to enter into hedging transactions by requiring us to limit our income from hedges. If we are unable to hedge effectively because of the REIT rules, we will face greater interest rate exposure than may be commercially prudent.

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We may not be able to sell our investments on favorable terms.

We may decide to sell investments for a variety of reasons. We cannot assure you that we will be able to sell any of our investments on favorable terms or that our investments will not be sold for a loss.

Risks Related to Hotel Investments

We are subject to general risks associated with operating hotels.

Our hotels and hotels underlying our mortgage and mezzanine loans are subject to various operating risks common to the hotel industry, many of which are beyond our control, including the following:

our hotels compete with other hotel properties in their geographic markets and many of our competitors have substantial marketing and financial resources;

over-building in our markets, which adversely affects occupancy and revenues at our hotels;

dependence on business and commercial travelers and tourism; and

adverse effects of general, regional, and local economic conditions and increases in energy costs or labor costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists.

These factors could adversely affect our hotel revenues and expenses, as well as the hotels underlying our mortgage and mezzanine loans, which in turn would adversely affect our ability to make distributions to our stockholders.

We may have to make significant capital expenditures to maintain our lodging properties.

Our hotels have an ongoing need for renovations and other capital improvements, including replacements of furniture, fixtures, and equipment. Franchisors of our hotels may also require periodic capital improvements as a condition of maintaining franchise licenses. Generally, we are responsible for the cost of these capital improvements, which gives rise to the following risks:

cost overruns and delays;

renovations can be disruptive to operations and can displace revenue at the hotels, including revenue lost while rooms under renovation are out of service;

the cost of funding renovations and the possibility that financing for these renovations may not be available on attractive terms; and

the risk that the return on our investment in these capital improvements will not be what we expect.

If we have insufficient cash flow from operations to fund needed capital expenditures, then we will need to borrow to fund future capital improvements.

The hotel business is seasonal, which affects our results of operations from quarter to quarter.

The hotel industry is seasonal in nature. Generally, occupancy rates and hotel revenues are greater in the second and third quarters than in the first and fourth quarters. This seasonality can cause quarterly fluctuations in our revenues.

Our hotel investments may be subject to risks relating to potential terrorist activity

During 2007, approximately 16% of total revenue from 12 hotels was generated from hotels located in the Washington D.C. and Baltimore areas, the areas vulnerable to terrorist attack. Our financial and operating performance may be adversely affected by potential terrorist activity, that may cause in the future, or results to differ materially from anticipated results.

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Our development activities may be more costly than we have anticipated.

As part of our growth strategy, we may develop additional hotels. Hotel development involves substantial risks, including that:

actual development costs may exceed our budgeted or contracted amounts;

construction delays may prevent us from opening hotels on schedule;

we may not be able to obtain all necessary zoning, land use, building, occupancy, and construction permits;

our developed properties may not achieve our desired revenue or profit goals; and

we may incur substantial development costs and then have to abandon a development project before completion.

Risks Relating to Investments in Mortgages and Mezzanine Loans

Mortgage investments that are not United States government insured and non-investment grade mortgage assets involve risk of loss.

As part of our business strategy, we originate and acquire lodging-related uninsured and non-investment grade mortgage loans and mortgage assets, including mezzanine loans. While holding these interests, we are subject to risks of borrower defaults, bankruptcies, fraud and related losses, and special hazard losses that are not covered by standard hazard insurance. Also, costs of financing the mortgage loans could exceed returns on the mortgage loans. In the event of any default under mortgage loans held by us, we will bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount of the mortgage loan. To the extent we suffer such losses with respect to our investments in mortgage loans, our value and the price of our securities may be adversely affected.

We invest in non-recourse loans, which will limit our recovery to the value of the mortgaged property.

Our mortgage loan assets are generally non-recourse. With respect to our non-recourse mortgage loan assets, in the event of a borrower default, the specific mortgaged property and other assets, if any, pledged to secure the relevant mortgage loan, may be less than the amount owed under the mortgage loan. As to those mortgage loan assets that provide for recourse against the borrower and its assets generally, we cannot assure you that the recourse will provide a recovery in respect of a defaulted mortgage loan greater than the liquidation value of the mortgaged property securing that mortgage loan.

Investment yields affect our decision whether to originate or purchase investments and the price offered for such investments.

In making any investment, we consider the expected yield of the investment and the factors that may influence the yield actually obtained on such investment. These considerations affect our decision whether to originate or purchase an investment and the price offered for that investment. No assurances can be given that we can make an accurate assessment of the yield to be produced by an investment. Many factors beyond our control are likely to influence the yield on the investments, including, but not limited to, competitive conditions in the local real estate market, local and general economic conditions, and the quality of management of the underlying property. Our inability to accurately assess investment yields may result in our purchasing assets that do not perform as well as expected, which may

adversely affect the price of our securities.

Volatility of values of mortgaged properties may adversely affect our mortgage loans.

Lodging property values and net operating income derived from lodging properties are subject to volatility and may be affected adversely by a number of factors, including the risk factors described herein relating to general economic conditions, operating lodging properties, and owning real estate investments. In the event its net operating income decreases, a borrower may have difficulty paying our mortgage loan, which could result in losses to us. In

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addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay our mortgage loans, which could also cause us to suffer losses.

Mezzanine loans involve greater risks of loss than senior loans secured by income-producing properties.

We make and acquire mezzanine loans. These types of mortgage loans are considered to involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property due to a variety of factors, including the loan being entirely unsecured or, if secured, becoming unsecured as a result of foreclosure by the senior lender. We may not recover some or all of our investment in these loans. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans resulting in less equity in the property and increasing the risk of loss of principal.

Risks Related to the Real Estate Industry

Mortgage debt obligations expose us to increased risk of property losses, which could harm our financial condition, cash flow, and ability to satisfy our other debt obligations and pay dividends.

Incurring mortgage debt increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on the foreclosure but would not receive any cash proceeds. As a result, we may be required to identify and utilize other sources of cash for distributions to our stockholders of that income.

In addition, our default under any one of our mortgage debt obligations may result in a default on our other indebtedness. If this occurs, our financial condition, cash flow, and ability to satisfy our other debt obligations or ability to pay dividends may be impaired.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties or mortgage loans in our portfolio in response to changing economic, financial, and investment conditions is limited. The real estate market is affected by many factors that are beyond our control, including:

adverse changes in national and local economic and market conditions;

changes in interest rates and in the availability, cost, and terms of debt financing;

changes in governmental laws and regulations, fiscal policies, and zoning and other ordinances, and costs of compliance with laws and regulations;

the ongoing need for capital improvements, particularly in older structures;

changes in operating expenses; and

civil unrest, acts of war, and natural disasters, including earthquakes and floods, which may result in uninsured and underinsured losses.

We cannot predict whether we will be able to sell any property or loan for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property or loan. Because we intend to offer more flexible terms on our mortgage loans than some providers of commercial mortgage loans, we may have more difficulty selling or participating our loans to secondary purchasers than would these more traditional lenders.

We may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements. In

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acquiring a property, we may agree to lock-out provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could have a material adverse effect on our operating results and financial condition, as well as our ability to pay dividends to stockholders.

The costs of compliance with or liabilities under environmental laws may harm our operating results.

Our properties and properties underlying our loan assets may be subject to environmental liabilities. An owner of real property, or a lender with respect to a property that exercises control over the property, can face liability for environmental contamination created by the presence or discharge of hazardous substances on the property. We may face liability regardless of:

- our knowledge of the contamination;
- the timing of the contamination;
- the cause of the contamination; or
- the party responsible for the contamination.

There may be environmental problems associated with our properties or properties underlying our loan assets of which we are unaware. Some of our properties or the properties underlying our loan assets use, or may have used in the past, underground tanks for the storage of petroleum-based or waste products that could create a potential for release of hazardous substances. If environmental contamination exists on a property, we could become subject to strict, joint and several liability for the contamination if we own the property or if we foreclose on the property or otherwise have control over the property.

The presence of hazardous substances on a property we own or have made a loan with respect to may adversely affect our ability to sell or foreclose on the property, and we may incur substantial remediation costs. The discovery of environmental liabilities attached to our properties or properties underlying our loan assets could have a material adverse effect on our results of operations, financial condition, and ability to pay dividends to stockholders.

We have environmental insurance policies on each of our owned properties, and we intend to obtain environmental insurance for any other properties that we may acquire. However, if environmental liabilities are discovered during the underwriting of the insurance policies for any property that we may acquire in the future, we may be unable to obtain insurance coverage for the liabilities at commercially reasonable rates or at all, and we may experience losses. In addition, we generally do not require our borrowers to obtain environmental insurance on the properties they own that secure their loans from us.

Our properties and the properties underlying our mortgage loans may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold at any of our properties or the properties underlying our loan assets could require us or our borrowers to undertake a costly remediation program to contain or remove the mold from the affected property. In

addition, the presence of significant mold could expose us or our borrowers to liability from guests, employees, and others if property damage or health concerns arise.

Compliance with the Americans with Disabilities Act and fire, safety, and other regulations may require us or our borrowers to make unintended expenditures that adversely impact our operating results.

All of our properties and properties underlying our mortgage loans are required to comply with the Americans with Disabilities Act, or the ADA. The ADA requires that public accommodations such as hotels be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access

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barriers and non-compliance could result in imposition of fines by the U.S. government or an award of damages to private litigants, or both. We or our borrowers may be required to expend funds to comply with the provisions of the ADA at our hotels or hotels underlying our loan assets, which could adversely affect our results of operations and financial condition and our ability to make distributions to stockholders. In addition, we and our borrowers are required to operate our properties in compliance with fire and safety regulations, building codes, and other land use regulations as they may be adopted by governmental agencies and bodies and become applicable to our properties. We and our borrowers may be required to make substantial capital expenditures to comply with those requirements, and these expenditures could have a material adverse effect on our operating results and financial condition as well as our ability to pay dividends to stockholders.

We may experience uninsured or underinsured losses.

We have property and casualty insurance with respect to our properties and other insurance, in each case, with loss limits and coverage thresholds deemed reasonable by our management (and with the intent to satisfy the requirements of lenders and franchisors). In doing so, we have made decisions with respect to what deductibles, policy limits, and terms are reasonable based on management's experience, our risk profile, the loss history of our property managers and our properties, the nature of our properties and our businesses, our loss prevention efforts, and the cost of insurance.

Various types of catastrophic losses may not be insurable or may not be economically insurable. In the event of a substantial loss, our insurance coverage may not cover the full current market value or replacement cost of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations, and other factors might cause insurance proceeds to be insufficient to fully replace or renovate a hotel after it has been damaged or destroyed. Accordingly, there can be no assurance that (i) the insurance coverage thresholds that we have obtained will fully protect us against insurable losses (i.e., losses may exceed coverage limits); (ii) we will not incur large deductibles that will adversely affect our earnings; (iii) we will not incur losses from risks that are not insurable or that are not economically insurable; or (iv) current coverage thresholds will continue to be available at reasonable rates. In the future, we may choose not to maintain terrorism insurance on any of our properties. As a result, one or more large uninsured or underinsured losses could have a material adverse effect on us.

Each of our current lenders requires us to maintain certain insurance coverage thresholds, and we anticipate that future lenders will have similar requirements. We believe that we have complied with the insurance maintenance requirements under the current governing loan documents and we intend to comply with any such requirements in any future loan documents. However, a lender may disagree, in which case the lender could obtain additional coverage thresholds and seek payment from us, or declare us in default under the loan documents. In the former case, we could spend more for insurance than we otherwise deem reasonable or necessary or, in the latter case, subject us to a foreclosure on hotels collateralizing one or more loans. In addition, a material casualty to one or more hotels collateralizing loans may result in (i) the insurance company applying to the outstanding loan balance insurance proceeds that otherwise would be available to repair the damage caused by the casualty, which would require us to fund the repairs through other sources, or (ii) the lender foreclosing on the hotels if there is a material loss that is not insured.

Risks Related to Our Status as a REIT

If we do not qualify as a REIT, we will be subject to tax as a regular corporation and face substantial tax liability.

We conduct operations so as to qualify as a REIT under the Internal Revenue Code. However, qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only a limited number of judicial or administrative interpretations exist. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, new tax legislation, administrative guidance, or court decisions, in each

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instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT. If we fail to qualify as a REIT in any tax year, then:

we would be taxed as a regular domestic corporation, which, among other things, means being unable to deduct distributions to stockholders in computing taxable income and being subject to federal income tax on our taxable income at regular corporate rates;

we would also be subject to federal alternative minimum tax and, possibly, increased state and local taxes;

any resulting tax liability could be substantial and would reduce the amount of cash available for distribution to stockholders; and

unless we were entitled to relief under applicable statutory provisions, we would be disqualified from treatment as a REIT for the subsequent four taxable years following the year that we lost our qualification, and, thus, our cash available for distribution to stockholders would be reduced for each of the years during which we did not qualify as a REIT.

If we fail to qualify as a REIT, we will not be required to make distributions to stockholders to maintain our tax status. As a result of all of these factors, our failure to qualify as a REIT would impair our ability to raise capital, expand our business, and make distributions to our stockholders and would adversely affect the value of our securities.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state, and local taxes on our income and assets. For example:

We will be required to pay tax on undistributed REIT taxable income.

We may be required to pay the alternative minimum tax on our items of tax preference.

If we have net income from the disposition of foreclosure property held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay tax on that income at the highest corporate rate.

If we sell a property in a prohibited transaction, our gain from the sale would be subject to a 100% penalty tax.

Our taxable REIT subsidiary, Ashford TRS, is a fully taxable corporation and will be required to pay federal and state taxes on its income.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders, and the ownership of our stock. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code may limit our ability to hedge mortgage securities and related borrowings by requiring us to limit our income in each year from qualified hedges, together with any other income not generated from qualified real estate assets, to no more than 25% of our gross income. In addition, we must limit our aggregate income from nonqualified hedging transactions, from our provision of services, and from other non-qualifying sources to no more than 5% of our annual gross income. As a result, we may have to limit our use of advantageous hedging techniques. This could result in greater risks associated with changes in interest rates than we would otherwise want to incur. If we were to violate the 25% or 5% limitations, we may have to pay a penalty tax equal to the amount of income in excess of those limitations multiplied by a fraction intended to reflect

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our profitability. If we fail to satisfy the REIT gross income tests, unless our failure was due to reasonable cause and not due to willful neglect, we could lose our REIT status for federal income tax purposes.

Complying with REIT requirements may force us to liquidate otherwise attractive investments.

To qualify as a REIT, we must also ensure that at the end of each calendar quarter at least 75% of the value of our assets consists of cash, cash items, government securities, and qualified REIT real estate assets. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 20% of the value of our total securities can be represented by securities of one or more taxable REIT subsidiaries. If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter to avoid losing our REIT status and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments.

Complying with REIT requirements may force us to borrow to make distributions to stockholders.

As a REIT, we must distribute at least 90% of our annual REIT taxable income (subject to certain adjustments) to our stockholders. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws.

From time to time, we may generate taxable income greater than our net income for financial reporting purposes due to, among other things, amortization of capitalized purchase premiums, or our taxable income may be greater than our cash flow available for distribution to stockholders. If we do not have other funds available in these situations, we could be required to borrow funds, sell investments at disadvantageous prices, or find another alternative source of funds to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our securities.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or our stockholders. On May 28, 2003, the President signed the Jobs and Growth Tax Relief Reconciliation Act of 2003, which we refer to as the Jobs and Growth Tax Act. Effective for taxable years beginning after December 31, 2002, the Jobs and Growth Tax Act reduced the maximum rate of tax applicable to individuals on dividend income from regular C corporations from 38.6% to 15.0%. This reduced substantially the so-called double taxation (that is, taxation at both the corporate and stockholder levels) that has generally applied to corporations that are not taxed as REITs. Generally, dividends from REITs will not qualify for the dividend tax reduction. The implementation of the Jobs and Growth Tax Act could ultimately cause individual investors to view stocks of non-REIT corporations as more attractive relative to shares of REITs because the dividends paid by non-REIT corporations would be subject to lower tax rates. We cannot predict whether in fact this will occur or whether, if it occurs, what the impact will be on the value of our securities.

Your investment in our securities has various federal, state, and local income tax risks that could affect the value of your investment.

Although the provisions of the Internal Revenue Code relevant to your investment in our securities are generally described in Federal Income Tax Consequences of Our Status as a REIT, we strongly urge you to consult your own tax advisor concerning the effects of federal, state, and local income tax law on an investment in our securities because of the complex nature of the tax rules applicable to REITs and their stockholders.

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Risk Factors Related to Our Corporate Structure

There are no assurances of our ability to make distributions in the future.

We intend to continue paying quarterly dividends and to make distributions to our stockholders in amounts such that all or substantially all of our taxable income in each year, subject to certain adjustments, is distributed. This, along with other factors, should enable us to qualify for the tax benefits accorded to a REIT under the Internal Revenue Code. However, our ability to pay dividends may be adversely affected by the risk factors described herein. All distributions will be made at the discretion of our Board of Directors and will depend upon our earnings, our financial condition, maintenance of our REIT status, and such other factors as our Board of Directors may deem relevant from time to time. There are no assurances of our ability to pay dividends in the future. In addition, some of our distributions may include a return of capital.

Failure to maintain an exemption from the Investment Company Act would adversely affect our results of operations.

We believe that we will conduct our business in a manner that allows us to avoid registration as an investment company under the Investment Company Act of 1940, or the 1940 Act. Under Section 3(c)(5)(C) of the 1940 Act, entities that are primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate are not treated as investment companies. The SEC staff's position generally requires us to maintain at least 55% of our assets directly in qualifying real estate interests to be able to rely on this exemption. To constitute a qualifying real estate interest under this 55% requirement, a real estate interest must meet various criteria. Mortgage securities that do not represent all of the certificates issued with respect to an underlying pool of mortgages may be treated as securities separate from the underlying mortgage loans and, thus, may not qualify for purposes of the 55% requirement. Our ownership of these mortgage securities, therefore, is limited by the provisions of the 1940 Act and SEC staff interpretive positions. There are no assurances that efforts to pursue our intended investment program will not be adversely affected by operation of these rules.

Our charter does not permit ownership in excess of 9.8% of our capital stock, and attempts to acquire our capital stock in excess of the 9.8% limit without approval from our Board of Directors are void.

For the purpose of preserving our REIT qualification, our charter prohibits direct or constructive ownership by any person of more than 9.8% of the lesser of the total number or value of the outstanding shares of our common stock or more than 9.8% of the lesser of the total number or value of the outstanding shares of our preferred stock unless our Board of Directors grants a waiver. Our charter's constructive ownership rules are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.8% of the outstanding stock by an individual or entity could cause that individual or entity to own constructively in excess of 9.8% of the outstanding stock, and thus be subject to our charter's ownership limit. Any attempt to own or transfer shares of our common or preferred stock in excess of the ownership limit without the consent of the Board of Directors will be void, and could result in the shares being automatically transferred to a charitable trust.

Because provisions contained in Maryland law and our charter may have an anti-takeover effect, investors may be prevented from receiving a control premium for their shares.

Provisions contained in our charter and Maryland general corporation law may have effects that delay, defer, or prevent a takeover attempt, which may prevent stockholders from receiving a control premium for their shares. For example, these provisions may defer or prevent tender offers for our common stock or purchases of large blocks of our common stock, thereby limiting the opportunities for our stockholders to receive a premium for their common stock

over then-prevailing market prices. These provisions include the following:

Ownership limit: The ownership limit in our charter limits related investors, including, among other things, any voting group, from acquiring over 9.8% of our common stock without our permission.

Classification of preferred stock: Our charter authorizes our Board of Directors to issue preferred stock in one or more classes and to establish the preferences and rights of any class of preferred stock issued. These

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actions can be taken without soliciting stockholder approval. Our preferred stock issuances could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders' best interests.

Maryland statutory law provides that an act of a director relating to or affecting an acquisition or a potential acquisition of control of a corporation may not be subject to a higher duty or greater scrutiny than is applied to any other act of a director. Hence, directors of a Maryland corporation are not required to act in takeover situations under the same standards as apply in Delaware and other corporate jurisdictions.

Offerings of debt securities, which would be senior to our common stock and any preferred stock upon liquidation, or equity securities, which would dilute our existing stockholders' holdings be senior to our common stock for the purposes of dividend distributions, may adversely affect the market price of our common stock and any preferred stock.

We may attempt to increase our capital resources by making additional offerings of debt or equity securities, including commercial paper, medium-term notes, senior or subordinated notes, and classes of preferred stock or common stock or classes of preferred units. Upon liquidation, holders of our debt securities or preferred units and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of shares of preferred stock or common stock. Furthermore, holders of our debt securities and preferred stock or preferred units and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common or preferred stock or both. Our preferred stock or preferred units could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to make a dividend distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our securities and diluting their securities holdings in us.

Securities eligible for future sale may have adverse effects on the market price of our securities.

We cannot predict the effect, if any, of future sales of securities, or the availability of securities for future sales, on the market price of our outstanding securities. Sales of substantial amounts of common stock, or the perception that these sales could occur, may adversely affect prevailing market prices for our securities.

We also may issue from time to time additional securities or units of our operating partnership in connection with the acquisition of properties and we may grant additional demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of our securities or the perception that such sales could occur may adversely affect the prevailing market price for our securities or may impair our ability to raise capital through a sale of additional debt or equity securities.

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

Our future success depends, to a significant extent, upon the continued services of our management team. In particular, the lodging industry experience of Messrs. Archie and Montgomery Bennett, Kessler, Brooks, Kimichik, and Nunneley and the extent and nature of the relationships they have developed with hotel franchisors, operators, and owners and hotel lending and other financial institutions are critically important to the success of our business. We do not maintain key person life insurance on any of our officers. Although these officers currently have employment agreements with us, we cannot assure their continued employment. The loss of services of one or more members of

our corporate management team could harm our business and our prospects.

An increase in market interest rates may have an adverse effect on the market price of our securities.

A factor investors may consider in deciding whether to buy or sell our securities is our dividend rate as a percentage of our share or unit price relative to market interest rates. If market interest rates increase, prospective investors may desire a higher dividend or interest rate on our securities or seek securities paying higher dividends or

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interest. The market price of our securities is likely based on the earnings and return that we derive from our investments, income with respect to our properties, and our related distributions to stockholders and not from the market value or underlying appraised value of the properties or investments themselves. As a result, interest rate fluctuations and capital market conditions can affect the market price of our securities. For instance, if interest rates rise without an increase in our dividend rate, the market price of our common or preferred stock could decrease because potential investors may require a higher dividend yield on our common or preferred stock as market rates on interest-bearing securities, such as bonds, rise. In addition, rising interest rates would result in increased interest expense on our variable-rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay dividends.

Our major policies, including our policies and practices with respect to investments, financing, growth, debt capitalization, and REIT qualification and distributions, are determined by our Board of Directors. Although we have no present intention to do so, our Board of Directors may amend or revise these and other policies from time to time without a vote of our stockholders. Accordingly, our stockholders will have limited control over changes in our policies and the changes could harm our business, results of operations, and share price.

Changes in our strategy or investment or leverage policy could expose us to greater credit risk and interest rate risk or could result in a more leveraged balance sheet. We cannot predict the effect any changes to our current operating policies and strategies may have on our business, operating results, and stock price. However, the effects may be adverse.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2007, we owned interest in 112 hotel properties, which includes direct ownership in 106 hotel properties and between 75-89% interest in six hotel properties through equity investments with joint venture partners. These hotels represent 26,553 total rooms or 26,211 net rooms excluding those attributable to joint venture partners. Regarding the 112 hotel properties, 111 are located within the United States and one is located in Canada. In addition, 111 of these hotel properties are leased or owned by Ashford TRS, while the remaining hotel is leased on a triple-net lease basis to a third-party tenant who operates the hotel. We own our hotels in fee simple except for (a) the Doubletree Guest Suites in Columbus, Ohio, which was built on an air rights lease above the parking garage that expires in 2045, (b) the Hilton in Ft. Worth, Texas, which we own pursuant to a partial ground lease which expires in 2040 (including all extensions), (c) the Crowne Plaza in Key West, Florida, which we own pursuant to a ground lease that expires in 2084 (including all extensions), (d) the JW Marriott in San Francisco, California, which we own pursuant to a ground lease that expires in 2083 (including all extensions), (e) the JW Marriott in New Orleans, Louisiana, which we own pursuant to a ground lease that expires in 2081 (including all extensions), (f) the Hilton in La Jolla, California which we own pursuant to a ground lease that expires in 2043 (including all extensions), and (g) the Renaissance in Tampa, Florida, which we own pursuant to a ground lease that expires in 2080 (including all extensions). Regarding the 112 hotels, 110 are held for investment purposes while two are held for sale.

All 112 hotels are operated by our managers. The following table sets forth certain descriptive information regarding these hotels as of December 31, 2007:

Hotel Property	Location	Total Rooms	% Owned	Owned Rooms
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Embassy Suites	Austin, TX	150	100%	150
Embassy Suites	Dallas, TX	150	100%	150
Embassy Suites	Herndon, VA	150	100%	150
Embassy Suites	Las Vegas, NV	220	100%	220
Embassy Suites	Syracuse, NY	215	100%	215

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Hotel Property	Location	Total Rooms	% Owned	Owned Rooms
Embassy Suites	Flagstaff, AZ	119	100%	119
Embassy Suites	Houston, TX	150	100%	150
Embassy Suites	West Palm Beach, FL	160	100%	160
Embassy Suites	Philadelphia, PA	263	100%	263
Embassy Suites	Walnut Creek, CA	249	100%	249
Embassy Suites	Arlington, VA	267	100%	267
Embassy Suites	Portland, OR	276	100%	276
Embassy Suites	Santa Clara, CA	257	100%	257
Embassy Suites	Orlando, FL	174	100%	174
Radisson Hotel	Holtsville, NY	188	100%	188
Radisson Hotel	Rockland, MA	127	100%	127
Doubletree Guest Suites	Columbus, OH	194	100%	194
Hilton Garden Inn	Jacksonville, FL	119	100%	119
Hilton	Ft. Worth, TX	294	100%	294
Hilton	Houston, TX	243	100%	243
Hilton	St. Petersburg, FL	333	100%	333
Hilton	Santa Fe, NM	157	100%	157
Hilton	Bloomington, MN	300	100%	300
Hilton	Washington DC	544	75%	408
Hilton	La Jolla, CA	394	75%	296
Hilton	Costa Mesa, CA	486	100%	486
Hilton	Tuscon, AZ	428	100%	428
Hilton	Dallas, TX	500	100%	500
Hilton	Rye Town, NY	446	100%	446
Hilton	Auburn Hills, MI	224	100%	224
Homewood Suites	Mobile, AL	86	100%	86
Hampton Inn	Lawrenceville, GA	86	100%	86
Hampton Inn	Evansville, IN	141	100%	141
Hampton Inn	Terre Haute, IN	112	100%	112
Hampton Inn	Buford, GA	92	100%	92
Hampton Inn	Houston, TX	176	85%	150
Hampton Inn	Jacksonville, FL	118	100%	118
Marriott	Durham, NC	225	100%	225
Marriott	Arlington, VA	697	100%	697
Marriot	Seattle, WA	358	100%	358
Marriot	Bridgewater, NJ	347	100%	347
Marriot	Plano, TX	404	100%	404
Marriot	Dallas, TX	266	100%	266
JW Marriott	San Francisco, CA	338	100%	338
JW Marriott	New Orleans, LA	494	100%	494(a)
SpringHill Suites by Marriott	Jacksonville, FL	102	100%	102
SpringHill Suites by Marriott	Baltimore, MD	133	100%	133
SpringHill Suites by Marriott	Kennesaw, GA	90	100%	90
SpringHill Suites by Marriott	Buford, GA	96	100%	96

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Hotel Property	Location	Total Rooms	% Owned	Owned Rooms
SpringHill Suites by Marriott	Gaithersburg, MD	162	100%	162
SpringHill Suites by Marriott	Centreville, VA	136	100%	136
SpringHill Suites by Marriott	Charlotte, NC	136	100%	136
SpringHill Suites by Marriott	Durham, NC	120	100%	120
SpringHill Suites by Marriott	Orlando, FL	400	100%	400
SpringHill Suites by Marriott	Manhattan Beach, CA	164	100%	164
SpringHill Suites by Marriott	Plymouth Meeting, PA	199	100%	199
SpringHill Suites by Marriott	Glen Allen, VA	136	100%	136
Fairfield Inn by Marriott	Kennesaw, GA	87	100%	87
Fairfield Inn by Marriott	Orlando, FL	388	100%	388
Courtyard by Marriott	Bloomington, IN	117	100%	117
Courtyard by Marriott	Columbus, IN	90	100%	90
Courtyard by Marriott	Louisville, KY	150	100%	150
Courtyard by Marriott	Crystal City, VA	272	100%	272
Courtyard by Marriott	Ft. Lauderdale, FL	174	100%	174
Courtyard by Marriott	Overland Park, KS	168	100%	168
Courtyard by Marriott	Palm Desert, CA	151	100%	151
Courtyard by Marriott	Foothill Ranch, CA	156	100%	156
Courtyard by Marriott	Alpharetta, GA	154	100%	154
Courtyard by Marriott	Philadelphia, PA	498	89%	443
Courtyard by Marriott	Seattle, WA	250	100%	250
Courtyard by Marriott	San Francisco, CA	405	100%	405
Courtyard by Marriott	Orlando, FL	312	100%	312
Courtyard by Marriott	Oakland, CA	156	100%	156
Courtyard by Marriott	Scottsdale, AZ	180	100%	180
Courtyard by Marriott	Plano, TX	153	100%	153
Courtyard by Marriott	Edison, NJ	146	100%	146
Courtyard by Marriott	Newark, CA	181	100%	181
Courtyard by Marriott	Manchester, CT	90	85%	77
Courtyard by Marriott	Basking Ridge, NJ	235	100%	235
Marriott Residence Inn	Lake Buena Vista, FL	210	100%	210
Marriott Residence Inn	Evansville, IN	78	100%	78
Marriott Residence Inn	Orlando, FL	350	100%	350
Marriott Residence Inn	Falls Church, VA	159	100%	159
Marriott Residence Inn	San Diego, CA	150	100%	150
Marriott Residence Inn	Salt Lake City, UT	144	100%	144
Marriott Residence Inn	Palm Desert, CA	130	100%	130
Marriott Residence Inn	Las Vegas, NV	256	100%	256
Marriott Residence Inn	Phoenix, AZ	200	100%	200
Marriott Residence Inn	Plano, TX	126	100%	126
Marriott Residence Inn	Newark, CA	168	100%	168
Marriott Residence Inn	Manchester, CT	96	85%	82
Marriott Residence Inn (Buckhead)	Atlanta, GA	150	100%	150
Marriott Residence Inn	Jacksonville, FL	120	100%	120

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Hotel Property	Location	Total Rooms	% Owned	Owned Rooms
TownePlace Suites by Marriott	Manhattan Beach, CA	144	100%	144
Sea Turtle Inn	Atlantic Beach, FL	193	100%	193
Sheraton Hotel	Langhorne, PA	187	100%	187
Sheraton Hotel	Minneapolis, MN	222	100%	222
Sheraton Hotel	Milford, MA	173	100%	173
Sheraton Hotel	Indianapolis, IN	371	100%	371
Sheraton Hotel	Anchorage, AK	375	100%	375
Sheraton Hotel	Iowa City, IA	234	100%	234(a)
Sheraton Hotel	San Diego, CA	260	100%	260
Hyatt Regency	Anaheim, CA	654	100%	654
Hyatt Regency	Herndon, VA	316	100%	316
Hyatt Regency	Montreal, CAN	607	100%	607
Hyatt Regency	Detriot, MI	772	100%	772
Hyatt Regency	Coral Gables, FL	242	100%	242
Crowne Plaza	Beverly Hills, CA	260	100%	260
Crowne Plaza	Key West, FL	160	100%	160
Annapolis Inn	Annapolis, MD	124	100%	124
Westin	Rosemont, IL	525	100%	525
Renaissance	Tampa, FL	293	100%	293
Total		26,553		26,211
Held For Sale Hotels Room Count(a)		(728)		(728)
Continuing Operations Hotels Room Count		25,825		25,483

Item 3. Legal Proceedings

We are currently subject to litigation arising in the normal course of our business. In the opinion of management, none of these lawsuits or claims against us, either individually or in the aggregate, is likely to have a material adverse effect on our business, results of operations, or financial condition. In addition, we believe we have adequate insurance in place to cover such litigation.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2007.

Table of Contents**PART II****Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities*****Market and Dividend Information**

Our common stock is traded on the New York Stock Exchange under the symbol AHT. The following table sets forth, for the indicated periods, the high and low sales prices for our common stock as traded on that exchange and cash distributions declared per common share:

	Price Range		Cash Distributions per Share
	High	Low	
<u>2006</u>			
First quarter	\$ 13.06	\$ 10.66	\$ 0.20
Second quarter	\$ 12.62	\$ 10.38	\$ 0.20
Third quarter	\$ 13.00	\$ 11.49	\$ 0.20
Fourth quarter	\$ 13.18	\$ 11.72	\$ 0.20
<u>2007</u>			
First quarter	\$ 13.05	\$ 11.25	\$ 0.21
Second quarter	\$ 12.54	\$ 11.53	\$ 0.21
Third quarter	\$ 12.62	\$ 9.80	\$ 0.21
Fourth quarter	\$ 10.57	\$ 7.19	\$ 0.21

To maintain our qualification as a REIT, we intend to make annual distributions to our stockholders of at least 90% of our REIT taxable income (which does not necessarily equal net income as calculated in accordance with generally accepted accounting principles). Distributions will be authorized by our Board of Directors and declared by us based upon a variety of factors deemed relevant by our Directors. No assurance can be given that our dividend policy will not change in the future. Our ability to pay distributions to our stockholders will depend, in part, upon our receipt of distributions from our operating partnership. This, in turn, may depend upon receipt of lease payments with respect to our properties from indirect, wholly-owned subsidiaries of our operating partnership and the management of our properties by our property managers.

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Performance Graph

The following graph compares 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 from August 29, 2003, the date of our initial public offering, through December 31, 2007, assuming an initial investment of \$100 in stock on August 29, 2003 with 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 52 MONTH CUMULATIVE TOTAL RETURN*
Among Ashford Hospitality Trust, Inc., The S&P 500 Index,
The NAREIT Mortgage Index And The NAREIT Lodging & Resorts**

* \$100 invested on 8/29/03 in stock or index-including reinvestment of dividends. Fiscal year ending December 31. Copyright© 2008, Standard & Poor's, a division of The McGraw-Hill Companies, Inc. All rights reserved. www.researchdatagroup.com/S&P.htm

Recent Sales of Unregistered Securities

None during the quarter ended December 31, 2007.

Stockholder Information

As of February 22, 2008, we had approximately 19,500 holders of record of our common stock. In order to comply with certain requirements related to our qualification as a REIT, our charter limits the number of shares of capital stock that may be owned by any single person or affiliated group without our permission to 9.8% of the outstanding shares of any class of our capital stock. In the past, our Board of Directors has granted waivers to three stockholders allowing such stockholders to temporarily exceed the ownership limitation. However, no stockholder currently exceeds the ownership limit.

Table of Contents**Equity Compensation Plans Information**

The following table sets forth the number of securities to be issued upon exercise of outstanding options, warrants, and rights; the weighted-average exercise price of outstanding options, warrants, and rights; and the number of securities remaining available for future issuance as of December 31, 2007:

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders:			
Restricted common stock	None	NA	1,385,289
Equity compensation plans not approved by security holders	None	None	None

Issuer Purchases of Equity Securities

During the fourth quarter of 2007, the Company's Board of Directors authorized management to purchase up to a total of \$50 million of its common stock from time to time on the open market (the Plan). The purchases are to be made at a price not to exceed \$9.00 per share provided the ratio of the Company's net debt to gross assets does not exceed 62.4%. The following table provides the information with respect to purchases of shares made by the Company during each of the months in the fourth quarter of 2007:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plan
October 1 to October 31		\$		\$ 50,000,000
November 1 to November 30	318,900	7.82	318,900	47,505,000
December 1 to December 31	2,047,400	7.67	2,047,400	31,809,000
Total	2,366,300	7.69	2,366,300	

Item 6. Selected Financial Data

The following table sets forth consolidated selected historical operating and financial data for the Company beginning with its commencement of operations on August 29, 2003. Prior to that time, this table includes the combined selected historical operating and financial data of certain affiliates of Remington Lodging (the Predecessor).

The selected historical consolidated financial information as of December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007 were derived from financial statements contained elsewhere herein. The selected historical consolidated financial information as of December 31, 2005, 2004, and 2003 and for each of the two years in the period ended December 31, 2004 (as adjusted for discontinued operations) were derived from the Company s previously filed audited consolidated financial statements. The selected historical consolidated financial information for the year ended December 31, 2003 includes the combined results of the Predecessor prior to the Company s formation on August 29, 2003.

The information below should be read along with all other financial information and analysis presented elsewhere herein, including the section captioned Management s Discussion and Analysis of Financial Condition and Results of Operations and the Company s consolidated financial statements and related notes thereto.

Table of Contents**ASHFORD HOSPITALITY TRUST, INC. AND PREDECESSOR
SELECTED HISTORICAL FINANCIAL AND OTHER DATA**

	Years Ended December 31,				
	2007	2006	2005	2004	2003
	(Company)	(Company)	(Company)	(Company)	(Company & Predecessor)
(In thousands, except share and per share amounts)					
Operating Data:					
Revenue:					
Hotel revenues					
Rooms	\$ 817,735	\$ 358,420	\$ 229,850	\$ 77,302	\$ 29,522
Food and beverage	245,213	79,494	47,496	11,184	3,588
Rental income from operating leases	4,548				
Interest income from notes receivable	11,005	14,858	13,323	7,549	110
Other	50,266	18,356	13,148	4,880	1,185
Total Operating Revenue	1,128,767	471,128	303,817	100,915	34,405
Expenses:					
Hotel operating expenses					
Rooms	187,225	80,273	51,473	17,633	6,673
Food and beverage	176,052	59,099	35,943	8,271	2,695
Other direct	25,854	7,971	5,020	1,890	797
Indirect	307,231	134,459	89,113	29,478	11,993
Management fees, including related parties	42,775	17,571	10,663	2,869	1,121
Property taxes, insurance, and other	58,285	25,825	15,777	5,667	2,366
Depreciation & amortization	153,285	48,460	27,218	9,092	4,167
Corporate general and administrative	26,953	20,359	14,523	11,855	4,003
Total Operating Expenses	977,660	394,017	249,730	86,755	33,815
Operating income	151,107	77,111	54,087	14,160	590
Interest income	3,178	2,917	1,027	335	289
Interest expense and amortization of loan costs	(139,113)	(45,185)	(34,672)	(11,101)	(5,000)
Write-off of loan costs and exit fees	(4,216)	(101)	(5,803)	(1,633)	
Loss on debt extinguishment			(10,000)		
Income (loss) before provision for income taxes	10,956	34,742	4,639	1,761	(4,121)

and minority interest									
Benefit from (provision for) income taxes	(4,981)	2,945	2,571	(683)	(133)				
Minority interest related to consolidated joint ventures	(323)								
Minority interest related to limited partners	(1,684)	(4,540)	(1,482)	(187)	356				
Income (Loss) From Continuing Operations	3,968	33,147	5,728	891	(3,898)				
Income (loss) from discontinued operations, net	26,192	4,649	3,709	528	(22)				
Net Income (Loss)	30,160	37,796	9,437	1,419	(3,920)				
Preferred dividends	(23,990)	(10,875)	(9,303)	(1,355)					
Net Income (Loss) Available To Common Shareholders	\$ 6,170	\$ 26,921	\$ 134	\$ 64	\$ (3,920)				
Diluted:									(a)
(Loss) Income From Continuing Operations Per Share									
Available To Common Shareholders	\$ (0.19)	\$ 0.36	\$ (0.09)	\$ (0.02)	\$ (0.08)				
Income From Discontinued Operations Per Share	\$ 0.25	\$ 0.07	\$ 0.09	\$ 0.02	\$ 0.01				
Net Income (Loss) Per Share Available To Common Shareholders	\$ 0.06	\$ 0.43	\$ 0.00	\$ 0.00	\$ (0.07)				
Weighted Average Common Shares Outstanding	105,786,502	62,127,948	40,194,132	25,120,653	24,627,298				

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- (a) For the year ended December 31, 2003, per share and weighted average shares data only relates to the period from inception through December 31, 2003.

	Years Ended December 31,				
	2007	2006	2005	2004	2003
	(Company)	(Company)	(Company)	(Company)	(Company & Predecessor)
Balance Sheet Data:					
Investments in hotel properties, net	\$ 3,885,737	\$ 1,632,946	\$ 1,106,668	\$ 427,005	\$ 173,724
Cash, cash equivalents, and restricted cash	145,143	82,756	85,837	61,168	77,628
Assets held for sale	75,739	119,342	117,873		
Notes receivable	94,225	102,833	107,985	79,662	10,000
Total assets	4,381,291	2,011,912	1,482,486	595,945	267,882
Indebtedness - Continuing operations	2,639,546	1,015,555	782,938	292,879	38,882
Total owners' equity	1,285,003	641,709	358,323	218,692	172,292
Other Data:					
Cash Flow:					
Provided by operating activities	\$ 155,737	\$ 139,691	\$ 56,528	\$ 6,652	\$ 5,735
Used in investing activities	(1,872,900)	(565,473)	(652,267)	(310,624)	(89,189)
Provided by financing activities	1,736,022	441,130	606,625	274,827	161,718
Unaudited:					
Total number of rooms at December 31	26,211	15,492	13,184	5,095	2,381
Total number of hotels at December 31	112	81	80	33	15
EBITDA(1)	\$ 357,151	\$ 138,757	\$ 79,346	\$ 23,909	\$ 5,508
FFO(2)	\$ 147,680	\$ 84,748	\$ 32,741	\$ 11,076	\$ 653
(1) EBITDA Reconciliation (unaudited):					
Net income (loss)	\$ 30,160	\$ 37,796	\$ 9,437	\$ 1,419	\$ (3,920)
Plus depreciation and amortization	166,161	52,863	30,291	10,768	4,933
Plus interest expense & amortization of loan costs	154,338	48,457	38,404	11,101	5,000
Less interest income	(3,064)	(2,917)	(1,027)	(335)	(289)
Remove minority interest relating to limited partners	3,957	5,277	2,425	298	(358)
Remove (benefit from) provision for income taxes	5,599	(2,719)	(184)	658	142
EBITDA	\$ 357,151	\$ 138,757	\$ 79,346	\$ 23,909	\$ 5,508
(2) FFO Reconciliation (unaudited):					
	\$ 6,170	\$ 26,921	\$ 134	\$ 64	\$ (3,920)

Net income (loss) available to common shareholders					
Plus real estate depreciation and amortization(a)	165,757	52,550	30,182	10,714	4,931
Remove gains on sales of properties, net of related income taxes	(28,204)				
Remove minority interest relating to limited partners	3,957	5,277	2,425	298	(358)
FFO	\$ 147,680	\$ 84,748	\$ 32,741	\$ 11,076	\$ 653

(a) Includes property-level furniture, fixtures, and equipment.

(1) EBITDA is defined as net income (loss) before interest expense, interest income (excluding interest income from mezzanine loans), income taxes, depreciation and amortization, and minority interest relating to limited partners. We believe EBITDA is useful to investors as an indicator of our ability to service debt and pay cash

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distributions. EBITDA, as calculated by us may not be comparable to EBITDA reported by other companies that do not define EBITDA exactly as we define the term. EBITDA does not represent cash generated from operating activities determined in accordance with generally accepted accounting principles (GAAP), and should not be considered as an alternative to operating income or net income determined in accordance with GAAP as an indicator of performance or as an alternative to cash flows from operating activities as determined by GAAP as an indicator of liquidity.

- (2) The White Paper on Funds From Operations (FFO) approved by the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT) in April 2002 defines FFO as net income (loss) computed in accordance with generally accepted accounting principles (GAAP), excluding gains (or losses) from sales of properties and extraordinary items as defined by GAAP, plus depreciation and amortization of real estate assets, and net of adjustments for the portion of these items related to minority interests relating to limited partners. NAREIT developed FFO as a relative measure of performance of an equity REIT to recognize that income-producing real estate historically has not depreciated on the basis determined by GAAP. We compute FFO in accordance with our interpretation of standards established by NAREIT, which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the NAREIT definition differently than us. FFO does not represent cash generated from operating activities as determined by GAAP and should not be considered an alternative to a) GAAP net income (loss) as an indication of our financial performance or b) GAAP cash flows from operating activities as a measure of our liquidity, nor is it indicative of cash available to fund our cash needs, including our ability to make cash distributions. We believe that to facilitate a clear understanding of our historical operating results, FFO should be considered along with our net income (loss) and cash flows reported in the consolidated financial statements.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

FORWARD-LOOKING STATEMENTS:

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere herein. This report contains forward-looking statements within the meaning of the federal securities laws. Ashford Hospitality Trust, Inc. (the Company or we or our or us) cautions investors that any forward-looking statements presented herein, or which management may express orally or in writing from time to time, are based on management's beliefs and assumptions at that time. Throughout this report, words such as anticipate, believe, expect, intend, may, might, plan, estimate, project, should, will, result, and other similar expressions, which solely to historical matters, are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution investors that while forward-looking statements reflect our good-faith beliefs at the time such statements are made, said statements are not guarantees of future performance and are affected by actual events that occur after such statements are made. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which were based on results and trends at the time those statements were made, to anticipate future results or trends.

Some risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, those discussed in Part I, Item 1A, Risk Factors. These risks and uncertainties continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment where new risk factors emerge from

time to time. It is not possible for management to predict all such risk factors, nor can management assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as predictions of actual results.

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EXECUTIVE OVERVIEW:

We are a real estate investment trust (REIT) that commenced operations upon completion of our initial public offering (IPO) and related formation transactions on August 29, 2003. As of December 31, 2007, we owned interest in 112 hotel properties, which includes direct ownership in 106 hotel properties and between 75-89% interest in six hotel properties through equity investments with joint venture partners. In addition, as of December 31, 2007, we owned approximately \$94.2 million of mezzanine or first-mortgage loans receivable. Of these 112 hotels, five were contributed upon our formation, seven were acquired in 2003, 15 were acquired in 2004, 29 were acquired in 2005, ten were acquired in 2006, and 46 were acquired in 2007. As of December 31, 2007, 110 of the 112 hotels were classified in continuing operations while the remaining two were classified as discontinued operations.

The 54 hotel properties acquired since December 31, 2005 that are included in continuing operations contributed approximately \$699.0 million and \$80.6 million to our total revenue and operating income, respectively, for the year ended December 31, 2007, and approximately \$60.7 million and \$3.9 million to our total revenue and operating income, respectively, for the year ended December 31, 2006.

Based on our primary business objectives and forecasted operating conditions, our key priorities and financial strategies include, among other things:

- acquiring hotels with a favorable current yield with an opportunity for appreciation,
- implementing selective capital improvements designed to increase profitability,
- directing our hotel managers to minimize operating costs and increase revenues,
- originating or acquiring mezzanine loans, and
- other investments that our Board of Directors deems appropriate.

Throughout 2007, strong economic growth in the United States economy combined with improved business demand generated strong RevPar growth throughout the lodging industry. For 2008, forecasts for the lodging industry continue to be favorable.

RESULTS OF OPERATIONS:

Marriott International, Inc. (Marriott) manages 42 of the Company s properties. For these 42 Marriott-managed hotels, the fiscal year reflects twelve weeks of operations for each of the first three quarters of the year and sixteen weeks for the fourth quarter of the year. Therefore, in any given quarterly period, period-over-period results will have different ending dates. For Marriott-managed hotels, the fourth quarters of 2007 and 2006 ended December 28th and December 29th, respectively.

RevPAR is a commonly used measure within the hotel industry to evaluate hotel operations. RevPAR is defined as the product of the average daily room rate (ADR) charged and the average daily occupancy achieved. RevPAR does not include revenues from food and beverage or parking, telephone, or other guest services generated by the property. Although RevPAR does not include these ancillary revenues, it is generally considered the leading indicator of core revenues for many hotels. We also use RevPAR to compare the results of our hotels between periods and to analyze results of our comparable hotels. RevPAR improvements attributable to increases in occupancy are generally accompanied by increases in most categories of variable operating costs. RevPAR improvements attributable to increases in ADR are generally accompanied by increases in limited categories of operating costs, such as

management fees and franchise fees.

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The following table illustrates the key performance indicators for the years ended December 31, 2007 and 2006 for the 56 hotel properties included in continuing operations that we owned throughout the entirety of both years presented (2007 comparable hotels):

	Years Ended December 31,	
	2007	2006
Comparative Hotels (56 properties):		
Room revenues (in thousands)	\$ 336,489	\$ 317,301
RevPar	\$ 93.58	\$ 87.82
Occupancy	73.39%	73.69%
ADR	\$ 127.51	\$ 119.17

The following table reflects key line items from our consolidated statements of operations for the years ended December 31, 2007, 2006, and 2005 (in thousands):

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005	Favorable (Unfavorable) Change	
				2006 to 2007	2005 to 2006
Total revenue	\$ 1,128,767	\$ 471,128	\$ 303,817	\$ 657,639	\$ 167,311
Total hotel expenses	739,137	299,373	192,212	(439,764)	(107,161)
Property taxes, insurance, and other	58,285	25,825	15,777	(32,460)	(10,048)
Depreciation and amortization	153,285	48,460	27,218	(104,825)	(21,242)
Corporate general and administrative	26,953	20,359	14,523	(6,594)	(5,836)
Operating income	151,107	77,111	54,087	73,996	23,024
Interest income	3,178	2,917	1,027	261	1,890
Interest expense	(133,275)	(43,201)	(30,772)	(90,074)	(12,429)
Amortization of loan costs	(5,838)	(1,984)	(3,900)	(3,854)	1,916
Write-off of loan costs and exit fees and loss on debt extinguishment	(4,216)	(101)	(15,803)	(4,115)	15,702
Benefit from income taxes	(4,981)	2,945	2,571	(7,926)	374
Minority interest in consolidated joint ventures	(323)			(323)	
Minority interest relating to limited partners	(1,684)	(4,540)	(1,482)	2,856	(3,058)
Income from discontinued operations, net	26,192	4,649	3,709	21,543	940
Net income	\$ 30,160	\$ 37,796	\$ 9,437	\$ (7,636)	\$ 28,359

Comparison of Year Ended December 31, 2007 and Year Ended December 31, 2006

Revenue. Total revenue for the year ended December 31, 2007 increased approximately \$657.6 million or 139.6% to approximately \$1.1 billion from total revenue of approximately \$471.1 million for the year ended December 31, 2006. The increase was primarily due to approximately \$638.3 million in incremental revenues attributable to the 54 hotel properties acquired since December 31, 2005 that are included in continuing operations and approximately \$23.1 million increase in revenues for comparable hotels, primarily due to increases in room revenues, offset by a decrease of approximately \$3.9 million in income earned on the Company's mezzanine loans receivable portfolio as a result of a decline in the average balance outstanding compared to the same period last year.

Room revenues at comparable hotels for the year ended December 31, 2007 increased approximately \$19.2 million or 6.0% compared to 2006, primarily due to an increase in RevPar from \$87.82 to \$93.58, which consisted of a 7.0% increase in ADR and a 0.41% decrease in occupancy. Due to the continued recovery in the economy and consistent with industry trends, several hotels experienced significant increases in ADR and relatively flat occupancy. In addition to improved market conditions, certain hotels also benefited in 2007 from increasing or garnering more favorable group room-night contracts, eliminating less favorable contracts, and charging higher

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rates on transient business. Although occupancy increased at several hotels, renovations at certain hotels in 2007 reduced room availability, which offset these increases.

Food and beverage revenues at comparable hotels for the year ended December 31, 2007 increased approximately \$4.5 million or 7.3% compared to 2006 primarily due to increased occupancy at certain hotels, increased prices overall, and increased banquets at certain hotels. The remainder of the increase is primarily attributable to the 54 hotel properties acquired since December 31, 2005.

Rental income from operating leases represents rental income recognized on a straight-line basis associated with a hotel property acquired on April 11, 2007, which is leased to a third-party tenant on a triple-net lease basis.

Other revenues for the year ended December 31, 2007 compared to 2006 increased approximately \$31.8 million due to approximately \$32.5 million in incremental revenues attributable to the 54 hotel properties acquired since December 31, 2005 that are included in continuing operations offset by a decline of approximately \$609,000 at comparable hotels primarily due to decreased space rentals at certain hotels.

Interest income from notes receivable decreased to approximately \$11.0 million for the year ended December 31, 2007 compared to approximately \$14.9 million for 2006 due to a decrease in the average mezzanine loans portfolio balance outstanding during 2007 compared to last year.

Asset management fees and asset management consulting fees were approximately \$1.3 million for both of the year ended December 31, 2007 and 2006. Asset management fees relate to 27 hotel properties previously owned by affiliates for which the Company provided asset management and consulting services. The Company acquired 21 of these hotel properties from said affiliates on March 16, 2005, and the affiliates subsequently sold the remaining six hotel properties. However, the affiliates, pursuant to an agreement, continue to guarantee a minimum annual fee of approximately \$1.2 million through December 31, 2008.

Hotel Operating Expenses. Hotel operating expenses, which consists of room expense, food and beverage expense, other direct expenses, indirect expenses, and management fees, increased approximately \$441.8 million or 147.6% for the year ended December 31, 2007 compared to 2006 primarily due to approximately \$428.9 million of expenses associated with the 54 hotel properties acquired since December 31, 2005 that are included in continuing operations. In addition, hotel operating expenses at comparable hotels increased approximately \$12.9 million or 5.1% for the year ended December 31, 2007 compared to 2006 primarily due to increases in rooms, food and beverage, and indirect expenses. These increases were partially offset by a \$2.0 million transaction fees the Company is to be reimbursed by Hilton Hotels Corporation relating to the asset swap transaction.

Rooms expense at comparable hotels increased approximately \$3.1 million or 4.5% for the year ended December 31, 2007 compared to 2006 primarily due to increased occupancy at certain hotels, virtually flat costs at hotels experiencing comparable occupancy due to the fixed nature of maintaining staff, and increased prices overall. The increase in food and beverage expense at comparable hotels is consistent with the related increase in food and beverage revenues. Indirect expenses at comparable hotels increased approximately \$7.6 million or 6.5% for the year ended December 31, 2007 compared to 2006. Indirect expenses primarily increased as a result of:

increased hotel-level general and administrative expenses due to increased salaries and staffing needs consistent with increased revenues, and

increased franchise fees and incentive management fees due to increased room revenues at certain hotels.

Property Taxes, Insurance, and Other. Property taxes, insurance, and other increased approximately \$32.5 million or 125.7% for the year ended December 31, 2007 compared to 2006 due to approximately \$32.9 million of expenses associated with the 54 hotel properties acquired since December 31, 2005 that are included in continuing operations. Aside from additional costs incurred at these acquired hotels, property taxes, insurance, and other expense decreased for the year ended December 31, 2007 compared to 2006 primarily resulting from decreased property insurance rates incurred under new policies related to several hotels.

Depreciation and Amortization. Depreciation and amortization increased approximately \$104.8 million or 216.3% for the year ended December 31, 2007 compared to 2006 primarily due to approximately \$99.9 million of depreciation associated with the 54 hotel properties acquired since December 31, 2005 that are included in

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continuing operations. Aside from these additional hotels acquired, depreciation and amortization increased approximately \$4.9 million for the year ended December 31, 2007 compared to 2006 as a result of capital improvements made at several comparative hotels since December 31, 2005.

Corporate General and Administrative. Corporate general and administrative expense increased to approximately \$27.0 million for the year ended December 31, 2007 compared to approximately \$20.4 million in 2006, which includes an increase in non-cash expenses associated with stock-based compensation from approximately \$5.2 million in 2006 compared to approximately \$6.2 million in 2007. The increase is primarily the result of increased headcount due to the acquisition of the CNL Portfolio on April 11, 2007. As a percentage of total revenue, however, corporate general and administrative expense decreased to approximately 2.4% in 2007 from approximately 4.3% in 2006 due to corporate synergies inherent in overall growth.

Operating Income. Operating income was approximately \$151.1 million and \$77.1 million for the years ended December 31, 2007 and 2006, respectively, which represents an increase of approximately \$74.0 million as a result of the aforementioned operating results.

Interest Income. Interest income increased approximately \$261,000 to approximately \$3.2 million for the year ended December 31, 2007 from approximately \$2.9 million in 2006 primarily due to interest earned on funds received from borrowings and equity offerings during 2007 in excess of interest earned on funds received from borrowings and equity offerings during 2006.

Interest Expense and Amortization of Loan Costs. Interest expense and amortization of loan costs increased approximately \$93.9 million to approximately \$139.1 million for the year ended December 31, 2007 from approximately \$45.2 million in 2006. The increase in interest expense and amortization of loan costs is associated with the higher average debt balance over the course of the two comparative periods.

Write-off of Loan Costs and Exit Fees. During the year ended December 31, 2007, the Company recorded write-off of loan costs and exit fees of \$4.2 million consisting of the following:

On March 8, 2007, the Company terminated its \$100.0 million credit facility, due December 23, 2008. In connection with this termination, the Company wrote-off unamortized loan costs of approximately \$490,000.

On April 10, 2007, the Company repaid its \$45.0 million outstanding balance on its \$150.0 million credit facility, due August 16, 2008, and terminated the facility. In connection with this termination, the Company wrote-off unamortized loan costs of approximately \$1.2 million.

On April 24 and 25, 2007, with proceeds received from its follow-on public offering completed April 24, 2007, the Company paid off its \$325.0 million variable-rate loan, due April 9, 2008, and paid down approximately \$180.1 million related to its \$555.1 million variable-rate loan, due May 9, 2009. In connection with these repayments, the Company wrote-off unamortized loan costs of approximately \$1.9 million and incurred prepayment penalties of approximately \$559,000.

During the year ended December 31, 2006, the Company recorded write-off of loan costs and exit fees of \$101,000 relating to the repayment on May 30, 2006, of its then outstanding \$11.1 million balance on its mortgage note payable due April 1, 2011.

(Provision for) Benefit from Income Taxes. As a REIT, the Company generally will not be subject to federal corporate income tax on the portion of its net income that does not relate to taxable REIT subsidiaries. However, the Company leases all of its hotel properties, except one, to Ashford TRS, which is treated as a taxable REIT subsidiary for federal

income tax purposes. For the year ended December 31, 2007, the provision for income taxes of approximately \$5.0 million consists primarily of the expense associated with fully reserving the Company's deferred tax asset at December 31, 2007. As a result of Ashford TRS losses in 2007 and 2006, and the limitations imposed by the Internal Revenue Code on the utilization of net operating losses of acquired subsidiaries, the Company believes that it is more likely than not its net deferred tax asset will not be realized, and therefore, has provided a valuation allowance to fully reserve against these amounts. For the year ended December 31, 2006, the benefit from income taxes of approximately \$2.9 million relates to the net loss associated with Ashford TRS. For the years ended December 31, 2007 and 2006, an additional provision for income taxes of approximately \$618,000 and

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\$226,000 is included in discontinued operations, respectively. For the year ended December 31, 2007, the provision for income taxes included in discontinued operations also consists primarily of the expense associated with fully reserving the Company's deferred assets at December 31, 2007.

The following table summarizes the estimated taxability of distributions paid per share for federal income tax purposes:

	Years Ended December 31,					
	2007		2006		2005	
	Amount	%	Amount	%	Amount	%
Common stock						
Ordinary income	0.80330	96.78266%	0.85000	100.00000%	0.27708	41.98180%
Capital gains	0.01346	1.62271%				
Return of capital	0.01324	1.59463%			0.38292	58.01820%
	0.83000	100.00000%	0.85000	100.00000%	0.66000	100.00000%
Series A preferred stock						
Ordinary income	2.10232	98.35000%	2.13760	100.00000%	2.13760	100.00000%
Capital gains	0.03528	1.65000%				
	2.13760	100.00000%	2.13760	100.00000%	2.13760	100.00000%
Series B preferred stock						
Ordinary income	0.82614	98.35000%	0.80000	100.00000%	0.71000	100.00000%
Capital gains	0.01386	1.65000%				
	0.84000	100.00000%	0.80000	100.00000%	0.71000	100.00000%
Series C preferred stock						
Ordinary income	0.53118	98.35000%				
Capital gains	0.00891	1.65000%				
	0.54009	100.00000%				
Series D preferred stock						
Ordinary income	0.94072	98.35000%				
Capital gains	0.01578	1.65000%				
	0.95650	100.00000%				

The Company's tax returns have not been examined by the Internal Revenue Service and, therefore, the taxability of dividends is subject to change.

Minority Interest In Consolidated Joint Ventures. Minority interest in consolidated joint ventures represents net income (loss) attributable to joint venture partners. Such joint venture partners originally owned between 11%-30% of 17 hotel properties acquired on April 11, 2007. On December 15, 2007, the Company completed an asset swap with its partner in two of these joint ventures, whereby the Company surrendered its majority ownership interest in two hotel properties in exchange for the joint venture partner's minority ownership interest in nine hotel properties. Upon completion of this asset swap, remaining joint venture partners now own between 11%-25% of six hotel properties.

Minority Interest Related to Limited Partners. Minority interest related to limited partners represents a reduction to net income of approximately \$1.7 million and \$4.5 million for the years ended December 31, 2007 and 2006, respectively. Upon formation of the Company on August 29, 2003, minority interest in the operating partnership was established to represent the limited partners' proportionate share of equity in the operating partnership. Minority interest related to limited partners represents an allocation of net income (loss) available to common shareholders based on the weighted-average ownership percentage of these limited partners' common unit holdings throughout the period plus dividends related to these limited partners' Class B unit holdings. Minority interest related to limited partners included in discontinued operations represents reductions to income from discontinued operations of approximately \$2.3 million and \$737,000, respectively.

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Income from Continuing Operations. Income from continuing operations was approximately \$4.0 million and \$33.1 million for the years ended December 31, 2007 and 2006, respectively, which represents a decrease of approximately \$29.2 million as a result of the aforementioned operating results.

Income from Discontinued Operations, Net. During the year ended December 31, 2007, the Company classified operations from 26 assets, including 24 hotel properties and two office buildings, as discontinued. During this time, 23 of these assets, including 22 hotel properties and one office building, were sold, which resulted in gains totaling approximately \$35.1 million. During the year ended December 31, 2006, the Company classified operations from 24 assets, including 22 hotel properties and two office buildings, as discontinued. During that time, ten of these hotel properties were sold. Operating results from discontinued operations also reflected allocated interest and related debt expense totaling \$21.2 million and \$4.0 million for 2007 and 2006, respectively, to the discontinued operations in accordance with Emerging Issues Task Force (EITF) abstract No. 87-24 Allocation of Interest to Discontinued Operations . See Notes 2 and 6 of Notes to Consolidated Financial Statements.

In addition, income from discontinued operations also included write-off of loan costs and exit fees of approximately \$4.5 million and \$687,000 for the years ended December 31, 2007 and 2006, respectively, consisting of the following:

On February 6, 2007, in connection with the sale of its Marriott located in Trumbull, Connecticut, the Company paid down approximately \$28.0 million of its mortgage loan, due December 11, 2009. In connection with this pay-down, the Company wrote-off unamortized loan costs of approximately \$212,000.

On May 18, 2007, in connection with the sale of seven TownePlace Suites hotels, the Company paid down approximately \$32.0 million related to its mortgage loan due July 1, 2015. In connection with this pay-down, the Company wrote-off unamortized loan costs of approximately \$205,000 and incurred prepayment penalties of approximately \$1.5 million.

On October 2, 2007, in connection with the sale of its Hilton in Birmingham, Alabama, the Company paid down its mortgage loan, due May 9, 2009, by approximately \$23.7 million. In connection with this payment, the Company wrote-off unamortized loan costs of approximately \$258,000.

On November 2, 2007, in connection with the sale of two Residence Inns in Torrance, California, and Atlanta, Georgia, the Company paid down its mortgage loan, due May 9, 2009, by approximately \$67.7 million pursuant to the loan agreement, with proceeds from the sale and corporate cash. In connection with this payment, the Company wrote-off unamortized loan costs of approximately \$699,000 and incurred prepayment penalties of approximately \$242,000.

On November 20, 2007, in connection with the sale of its Residence Inn in Kansas City, Missouri, the Company paid down its mortgage loan, due May 9, 2009, by approximately \$7.4 million. In connection with this payment, the Company wrote-off unamortized loan costs of approximately \$72,000 and incurred prepayment penalties of approximately \$40,000.

On November 30, 2007, in connection with the sale of its Marriott in Baltimore, Maryland, the Company paid down its mortgage loan, due May 9, 2009, by approximately \$62.4 million. In connection with this payment, the Company wrote-off unamortized loan costs of approximately \$609,000 and incurred prepayment penalties of approximately \$312,000.

On December 15, 2007, in connection with an asset swap with a joint venture partner, the Company repaid an additional \$8.7 million of mortgage debt attributable to its majority ownership in such joint ventures, which was secured by hotels involved in the asset swap and had maturity dates ranging from 2010 to 2011. In

connection with this payment, the Company wrote-off related unamortized loan costs of approximately \$143,000 and incurred a prepayment penalty of approximately \$326,000.

On March 24, 2006, in connection with the sale of eight hotel properties, the buyer assumed approximately \$93.7 million of mortgage debt, due July 1, 2015. Related to this assumption, the Company wrote-off unamortized loan costs of approximately \$687,000.

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Net Income. Net income was approximately \$30.2 million and \$37.8 million for the years ended December 31, 2007 and 2006, respectively, which represents a decrease of approximately \$7.6 million as a result of the aforementioned operating results and gains on sales of properties in 2007.

Preferred Dividends. During the year ended December 31, 2007, the Company declared cash dividends of approximately \$4.9 million, or \$0.5344 per share per quarter, for Series A preferred stockholders, approximately \$6.3 million, or \$0.21 per share per quarter, for Series B preferred stockholders, approximately \$4.3 million for Series C preferred stockholders, and approximately \$7.7 million, or \$0.5281 per share per quarter prorated for the period outstanding, for Series D preferred stockholders. In addition, during the year ended December 31, 2007, the Company recognized non-cash preferred dividends of approximately \$845,000 related to the amortization of the Series C preferred stock discount attributable to the increasing-rate preferred dividend clause effective 18 months after issuance. During the year ended December 31, 2006, the Company declared cash dividends of approximately \$4.9 million, or \$0.5344 per share per quarter, for Series A preferred stockholders, and approximately \$6.0 million, or \$0.20 per share per quarter, for Series B preferred stockholders.

Net Income Available to Common Shareholders. Net income available to common shareholders was approximately \$6.2 million and \$26.9 million for the years ended December 31, 2007 and 2006, respectively, which represents a decrease of approximately \$20.8 million as a result of the aforementioned operating results, gains on sales of properties in 2007, and preferred dividends.

Comparison of Year Ended December 31, 2006 and Year Ended December 31, 2005

Revenue. Total revenue for the year ended December 31, 2006 increased approximately \$167.3 million or 55.1% to approximately \$471.1 million from total revenue of approximately \$303.8 million for the year ended December 31, 2005. The increase was primarily due to approximately \$156.6 million in incremental revenues attributable to the 38 hotel properties acquired since December 31, 2004 that are included in continuing operations, approximately \$1.5 million increase in interest income earned on the Company's notes receivable portfolio, and approximately \$9.1 million increase in revenues for comparable hotels, primarily due to increases in room revenues.

Room revenues at comparable hotels for the year ended December 31, 2006 increased approximately \$7.6 million or 6.2% compared to 2005, primarily due to an increase in RevPar from \$80.18 to \$85.16, which consisted of a 4.5% increase in ADR and a 1.6% increase in occupancy. Due to the continued recovery in the economy and consistent with industry trends, several hotels experienced increases in both ADR and occupancy. In addition to improved market conditions, certain hotels also benefited from the following:

renovations were completed at several hotels in 2005, which generated increased occupancy in 2006 as rooms previously under renovations became available, and

certain hotels were successful in garnering more favorable group room-night contracts in 2006.

Food and beverage revenues at comparable hotels for the year ended December 31, 2006 increased approximately \$1.4 million or 5.8% compared to 2005 primarily due to the overall increase in occupancy. The remainder of the increase is primarily attributable to the 38 hotel properties acquired since December 31, 2004.

Other revenues for the year ended December 31, 2006 compared to 2005 increased approximately \$5.2 million or 43.7% due to an increase at comparable hotels of approximately \$174,000 or 2.6%, primarily resulting from increases in occupancy, and an increase of approximately \$5.0 million related to incremental revenues attributable to the 38 hotel properties acquired since December 31, 2004 that are included in continuing operations.

Interest income from notes receivable increased to approximately \$14.9 million for the year ended December 31, 2006 compared to approximately \$13.3 million for 2005 primarily due to an increase in the average balance outstanding of the notes receivable portfolio and an increase in interest rates.

Asset management fees remained flat at approximately \$1.3 million for both the years ended December 31, 2006 and 2005. Asset management fees relate to 27 hotel properties owned by affiliates for which the Company provided asset management and consulting services. The Company acquired 21 of these hotel properties from said affiliates on March 16, 2005, and the affiliates subsequently sold the remaining six hotel properties. However, the

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affiliates, pursuant to an agreement, will continue to guarantee a minimum annual fee of approximately \$1.2 million through December 31, 2008.

Hotel Operating Expenses. Hotel operating expenses, which consists of room expense, food and beverage expense, other direct expenses, indirect expenses, and management fees, increased approximately \$107.2 million or 55.8% for the year ended December 31, 2006 compared to 2005, primarily due to approximately \$102.5 million of expenses associated with the 38 hotel properties acquired since December 31, 2004 that are included in continuing operations. In addition, hotel operating expenses at comparable hotels experienced an increase of approximately \$4.7 million or 4.6% for the year ended December 31, 2006 compared to 2005 primarily due to increases in rooms, food and beverage, and indirect expenses.

Rooms expense at comparable hotels increased approximately \$1.6 million or 5.5% for the year ended December 31, 2006 compared to 2005 primarily due to increased occupancy at most hotels and virtually flat costs at hotels experiencing comparable occupancy due to the fixed nature of maintaining staff. Food and beverage expense at comparable hotels for the year ended December 31, 2006 compared to 2005 also increased approximately \$681,000, which is consistent with the increase in food and beverage revenues at most hotels and the overall increase in occupancy. Indirect expenses at comparable hotels increased approximately \$2.0 million or 4.3% for the year ended December 31, 2006 compared to 2005. Indirect expenses increased as a result of:

increased hotel-level general and administrative expenses due to increased salaries and staffing needs consistent with increased revenues,

increased sales and marketing expenses due to increased room availability at certain hotels as a result of rooms undergoing renovations during 2005,

increased franchise fees due to increased room revenues at certain hotels in 2006, and

increased energy costs due to increased utility rates.

Property Taxes, Insurance, and Other. Property taxes, insurance, and other increased approximately \$10.0 million or 63.7% for the year ended December 31, 2006 compared to 2005 due to approximately \$9.6 million of expenses associated with the 38 hotel properties acquired since December 31, 2004 that are included in continuing operations. Aside from additional costs incurred at these acquired hotels, property taxes, insurance, and other expense increased approximately \$494,000 in 2006 compared to 2005 primarily resulting from increased property insurance rates, primarily due to 2005 hurricanes, and increased property value tax assessments at certain hotels.

Depreciation and Amortization. Depreciation and amortization increased approximately \$21.2 million or 78.0% for the year ended December 31, 2006 compared to 2005 primarily due to approximately \$19.8 million of depreciation associated with the 38 hotel properties acquired since December 31, 2004 that are included in continuing operations. Aside from these additional hotels acquired, depreciation and amortization increased approximately \$1.5 million in 2006 compared to 2005 as a result of capital improvements made at several comparative hotels since December 31, 2004.

Corporate General and Administrative. Corporate general and administrative expense increased to approximately \$20.4 million for the year ended December 31, 2006 compared to approximately \$14.5 million for 2005 primarily due to overall company growth and an increase in non-cash expenses associated with stock-based compensation to approximately \$5.2 million in 2006 compared to approximately \$3.4 million in 2005. As a percentage of total revenue, however, corporate general and administrative expense decreased to approximately 4.3% in 2006 from approximately 4.8% in 2005 due to corporate synergies inherent in overall growth.

Operating Income. Operating income increased approximately \$23.0 million to approximately \$77.1 million for the year ended December 31, 2006 from approximately \$54.1 million in 2005 as result of the aforementioned operating results.

Interest Income. Interest income increased approximately \$1.9 million to approximately \$2.9 million for the year ended December 31, 2006 from approximately \$1.0 million in 2005 primarily due to interest earned on funds received from borrowings and equity offerings in 2006 in excess of interest earned on funds received from borrowings and equity offerings in 2005.

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Interest Expense and Amortization of Loan Costs. Interest expense and amortization of loan costs increased approximately \$10.5 million to approximately \$45.2 million for the year ended December 31, 2006 from approximately \$34.7 million in 2005. The increase in interest expense and amortization of loan costs is associated with the higher average debt balance over the course of the two comparative periods and increased interest rates.

Write-off of Loan Costs and Exit Fees. On May 30, 2006, the Company repaid its then outstanding \$11.1 million balance on its mortgage note payable, due April 1, 2011, which resulted in the write-off of unamortized loan costs of approximately \$101,000.

During the year ended December 31, 2005, the Company recorded write-off of loan costs and exit fees of \$5.8 million consisting of the following:

On January 20, 2005, the Company repaid its \$15.5 million mortgage note payable, due December 31, 2005, and its \$7.0 million mortgage note payable, due July 31, 2007, which resulted in the write-off of unamortized loan costs of approximately \$151,000.

On November 10, 2005, the Company repaid the remaining \$18.8 million balance outstanding under its \$45.6 million credit facility, due July 13, 2007, which resulted in the write-off of unamortized loan costs of approximately \$640,000 and early exit fees of approximately \$456,000.

On November 14, 2005, the Company repaid its \$210.0 million term loan, due October 10, 2006, and its \$6.2 million mortgage loan, due January 1, 2006, which resulted in the write-off of unamortized loan costs of approximately \$2.5 million and early exit fees of approximately \$2.1 million.

Loss on Debt Extinguishment. During the year ended December 31, 2006, there were no losses on debt extinguishments. During the year ended December 31, 2005, the Company completed several debt restructuring transactions to extend its maturities, lower its borrowing costs, and fix its interest rates. On March 30, 2005, the Company paid down mortgage debt assumed in the 21-property hotel portfolio acquisition on March 16, 2005 by approximately \$18.2 million, which generated a loss on early extinguishment of debt of approximately \$2.3 million, which is net of the write-off of the related portion of debt premium of approximately \$1.4 million. On October 13, 2005, the Company extinguished approximately \$98.9 million of this debt, which generated a loss on early extinguishment of debt of approximately \$4.3 million, which is net of the write-off of debt premiums associated with these mortgages of approximately \$3.0 million. On December 20, 2005, the Company extinguished the remaining \$31.0 million of this debt, which generated a loss on early extinguishment of debt of approximately \$3.4 million, which is net of the write-off of the debt premium associated with this mortgage of approximately \$780,000.

Benefit from Income Taxes. As a REIT, the Company generally will not be subject to federal corporate income tax on the portion of its net income that does not relate to taxable REIT subsidiaries. However, the Company leases each of its hotel properties to Ashford TRS, which is treated as a taxable REIT subsidiary for federal income tax purposes. For the years ended December 31, 2006 and 2005, the benefit from income taxes related to continuing operations of approximately \$2.9 million and \$2.6 million, respectively, relates to the net income associated with Ashford TRS. For the years ended December 31, 2006 and 2005, an additional provision for income taxes of approximately \$226,000 and \$2.4 million, respectively, is included in discontinued operations.

Minority Interest Related to Limited Partners. Minority interest related to limited partners represents a reduction to net income of approximately \$4.5 million and \$1.5 million for the years ended December 31, 2006 and 2005, respectively. Upon formation of the Company on August 29, 2003, minority interest in the operating partnership was established to represent the limited partners' proportionate share of the equity in the operating partnership. Minority interest related to limited partners represents an allocation of net income (loss) available to common shareholders

based on the weighted-average ownership percentage of these limited partners' common unit holdings throughout the period plus dividends related to these limited partners' Class B unit holdings.

Income from Continuing Operations. Income from continuing operations was approximately \$33.1 million and \$5.7 million for the years ended December 31, 2006 and 2005, respectively, which represents an increase of approximately \$27.4 million as a result of the aforementioned operating results.

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Income from Discontinued Operations, Net. On March 16, 2005, the Company acquired 21 hotel properties and an office building for approximately \$250.0 million. Soon thereafter, the Company made a strategic commitment to sell eight of these hotel properties, six of which were sold in the second quarter of 2005. On January 17, 2006, the Company sold the remaining two properties. On June 17, 2005, the Company acquired 30 hotel properties for approximately \$465.0 million. Soon thereafter, the Company made a strategic commitment to sell eight of these properties, which were sold on March 24, 2006. On December 7, 2006, the Company acquired seven hotel properties for approximately \$267.2 million, two of which were immediately held for sale. In late 2006 and early 2007, the Company made a strategic decision to sell an additional 16 hotel properties acquired between 2003 and 2006 and its office building acquired on March 16, 2005. Operating results related to these properties during the periods such properties were owned are included in income from discontinued operations for both the years ended December 31, 2006 and 2005. These results also reflected allocated interest and related debt expense totaling \$4.0 million and \$3.7 million for 2006 and 2005, respectively.

Net Income. Net income was approximately \$37.8 million and \$9.4 million for the years ended December 31, 2006 and 2005, respectively, which represents an increase of approximately \$28.4 million as a result of the aforementioned operating results.

Preferred Dividends. During the year ended December 31, 2006, the Company declared cash dividends of approximately \$4.9 million, or \$0.5344 per share per quarter, for Series A preferred stockholders, and approximately \$6.0 million, or \$0.20 per share per quarter, for Series B preferred stockholders. During the year ended December 31, 2005, the Company declared cash dividends of approximately \$4.9 million and \$3.4 million, for Series A preferred stockholders and Series B preferred stockholders, respectively. In addition, on June 15, 2005, the Company sold a financial institution its remaining 6,454,816 shares of Series B cumulative convertible redeemable preferred stock for approximately \$65.0 million, or \$10.07 per share. In connection with this sale, the Company recognized a non-cash preferred dividend of approximately \$1.0 million related to the difference in the market value of the Company's common stock and the \$10.07 conversion price on June 6, 2005, which represents the date at which the Company notified the financial institution of its intention to exercise its option to sell the preferred shares.

Net Income Available to Common Shareholders. Net income available to common shareholders was approximately \$26.9 million and \$134,000 for the years ended December 31, 2006 and 2005, respectively, which represents an increase of approximately \$26.8 million as a result of the aforementioned operating results and preferred dividends.

LIQUIDITY AND CAPITAL RESOURCES

Our principal source of funds to meet our cash requirements, including distributions to stockholders, is our share of the operating partnership's cash flow. The operating partnership's principal sources of cash flow include: (i) cash flow from hotel operations, (ii) interest income from and repayments of our notes receivable portfolio, and (iii) proceeds from sales of hotel properties and other assets. The Company believes it has adequate means to satisfy all of its short-term cash obligations through cash flows from hotel operations, potential sales of hotels, availability on its lines of credit, or potential additional borrowings on its unencumbered assets.

Cash flows from hotel operations are subject to all operating risks common to the hotel industry, including:

Competition for guests from other hotels;

Adverse effects of general and local economic conditions;

Dependence on demand from business and leisure travelers, which may fluctuate and be seasonal;

Increases in energy costs, airline fares, and other travel-related expenses, which may deter traveling;

Increases in operating costs, including wages, benefits, insurance, and energy, related to inflation and other factors;

Overbuilding in the hotel industry, especially in particular markets; and

Actual or threatened acts of terrorism and actions taken against terrorists, which create public concern over travel safety.

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During the year ended December 31, 2007, we completed the following significant transactions, which have or will impact our cash flow and liquidity:

Business Combinations:

On April 11, 2007, the Company acquired the CNL Portfolio from CNL Hotels and Resorts, Inc. (CNL) for approximately \$2.4 billion plus closing costs of approximately \$96.0 million. The Company acquired 100% of 33 properties and 70%-89% of 18 properties through existing joint ventures. To fund this acquisition, the Company utilized several sources as follows: a) borrowings of approximately \$928.5 million of ten-year, fixed-rate debt at an average blended interest rate of 5.95%, approximately \$555.1 million of two-year, variable-rate debt with three one-year extension options at an interest rate of LIBOR plus 1.65%, and approximately \$325.0 million of one-year, variable-rate debt with two one-year extension options at an interest rate of LIBOR plus 1.5%, b) the sale of 8.0 million shares of Series C Cumulative Redeemable Preferred Stock for approximately \$200.0 million less a commitment fee of approximately \$6.3 million at a dividend rate of LIBOR plus 2.5%, c) assumed fixed-rate debt of approximately \$562.1 million (or approximately \$432.3 million net of debt attributable to joint venture partners), representing eleven fixed-rate loans with an average blended interest rate of 6.01% and expiration dates ranging from 2008 to 2027, and d) a \$50.0 million draw on a newly executed \$200.0 million credit facility with an interest rate of LIBOR plus a range of 1.55% to 1.95% depending on the loan-to-value ratio, which matures April 9, 2010 with two one-year extension options, and requires interest-only payments through maturity.

On April 11, 2007, the Company acquired the remaining 15% joint venture interest in the Hyatt Regency Dearborn in Detroit, Michigan, for approximately \$7.5 million, which represents approximately \$2.9 million in cash and assumed debt of approximately \$4.6 million. The Company acquired the other 85% interest pursuant to its acquisition of CNL Portfolio, which was consummated April 11, 2007, as discussed above.

On May 21, 2007, the Company acquired a Marriott Residence Inn and a Hampton Inn, both in Jacksonville, Florida, from MS Resort Holdings LLC for approximately \$35.8 million in cash. The acquisition of these hotel properties, which were previously owned by CNL, related to the Company's acquisition of the CNL Portfolio on April 11, 2007. The Company used proceeds from its sale of seven hotels on May 18, 2007 and cash on hand to fund this acquisition.

On December 15, 2007, the Company completed an asset swap with Hilton Hotels Corporation, its partner in two joint ventures which were simultaneously dissolved, whereby the Company surrendered its majority ownership interest in two hotel properties in exchange for the joint venture partner's minority ownership interest in nine hotel properties. In connection with this asset swap, the Company assumed \$41.9 million of debt previously attributable to the joint venture partner's minority ownership in the nine acquired hotel properties that secured such debt and ceded \$109.5 million of debt, of which \$80.1 million was attributable to its majority ownership in the two surrendered hotel properties that secured such debt and the remainder attributable to the joint venture partner's former minority ownership.

Capital Stock:

On April 11, 2007, the Company issued 8.0 million shares of Series C cumulative redeemable preferred stock at \$25 per share for approximately \$200.0 million less a commitment fee of approximately \$6.3 million. On July 18, 2007, with proceeds received from the issuance of Series D preferred stock discussed below, the Company redeemed its 8.0 million shares of Series C preferred stock for approximately \$200.0 million and received a refund of related commitment fees of approximately \$4.3 million.

On April 24, 2007, in a follow-on public offering, the Company issued 48,875,000 shares of its common stock at \$11.75 per share, which generated gross proceeds of approximately \$574.3 million. However, the aggregate proceeds to the Company, net of underwriters' discount and offering costs, was approximately \$548.2 million. The 48,875,000 shares issued include 6,375,000 shares sold pursuant to an over-allotment option granted to the underwriters. These net proceeds along with cash on hand were used to pay-down the \$45.0 million outstanding balance on its \$47.5 million credit facility, due October 10, 2008, payoff the \$325.0 million variable-rate loan, due April 9, 2008, and pay-down its \$555.1 million variable-rate loan, due May 9, 2009, by approximately \$180.1 million. These three debt payments were made on April 25, 2007, April 24, 2007, and April 25, 2007, respectively.

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On July 18, 2007, the Company issued 8.0 million shares of 8.45% Series D cumulative preferred stock at \$25 per share for approximately \$200.0 million less underwriting discounts and commissions of approximately \$6.3 million.

During the year ended December 31, 2007, the Company acquired 60,177 shares of treasury stock for approximately \$728,000 in connection with the Company's Incentive Stock Plan ("Stock Plan"), which allows employees to tender vested shares of restricted common stock to the Company at current market prices to cover individual federal income taxes withheld on such shares as such shares vest. During the year ended December 31, 2007, the Company reissued 36,841 treasury shares under its Stock Plan as common stock granted to its executives, certain employees, and directors.

During the year ended December 31, 2007, the Company acquired 2,366,300 shares of treasury stock for approximately \$18.2 million in connection with its stock repurchase program.

Discontinued Operations:

On February 6, 2007, the Company sold its Marriott located in Trumbull, Connecticut, for approximately \$28.3 million. As the Company acquired this property on December 7, 2006, no gain or loss was recognized on the sale.

On February 8, 2007, the Company sold its Fairfield Inn in Princeton, Indiana, for approximately \$3.2 million. In connection with this sale, the Company recognized a gain of approximately \$1.4 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On April 24, 2007, the Company sold its Radisson Hotel in Indianapolis, Indiana, for approximately \$5.4 million. In connection with this sale, the Company recognized a gain of approximately \$2.7 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On April 26, 2007, the Company sold its Fairfield Inn in Evansville, Indiana, for approximately \$5.5 million. In connection with this sale, the Company recognized a gain of approximately \$531,000, of which related income tax gains were deferred through a 1031 like-kind exchange.

On April 27, 2007, the Company sold its Embassy Suites in Phoenix, Arizona, for approximately \$25.0 million. In connection with this sale, the Company recognized a gain of approximately \$8.5 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On May 2, 2007, the Company sold its Radisson Hotel in Covington, Kentucky, and an office building for approximately \$22.4 million. In connection with this sale, the Company recognized a gain of approximately \$3.4 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On May 18, 2007, the Company sold its portfolio of seven TownePlace Suites hotels for approximately \$57.5 million. In connection with this sale, the Company recognized a gain of approximately \$18.3 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On July 2, 2007, the Company sold its Hampton Inn in Horse Cave, Kentucky, for approximately \$3.5 million. In connection with this sale, the Company recognized a gain of approximately \$363,000.

On September 27, 2007, the Company sold its Doubletree Guest Suites in Dayton, Ohio, for approximately \$6.5 million. In connection with this sale, the Company recognized a gain of approximately \$168,000.

On October 2, 2007, the Company sold its Hilton in Birmingham, Alabama, for approximately \$25.0 million. As the Company acquired this property on April 11, 2007, no gain or loss was recognized on the sale. In connection with this sale, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$23.7 million.

On November 2, 2007, the Company sold two Residence Inns in Torrance, California, and Atlanta, Georgia, for approximately \$61.5 million. As the Company acquired these properties on April 11, 2007, no gain or loss was recognized on the sale. In connection with this sale, the Company paid down its \$375.0 million mortgage loan, due

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May 9, 2009, by approximately \$67.7 million pursuant to the loan agreement, with proceeds from the sale and corporate cash.

On November 20, 2007, the Company sold its Residence Inn in Kansas City, Missouri, for approximately \$7.0 million. As the Company acquired this property on April 11, 2007, no gain or loss was recognized on this sale. In connection with this sale, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$7.4 million.

On November 30, 2007, the Company sold its Marriott in Baltimore, Maryland, for approximately \$61.5 million. As the Company acquired this property on April 11, 2007, no gain or loss was recognized on this sale. In connection with this sale, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$62.4 million.

Notes Receivable:

On February 6, 2007, the Company received approximately \$8.1 million related to all principal and interest due under its \$8.0 million note receivable, due February 2007.

On May 8, 2007, the Company received approximately \$8.6 million related to all principal and interest due under its \$8.5 million note receivable, due June 2007.

On June 11, 2007, the Company received approximately \$8.1 million related to all principal and interest due under its \$8.0 million note receivable, due May 2010.

On June 18, 2007, the Company received approximately \$5.7 million related to all principal and interest due under its \$5.6 million note receivable, due July 2008.

On December 5, 2007, the Company originated a \$21.5 million mezzanine loan receivable, due January 2018.

Indebtedness:

On January 30, 2007, the Company completed a \$20.0 million draw on its \$150.0 million credit facility, due August 16, 2008.

On February 6, 2007, in connection with the Company's sale of its Marriott located in Trumbull, Connecticut, for approximately \$28.3 million, the Company paid down its \$212.0 million mortgage note payable, due December 11, 2009, by approximately \$28.0 million. Consequently, the \$212.0 million mortgage loan secured by seven hotels outstanding at December 31, 2006 became the \$184.0 million mortgage loan secured by six hotels outstanding at September 30, 2007.

On March 8, 2007, the Company terminated its \$100.0 million credit facility, due December 23, 2008. This credit facility never had an outstanding balance.

On April 9, 2007, the Company drew \$45.0 million on its \$47.5 million credit facility, due October 10, 2008.

On April 10, 2007, the Company repaid its \$45.0 million outstanding balance on its \$150.0 million credit facility, due August 16, 2008, and terminated the facility.

On April 11, 2007, in connection with its acquisition of the CNL Portfolio for approximately \$2.4 billion plus closing costs of approximately \$96.0 million, the Company executed a \$928.5 million, ten-year, fixed-rate loan at an average blended interest rate of 5.95%, a \$555.1 million, two-year, variable-rate loan with three one-year extension options at an interest rate of LIBOR plus 1.65%, and a \$325.0 million, one-year, variable-rate loan with two one-year extension options at an interest rate of LIBOR plus 1.5%, and assumed fixed-rate debt of approximately \$562.1 million (or approximately \$432.3 million net of debt attributable to joint venture partners), representing eleven fixed-rate loans with an average blended interest rate of 6.01% and expiration dates ranging from 2008 to 2027. In addition, the Company executed a \$200.0 million credit facility with an interest rate of LIBOR plus a range of 1.55% to 1.95% depending on the loan-to-value ratio, which matures April 9, 2010 with two one-year extension options, requires interest-only payments through maturity, and requires quarterly commitment

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fees ranging from 0.125% to 0.20% of the average undrawn balance during the quarter. To fund this acquisition, the Company drew approximately \$50.0 million on this credit facility.

On April 11, 2007, in connection with its acquisition of the remaining 15% joint venture interest in the Hyatt Regency Dearborn in Detroit, Michigan, for approximately \$7.5 million, the Company assumed debt attributable to the joint venture partner of approximately \$4.6 million. The Company acquired the other 85% interest pursuant to its acquisition of the CNL Portfolio on April 11, 2007, as discussed above.

On April 16, 2007, the Company drew \$25.0 million on its \$200.0 million credit facility, due April 9, 2010.

On April 24 and 25, 2007, with proceeds received from its follow-on public offering completed April 24, 2007, the Company paid down the \$45.0 million outstanding balance on its \$47.5 million credit facility, due October 10, 2008, paid off the \$325.0 million variable-rate loan, due April 9, 2008, and paid down its \$555.1 million variable-rate loan, due May 9, 2009, by approximately \$180.1 million. These three debt payments were made on April 25, 2007, April 24, 2007, and April 25, 2007, respectively.

On May 3, 2007, the Company repaid \$25.0 million on its \$200.0 million credit facility, due April 9, 2010.

On May 18, 2007, in connection with the Company's sale of its portfolio of seven TownePlace Suites hotels for approximately \$57.5 million, the Company paid down approximately \$32.0 million related to its mortgage loan due July 1, 2015. Consequently, the \$487.1 million mortgage loan secured by 32 hotels outstanding at December 31, 2006 became the \$455.1 million mortgage loan secured by 25 hotels outstanding at December 31, 2007.

On May 22, 2007, the Company modified its \$200.0 million credit facility, due April 9, 2010, to increase its capacity to \$300.0 million.

On October 2, 2007, in connection with the sale of its Hilton in Birmingham, Alabama, for approximately \$25.0 million, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$23.7 million.

On October 9, 2007, the Company drew approximately \$47.5 million on its \$47.5 million credit facility, and used the proceeds to repay \$20.0 million on its \$300.0 million credit facility, due April 9, 2010. On October 11, 2007, the revolving period on this \$47.5 million credit facility expired and the outstanding balance converted to a \$47.5 million mortgage loan, due October 10, 2008, at an interest rate of LIBOR plus 2%, requiring monthly interest-only payments through maturity, with three one-year extension options.

On October 9, 2007, the repaid \$20.0 million on its \$300.0 million credit facility, due April 9, 2010.

On November 2, 2007, in connection with the sale of two Residence Inns in Torrance, California, and Atlanta, Georgia, for approximately \$61.5 million, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$67.7 million pursuant to the loan agreement, with proceeds from the sale and corporate cash.

On November 20, 2007, in connection with the sale of its Residence Inn in Kansas City, Missouri, for approximately \$7.0 million, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$7.4 million.

On November 30, 2007, in connection with the sale of its Marriott in Baltimore, Maryland, for approximately \$61.5 million, the Company paid down its \$375.0 million mortgage loan, due May 9, 2009, by approximately \$62.4 million.

On December 4, 2007, the Company drew \$25.0 million on its \$300.0 million credit facility, due April 9, 2010.

On December 15, 2007, in connection with an asset swap with a joint venture partner, the Company assumed \$41.9 million of mortgage debt previously attributable to the joint venture partner's minority ownership in nine acquired hotel properties that secured such debt and ceded \$109.5 million of mortgage debt, of which \$80.1 million was attributable to its majority ownership in the two surrendered hotel properties that secured such debt and the remainder attributable to the joint venture partner's former minority ownership. Such surrendered debt had maturities ranging from 2010 to 2011.

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On December 15, 2007, in connection with the aforementioned asset swap, the Company repaid an additional \$8.7 million of mortgage debt attributable to its majority ownership in such joint ventures, which was secured by hotels involved in the asset swap and had maturities ranging from 2010 to 2011.

On December 20, 2007, the Company drew \$10.0 million on its \$300.0 million credit facility, due April 9, 2010.

Dividends:

During the year ended December 31, 2007, the Company declared cash dividends of approximately \$100.4 million, or \$0.21 per share per quarter, related to both common stockholders and common unit holders, of which approximately \$92.3 million and \$8.1 million related to each, respectively. During the year ended December 31, 2007, the Company declared cash dividends of approximately \$2.9 million, or \$0.19 per share per quarter, related to Class B unit holders.

During the year ended December 31, 2007, the Company declared cash dividends of approximately \$4.9 million, or \$0.5344 per share per quarter, related to Series A preferred stockholders.

During the year ended December 31, 2007, the Company declared cash dividends of approximately \$6.3 million, or \$0.21 per share per quarter, related to Series B preferred stockholders.

During the year ended December 31, 2007, the Company declared cash dividends of approximately \$4.3 million, based on LIBOR plus 2.5% for the period outstanding, related to Series C preferred stockholders. In addition, the Company recognized non-cash preferred dividends of approximately \$845,000 related to the amortization of the discount attributable to the increasing-rate preferred dividend clause effective 18 months after issuance.

During the year ended December 31, 2007, the Company declared cash dividends of approximately \$7.7 million, or \$0.5281 per share per quarter prorated for the period outstanding, related to Series D preferred stockholders.

Net Cash Flow Provided By Operating Activities. For the year ended December 31, 2007, net cash flow provided by operating activities increased approximately \$16.0 million from cash flow provided of approximately \$139.7 million for 2006 to cash flow provided of approximately \$155.7 million for 2007. The increase in net cash flow provided by operating activities was primarily attributable to improved operating income excluding depreciation, amortization, and gains on sales in 2007, which resulted from improved operations at the 56 comparable hotels included in continuing operations as well as the 54 hotels acquired since December 31, 2005 included in continuing operations. The increase was partially offset by an increase in restricted cash in 2007 compared to a decrease in restricted cash in 2006.

Net Cash Flow Used In Investing Activities. For the year ended December 31, 2007, net cash flow used in investing activities was approximately \$1.9 billion, which consisted of approximately \$2.1 billion related to acquisitions of hotel properties, \$21.5 million related to acquisitions or originations of notes receivable, and approximately \$127.3 million of improvements to various hotel properties. These cash outlays were partially offset by approximately \$304.9 million related to sales of 22 hotel properties and one office building and approximately \$30.1 million related to payments on notes receivable. For the year ended December 31, 2006, net cash flow used in investing activities was approximately \$565.5 million, which consisted of approximately \$540.6 million related to acquisitions of hotel properties, \$37.3 million related to acquisitions or originations of notes receivable, and \$47.7 million of improvements to various hotel properties. These cash outlays were somewhat offset by net proceeds of approximately \$17.4 million related to the sales of ten hotel properties and \$42.8 million related to payments on notes receivable.

Net Cash Flow Provided By Financing Activities. For the year ended December 31, 2007, net cash flow provided by financing activities was approximately \$1.7 billion, which represents approximately \$2.0 billion in borrowings of debt, \$193.3 million of net proceeds related to the issuance of Series C preferred stock, \$193.8 million of net proceeds

related to the issuance of Series D preferred stock, and \$548.2 million of net proceeds received from the Company's follow-on public offering on April 24, 2007. These cash inflows were partially offset by approximately \$832.1 million of payments on indebtedness and capital leases, \$195.7 million related to the redemption of Series C preferred stock, \$111.4 million of dividends paid, \$11.8 million in payments of loan costs, \$18.9 million of

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payments to acquire treasury shares, \$13.2 million of distributions to joint venture partners, \$2.4 million of early repayment fees on debt, and approximately \$10,000 of costs associated with issuing common shares in exchange for units of limited partnership interest. For the year ended December 31, 2006, net cash flow provided by financing activities was approximately \$441.1 million, which represents \$178.9 million in draws on the Company's credit facilities, \$313.0 million of new debt borrowings to fund acquisitions, and approximately \$290.1 million of net proceeds received from the Company's follow-on public offerings on January 25, 2006 and July 25, 2006, partially offset by approximately \$66.1 million of dividends paid, \$271.4 million of payments on indebtedness and capital leases, \$3.3 million of payments of loan costs, and \$53,000 of costs associated with issuing common shares in exchange for units of limited partnership interest.

In general, we focus exclusively on investing in the hospitality industry across all segments, including direct hotel investments, first mortgages, mezzanine loans, and eventually sale-leaseback transactions. We intend to acquire and, in the appropriate market conditions, develop additional hotels and provide structured financings to owners of lodging properties. We may incur indebtedness to fund any such acquisitions, developments, or financings. We may also incur indebtedness to meet distribution requirements imposed on REITs under the Internal Revenue Code to the extent that working capital and cash flow from our investments are insufficient to fund required distributions.

However, no assurances can be given that we will obtain additional financings or, if we do, what the amount and terms will be. Our failure to obtain future financing under favorable terms could adversely impact our ability to execute our business strategy. In addition, we may selectively pursue mortgage financing on individual properties and our mortgage investments.

We will acquire or develop additional hotels and invest in structured financings only as suitable opportunities arise, and we will not undertake such investments unless adequate sources of financing are available. Funds for future hotel-related investments are expected to be derived, in whole or in part, from future borrowings under a credit facility or other loan, proceeds from hotel sales, or proceeds from additional issuances of common stock, preferred stock, or other securities. However, other than acquisitions mentioned herein, we have no formal commitment or understanding to invest in additional assets, and there can be no assurance that we will successfully make additional investments.

Our existing hotels are located in developed areas that contain competing hotel properties. The future occupancy, ADR, and RevPAR of any individual hotel could be materially and adversely affected by an increase in the number or quality of the competitive hotel properties in its market area. Competition could also affect the quality and quantity of future investment opportunities.

INFLATION

We rely entirely on the performance of our properties and the ability of the properties' managers to increase revenues to keep pace with inflation. Hotel operators can generally increase room rates rather quickly, but competitive pressures may limit their ability to raise rates faster than inflation. Our general and administrative costs, real estate and personal property taxes, property and casualty insurance, and utilities are subject to inflation as well.

SEASONALITY

Our properties' operations historically have been seasonal as certain properties maintain higher occupancy rates during the summer months and some during the winter months. This seasonality pattern can cause fluctuations in our quarterly lease revenue under our percentage leases. We anticipate that our cash flows from the operations of our properties will be sufficient to enable us to make quarterly distributions to maintain our REIT status. To the extent that cash flows from operations are insufficient during any quarter due to temporary or seasonal fluctuations in lease revenue, we expect to utilize other cash on hand or borrowings to fund required distributions. However, we cannot

make any assurances that we will make distributions in the future.

Table of Contents**CRITICAL ACCOUNTING POLICIES**

Our accounting policies are more fully described in note 3 to our consolidated financial statements. As disclosed in note 3, the preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ significantly from those estimates. The Company believes that the following discussion addresses the Company's most critical accounting policies, representing those policies considered most vital to the portrayal of the Company's financial condition and results of operations and require management's most difficult, subjective, and complex judgments.

Management Agreements In connection with the Company's acquisitions of Marriott Crystal Gateway hotel in Arlington, Virginia, on July 13, 2006 and the 51-hotel CNL portfolio on April 11, 2007, the Company assumed certain existing management agreements. Based on the Company's review of these management agreements, the Company concluded that the terms of certain management agreements are more favorable to the respective managers than typical current market management agreements. As a result, the Company recorded unfavorable contract liabilities related to these management agreements of \$23.4 million as of the respective acquisition dates based on the present value of expected cash outflows over the initial terms of the related agreements. Such unfavorable contract liabilities are amortized as reductions to incentive management fees on a straight-line basis over the initial terms of the related agreements. In evaluating unfavorable contract liabilities, the Company's analysis involves considerable management judgment and assumptions.

Income Taxes At December 31, 2007, the Company increased the valuation allowance to approximately \$64.1 million to fully offset its net deferred tax asset except for certain minor deductible temporary differences. As a result of Ashford TRS losses in 2007 and 2006, and the limitations imposed by the Internal Revenue Code on the utilization of net operating losses of acquired subsidiaries, the Company believes that it is more likely than not its net deferred tax asset will not be realized, and therefore, has provided a valuation allowance to fully reserve against these amounts. In addition, at December 31, 2007, Ashford TRS has net operating loss carryforwards for federal income tax purposes of approximately \$110.2 million, which are available to offset future taxable income, if any, through 2027. The analysis utilized by the Company in determining its deferred tax asset valuation allowance involves considerable management judgment and assumptions.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an Interpretation of FASB Statement No. 109 (FIN No. 48), effective January 1, 2007. FIN No. 48 prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken in a tax return. FIN No. 48 requires that a determination be made as to whether it is more likely than not that a tax position taken, based on its technical merits, will be sustained upon examination, including resolution of any appeals and litigation processes. If the more-likely-than-not threshold is met, the related tax position must be measured to determine the amount of provision or benefit, if any, to recognize in the financial statements. FIN No. 48 applies to all tax positions related to income taxes subject to FASB Statement No. 109, *Accounting for Income Taxes*, but does not apply to tax positions related to FASB Statement No. 5, *Accounting for Contingencies*. The Company or its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states, and in Canada. Tax years 2004 through 2006 remain subject to potential examination by certain federal and state taxing authorities, respectively. No income tax examinations are currently in process. As the Company determined no material unrecognized tax benefits or liabilities exist, the adoption of FIN No. 48, effective January 1, 2007, did not impact the Company's financial condition or results of operations. The Company classifies interest and penalties related to underpayment of income taxes as income tax expense.

Investment in Hotel Properties Hotel properties are generally stated at cost. However, the initial properties contributed upon the Company's formation are stated at the predecessor's historical cost, net of any impairment

charges, plus a minority interest partial step-up related to the acquisition of minority interest from third parties associated with four of the initial properties. In addition, in connection with the 51-hotel CNL portfolio acquired on April 11, 2007 and subsequent asset swap completed on December 15, 2007, the Company owns between 75%-89% ownership interest in certain hotel properties owned by joint ventures. For these hotel properties, the carrying basis attributable to the joint venture partners' minority ownership is recorded at the predecessor's historical cost, net of any impairment charges, while the carrying basis attributable to the Company's majority ownership is recorded

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based on the allocated purchase price of the Company's ownership interest in the joint ventures. All improvements and additions which extend the useful life of hotel properties are capitalized.

Impairment of Investment in Hotel Properties and Hotel Related Intangibles Hotel properties and hotel related intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values of such hotel properties may not be recoverable. The Company tests for impairment in several situations, including when current or projected cash flows are less than historical cash flows, when it becomes more likely than not that a hotel property will be sold before its previously estimated useful life expires, and when events or changes in circumstances indicate that a hotel property's net book value or the carrying value of the related intangibles may not be recoverable. In evaluating the impairment of hotel properties and hotel related intangibles, the Company makes many assumptions and estimates, including projected cash flows, holding period, expected useful life, future capital expenditures, and fair values, which considers capitalization rates, discount rates, and comparable selling prices. If an asset was deemed to be impaired, the Company would record an impairment charge for the amount that the property's net book value exceeds its fair value. To date, no such impairment charges have been recognized.

Depreciation and Amortization Expense Depreciation expense is based on the estimated useful life of the Company's assets, while amortization expense for leasehold improvements is based on the shorter of the lease term or the estimated useful life of the related assets. Presently, hotel properties are depreciated using the straight-line method over lives which range from 15 to 39 years for buildings and improvements and 3 to 5 years for furniture, fixtures, and equipment. While the Company believes its estimates are reasonable, a change in estimated lives could affect depreciation expense and net income (loss) as well as resulting gains or losses on potential hotel sales.

Assets Held For Sale and Discontinued Operations The Company records assets as held for sale when management has committed to a plan to sell the assets, actively seeks a buyer for the assets, and the consummation of the sale is considered probable and expected within one year. The related operations of assets held for sale are reported as discontinued if a) such operations and cash flows can be clearly distinguished, both operationally and financially, from the ongoing operations of the Company, b) such operations and cash flows will be eliminated from ongoing operations once the disposal occurs, and c) the Company will not have any significant continuing involvement subsequent to the disposal.

Notes Receivable The Company provides mezzanine and first-mortgage financing in the form of loans receivable, which are recorded at cost, adjusted for net origination fees and costs. Premiums, discounts, and net origination fees are amortized or accreted as an adjustment to interest income using the effective interest method. Loans receivable are reviewed for potential impairment at each balance sheet date. A loan receivable is considered impaired when it becomes probable, based on current information, that the Company will be unable to collect all amounts due according to the loan's contractual terms. The amount of impairment, if any, is measured by comparing the recorded amount of the loan to the present value of the expected future cash flows or the fair value of the collateral. If a loan was deemed to be impaired, the Company would record a reserve for loan losses through a charge to income for any shortfall. To date, no such impairment charges have been recognized.

In accordance with Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities, as revised (FIN No. 46), variable interest entities, as defined, must be consolidated by their primary beneficiaries if the variable interest entities do not effectively disperse risks among parties involved. The Company's mezzanine and first-mortgage loans receivable are each secured by various hotel properties or partnership interests in hotel properties and are subordinate to primary loans related to the secured hotels. All such loans receivable are considered to be variable interests in the entities that own the related hotels, which are variable interest entities. However, the Company is not considered to be the primary beneficiary of these hotel properties as a result of holding these loans. Therefore, the Company does not consolidate such hotels for which it has provided financing. Interests in entities acquired or created in the future will be evaluated based on FIN No. 46 criteria, and such entities will be

consolidated, if required. In evaluating FIN No. 46 criteria, the Company's analysis involves considerable management judgment and assumptions.

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Recent Accounting Pronouncements In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements , effective for financial statements issued for fiscal years beginning after November 15, 2007. SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. SFAS No. 157 also requires expanded information regarding the extent to which assets and liabilities are measured at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. In February 2008, FASB issued FASB Staff Position No. FAS 157-2 to delay the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Presently, the Company values its derivative financial instruments at fair value. Based on its preliminary assessment, the Company does not feel the adoption of SFAS No. 157 will have a material impact on its valuation of derivative financial instruments.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities , effective for financial statements issued for fiscal years beginning after November 15, 2007. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with opportunities to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Based on its preliminary assessment, the Company does not feel the adoption of SFAS No. 159 will have a material impact on its valuation of derivative financial instruments.

In December 2007, the FASB issued SFAS No. 141R Business Combinations. SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combinations. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations the Company engages in will be recorded and disclosed following existing accounting principles until January 1, 2009. The Company expects SFAS 141R will affect the Company's consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, term and size of the acquisitions, if any, the Company consummates after the effective date.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS No. 160), effective for financial statements issued for fiscal years beginning after December 15, 2008. SFAS No. 160 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS No. 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, and will impact the recording of minority interest. The Company is currently evaluating the effects the adoption of SFAS No. 160 will have on its financial condition or results of operations.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of December 31, 2007, our contractual obligations and commitments are as follows (in thousands):

	Payments Due by Period				Total
	< 1 Year	2-3 Years	4-5 Years	> 5 Years	
Indebtedness payments(1)	\$ 171,329	\$ 710,563	\$ 115,104	\$ 1,700,011	\$ 2,697,007

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Capital leases payments	235	263			498
Operating leases payments	5,203	7,916	6,963	178,948	199,030
Interest payments	96,306	127,879	130,834	1,530,517	1,885,536
Total contractual obligations	\$ 273,073	\$ 846,621	\$ 252,901	\$ 3,409,476	\$ 4,782,071

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As of December 31, 2007, our contractual obligations and commitments including extension options are as follows (in thousands):

	Payments Due by Period				Total
	< 1 Year	2-3 Years	4-5 Years	> 5 Years	
Indebtedness payments(1)	\$ 123,880	\$ 360,123	\$ 512,993	\$ 1,700,011	\$ 2,697,007
Capital leases payments	235	263			498
Operating leases payments	5,203	7,916	6,963	178,948	199,030
Interest payments	96,948	167,303	159,918	1,530,517	1,954,686
Total contractual obligations	\$ 226,266	\$ 535,605	\$ 679,874	\$ 3,409,476	\$ 4,851,221

(1) Payments do not reflect the premiums of \$3,768,000 that are being amortized as a reduction of interest expense.

At December 31, 2007, capital commitments of approximately \$40.6 million relating to general capital improvements are expected to be paid in the next 12 months.

In addition, we have entered into employment agreements with certain executive officers, which provide for minimum annual base salaries, other fringe benefits, and non-compete clauses as determined by our Board of Directors. These agreements terminate on December 31, 2008, with automatic one-year renewals, unless terminated by either party upon six months notice, subject to severance provisions.

RECENT DEVELOPMENTS

Effective January 1, 2008, the Company created the Nonqualified Deferred Compensation Plan (NDCP), which allows designated employees the option to defer receipt of certain cash and restricted stock compensation and to index such amounts to selected investment funds. With certain exceptions, payments under NDCP will be upon a) a fixed date, as selected by the employee, b) termination of employment, or c) an unforeseeable emergency.

On January 2, 2008, the Company originated a \$7.1 million mezzanine loan receivable, which is secured by one hotel, matures January 2011, at an interest rate of LIBOR plus 9%, with interest-only payments through maturity.

On January 4, 2008, the Company drew \$10.0 million on its \$300.0 million credit facility, due April 9, 2010.

On January 11, 2008, the Company sold its JW Marriott in New Orleans, Louisiana, for approximately \$67.5 million. As the Company acquired this property on April 11, 2007, no gain or loss will be recognized on this sale. In connection with this sale, the buyer assumed approximately \$43.5 million mortgage debt, due August 1, 2010. In addition, the Company wrote-off the related debt premium balance of approximately \$2.1 million and unamortized loan costs of approximately \$155,000.

On January 14, 2008, the Company drew \$30.0 million on its \$300.0 million credit facility, due April 9, 2010.

On January 22, 2008, the Company formed a joint venture with Prudential Real Estate Investors (PREI) to invest in structured debt and equity hotel investments in the United States. The joint venture, which is expected to be funded

over the next two years, will ultimately be capitalized with \$300 million from investors in a fund managed by PREI and \$100 million from the Company. The Company and PREI will contribute the capital required for each mezzanine investment on a 25%/75% basis, respectively. The Company will be entitled to annual management and sourcing fees, reimbursement of expenses, and a promoted yield equal to a current 1.3x the venture yield subject to maximum threshold limitations, but further enhanced by an additional promote based upon a total net return to PREI. PREI's equity will be in a senior position on each investment. With limited exceptions, the joint venture will be the primary vehicle for the Company's hotel lending efforts. The joint venture will have the right of first refusal on all mezzanine investment opportunities presented by the Company, provided the investment meets certain criteria. On February 6, 2008, PREI acquired a 75% interest in the Company's \$21.5 million mezzanine loan receivable, which the Company originated December 5, 2007, is secured by two hotels, and matures January 2018. Simultaneously, the Company and PREI capitalized the joint venture by contributing this \$21.5 million mezzanine loan receivable to the joint venture.

On February 6, 2008, the Company drew \$20.0 million on its \$300.0 million credit facility, due April 9, 2010.

On February 6, 2008, the Company acquired a \$38.0 million mezzanine loan receivable for approximately \$33.0 million, which is secured by one hotel, matures June 2017, at an interest rate of 9.66%, with interest-only payments through maturity.

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On February 19, 2008, the Company acquired a \$21.0 million senior mezzanine loan, which is secured by a 29-hotel portfolio, through its joint venture with PREI for approximately \$17.5 million at an interest rate of LIBOR plus 2.75%, with interest only payments through maturity. This loan has an initial term of three years from origination with two one-year extension options.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Our primary market risk exposure consists of changes in interest rates on borrowings under our debt instruments and notes receivable that bear interest at variable rates that fluctuate with market interest rates. The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market interest rates.

As of December 31, 2007, our \$2.7 billion debt portfolio, which includes approximately \$34.8 million of debt attributable to joint venture partners, consisted of approximately \$2.2 billion, or 81%, of fixed-rate debt, with interest rates ranging from 5.42% to 7.24%, and approximately \$510.3 million, or 19%, of variable-rate debt. As of December 31, 2006, our \$1.1 billion debt portfolio consisted of approximately \$854.2 million, or 78%, of fixed-rate debt, with interest rates ranging from 5.41% to 7.24%, and approximately \$237.0 million, or 22%, of variable-rate debt. Our overall weighted average interest rate at December 31, 2007 and 2006 was 5.94% and 5.93%, respectively.

For the years ended December 31, 2007 and 2006, the impact to our results of operations of a one-point change in interest rate on the outstanding balance of variable-rate debt as of December 31, 2007 and 2006, respectively, would be approximately \$5.1 million and \$2.4 million, respectively.

Periodically, we purchase derivatives to increase stability related to interest expense and to manage our exposure to interest rate movements or other identified risks. To accomplish this objective, we primarily use interest rate swaps and caps within our cash flow hedging strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amount. Interest rate caps provide us with interest rate protection above the cap's strike rate and result in us receiving interest payments when interest rates exceed the cap strike. As of December 31, 2007 and 2006, we owned the following interest rate caps:

On October 28, 2005, we purchased a 7.0% LIBOR interest rate cap with a \$45.0 million notional amount, which matured October 15, 2007, to limit our exposure to rising interest rates on \$45.0 million of our variable-rate debt. We designated the \$45.0 million cap as a cash flow hedge of our exposure to changes in interest rates on a corresponding amount of variable-rate debt. On February 9, 2006, we paid down the related hedged \$45.0 million mortgage loan, due October 10, 2007, to \$100 and discontinued hedge accounting related to this derivative.

On December 6, 2006, we purchased a 6.25% LIBOR interest rate cap with a \$212.0 million notional amount, which matures December 11, 2009, to limit our exposure to rising interest rates on \$212.0 million of our variable-rate debt. We designated the \$212.0 million cap as a cash flow hedge of our exposure to changes in interest rates on a corresponding amount of variable-rate debt. On February 6, 2007, we paid down the related hedged \$212.0 million mortgage loan, due December 11, 2009, by approximately \$28.0 million and discontinued hedge accounting related to \$28.0 million of this derivative.

On December 6, 2006, we purchased a 6.25% LIBOR interest rate cap with a \$35.0 million notional amount, which matures December 11, 2009, to limit our exposure to rising interest rates on future variable-rate debt that we intend to draw over the next two years as capital expenditures are incurred. As this cap did not meet applicable hedge accounting criteria, it is not designated as a cash flow hedge.

On April 11, 2007, we purchased four 6.0% LIBOR interest rate caps with a total notional amount of approximately \$555.1 million, which mature May 9, 2009, to limit our exposure to rising interest rates on \$555.1 million of our variable-rate debt. On April 25, 2007, we paid down the related hedged \$555.1 million mortgage loan, due May 9, 2009, by approximately \$180.1 million and terminated a corresponding amount of these caps. As the remaining \$375.0 million of these derivatives did not meet applicable hedge accounting criteria, such derivatives are not designated as cash flow hedges.

On October 15, 2007, we purchased a 7.0% LIBOR interest rate cap with a \$47.5 million notional amount, which matures October 15, 2008, to limit our exposure to rising interest rates on \$47.5 million of our variable-rate

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debt. We designated the \$47.5 million cap as a cash flow hedge of our exposure to changes in interest rates on a corresponding amount of variable-rate debt.

As of December 31, 2007, our \$94.2 million notes receivable portfolio consisted of approximately \$57.9 million of outstanding variable-rate notes and approximately \$36.5 million of outstanding fixed-rate notes. As of December 31, 2006, our \$103.0 million notes receivable portfolio consisted of approximately \$80.0 million of outstanding variable-rate notes and approximately \$23.0 million of outstanding fixed-rate notes. For the years ended December 31, 2007 and 2006, the impact to our results of operations of a one-point change in interest rate on the outstanding balance of variable-rate notes receivable as of December 31, 2007 and 2006, respectively, would be approximately \$579,000 and \$800,000, respectively.

The above amounts were determined based on the impact of hypothetical interest rates on our borrowing and lending portfolios, and assume no changes in our capital structure. As the information presented above includes only those exposures that exist as of December 31, 2007, it does not consider exposures or positions which could arise after that date. Hence, the information presented herein has limited predictive value. As a result, the ultimate realized gain or loss with respect to interest rate fluctuations will depend on exposures that arise during the period, the hedging strategies at the time, and the related interest rates.

Item 8. Financial Statements and Supplementary Data

The required financial statements are filed herein as listed in Item 15.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(e). Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2007 based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our internal control over financial reporting was effective as of December 31, 2007.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Ashford Hospitality Trust, Inc.

We have audited Ashford Hospitality Trust, Inc.'s (the Company) internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Ashford Hospitality Trust, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Ashford Hospitality Trust, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2007 consolidated financial statements and financial statement schedules of Ashford Hospitality Trust, Inc., and our report dated February 29, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Dallas, Texas
February 29, 2008

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Item 9B. *Other Information*

None.

PART III

Item 10. *Directors, Executive Officers, and Corporate Governance*

The required information is incorporated by reference from our Proxy Statement to be filed with respect to the Annual Meeting of Shareholders to be held on May 13, 2008.

Item 11. *Executive Compensation*

The required information is incorporated by reference from our Proxy Statement to be filed with respect to the Annual Meeting of Shareholders to be held on May 13, 2008.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The required information is incorporated by reference from our Proxy Statement to be filed with respect to the Annual Meeting of Shareholders to be held on May 13, 2008.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The required information is incorporated by reference from our Proxy Statement to be filed with respect to the Annual Meeting of Shareholders to be held on May 13, 2008.

Item 14. *Principal Accountant Fees and Services*

The required information is incorporated by reference from our Proxy Statement to be filed with respect to the Annual Meeting of Shareholders to be held on May 13, 2008.

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PART IV

Item 15. *Financial Statement Schedules and Exhibits*

(a) Financial Statements and Schedules

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Consolidated Statements of Operations for the years ended December 31, 2007, 2006, and 2005	75
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Consolidated Statement of Owners' Equity for the years ended December 31, 2007, 2006, and 2005	77
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Notes to Consolidated Financial Statements	81
Schedule III Real Estate and Accumulated Depreciation as of December 31, 2007	128
Schedule IV Mortgage Loans and Interest Earned on Real Estate as of December 31, 2007	135

All other financial statement schedules have been omitted because such schedules are not required under the related instructions, such schedules are not significant, or the required information has been disclosed elsewhere in the consolidated financial statements and related notes thereto.

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Exhibit Number	Description of Exhibit
3.1	Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.1 of Form S-11/A, filed on July 31, 2003)
3.2.1	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of Form S-11/A, filed on July 31, 2003)
3.2.2	Amendment No. 1 to Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2.2 to the Registrant's Form 10-K for the year ended December 31, 2003)
4.1	Form of Certificate for Common Stock (incorporated by reference to Exhibit 4.1 of Form S-11/A, filed on August 20, 2003)
4.1.1	Articles Supplementary for Series A Cumulative Preferred Stock, dated September 15, 2004 (incorporated by reference to Exhibit 4.4 to the Registrant's Form 8-K, dated September 21, 2004, for the event dated September 15, 2004)
4.1.2	Form of Certificate of Series A Cumulative Preferred Stock (incorporated by reference to Exhibit 4.4.1 to the Registrant's Form 8-K, dated September 21, 2004, for the event dated September 15, 2004)
4.2	Articles Supplementary for Series B-1 Convertible Preferred Stock, dated December 28, 2004 (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K, dated January 4, 2005, for the event dated December 28, 2004)
4.3	Articles Supplementary for Series B-2 Convertible Preferred Stock, dated December 28, 2004 (incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-K, dated January 4, 2005, for the event dated December 28, 2004)
4.4	Articles Supplementary for Series C Cumulative Redeemable Preferred Stock, dated April 11, 2007 (incorporated by reference to Exhibit 4.4 to the Registrant's Form 8-K, dated April 12, 2007, for the event dated April 11, 2007)
4.5	Articles Supplementary for Series D Cumulative Redeemable Preferred Stock, dated July 17, 2007 (incorporated by reference to Exhibit 3.5 to the Registrant's Form 8-A, filed July 17, 2007)
4.6	Form of Certificate of Series D Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-A, filed July 17, 2007)
10.1.1	Third Amended and Restated Agreement of Limited Partnership of Ashford Hospitality Limited Partnership (incorporated by reference to Exhibit 10.33.1.1 of Form 10-Q, filed on May 9, 2007)
10.1.2	Amendment No. 1 to Third Amended and Restated Agreement of Limited Partnership of Ashford Hospitality Limited Partnership (incorporated by reference to Exhibit 10.1.5 of the Registrant's Form 8-K, dated July 24, 2007, for the event dated July 18, 2007)
*10.1.3	Amendment No. 2 to Third Amended Restated Agreement of Limited Partnership of Ashford Hospitality Limited Partnership.
10.2	Registration Rights Agreement among Ashford Hospitality Trust, Inc. and the persons named therein (incorporated by reference to Exhibit 10.2 of Form S-11/A, filed on July 31, 2003)
10.3.1	Amended and Restated 2003 Stock Incentive Plan of Ashford Hospitality Trust, Inc. (incorporated by reference to Exhibit 10.3.1 to the Registrant's Form 8-K, dated May 9, 2005, for the event dated May 3, 2005)
*10.3.2	Nonqualified Deferred Compensation Plan of Ashford Hospitality Trust, Inc., dated January 1, 2008
10.4	Non-Compete Agreement between Ashford Hospitality Trust, Inc. and Archie Bennett, Jr. (incorporated by reference to Exhibit 10.4 of Form S-11/A, filed on July 31, 2003)

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- 10.5.1 Employment Agreement between Ashford Hospitality Trust, Inc. and Montgomery J. Bennett (incorporated by reference to Exhibit 10.5 of Form S-11/A, filed on July 31, 2003)
- 10.5.1.1 Employment Agreement Amendment between Ashford Hospitality Trust, Inc. and Montgomery J. Bennett (incorporated by reference to Exhibit 10.5.11 of Form 8-K, filed on April 3, 2006)
- 10.5.2 Employment Agreement between Ashford Hospitality Trust, Inc. and Douglas Kessler (incorporated by reference to Exhibit 10.6 of Form S-11/A, filed on July 31, 2003)

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Exhibit Number	Description of Exhibit
10.5.2.1	Employment Agreement Amendment between Ashford Hospitality Trust, Inc. and Douglas Kessler (incorporated by reference to Exhibit 10.5.7 of Form 8-K, filed on April 3, 2006)
10.5.3	Employment Agreement between Ashford Hospitality Trust, Inc. and David A. Brooks (incorporated by reference to Exhibit 10.7 of Form S-11/A, filed on July 31, 2003)
10.5.3.1	Employment Agreement Amendment between Ashford Hospitality Trust, Inc. and David A. Brooks (incorporated by reference to Exhibit 10.5.9 of Form 8-K, filed on April 3, 2006)
10.5.4	Employment Agreement between Ashford Hospitality Trust, Inc. and David Kimichik (incorporated by reference to Exhibit 10.8 of Form S-11/A, filed on July 31, 2003)
10.5.4.1	Employment Agreement Amendment between Ashford Hospitality Trust, Inc. and David Kimichik (incorporated by reference to Exhibit 10.5.8 of Form 8-K, filed on April 3, 2006)
10.5.5	Employment Agreement between Ashford Hospitality Trust, Inc. and Mark Nunneley (incorporated by reference to Exhibit 10.9 of Form S-11/A, filed on July 31, 2003)
10.5.5.1	Employment Agreement Amendment between Ashford Hospitality Trust, Inc. and Mark Nunneley (incorporated by reference to Exhibit 10.5.10 of Form 8-K, filed on April 3, 2006)
10.6	Form of Management Agreement between Remington Lodging and Ashford TRS Corporation (incorporated by reference to Exhibit 10.10 of Form S-11/A, filed on July 31, 2003)
10.6.1	Hotel Management Agreement between Remington Management, L.P. and Ashford TRS Corporation (incorporated by reference to Exhibit 10.6.1 of Form 10-K, filed on March 9, 2007)
10.7	Form of Lease Agreement between Ashford Hospitality Limited Partnership and Ashford TRS Corporation (incorporated by reference to Exhibit 10.11 of Form S-11/A, filed on July 31, 2003)
10.8.1	Assignment and Assumption of Contract and Contract Rights between Ashford Hospitality Limited Partnership and Ashford Financial Corporation, dated October 7, 2003 (incorporated by reference to Exhibit 10.4 of Form 10-Q, filed on November 14, 2003)
10.8.2	Assignment and Assumption of Contract and Contract Rights between Ashford Hospitality Limited Partnership and Ashford Financial Corporation, dated January 4, 2004 Bylaws (incorporated by reference to Exhibit 10.10.2 to the Registrant's Form 10-K for the year ended December 31, 2003)
10.9	Guaranty by Ashford Financial Corporation in favor of Ashford Hospitality Trust Limited Partnership (incorporated by reference to Exhibit 10.26 of Form S-11/A, filed on July 31, 2003)
10.10	Mutual Exclusivity Agreement by and between Ashford Hospitality Limited Partnership, Ashford Hospitality Trust, Inc., Remington Hotel Corporation and Remington Lodging and Hospitality, L.P. (incorporated by reference to Exhibit 10.22 of Form S-11/A, filed on July 31, 2003)
10.11	Tax Indemnification Agreement between Ashford Hospitality Trust, Inc. and the persons named therein (incorporated by reference to Exhibit 10.25 of Form S-11/A, filed on July 31, 2003)
10.12	Secured Revolving Credit Facility Agreement, dated February 5, 2004, among the Registrant and Credit Lyonnais New York Branch, as Administrative Agent and Sole Lead Arranger and Book Manager, and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., as Syndication Agent (incorporated by reference to Exhibit 10.15 to the Registrant's Form 10-Q for the quarter ended March 31, 2004)
10.12.1	First Amendment to Credit Agreement, dated August 17, 2004, among the Registrant, Calyon New York Branch, and Merrill Lynch Capital (incorporated by reference to Exhibit 10.15.1 of the Registrant's Form 10-Q for the quarter ended September 30, 2004)
10.12.2	Third Amendment to Credit Agreement, dated August 24, 2005, among the Registrant, Calyon New York Branch, and Merrill Lynch Capital (incorporated by reference to Exhibit 10.15.2 of the Registrant's Form 8-K, dated August 26, 2005, for the event dated August 24, 2005)
10.12.3	

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Fourth Amendment to Credit Agreement, dated September 8, 2006, among the Registrant, Calyon New York Branch, Merrill Lynch Capital, and Wachovia Bank (incorporated by reference to Exhibit 10.15.3 of the Registrant's Form 8-K, dated September 12, 2006, for the event dated September 8, 2006)

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Exhibit Number	Description of Exhibit
10.13	Contribution and Purchase and Sale Agreement, dated December 27, 2004, between the Registrant and FGSB Master Corp. (incorporated by reference to Exhibit 10.20 to the Registrant's Form 8-K, dated December 28, 2004, for the event dated December 27, 2004)
10.14	Purchase Agreement, dated December 27, 2004, between the Registrant and Security Capital Preferred Growth Incorporated (incorporated by reference to Exhibit 10.21 to the Registrant's Form 8-K, dated December 28, 2004, for the event dated December 27, 2004)
10.14.1	Form of Registration Rights Agreement, dated December 27, 2004, between the Registrant and Security Capital Preferred Growth Incorporated (incorporated by reference to Exhibit 10.21.1 to the Registrant's Form 8-K, dated December 28, 2004, for the event dated December 27, 2004)
10.14.2	Amendment #1 to Purchase Agreement, dated February 8, 2005, between the Registrant and Security Capital Preferred Growth Incorporated (incorporated by reference to Exhibit 10.21.2 to the Registrant's Form 8-K, dated February 9, 2005, for the event dated February 8, 2005)
10.15	Loan Agreement, dated October 28, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.23.2 to the Registrant's Form 8-K, dated November 1, 2005, for the event dated October 28, 2005)
10.15.1	Amendment No. 2 to Loan Agreement, dated October 28, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.23.2.1 to the Registrant's Form 8-K, dated July 27, 2006, for the event dated July 26, 2006)
10.15.2	\$45 Million Rate Protection Agreement, dated October 27, 2005, between the Registrant and SMBC Derivative Products Limited Branch (incorporated by reference to Exhibit 10.23.3 to the Registrant's Form 8-K, dated November 1, 2005, for the event dated October 28, 2005)
10.16	Commitment Letter, dated October 5, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.8 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.1	Early Rate Lock Agreement, dated October 5, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.9 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.2	Amended and Restated Loan Agreement, dated as of October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.10 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.2.1	Amended and Restated Cross-Collateralization and Cooperation Agreement, dated October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.10.1 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.2.2	Loan Agreement, dated as of October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.11 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.2.2.1	Cross-Collateralization and Cooperation Agreement, dated October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.11.1 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.3	Amended and Restated Loan Agreement, dated as of October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.12 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.3.1	

Amended and Restated Cross-Collateralization and Cooperation Agreement, dated October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.12.1 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)

- 10.16.4 Amended and Restated Loan Agreement, dated as of October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.13 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)

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Exhibit Number	Description of Exhibit
10.16.4.1	Amended and Restated Cross-Collateralization and Cooperation Agreement, dated October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.13.1 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.5	Amended and Restated Loan Agreement, dated as of December 20, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.14 to the Registrant's Form 8-K, dated December 22, 2005, for the event dated December 20, 2005)
10.16.5.1	Amended and Restated Cross-Collateralization and Cooperation Agreement, dated December 20, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.14.1 to the Registrant's Form 8-K, dated December 22, 2005, for the event dated December 20, 2005)
10.17	Mortgage Loan Agreement (Pool 1), dated November 14, 2005, between the Registrant and UBS Real Estate Investments, Inc. (incorporated by reference to Exhibit 10.25 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.1	Mortgage Loan Agreement (Pool 2), dated November 14, 2005, between the Registrant and UBS Real Estate Investments, Inc. (incorporated by reference to Exhibit 10.25.1 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.2	Guarantee of Recourse Obligations, dated November 14, 2005, by the Registrant for the benefit of UBS Real Estate Investments, Inc. with respect to Pool 1 (incorporated by reference to Exhibit 10.25.2 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.3	Guarantee of Recourse Obligations, dated November 14, 2005, by the Registrant for the benefit of UBS Real Estate Investments, Inc. with respect to Pool 1 (incorporated by reference to Exhibit 10.25.3 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.4	Guarantee of Recourse Obligations, dated November 14, 2005, by the Registrant for the benefit of UBS Real Estate Investments, Inc. with respect to Pool 2 (incorporated by reference to Exhibit 10.25.4 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.5	Guarantee of Recourse Obligations, dated November 14, 2005, by the Registrant for the benefit of UBS Real Estate Investments, Inc. with respect to Pool 2 (incorporated by reference to Exhibit 10.25.5 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.6	Interest Rate Lock Agreement (Pool 1), dated October 24, 2005, between the Registrant and UBS Real Estate Investments, Inc. (incorporated by reference to Exhibit 10.25.6 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.7	Interest Rate Lock Agreement (Pool 2), dated October 24, 2005, between the Registrant and UBS Real Estate Investments, Inc. (incorporated by reference to Exhibit 10.25.7 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.18	Purchase and Sale Agreement, dated October 12, 2005, between the Registrant and Schuylkill, LLC (incorporated by reference to Exhibit 10.26 to the Registrant's Form 8-K, dated November 28, 2005, for the event dated November 18, 2005)
10.18.1	Amendment No. 1 to Purchase and Sale Agreement, dated November 11, 2005, between the Registrant and Schuylkill, LLC (incorporated by reference to Exhibit 10.26.1 to the Registrant's Form 8-K, dated November 28, 2005, for the event dated November 18, 2005)

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- 10.18.2 Amendment No. 2 to Purchase and Sale Agreement, dated November 18, 2005, between the Registrant and Schuylkill, LLC (incorporated by reference to Exhibit 10.26.2 to the Registrant's Form 8-K, dated November 28, 2005, for the event dated November 18, 2005)
- 10.19 Revolving Credit Loan And Security Agreement, dated December 23, 2005, between the Registrant and UBS Real Estate Investments, Inc. (incorporated by reference to Exhibit 10.27 to the Registrant's Form 8-K, dated December 28, 2005, for the event dated December 23, 2005)

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Exhibit Number	Description of Exhibit
10.20	Purchase and Sale Agreement, dated February 16, 2006, between the Registrant and W2001 Pac Realty, LLC. (incorporated by reference to Exhibit 10.28 to the Registrant's Form 8-K, dated February 23, 2006, for the event dated February 16, 2006)
10.21	Purchase and Sale Agreement, dated May 18, 2006, between the Registrant and EADS Associates Limited Partnership (incorporated by reference to Exhibit 10.29 to the Registrant's Form 8-K, dated May 23, 2006, for the event dated May 18, 2006)
10.22	Purchase and Sale Agreement, dated September 6, 2006, between the Registrant and JER O Hare Hotel, LLC (incorporated by reference to Exhibit 10.30 to the Registrant's Form 8-K, dated September 8, 2006, for the event dated September 6, 2006)
10.23	Purchase and Sale Agreement, dated September 15, 2006, between the Registrant and a partnership between Oak Hill Capital Partners, The Blackstone Group, and Interstate Hotels and Resorts (incorporated by reference to Exhibit 10.31 to the Registrant's Form 8-K, dated September 19, 2006, for the event dated September 15, 2006)
10.23.1	Loan Agreement, dated December 7, 2006, between the Registrant and Countrywide Commercial Real Estate Finance, Inc. (incorporated by reference to Exhibit 10.3.1 to the Registrant's Form 8-K, dated December 6, 2006, for the event dated December 7, 2006)
10.23.2	\$212 Million Rate Protection Agreement, dated December 6, 2006, between the Registrant and SMBC Derivative Products Limited Branch (incorporated by reference to Exhibit 10.31.2 to the Registrant's Form 8-K, dated December 6, 2006, for the event dated December 7, 2006)
10.23.3	\$35 Million Rate Protection Agreement, dated December 6, 2006, between the Registrant and SMBC Derivative Products Limited Branch (incorporated by reference to Exhibit 10.31.3 to the Registrant's Form 8-K, dated December 6, 2006, for the event dated December 7, 2006)
10.24	Loan Agreement, dated November 16, 2006, between the Registrant and Morgan Stanley Mortgage Capital, Inc. (incorporated by reference to Exhibit 10.32 to the Registrant's Form 8-K, dated November 20, 2006, for the event dated November 16, 2006)
10.25	Purchase and Sale Agreement, dated January 18, 2007, between the Registrant and CNL Hotels and Resorts, Inc. (incorporated by reference to Exhibit 10.33 of Form 10-K, filed on March 9, 2007)
10.25.1	Agreement and Plan of Merger, dated January 18, 2007, between the Registrant, MS Resort Holdings LLC, MS Resort Acquisition LLC, MS Resort Purchase LLC, and CNL Hotels & Resorts, Inc. (incorporated by reference to Exhibit 10.33.1 of Form 10-K, filed on March 9, 2007)
10.25.1.1	Amendment #1 to Agreement and Plan of Merger, dated February 21, 2007, between the Registrant, MS Resort Holdings LLC, MS Resort Acquisition LLC, MS Resort Purchase LLC, and CNL Hotels & Resorts, Inc. (incorporated by reference to Exhibit 10.33.1.1 of Form 10-Q, filed on May 9, 2007)
10.25.1.2	Amendment #2 to Agreement and Plan of Merger, dated April 4, 2007, between the Registrant, MS Resort Holdings LLC, MS Resort Acquisition LLC, MS Resort Purchase LLC, and CNL Hotels & Resorts, Inc. (incorporated by reference to Exhibit 10.33.1.2 of Form 10-Q, filed on May 9, 2007)
10.25.2	Guaranty Agreement, dated January 18, 2007, between the Registrant and Morgan Stanley Real Estate Fund V U.S., L.P. in favor of CNL Hotels and Resorts, Inc. (incorporated by reference to Exhibit 10.33.3 of Form 10-K, filed on March 9, 2007)
10.25.3	Contribution and Rights Agreement, dated January 18, 2007, between the Registrant and Morgan Stanley Real Estate Fund V U.S., L.P. (incorporated by reference to Exhibit 10.33.3 of Form 10-K, filed on March 9, 2007)
10.25.4	

Loan and Security Agreement, dated as of April 11, 2007, between Ashford Sapphire Junior Holder I LLC, Ashford Sapphire Junior Holder II LLC, and Wachovia Bank, National Association (incorporated by reference to Exhibit 10.33.4 to the Registrant's Form 8-K, dated April 13, 2007, for the event dated April 11, 2007)

- 10.25.4.1 Loan and Security Agreement, dated as of April 11, 2007, between Ashford Sapphire Junior Mezz I LLC, Ashford Sapphire Junior Mezz II LLC and Wachovia Bank, National Association (incorporated by reference to Exhibit 10.33.4.1 to the Registrant's Form 8-K, dated April 13, 2007, for the event dated April 11, 2007)

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Exhibit Number	Description of Exhibit
10.25.4.2	Loan and Security Agreement, dated as of April 11, 2007, between Ashford Sapphire Senior Mezz I LLC, Ashford Senior Mezz II LLC and Wachovia Bank, National Association (incorporated by reference to Exhibit 10.33.4.2 to the Registrant's Form 8-K, dated April 13, 2007, for the event dated April 11, 2007)
10.25.4.3	Form of Mortgage, Security Agreement, Assignment of Rents and Fixture Filing (Floating Rate Pool) (incorporated by reference to Exhibit 10.33.4.3 to the Registrant's Form 8-K, dated April 13, 2007, for the event dated April 11, 2007)
10.25.4.4	Form of Mortgage, Security Agreement, Assignment of Rents and Fixture Filing (Fixed Rate Pool) (incorporated by reference to Exhibit 10.33.4.4 to the Registrant's Form 8-K, dated April 13, 2007, for the event dated April 11, 2007)
10.25.4.5	Credit Agreement, dated as of April 10, 2007, by and among Ashford Hospitality Limited Partnership, as Borrower, Ashford Hospitality Trust, Inc., as Parent, Wachovia Capital Markets, LLC, as Arranger, Wachovia Bank, National Association, as Administrative Agent, Morgan Stanley Senior Funding, Inc. and Merrill Lynch Bank USA, as Co-Syndication Agents, each of Bank America, N.A. and Caylon New York Branch, as Co-Documentation Agents and the financial institutions initially signatory thereto and their assignees, as Lenders (incorporated by reference to Exhibit 10.33.4.5 to the Registrant's Form 8-K, dated April 13, 2007, for the event dated April 10, 2007)
10.25.4.5.1	First Amendment to Credit Agreement between the Registrant and Wachovia Bank, National Association, dated May 22, 2007 (incorporated by reference to Exhibit 10.33.4.5.1 of Form 8-K, dated May 24, 2007, for the event dated May 22, 2007)
10.25.4.5.2	Guarantor Acknowledgement of the Registrant in favor of Wachovia Bank, National Association, dated May 22, 2007 (incorporated by reference to Exhibit 10.33.4.5.2 of Form 8-K, dated May 24, 2007, for the event dated May 22, 2007)
10.25.4.5.3	Revolving Note Agreements between the Registrant and Wachovia Bank, National Association, dated May 22, 2007 (incorporated by reference to Exhibit 10.33.4.5.3 of Form 8-K, dated May 24, 2007, for the event dated May 22, 2007)
10.25.4.6	Form of Guaranty for Fixed-Rate Pool between the Registrant and Wachovia Bank, National Association, dated April 11, 2007 (incorporated by reference to Exhibit 10.33.4.6 of Form 10-Q, filed on May 9, 2007)
10.25.4.7	Guaranty Agreement for Floating-Rate Pool between Registrant and Wachovia Bank, National Association, dated April 11, 2007 (incorporated by reference to Exhibit 10.33.4.7 of Form 10-Q, filed on May 9, 2007)
10.25.4.8	Guaranty Agreement for Junior Mezzanine Loan between Registrant and Wachovia Bank, National Association, dated April 11, 2007 (incorporated by reference to Exhibit 10.33.4.8 of Form 10-Q, filed on May 9, 2007)
10.25.4.9	Guaranty Agreement for Intermediate Mezzanine Loan between Registrant and Wachovia Bank, National Association, dated April 11, 2007 (incorporated by reference to Exhibit 10.33.4.9 of Form 10-Q, filed on May 9, 2007)
10.25.4.10	Guaranty Agreement for Senior Mezzanine Loan between Registrant and Wachovia Bank, National Association, dated April 11, 2007 (incorporated by reference to Exhibit 10.33.4.10 of Form 10-Q, filed on May 9, 2007)
10.25.5	Stock Purchase Agreement, dated April 11, 2007, between the registrant and Wachovia Investment Holdings, LLC (incorporated by reference to Exhibit 10.33.5 to the Registrant's Form 8-K, dated April 12, 2007, for the event dated April 11, 2007)

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- 10.25.5.1 Investor Rights Agreement, dated April 11, 2007, between the registrant and Wachovia Investment Holdings, LLC (incorporated by reference to Exhibit 10.33.5.1 to the Registrant's Form 8-K, dated April 12, 2007, for the event dated April 11, 2007)
- 10.25.5.2 Letter Agreement, dated April 10, 2007, between the registrant and Security Capital Preferred Growth Incorporated (incorporated by reference to Exhibit 10.33.5.2 to the Registrant's Form 8-K, dated April 12, 2007, for the event dated April 11, 2007)

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Exhibit Number	Description of Exhibit
*10.26	Investor Program Agreement, dated January 22, 2008, between the registrant and Prudential Investment Management, Inc.
*10.26.1	Form of Joint Venture Agreement to the Investor Program Agreement, dated January 22, 2008, between the registrant and Prudential Investment Management, Inc.
*10.26.2	Form of Loan Servicing Agreement to the Investor Program Agreement, dated January 22, 2008, between the registrant and Prudential Investment Management, Inc.
*10.26.3	Limited Liability Company Agreement of PIM Ashford Venture I, LLC, dated February 6, 2008, between the registrant and Prudential Investment Management, Inc.
*21.1	Registrant's Subsidiaries Listing as of December 31, 2007
*23.1	Consent of Ernst & Young LLP
*31.1	Certification of the Chief Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
*31.2	Certification of the Chief Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
*31.3	Certification of the Chief Accounting Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
*32.1	Certification of the Chief Executive Officer Required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (In accordance with Sec Release 33-8212, this exhibit is being furnished, and is not being filed as part of this report or as a separate disclosure document, and is not being incorporated by reference into any Securities Act of 1933 registration statement.)
*32.2	Certification of the Chief Financial Officer Required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (In accordance with Sec Release 33-8212, this exhibit is being furnished, and is not being filed as part of this report or as a separate disclosure document, and is not being incorporated by reference into any Securities Act of 1933 registration statement.)
*32.3	Certification of the Chief Accounting Officer Required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (In accordance with Sec Release 33-8212, this exhibit is being furnished, and is not being filed as part of this report or as a separate disclosure document, and is not being incorporated by reference into any Securities Act of 1933 registration statement.)

* Filed herewith.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on March 9, 2007.

ASHFORD HOSPITALITY TRUST, INC.

By: /s/ MONTGOMERY J. BENNETT

Montgomery J. Bennett
Chief Executive Officer

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ARCHIE BENNETT, JR. Archie Bennett, Jr.	Chairman of the Board of Directors	February 28, 2008
/s/ MONTGOMERY J. BENNETT Montgomery J. Bennett	President, Chief Executive Officer, and Director (Principal Executive Officer)	February 28, 2008
/s/ DAVID J. KIMICHIK David J. Kimichik	Chief Financial Officer (Principal Financial Officer)	February 28, 2008
/s/ MARK L. NUNNELEY Mark L. Nunneley	Chief Accounting Officer (Principal Accounting Officer)	February 28, 2008
/s/ MARTIN L. EDELMAN Martin L. Edelman	Director	February 28, 2008
/s/ W. D. MINAMI W. D. Minami	Director	February 28, 2008
/s/ W. MICHAEL MURPHY W. Michael Murphy	Director	February 28, 2008
/s/ PHILIP S. PAYNE Philip S. Payne	Director	February 28, 2008

/s/ CHARLES P. TOPPINO

Director

February 28, 2008

Charles P. Toppino

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All other financial statement schedules have been omitted because such schedules are not required under the related instructions, such schedules are not significant, or the required information has been disclosed elsewhere in the consolidated financial statements and related notes thereto

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Ashford Hospitality Trust, Inc.

We have audited the accompanying consolidated balance sheets of Ashford Hospitality Trust, Inc. (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income, owners' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedules listed in the Index at Item 15(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 3 to the consolidated financial statements, in 2007 the Company changed its method of accounting for income taxes.

We also have audited, in accordance with the Standards of the Public Company Accounting Oversight Board (United States), Ashford Hospitality Trust, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 29, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Dallas, Texas
February 29, 2008

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	December 31, 2007	December 31, 2006
	(In thousands, except share and per share amounts)	
ASSETS		
Investment in hotel properties, net	\$ 3,885,737	\$ 1,632,946
Cash and cash equivalents	92,271	73,343
Restricted cash	52,872	9,413
Accounts receivable, net of allowance of \$1,458 and \$384, respectively	51,314	22,081
Inventories	4,100	2,110
Assets held for sale	75,739	119,342
Notes receivable	94,225	102,833
Deferred costs, net	25,714	14,143
Prepaid expenses	20,223	11,154
Other assets	6,027	7,826
Intangible assets, net	13,889	
Due from third-party hotel managers	58,300	15,964
Due from related parties	880	757
Total assets	\$ 4,381,291	\$ 2,011,912
LIABILITIES AND OWNERS EQUITY		
Indebtedness continuing operations	\$ 2,639,546	\$ 1,015,555
Indebtedness discontinued operations	61,229	75,595
Capital leases payable	498	177
Accounts payable	55,177	16,371
Accrued expenses	69,519	32,591
Dividends payable	35,031	19,975
Deferred income	254	294
Deferred incentive management fees	3,557	3,744
Unfavorable management contract liabilities	23,396	15,281
Other liabilities	4,703	
Due to third-party hotel managers	4,699	1,604
Due to related parties	3,612	4,152
Total liabilities	2,901,221	1,185,339
Commitments and contingencies (see Note 17)		
Minority interest in consolidated joint ventures (see Note 14)	19,036	
Minority interest related to limited partnership interests (see Note 14)	101,031	109,864
Preferred stock, \$0.01 par value:		
Series B Cumulative Convertible Redeemable Preferred Stock, 7,447,865 issued and outstanding at December 31, 2007 and 2006, respectively	75,000	75,000

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Preferred stock, \$0.01 par value, 50,000,000 shares authorized:		
Series A Cumulative Preferred Stock, 2,300,000 issued and outstanding at December 31, 2007 and 2006, respectively	23	23
Series D Cumulative Preferred Stock, 8,000,000 issued and outstanding at December 31, 2007	80	
Common stock, \$0.01 par value, 200,000,000 shares authorized, 122,765,691 shares issued and 120,376,055 shares outstanding at December 31, 2007 and 72,942,841 shares issued and outstanding at December 31, 2006	1,228	729
Additional paid-in capital	1,455,917	708,420
Accumulated other comprehensive income (loss)	(115)	111
Accumulated deficit	(153,664)	(67,574)
Treasury stock, at cost (2,389,636 shares)	(18,466)	
Total owners' equity	1,285,003	641,709
Total liabilities and owners' equity	\$ 4,381,291	\$ 2,011,912

See notes to consolidated financial statements.

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
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(In thousands, except share
and per share amounts)

REVENUE

Rooms	\$ 817,735	\$ 358,420	\$ 229,850
Food and beverage	245,213	79,494	47,496
Rental income from operating leases	4,548		
Other	48,932	17,090	11,890
Total hotel revenue	1,116,428	455,004	289,236
Interest income from notes receivable	11,005	14,858	13,323
Asset management fees from affiliates	1,334	1,266	1,258

Total Revenue

	1,128,767	471,128	303,817
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EXPENSES

Hotel operating expenses			
Rooms	187,225	80,273	51,473
Food and beverage	176,052	59,099	35,943
Other direct	25,854	7,971	5,020
Indirect	307,231	134,459	89,113
Management fees third-party hotel managers	32,602	10,944	5,651
Management fees related parties (see Note 16)	10,173	6,627	5,012
Total hotel expenses	739,137	299,373	192,212
Property taxes, insurance, and other	58,285	25,825	15,777
Depreciation and amortization	153,285	48,460	27,218
Corporate general and administrative	26,953	20,359	14,523

Total Operating Expenses

	977,660	394,017	249,730
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OPERATING INCOME

	151,107	77,111	54,087
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Interest income	3,178	2,917	1,027
Interest expense	(133,275)	(43,201)	(30,772)
Amortization of loan costs	(5,838)	(1,984)	(3,900)
Write-off of loan costs and exit fees	(4,216)	(101)	(5,803)
Loss on debt extinguishment			(10,000)

INCOME BEFORE INCOME TAXES AND MINORITY

INTEREST	10,956	34,742	4,639
(Provision for) benefit from income taxes	(4,981)	2,945	2,571

Minority interest in consolidated joint ventures benefit (see Note 14)		(323)		
Minority interest related to limited partners benefit (see Note 14)		(1,684)	(4,540)	(1,482)
INCOME FROM CONTINUING OPERATIONS		3,968	33,147	5,728
Income from discontinued operations, net (see Note 6)		26,192	4,649	3,709
NET INCOME		30,160	37,796	9,437
Preferred dividends		23,990	10,875	9,303
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$	6,170	\$ 26,921	\$ 134
(Loss) Income From Continuing Operations Per Share Available To Common Shareholders:				
Basic	\$	(0.19)	\$ 0.36	\$ (0.09)
Diluted	\$	(0.19)	\$ 0.36	\$ (0.09)
Income From Discontinued Operations Per Share:				
Basic	\$	0.25	\$ 0.08	\$ 0.09
Diluted	\$	0.25	\$ 0.07	\$ 0.09
Net Income Per Share Available To Common Shareholders:				
Basic	\$	0.06	\$ 0.44	\$ 0.00
Diluted	\$	0.06	\$ 0.43	\$ 0.00
Weighted Average Common Shares Outstanding:				
Basic		105,786,502	61,713,178	40,194,132
Diluted		105,786,502	62,127,948	40,194,132

See notes to consolidated financial statements.

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year Ended December 31, 2007	Year Ended December 31, 2006 (In thousands)	Year Ended December 31, 2005
NET INCOME	\$ 30,160	\$ 37,796	\$ 9,437
Reclassification to Increase (Decrease) Interest Expense	(144)	(1,228)	(188)
Net Unrealized Gains (Losses) on Derivative Instruments	(151)	(33)	1,006
Foreign Currency Translation Adjustments	69		
Comprehensive Income	\$ 29,934	\$ 36,535	\$ 10,255

See notes to consolidated financial statements.

ures				412	4	4,163	(4,167)				
ures				(3)		(19)	19				
ures				10		101					
ures									(29,595)		
es A									(4,916)		
es B						1,033			(4,386)		
ed								818			
									9,437		
	2,300	\$ 23	\$	\$	43,831	\$ 438	\$ 403,919	\$ (4,792)	\$ 1,372	\$ (42,637)	\$
on							(4,792)	4,792			
n											
of											
n							5,018				
f											
ures					(2)						
ures											
ng											
5,					12,108	121	128,014				
ures					14,950	150	161,808				

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006

ures
s

646	6	(6)
	77	

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Ashford Hospitality Trust, Inc.

Consolidated Statement of Owners Equity (Continued)

Preferred Stock Series A	Preferred Stock Series C	Preferred Stock Series D	Common Stock	Additional	Accumulated Other	Treasury
Number of Shares	Number of Shares	Number of Shares	Number of Shares	Paid-In Capital	Comprehensive Income (Loss)	Shares
\$0.01 Par Value	\$0.01 Par Value	\$0.01 Par Value	\$0.01 Par Value	Unearned Compensation	Accumulated Deficit	
(In thousands, Except Per Share Amounts)						
			16	186		
			1,394	14	14,273	
						(51,859)
						(4,916)
						(5,958)
					(33)	
					(1,228)	
						37,796
2,300	\$ 23	\$	\$ 72,943	\$ 729	\$ 708,420	\$ 111
					6,032	\$ (67,574)
			48,875	489	547,760	
	8,000	80			193,239	
			8,000	80	193,759	
	(8,000)	(80)			(195,620)	
			(35)			
			817	8	(268)	

166 2 1,750

(2,42

3

(92,260)

(4,916)

(6,256)

845

(5,166)

(7,652)

78

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Ashford Hospitality Trust, Inc.

Consolidated Statement of Owners Equity (Continued)

Preferred Stock Series A	Preferred Stock Series C	Preferred Stock Series D	Common Stock	Additional	Accumulated Other	Accumulated	Treasury Stock				
Number	Number	Number	Number	Paid-In	Comprehensive	Deficit	Shares				
\$0.01 Par Value	\$0.01 Par Value	\$0.01 Par Value	\$0.01 Par Value	Capital	Income (Loss)						
Shares	Shares	Shares	Shares	Compensation							
					(151)						
					(144)						
					69	30,160					
00	\$ 23	\$	8,000	\$ 80	122,766	\$ 1,228	\$ 1,455,917	\$ (115)	\$ (153,664)	(2,389)	\$ (1

See notes to consolidated financial statements.

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31, 2007	Year Ended December 31, 2006 (In thousands)	Year Ended December 31, 2005
Cash flows from operating activities:			
Net income	\$ 30,160	\$ 37,796	\$ 9,437
Adjustments to reconcile net income to net cash flow provided by operations:			
Depreciation and amortization	168,586	52,863	30,291
Gains on sales of properties	(35,071)		
Loss on reclassification from discontinued to continuing		863	
Amortization of loan costs	7,781	2,038	3,956
Write-off of loan costs and exit fees	8,104	788	5,803
Loss on debt extinguishment			10,000
Amortization to reduce interest expense from comprehensive income	(144)	(1,228)	(188)
Stock-based compensation	6,225	5,204	3,446
Minority interest in consolidated joint ventures	2,321		
Minority interest related to limited partnership interests	3,957	5,277	2,425
Changes in assets and liabilities:			
Accounts receivable and inventories	9,950	5,650	(7,687)
Other miscellaneous assets	(37,162)	(3,245)	2,085
Restricted cash	(29,773)	22,555	(625)
Other miscellaneous liabilities	20,803	11,130	(2,415)
Net cash flow provided by operating activities	155,737	139,691	56,528
Cash flows from investing activities:			
Acquisitions or originations of notes receivable	(21,500)	(37,308)	(55,494)
Proceeds from payments of notes receivable	30,083	42,777	26,850
Acquisitions of hotel properties	(2,059,155)	(540,638)	(613,534)
Net proceeds from sales of discontinued operations	304,943	17,445	28,212
Improvements and additions to hotel properties	(127,271)	(47,749)	(38,301)
Net cash flow used in investing activities	(1,872,900)	(565,473)	(652,267)
Cash flows from financing activities:			
Payments of dividends	(111,375)	(66,093)	(38,178)
Distributions to joint venture partners	(13,153)		0
Borrowings on indebtedness and capital leases	1,986,037	491,958	962,275
Payments on indebtedness and capital leases	(832,090)	(271,444)	(524,588)
Payments of deferred financing costs	(11,785)	(3,330)	(10,807)
Proceeds received from sale of derivatives			1,635

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Payments related to indebtedness early exit fees	(2,390)		(2,556)
Payments to extinguish indebtedness			(10,000)
Proceeds received from follow-on public offerings	548,249	290,092	145,524
Proceeds received from common stock sale to financial institution			18,902
Proceeds received from Series B preferred stock sale			65,000
Proceeds received from Series C preferred stock sale	193,319		
Proceeds received from Series D preferred stock sale	193,839		
Payments related to Series B preferred stock sale			(582)
Payments for redemption of Series C preferred stock	(195,700)		
Payments for purchases of treasury stock	(18,919)		
Payments to convert partnership units into common stock	(10)	(53)	
Net cash flow provided by financing activities	1,736,022	441,130	606,625
Effect of exchange rate on cash	69		
Net change in cash and cash equivalents	18,859	15,348	10,886
Cash and cash equivalents, beginning balance	73,343	57,995	47,109
Cash and cash equivalents, ending balance	\$ 92,271	\$ 73,343	\$ 57,995

See notes to consolidated financial statements.

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2007, 2006, and 2005

1. Organization and Description of Business

Ashford Hospitality Trust, Inc. and subsidiaries (the Company or we or our) is a self-advised real estate investment trust (REIT), which commenced operations on August 29, 2003 when it completed its initial public offering (IPO) and concurrently consummated certain other formation transactions, including the acquisition of six hotels (initial properties). The Company owns its lodging investments and conducts its business through Ashford Hospitality Limited Partnership, its operating partnership. Ashford OP General Partner LLC, its wholly-owned subsidiary, serves as the sole general partner of the Company s operating partnership.

As of December 31, 2007, the Company owned interest in 112 hotel properties, which includes direct ownership in 106 hotel properties and between 75-89% interest in six hotel properties through equity investments with joint venture partners. These hotel properties represent 26,553 total rooms or 26,211 net rooms excluding those attributable to joint venture partners. Of the total 112 hotel properties, 111 are located in the United States and one is located in Canada. As of December 31, 2007, the Company also owned approximately \$94.2 million of mezzanine or first-mortgage loans receivable.

For federal income tax purposes, the Company elected to be treated as a REIT, which imposes limitations related to operating hotels. As of December 31, 2007, 111 of the Company s hotel properties were leased or owned by wholly-owned subsidiaries of the Company that are treated as taxable REIT subsidiaries for federal income tax purposes (collectively, such subsidiaries are referred to as Ashford TRS). Ashford TRS then engages third-party or affiliated hotel management companies to operate the hotels under management contracts. Hotel operating results related to these properties are included in the consolidated results of operations. As of December 31, 2007, the remaining hotel property was leased on a triple-net lease basis to a third-party tenant who operates the hotel. Rental income from this operating lease is included in the consolidated results of operations.

Remington Lodging & Hospitality, L.P. and Remington Management, L.P. (collectively, Remington Lodging), both primary property managers for the Company, are beneficially wholly owned by Mr. Archie Bennett, Jr., the Company s Chairman, and Mr. Montgomery J. Bennett, the Company s President and Chief Executive Officer. As of December 31, 2007, Remington Lodging managed 43 of the Company s 112 hotel properties while third-party management companies managed the remaining 69 hotel properties.

As of December 31, 2007, 120,376,055 shares of common stock, 2,300,000 shares of Series A preferred stock, 7,447,865 shares of Series B preferred stock, 8,000,000 shares of Series D preferred stock, and 13,346,843 units of limited partnership interest held by entities other than the Company were outstanding and 2,389,636 shares of common stock were held as treasury stock. During the year ended December 31, 2007, the Company completed the following transactions:

On March 27, 2007, the Company issued 838,500 shares of restricted common stock to its executive officers and certain employees.

On April 11, 2007, the Company issued 8,000,000 shares of Series C cumulative redeemable preferred stock to a financial institution.

On April 24, 2007, the Company issued 48,875,000 shares of common stock in a follow-on public offering.

On May 15, 2007, the Company issued 16,000 shares of common stock to its directors as compensation for serving on the Board of Directors through May 2008.

On July 18, 2007, the Company publicly issued 8,000,000 shares of Series D cumulative preferred stock.

On July 18, 2007, the Company redeemed 8,000,000 shares of Series C cumulative redeemable preferred stock.

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the year ended December 31, 2007, the Company acquired 60,177 shares of treasury stock in connection with the Company's incentive stock plan, which allows employees to tender vested shares of restricted common stock to the Company at current market prices to cover individual federal income taxes withheld on such shares as such shares vest, of which 36,841 shares were reissued in connection with the aforementioned common stock grants.

During the year ended December 31, 2007, the Company acquired 2,366,300 shares of treasury stock in connection with its stock repurchase program.

During the year ended December 31, 2007, 35,391 unvested shares of restricted common stock were forfeited.

During the year ended December 31, 2007, the Company issued 165,582 shares of common stock in exchange for 165,582 units of limited partnership interest.

2. Basis of Presentation

The following items affect the Company's reporting comparability related to its consolidated financial statements:

As of December 31, 2007, Marriott International, Inc. (Marriott) manages 42 of the Company's properties. For these 42 Marriott-managed hotels, the fiscal year reflects twelve weeks of operations for each of the first three quarters of the year and sixteen weeks for the fourth quarter of the year. Therefore, in any given quarterly period, period-over-period results will have different ending dates. For Marriott-managed hotels, the fourth quarters of 2007, 2006, and 2005 ended December 28th, December 29th, and December 30th, respectively.

As a result of reclassification of certain hotels from continuing operations to discontinued operations, certain previously reported amounts have been reclassified to conform to the current presentation.

During the 4th quarter of 2007, the Company allocated interest and related debt expense totaling \$21.2 million to the discontinued operations in accordance with Emerging Issues Task Force (EITF) abstract No. 87-24, Allocation of Interest to Discontinued Operations. See Note 6. Additionally, the Company revised its discontinued operations previously reported to reflect reclassifications of \$4.0 million for 2006 and \$3.7 million for 2005 related to the same EITF.

3. Significant Accounting Policies Summary

Principles of Consolidation The Company's consolidated financial statements include the Company and its majority-owned subsidiaries and its majority-owned joint ventures in which it has a controlling interest. All significant intercompany accounts and transactions between consolidated entities have been eliminated in these consolidated financial statements.

Revenue Recognition Hotel revenues include room, food, beverage, and ancillary revenues such as long-distance telephone service, laundry, and space rentals. Rental income from operating leases represents rental income recognized on a straight-line basis associated with the hotel property leased to a third-party tenant on a triple-net lease

basis. Interest income from notes receivable represents interest earned on the Company's mezzanine and first-mortgage loans receivable portfolio. Asset management fees relate to asset management services performed on behalf of a related party, including risk management and insurance procurement, assistance with taxes, negotiating franchise agreements and equipment leases, monitoring compliance with loan covenants, preparation of capital and operating budgets, and property litigation management. Hotel revenues and asset management fees are recognized as the related services are delivered.

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign Currency Translations Financial information related to the Company's hotel property located in Montreal, Canada, is maintained in the local currency. Results of operations are translated to U.S. dollars using the average exchange rates during the period while assets and liabilities are translated using the exchange rate in effect at the balance sheet date. Translation adjustments are reflected in the consolidated statements of owners' equity as a component of accumulated other comprehensive income. Gains or losses from foreign currency transactions, however, are reflected in the consolidated statements of operations.

Use of Estimates The preparation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Management Agreements In connection with the Company's acquisitions of Marriott Crystal Gateway hotel in Arlington, Virginia, on July 13, 2006 and the 51-hotel CNL portfolio on April 11, 2007, the Company assumed certain existing management agreements. Based on the Company's review of these management agreements, the Company concluded that the terms of certain management agreements are more favorable to the respective managers than typical current market management agreements. As a result, the Company recorded unfavorable contract liabilities related to these management agreements of \$23.4 million as of the respective acquisition dates based on the present value of expected cash outflows over the initial terms of the related agreements. Such unfavorable contract liabilities are amortized as reductions to incentive management fees on a straight-line basis over the initial terms of the related agreements. In evaluating unfavorable contract liabilities, the Company's analysis involves considerable management judgment and assumptions.

Investment in Hotel Properties Hotel properties are generally stated at cost. However, the initial properties contributed upon the Company's formation are stated at the predecessor's historical cost, net of any impairment charges, plus a minority interest partial step-up related to the acquisition of minority interest from third parties associated with four of the initial properties. In addition, in connection with the 51-hotel CNL portfolio acquired on April 11, 2007 and subsequent asset swap completed on December 15, 2007, the Company owns between 75%-89% ownership interest in certain hotel properties owned by joint ventures. For these hotel properties, the carrying basis attributable to the joint venture partners' minority ownership is recorded at the predecessor's historical cost, net of any impairment charges, while the carrying basis attributable to the Company's majority ownership is recorded based on the allocated purchase price of the Company's ownership interest in the joint ventures. All improvements and additions which extend the useful life of the hotel properties are capitalized.

Intangible Assets Intangible assets with finite lives are amortized over their estimated useful lives. Intangible assets with indefinite lives are reviewed annually for impairment.

Impairment of Investment in Hotel Properties and Hotel Related Intangibles Hotel properties and hotel related intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values of such hotel properties or intangibles may not be recoverable. The Company tests for impairment in several situations, including when current or projected cash flows are less than historical cash flows, when it becomes more likely than not that a hotel property will be sold before its previously estimated useful life expires, and when events or changes in circumstances indicate that a hotel property's net book value or the carrying value of the related intangibles

may not be recoverable. In evaluating the impairment of hotel properties and hotel related intangibles, the Company makes many assumptions and estimates, including projected cash flows, holding period, expected useful life, future capital expenditures, and fair values, which considers capitalization rates, discount rates, and comparable selling prices. If an asset was deemed to be impaired, the Company would record an impairment charge for the amount that the property's net book value exceeds its fair value. To date, no such impairment charges have been recognized.

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Depreciation and Amortization Expense Depreciation expense is based on the estimated useful life of the Company's assets, while amortization expense for leasehold improvements is based on the shorter of the lease term or the estimated useful life of the related assets. Presently, hotel properties are depreciated using the straight-line method over lives which range from 15 to 39 years for buildings and improvements and 3 to 5 years for furniture, fixtures, and equipment. While the Company believes its estimates are reasonable, a change in estimated lives could affect depreciation expense and net income (loss) as well as resulting gains or losses on potential hotel sales.

Cash and Cash Equivalents Cash and cash equivalents represent cash on hand or held in banks plus short-term investments with an initial maturity of three months or less when purchased.

Restricted Cash Restricted cash includes reserves for debt service, real estate taxes, and insurance, as well as excess cash flow deposits and reserves for furniture, fixtures, and equipment replacements of approximately 4% to 6% of property revenue for certain hotels, as required by certain management or mortgage debt agreement restrictions and provisions. Restricted cash also includes cash collateral deposited with the Company related to one mezzanine loan that may be used by the Company toward the payments of principal and interest of the loan and any other amounts due under the loan in the event of default.

Accounts Receivable Accounts receivable consists primarily of meeting and banquet room rental and hotel guest receivables. The Company generally does not require collateral. Ongoing credit evaluations are performed and an allowance for potential credit losses is provided against the portion of accounts receivable that is estimated to be uncollectible.

Inventories Inventories, which primarily consist of food, beverages, and gift store merchandise, are stated at the lower of cost or market value. Cost is determined using the first-in, first-out method.

Assets Held For Sale and Discontinued Operations The Company records assets as held for sale when management has committed to a plan to sell the assets, actively seeks a buyer for the assets, and the consummation of the sale is considered probable and expected within one year. The related operations of assets held for sale are reported as discontinued if a) such operations and cash flows can be clearly distinguished, both operationally and financially, from the ongoing operations of the Company, b) such operations and cash flows will be eliminated from ongoing operations once the disposal occurs, and c) the Company will not have any significant continuing involvement subsequent to the disposal.

Notes Receivable The Company provides mezzanine and first-mortgage financing in the form of loans receivable, which are recorded at cost, adjusted for net origination fees and costs. Premiums, discounts, and net origination fees are amortized or accreted as an adjustment to interest income using the effective interest method. Loans receivable are reviewed for potential impairment at each balance sheet date. A loan receivable is considered impaired when it becomes probable, based on current information, that the Company will be unable to collect all amounts due according to the loan's contractual terms. The amount of impairment, if any, is measured by comparing the recorded amount of the loan to the present value of the expected future cash flows or the fair value of the collateral. If a loan was deemed to be impaired, the Company would record a reserve for loan losses through a charge to income for any shortfall. To date, no such impairment charges have been recognized.

In accordance with Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities, as revised (FIN No. 46), variable interest entities, as defined, must be consolidated by their primary beneficiaries if the variable interest entities do not effectively disperse risks among parties involved. The Company's mezzanine and first-mortgage loans receivable are each secured by various hotel properties or partnership interests in hotel properties and are subordinate to primary loans related to the secured hotels. All such loans receivable are considered to be variable interests in the entities that own the related hotels, which are variable interest entities. However, the Company is not considered to be the primary beneficiary of these hotel properties as a result of holding these loans. Therefore, the Company does not consolidate such hotels for which it has provided financing. Interests in entities acquired or created in the future will be evaluated based on FIN No. 46

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

criteria, and such entities will be consolidated, if required. In evaluating FIN No. 46 criteria, the Company's analysis involves considerable management judgment and assumptions.

Deferred Costs, Net Deferred loan costs are recorded at cost and amortized over the terms of the related indebtedness using the effective interest method. Deferred franchise fees are amortized on a straight-line basis over the terms of the related franchise agreements.

Guarantees Upon acquisition of the 51-hotel CNL portfolio on April 11, 2007, the Company assumed certain guarantees, which represent funds provided by third-party hotel managers to guarantee minimum returns for certain hotel properties. As the Company is obligated to repay such amounts through increased incentive management fees over the remaining terms of the related management agreements or through cash reimbursements, such guarantees are recorded as other liabilities. As of December 31, 2007, these liabilities totaled approximately \$568,000.

Due from Third-Party Hotel Managers Due from third-party hotel managers primarily consists of amounts due from Marriott related to cash reserves held at the Marriott corporate level related to capital, insurance, real estate taxes, and other items.

Due to/from Affiliates - Due to/from affiliates represents current receivables and payables resulting from transactions related to hotel management and project management with affiliated entities. Due from affiliates results primarily from advances of shared costs incurred. Due to affiliates results primarily from hotel management and project management fees incurred. Both due to and due from affiliates are generally settled within a period not to exceed one year.

Advertising Costs Advertising costs are charged to expense as incurred. For the years ended December 31, 2007, 2006, and 2005, the Company incurred advertising costs of approximately \$3.6 million, \$2.1 million, and \$1.2 million, respectively. Advertising costs related to continuing operations are included in indirect expenses in the accompanying consolidated statements of operations.

Indirect Expenses Indirect expenses primarily include hotel-level general and administrative fees, sales and marketing expenses, repairs and maintenance expenses, franchise fees, and utility costs.

Derivative Instruments and Hedging Activities Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted (SFAS No. 133), establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by SFAS No. 133, the Company records all derivatives on the balance sheet at fair value. Accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and

subsequently reclassified to earnings when the hedged transaction affects earnings, while the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in the fair value are recognized in earnings.

The Company's objective in using derivatives is to increase stability related to interest expense and to manage its exposure to interest rate movements or other identified risks. To accomplish this objective, the Company primarily uses interest rate swaps and caps within its cash flow hedging strategy. Interest rate swaps designated as

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

cash flow hedges involve the receipt of variable-rate amounts in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amount. Interest rate caps designated as cash flow hedges provide the Company with interest rate protection above the strike rate on the cap and result in the Company receiving interest payments when actual rates exceed the cap strike.

Income Taxes As a REIT, the Company generally will not be subject to federal corporate income tax on the portion of its net income (loss) that does not relate to taxable REIT subsidiaries. However, Ashford TRS is treated as a taxable REIT subsidiary for federal income tax purposes. In accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, the Company accounts for income taxes related to Ashford TRS using the asset and liability method under which deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, the analysis utilized by the Company in determining its deferred tax asset valuation allowance involves considerable management judgment and assumptions.

Segments The Company presently operates in two business segments within the hotel lodging industry: direct hotel investments and hotel financing. Direct hotel investments refers to owning hotels through either acquisition or new development. Hotel financing refers to owning subordinate hotel-related mortgage receivables through acquisition or origination.

Stock-based Compensation The Company accounts for stock-based compensation using the fair-value method. In connection with the Company's formation, the Company established an employee Incentive Stock Plan (the Stock Plan). Under the Stock Plan, the Company periodically issues shares of restricted and non-restricted common stock. All such shares are charged to compensation expense on a straight-line basis over the vesting period based on the Company's stock price on the date of issuance. Under the Stock Plan, the Company may issue a variety of additional performance-based stock awards, including nonqualified stock options. As of December 31, 2007, no performance-based stock awards aside from the aforementioned stock grants have been issued.

Earnings (Loss) Per Share Basic earnings (loss) per common share is calculated by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding during the period. Diluted earnings (loss) per common share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares, whereby such exercise or conversion would result in lower earnings per share. The following table reconciles the amounts used in calculating basic and diluted earnings (loss) per share for the years ended December 31, 2007, 2006, and 2005 (in thousands, except share and per share amounts):

	Years Ended December 31,		
	2007	2006	2005
(Loss) income from continuing operations less preferred dividends - basic	\$ (20,022)	\$ 22,272	\$ (3,575)
Weighted average common shares outstanding - basic	105,786,502	61,713,178 414,770	40,194,132

Incremental diluted shares related to unvested restricted shares

Weighted average common shares outstanding	diluted	105,786,502	62,127,948	40,194,132
Income (loss) per share from continuing operations	basic			
Income		\$ (0.19)	\$ 0.36	\$ (0.09)
(loss) per share from continuing operations	diluted	\$ (0.19)	\$ 0.36	\$ (0.09)

For the year ended December 31, 2007, dividends related to convertible preferred shares of approximately \$6.3 million and minority interest (income) expense related to limited partners of approximately \$3.4 million as well as weighted average convertible preferred shares outstanding of approximately 7.4 million, weighted average

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

units of limited partnership interest of approximately 13.5 million, and incremental diluted shares related to unvested restricted stock of approximately 476,000 are excluded from diluted earnings per share as such shares and units are anti-dilutive.

For the year ended December 31, 2006, dividends related to convertible preferred shares of approximately \$6.0 million and minority interest (income) expense related to limited partners of approximately \$4.5 million as well as weighted average convertible preferred shares outstanding of approximately 7.4 million and weighted average units of limited partnership interest of approximately 12.3 million are excluded from diluted earnings per share as such shares and units are anti-dilutive.

For the year ended December 31, 2005, dividends related to convertible preferred shares of approximately \$4.4 million and minority interest (income) expense related to limited partners of approximately \$1.5 million as well as weighted average convertible preferred shares outstanding of approximately 4.5 million, weighted average units of limited partnership interest of approximately 10.1 million, incremental diluted shares related to unvested restricted stock of approximately 270,000, and weighted average incremental diluted shares relating to an option to purchase common stock of approximately 94,000 are excluded from diluted earnings per share as such shares and units are anti-dilutive.

Reclassifications Certain amounts in the consolidated financial statements for 2006 and 2005 have been reclassified to conform to the presentation adopted in 2007. These classifications have no effect on net income previously reported.

Recent Accounting Pronouncements In June 2006, EITF ratified EITF No. 06-3, How Taxes Collected from Customers and Remitted to Government Authorities Should be Presented in the Income Statement (That Is, Gross versus Net Presentation). EITF No. 06-3 is effective for interim and annual periods beginning after December 15, 2006, with earlier application permitted. EITF No. 06-3 relates to taxes assessed by a governmental authority imposed on revenue-producing transactions, such as sales taxes. EITF No. 06-3 states that gross versus net income statement presentation of such taxes is an accounting policy decision requiring disclosure. EITF No. 06-3 further requires disclosure of the amount of such taxes reflected at gross, if any. The Company records all sales net of such taxes.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (FIN No. 48), effective January 1, 2007. FIN No. 48 prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken in a tax return. FIN No. 48 requires that a determination be made as to whether it is more likely than not that a tax position taken, based on its technical merits, will be sustained upon examination, including resolution of any appeals and litigation processes. If the more-likely-than-not threshold is met, the related tax position must be measured to determine the amount of provision or benefit, if any, to recognize in the financial statements. FIN No. 48 applies to all tax positions related to income taxes subject to SFAS No. 109, Accounting for Income Taxes, but does not apply to tax positions related to FASB Statement No. 5, Accounting for Contingencies. The Company or its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states, and in Canada. Tax years 2004 through 2006 remain subject to potential examination by certain federal and state taxing authorities, respectively. No income tax examinations are currently in process. As the Company determined no material unrecognized tax benefits or liabilities exist, the adoption of FIN No. 48, effective January 1, 2007, did not impact the Company's financial condition or results of operations. The Company classifies interest and penalties related to underpayment of income taxes as

income tax expense.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements , effective for financial statements issued for fiscal years beginning after November 15, 2007.

SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. SFAS No. 157 also requires expanded information regarding the extent to which assets and liabilities are measured at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS No. 157 applies whenever

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. In February 2008, FASB issued FASB Staff Position No. FAS 157-2 to delay the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Presently, the Company values its derivative financial instruments at fair value. Based on its preliminary assessment, the Company does not feel the adoption of SFAS No. 157 will have a material impact on its valuation of derivative financial instruments.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, effective for financial statements issued for fiscal years beginning after November 15, 2007. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with opportunities to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Based on its preliminary assessment, the Company does not feel the adoption of SFAS No. 159 will have a material impact on its valuation of derivative financial instruments.

In December 2007, the FASB issued SFAS No. 141R Business Combinations. SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combinations. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations the Company engages in will be recorded and disclosed following existing accounting principles until January 1, 2009. The Company expects SFAS 141R will affect the Company's consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, term and size of the acquisitions, if any, the Company consummates after the effective date.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS No. 160), effective for financial statements issued for fiscal years beginning after December 15, 2008. SFAS No. 160 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS No. 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, and will impact the recording of minority interest. The Company is currently evaluating the effects the adoption of SFAS No. 160 will have on its financial condition and results of operations.

4. Concentrations of Risk

The Company's investments are all concentrated within the hotel industry. The Company's current investment strategy is to acquire or develop upscale to upper-upscale hotels, acquire first mortgages on hotel properties, and invest in other mortgage-related instruments such as mezzanine loans to hotel owners and operators. At present, all of the Company's owned hotels are domestically located aside from one hotel located in Montreal, Canada. In addition, all hotels securing the Company's loans receivable are domestically located aside from one hotel located in Nevis, West Indies, which secures an \$18.2 million loan receivable. Presently, all the Company's loans receivable are collateralized by either the properties securing the loans or interest in the first lien on such properties. Accordingly, adverse

conditions in the hotel industry will have a material adverse effect on the Company's operating and investment revenues and cash available for distribution to stockholders.

In addition, the Company expects to originate or acquire additional mezzanine loans receivable. These types of mortgage loans involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property due to a variety of factors, including such loans being entirely unsecured or, if secured, becoming unsecured as a result of foreclosure by the senior lender. The Company may not recover some or all of its

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investment in these loans. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans resulting in less equity in the property and increasing the risk of loss of principal.

5. Investment in Hotel Properties

Investment in Hotel Properties consists of the following as of December 31, 2007 and 2006 (in thousands):

	December 31,	
	2007	2006
Land	\$ 567,438	\$ 217,930
Buildings and improvements	3,226,708	1,379,946
Furniture, fixtures, and equipment	278,598	125,514
Construction in progress	68,569	15,482
Total cost	4,141,313	1,738,872
Accumulated depreciation	(255,576)	(105,926)
Investment in hotel properties, net	\$ 3,885,737	\$ 1,632,946

On February 24, 2006, the Company acquired the Marriott at Research Triangle Park hotel property in Durham, North Carolina, for approximately \$28.0 million. Considering closing costs, this acquisition generated an increase in Investment in Hotel Properties of approximately \$28.2 million.

On March 26, 2006, the Company completed its \$10.5 million renovation and re-branding of the Hilton Ft. Worth hotel property in Ft. Worth, Texas, which was formerly a Radisson hotel property.

On April 19, 2006, the Company acquired the Pan Pacific San Francisco Hotel in San Francisco, California, for approximately \$95.0 million. Considering closing costs, this acquisition generated an increase in Investment in Hotel Properties of approximately \$96.4 million.

On July 13, 2006, the Company acquired the Marriott Crystal Gateway hotel in Arlington, Virginia, for approximately \$107.2 million. Considering closing costs and the unfavorable contract liability assumed, this acquisition generated an increase in Investment in Hotel Properties of approximately \$123.7 million.

On November 9, 2006, the Company acquired the Westin O Hare hotel property in Rosemont, Illinois, for approximately \$125.0 million in cash. Considering closing costs, this acquisition generated an increase in Investment in Hotel Properties of approximately \$125.2 million.

On December 7, 2006, the Company acquired a seven-property hotel portfolio (MIP Portfolio) for approximately \$267.2 million in cash. Two of these seven properties were immediately held for sale and classified as discontinued operations. Considering closing costs, this acquisition generated an increase in Investment in Hotel Properties of

approximately \$231.6 million with the remainder of the purchase price related to working capital or discontinued operations classified as assets held for sale of approximately \$35.6 million, of which approximately \$35.5 million relates to investment in hotel properties and approximately \$166,000 relates to franchise fees.

On April 11, 2007, the Company acquired a 51-property hotel portfolio from CNL Hotels and Resorts, Inc. (CNL) for approximately \$2.4 billion. Pursuant to this agreement, the Company acquired 100% of 33 properties and 70%-89% of 18 properties through existing joint ventures. In addition, on April 11, 2007, the Company acquired the remaining 15% joint venture interest in the Hyatt Regency Dearborn in Detroit, Michigan, for approximately \$7.5 million. Considering closing costs and unfavorable contract liabilities assumed, these acquisitions generated an increase in Investment in Hotel Properties of approximately \$2.7 billion, which includes the historical cost basis related to the joint venture partners' minority ownership.

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On May 21, 2007, the Company acquired a Marriott Residence Inn and a Hampton Inn, both in Jacksonville, Florida, for approximately \$35.8 million. The acquisition of these hotel properties, which were previously owned by CNL, related to the Company's acquisition of the CNL portfolio on April 11, 2007. Considering closing costs, this acquisition generated an increase in Investment in Hotel Properties of approximately \$35.7 million with the remainder of the purchase price related to working capital.

On December 15, 2007, the Company completed an asset swap with Hilton Hotels Corporation, its partner in two joint ventures which were simultaneously dissolved, whereby the Company surrendered its majority ownership interest in two hotel properties in exchange for the joint venture partner's minority ownership interest in nine hotel properties. Considering closing costs, this acquisition generated an increase in Investment in Hotel Properties of approximately \$41.9 million as a result of acquiring 100% of the ownership in the nine hotel properties.

For the years ended December 31, 2007, 2006, and 2005, the Company recognized depreciation expense, including depreciation of assets under capital leases, of approximately \$167.9 million, \$52.4 million, and \$29.7 million, respectively.

6. Assets Held for Sale and Discontinued Operations

On January 19, 2005, the Company sold an office building for approximately \$2.9 million, which is net of nominal closing costs. The Company had acquired this office building, which had one tenant and nominal operations, on July 7, 2004, in connection with its acquisition of an adjacent hotel property in Philadelphia, Pennsylvania, for approximately \$16.7 million in cash. At the time of the acquisition, the Company planned to sell the office building. Consequently, no gain or loss was recognized on this sale.

On March 16, 2005, the Company acquired 21 hotel properties and an office building for approximately \$250.0 million. Soon thereafter, the Company made a strategic commitment to sell eight of these properties, six of which were sold in 2005 for approximately \$25.3 million, net of closing costs. On January 17, 2006, the Company sold the remaining two properties for approximately \$10.7 million, net of closing costs. In addition, in late 2005, the Company made a strategic commitment to sell a portion of one of the other hotel properties acquired in this acquisition. This property has nominal operations and remains in assets held for sale at December 31, 2007. In late 2006, the Company made a strategic commitment to sell the office building acquired in this acquisition, which is discussed below. Operating results related to these properties during the periods such assets were owned are included in income from discontinued operations for the years ended December 31, 2007, 2006, and 2005. No significant gain or loss or adverse tax consequences resulted from the sales of these properties.

During the year ended December 31, 2005, the six properties sold for approximately \$25.3 million consisted of the following:

On April 1, 2005, the Company sold a hotel located in Dallas, Texas, for approximately \$1.3 million, which is net of nominal closing costs,

On April 19, 2005, the Company sold a hotel located in Hyannis, Massachusetts, for approximately \$4.6 million, which is net of nominal closing costs,

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On April 22, 2005, the Company sold a hotel located in Warner Robins, Georgia, for approximately \$1.4 million, which is net of nominal closing costs,

On June 7, 2005, the Company sold a hotel located in Yarmouth, Massachusetts, for approximately \$3.3 million, which is net of nominal closing costs,

On June 14, 2005, the Company sold a hotel located in Falmouth, Massachusetts, for approximately \$4.4 million, which is net of nominal closing costs, and

On June 15, 2005, the Company sold a hotel located in Coral Gables, Florida, for approximately \$10.3 million, which is net of nominal closing costs.

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On June 17, 2005, the Company acquired 30 hotel properties for approximately \$465.0 million. Soon thereafter, the Company made a strategic commitment to sell 15 of these properties. On March 24, 2006, the Company sold eight of these properties for approximately \$100.4 million, net of closing costs. Operating results related to these eight hotel properties during the periods such hotels were owned are included in income from discontinued operations for the years ended December 31, 2006 and 2005. No significant gain or loss or adverse tax consequences resulted from the sales of these properties. Subsequent to March 31, 2006, Company management made a strategic decision to discontinue further sales efforts related to the seven remaining hotels. Consequently, assets previously reported as assets held for sale related to these hotels were reclassified to investment in hotel properties. The Company recorded such assets in investment in hotel properties at approximately \$38.9 million, which represented the carrying value of such assets (net of depreciation not recognized while said assets were held for sale of approximately \$863,000), which is lower than such assets' estimated fair values.

On December 7, 2006, the Company acquired seven hotel properties for approximately \$267.2 million, two of which properties were immediately held for sale. The Company sold one of these properties in 2007, as discussed below, and the other property remains in assets held for sale at December 31, 2007. Operating results related to these two hotel properties during the periods such hotels were owned are included in income for discontinued operations for the years ended December 31, 2007 and 2006. No significant gain or loss or adverse tax consequences have resulted or are expected to result from the sales of these properties.

In late 2006, the Company made a strategic decision to sell 13 hotel properties acquired throughout 2003 through 2005 and its office building acquired on March 16, 2005. These 13 hotel properties include one hotel property acquired on March 16, 2005 and the seven hotel properties acquired on June 17, 2005, which were initially classified as discontinued operations and assets held for sale. As discussed below, all of these hotel properties were sold during 2007. Operating results related to these properties during the periods such hotels were owned are included in income for discontinued operations for the years ended December 31, 2007, 2006, and 2005.

During the year ended December 31, 2007, the Company entered into definitive agreements to sell nine additional hotel properties, including its Embassy Suites hotel in Phoenix, Arizona, acquired in 2003 and eight hotel properties acquired on April 11, 2007, which includes two hotels in which the Company owned 70% and 75%, respectively, through equity investments with joint venture partners. During 2007, the Company sold eight of these hotels and entered a definitive agreement to sell the remaining hotel, which is classified in assets held for sale at December 31, 2007. Transactions completed in 2007 are more specifically discussed below. Operating results related to these properties during the periods such hotels were owned are included in income for discontinued operations for the years ended December 31, 2007, 2006, and 2005.

In summary, during the year ended December 31, 2007, the Company completed the following transactions related to assets classified as held for sale and discontinued operations:

COMPLETED SALES:

On February 6, 2007, the Company sold its Marriott located in Trumbull, Connecticut, for approximately \$28.3 million. As the Company acquired this property on December 7, 2006, no gain or loss was recognized on the sale.

On February 8, 2007, the Company sold its Fairfield Inn in Princeton, Indiana, for approximately \$3.2 million. In connection with this sale, the Company recognized a gain of approximately \$1.4 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On April 24, 2007, the Company sold its Radisson Hotel in Indianapolis, Indiana, for approximately \$5.4 million. In connection with this sale, the Company recognized a gain of approximately \$2.7 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On April 26, 2007, the Company sold its Fairfield Inn in Evansville, Indiana, for approximately \$5.5 million. In connection with this sale, the Company recognized a gain of approximately \$531,000, of which related income tax gains were deferred through a 1031 like-kind exchange.

On April 27, 2007, the Company sold its Embassy Suites in Phoenix, Arizona, for approximately \$25.0 million. In connection with this sale, the Company recognized a gain of approximately \$8.5 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On May 2, 2007, the Company sold its Radisson Hotel in Covington, Kentucky, and an office building for approximately \$22.4 million. In connection with this sale, the Company recognized a gain of approximately \$3.4 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On May 18, 2007, the Company sold its portfolio of seven TownePlace Suites hotels for approximately \$57.5 million. In connection with this sale, the Company recognized a gain of approximately \$18.2 million, of which related income tax gains were deferred through a 1031 like-kind exchange.

On July 2, 2007, the Company sold its Hampton Inn in Horse Cave, Kentucky, for approximately \$3.5 million. In connection with this sale, the Company recognized a gain of approximately \$363,000.

On September 27, 2007, the Company sold its Doubletree Guest Suites in Dayton, Ohio, for approximately \$6.5 million. In connection with this sale, the Company recognized a gain of approximately \$168,000.

On October 2, 2007, the Company sold its Hilton in Birmingham, Alabama, for approximately \$25.0 million. As the Company acquired this property on April 11, 2007, no gain or loss was recognized on the sale.

On November 2, 2007, the Company sold two Residence Inns in Torrance, California, and Atlanta, Georgia, for approximately \$61.5 million. As the Company acquired these properties on April 11, 2007, no gain or loss was recognized on the sale.

On November 20, 2007, the Company sold its Residence Inn in Kansas City, Missouri, for approximately \$7.0 million. As the Company acquired this property on April 11, 2007, no gain or loss was recognized on this sale.

On November 30, 2007, the Company sold its Marriott in Baltimore, Maryland, for approximately \$61.5 million. As the Company acquired this property on April 11, 2007, no gain or loss was recognized on this sale.

On December 15, 2007, the Company completed an asset swap with Hilton Hotels Corporation, its partner in two joint ventures which were simultaneously dissolved, whereby the Company surrendered its majority ownership interest in two hotel properties in exchange for the joint venture partner's minority ownership interest in nine hotel properties.

DEFINITIVE SALES AGREEMENTS REACHED:

On November 21, 2007, the Company reached a definitive agreement to sell its JW Marriott hotel located in New Orleans, Louisiana, for approximately \$67.5 million. As the Company acquired this property on April 11, 2007, no gain or loss will be recognized on this sale.

For the years ended December 31, 2007 and 2006, as discussed above, the Company classified three and 17 properties, respectively, in assets held for sale as such assets met the Company's held-for-sale criteria as of those dates.

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the years ended December 31, 2007, 2006, and 2005, financial results related to the Company's properties included in discontinued operations was as follows (in thousands):

	Years Ended December 31,		
	2007	2006	2005
Total revenues	\$ 127,612	\$ 57,373	\$ 56,635
Operating expenses	95,064	42,536	42,792
Depreciation and amortization	15,301	4,403	3,073
Loss on reclassification from discontinued to continuing		863	
Gains on sales of properties	(35,071)		
Interest expense	14,846	3,218	3,676
Amortization of loan costs	1,943	54	56
Write-off of loan costs and exit fees	4,448	687	
Income before taxes and minority interest	31,081	5,612	7,038
Provision for income taxes	(618)	(226)	(2,387)
Minority interest in consolidated joint ventures	(1,997)		
Minority interest related to limited partners	(2,274)	(737)	(942)
Net income	\$ 26,192	\$ 4,649	\$ 3,709

During the 4th quarter of 2007, the Company allocated interest and related debt expense totaling \$21.2 million, \$4.0 million, and \$3.7 million for 2007, 2006, and 2005, respectively, to discontinued operations in accordance with Emerging Issues Task Force (EITF) abstract No. 87-24, Allocation of Interest to Discontinued Operations.

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. Notes Receivable**

Notes receivable consists of the following as of December 31, 2007 and 2006 (in thousands):

	December 31,	
	2007	2006
\$11.0 million mezzanine loan secured by various government securities, matures September 2011, at an interest rate of 14% (12% pay rate with deferred interest through the first two years), with interest only payments through maturity	\$ 11,000	\$ 11,000
\$8.0 million mezzanine loan secured by one hotel property, matured February 2007, at an interest rate of LIBOR plus 9.13%, with interest-only payments through maturity		8,000
\$8.0 million mezzanine loan secured by one hotel property, matures May 2010, at an interest rate of 14% which increases 1% annually until reaching an 18% maximum, with interest-only payments through maturity		8,000
\$8.5 million mezzanine loan secured by one hotel property, matured June 2007, at an interest rate of LIBOR plus 9.75%, with interest-only payments through maturity		8,500
\$4.0 million mezzanine loan secured by one hotel property, matures July 2010, at an interest rate of 14%, with interest-only payments through maturity	4,000	4,000
\$5.6 million mezzanine loan secured by one hotel property, matures July 2008, at an interest rate of LIBOR plus 9.5%, with interest-only payments through February 2007 plus principal payments thereafter based on a twenty-five-year amortization schedule		5,583
\$3.0 million mezzanine loan secured by one hotel property, matures September 2008, at an interest rate of LIBOR plus 11.15%, with interest-only payments through maturity	3,000	3,000
\$18.2 million first-mortgage loan secured by one hotel property, matures October 2008, at an interest rate of LIBOR plus 9%, with interest-only payments through maturity	18,200	18,200
\$25.7 million mezzanine loan secured by 105 hotel properties, matures April 2008, at an interest rate of LIBOR plus 5%, with interest-only payments through maturity	25,694	25,694
\$7.0 million mezzanine loan secured by one hotel property, matures December 2009, at an interest rate of LIBOR plus 6.5%, with interest-only payments through maturity	7,000	7,000
\$4.0 million mezzanine loan secured by one hotel property, matures December 2009, at an interest rate of LIBOR plus 5.75%, with interest-only payments through maturity	4,000	4,000
\$21.5 million mezzanine loan secured by two hotel properties, matures January 2018, at an interest rate of 14%, with interest-only payments through maturity	21,500	
Gross notes receivable	\$ 94,394	\$ 102,977
Deferred income, net	(169)	(144)
Net notes receivable	\$ 94,225	\$ 102,833

Weighted average interest rate	12.40%	13.20%
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As of January 1, 2006, the Company's \$6.6 million note receivable, secured by one hotel, matured and all principal and interest of approximately \$7.0 million was due at that time. Effective January 1, 2006, the Company executed an 120-day forbearance on the collection of all amounts due on this loan, allowing the borrower time to sell or refinance the related property. On May 3, 2006, the Company received approximately \$7.3 million in full payment of all principal and interest due under this loan.

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the year ended December 31, 2006, the Company originated the \$26.3 million (balance at December 31, 2007 was \$25.7 million), \$7.0 million, and \$4.0 million notes receivable, as described sequentially in the above table, on June 9, 2006, December 27, 2006, and December 27, 2006, respectively.

On June 15, 2006, the Company received approximately \$15.2 million related to all principal and interest due under its \$15.0 million note receivable, due January 2007.

On July 21, 2006, the Company received approximately \$15.2 million related to all principal and interest due under its \$15.0 million note receivable, due April 2007.

On September 24, 2006, the Company extended the maturity date on its \$5.0 million note receivable, originally due October 2006, to October 2007. On December 5, 2006, the Company received approximately \$5.1 million related to all principal and interest due under this loan.

On November 17, 2006, the Company received a principal payment of approximately \$614,000 related to a portion of its \$26.3 million note receivable, due April 2008. As a result of this prepayment, the \$26.3 million note receivable, originally secured by 107 hotel properties, became a \$25.7 million note receivable, secured by 105 hotel properties.

On February 6, 2007, the Company received approximately \$8.1 million related to all principal and interest due under its \$8.0 million note receivable, due February 2007.

On May 8, 2007, the Company received approximately \$8.6 million related to all principal and interest due under its \$8.5 million note receivable, due June 2007.

On June 11, 2007, the Company received approximately \$8.1 million related to all principal and interest due under its \$8.0 million note receivable, due May 2010.

On June 18, 2007, the Company received approximately \$5.7 million related to all principal and interest due under its \$5.6 million note receivable, due July 2008.

On December 5, 2007, the Company originated the \$21.5 million mezzanine loan receivable, which is described in the above table.

On December 13, 2007, the Company substituted the collaterals of mortgage-backed securities on the \$11.0 million mezzanine loan with various government securities.

For the years ended December 31, 2007, 2006, and 2005, the Company recognized interest income related to notes receivable of approximately \$11.0 million, \$14.9 million, and \$13.3 million, respectively.

In general, the Company's notes receivable have extension options, prohibit prepayment through stated periods, and require decreasing prepayment penalties through maturity. As of December 31, 2007, all notes receivable balances were current and no reserve for loan losses had been recorded.

8. Deferred Costs

Deferred costs consist of the following as of December 31, 2007 and 2006 (in thousands):

	December 31,	
	2007	2006
Deferred loan costs	\$ 32,552	\$ 15,285
Deferred franchise fees	4,155	3,439
Total cost	36,707	18,724
Accumulated amortization	(10,993)	(4,581)
Deferred costs, net	\$ 25,714	\$ 14,143

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In late 2006, the Company made a strategic decision to sell 15 hotel properties and an office building, which resulted in approximately \$525,000 reclassified from deferred costs to assets held for sale at December 31, 2006.

9. Intangibles

Intangibles consist of the following as of December 31, 2007 and 2006 (in thousands):

	December 31,	
	2007	2006
Gross cost	\$ 13,956	\$ 1,402
Accumulated amortization	(67)	(395)
Intangibles, net	\$ 13,889	\$ 1,007

As of December 31, 2007, intangibles of approximately \$3.2 million and \$10.7 million relate to a favorable market-rate lease and other identifiable intangible assets, respectively, both of which relate to the preliminary purchase price allocation related to certain hotels acquired on April 11, 2007. The intangible asset related to the favorable market-rate lease is amortized over the related remaining lease term, which expires in 2043. Other intangibles with finite useful lives will be amortized over their estimated lives.

As of December 31, 2006, intangibles relate to existing tenant leases of an office building, primarily representing market-rate adjustments, occupancy levels, customer relationships, and origination fees. However, all such intangibles were classified as assets held for sale at December 31, 2006 and relate to assets sold in 2007. Prior to reclassification of these intangibles as assets held for sale in late 2006, such intangibles were amortized over the related remaining lease terms, which expired between 2008 and 2013.

For the years ended December 31, 2007, 2006, and 2005, amortization expense related to intangibles was approximately \$67,000, \$211,000, and \$186,000, respectively.

10. Indebtedness

Indebtedness consists of the following as of December 31, 2007 and 2006 (in thousands):

	December 31,	
	2007	2006
\$455.1 million mortgage note payable secured by 25 hotel properties, of which \$160.5 million matures July 1, 2015 and \$294.6 million matures February 1, 2016, at a weighted average fixed interest rate locked at 5.42%, with interest-only payments due monthly plus principal payments based on a twenty-five-year amortization schedule	\$ 455,115	\$ 487,110

beginning July 10, 2010

\$211.5 million term loan secured by 16 hotel properties divided equally into two pools.

The first pool for \$110.9 million matures December 11, 2014, at a fixed interest rate of

5.75%, with interest-only payments due monthly plus principal payments based on a

twenty-five-year amortization schedule beginning December 11, 2009. The second

pool for \$100.6 million matures December 11, 2015, at a fixed interest rate of 5.7%,

with interest-only payments due monthly plus principal payments based on a

twenty-five-year amortization schedule beginning December 11, 2010

211,475

211,475

\$928.5 million mortgage loan secured by 28 hotel properties, matures April 11, 2017,

at a weighted average fixed interest rate locked at 5.95%, with interest-only payments

due monthly plus principal payments based on a thirty-year amortization schedule

beginning April 11, 2012

928,465

\$213.9 million loan secured by 13 hotel properties and mezzanine notes receivable,

matures May 9, 2009, at an interest rate of LIBOR plus 1.65%, with interest-only

payments due monthly, with three one-year extension options

213,889

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	December 31,	
	2007	2006
\$300.0 million secured credit facility, matures April 9, 2010, at an interest rate of LIBOR plus a range of 1.55% to 1.95% depending on the loan-to-value ratio, with interest-only payments due monthly, with a commitment fee of 0.125% to 0.20% on the unused portion of the line payable quarterly, with two one-year extension options	65,000	
\$150.0 million secured credit facility secured by nine hotel properties, matures August 16, 2008, at an interest rate of LIBOR plus a range of 1.6% to 1.85% depending on the loan-to-value ratio, with interest-only payments due monthly, with a commitment fee of 0.2% to 0.35% on the unused portion of the line payable quarterly, with two one-year extension options		25,000
\$47.5 million term loan secured by 1 hotel property, matures October 10, 2008, at an interest rate of LIBOR plus 2.0%, with interest-only payments due monthly, with three one-year extension options	47,450	
Mortgage note payable secured by one hotel property, matures December 1, 2017, at an interest rate of 7.24% through December 31, 2007 and 7.39% thereafter, with principal and interest payments due monthly of approximately \$462,000 through December 31, 2007 and \$598,000 thereafter, and including a remaining premium of approximately \$1.7 million	52,474	54,565
Mortgage note payable secured by one hotel property, matures December 8, 2016, at an interest rate of 5.81%, with interest-only payments due monthly plus principal payments based on a thirty-year amortization schedule beginning December 8, 2011	101,000	101,000
Mortgage note payable secured by six hotel properties, matures December 11, 2009, at an interest rate of LIBOR plus 1.72%, with interest-only payments due monthly, with two one-year extension options	184,000	212,000
Mortgage loans assumed with acquisition of CNL Portfolio, secured by 16 hotel properties, maturing between 2008 and 2018, with an average blended interest rate of 6.07%, with total principal and interest payments due monthly of approximately \$2.7 million, and including a total remaining premium of approximately \$2.1 million (approximately \$34.8 million of principal is attributable to joint venture partners)	441,907	
Total	\$ 2,700,775	\$ 1,091,150
Related to discontinued operations	61,229	75,595
Related to continuing operations	\$ 2,639,546	\$ 1,015,555

At December 31, 2007 and 2006, LIBOR was 4.60% and 5.32%, respectively.

On February 9, 2006, the Company paid down its \$45.0 million mortgage loan, due October 10, 2007, at an interest rate of LIBOR plus 2%, to \$100. On April 3, 2006, the Company modified this mortgage note payable to a \$47.5 million revolving credit facility, with a revolving period through October 11, 2006 and interest rates during the revolving period ranging from LIBOR plus 1% to LIBOR plus 1.5% depending on the outstanding balance. After the revolving period expires, the interest rate resumes its original rate of LIBOR plus 2%. Consistent with the original mortgage, the modified credit facility requires monthly interest-only payments and has three one-year extension options. On April 18, 2006 and June 6, 2006, the Company completed draws of approximately \$15.0 million each on this credit facility. On July 25, 2006, the Company repaid the \$30.0 million outstanding balance on this credit facility. On July 26, 2006, the Company modified this credit facility to extend both the revolving period and maturity date by one year to October 11, 2007 and October 10, 2008, respectively. As of December 31, 2006, approximately \$100 was outstanding on this credit facility.

On March 24, 2006, in connection with the Company's sale of a portfolio of eight Residence Inn hotels for approximately \$100.4 million, net of closing costs, the buyer assumed approximately \$93.7 million of mortgage

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

debt, which had an interest rate of 5.32% and matured July 1, 2015. This reduced the Company's \$580.8 million mortgage note payable, previously secured by 40 hotels, with an average interest rate of 5.4%, to \$487.1 million outstanding at December 31, 2006, secured by 32 hotels, with an average interest rate of 5.41%. In connection with the buyer's assumption of this debt, the Company wrote-off unamortized loan costs of approximately \$687,000.

On May 30, 2006, the Company repaid its then outstanding \$11.1 million balance on its mortgage note payable, due April 1, 2011, which resulted in the write-off of unamortized loan costs of approximately \$102,000.

On July 13, 2006, in connection with the acquisition of the Marriott Crystal Gateway hotel in Arlington, Virginia, the Company assumed a \$53.3 million mortgage note payable, due December 1, 2017, at an interest rate of 7.24% through December 31, 2007 and 7.39% thereafter. The Company originally recorded this mortgage at a premium of approximately \$2.1 million as the fixed interest rate on this mortgage exceeds current interest rates the Company would otherwise incur on similar financial instruments. The debt premium is amortized as an adjustment to interest expense over the term of the mortgage using the effective interest method.

On September 8, 2006, the Company modified its \$100.0 million credit facility, due August 16, 2008, to increase the capacity to \$150.0 million with the ability to be increased to \$200.0 million subject to certain conditions and reduced the interest rate from LIBOR plus a range of 1.6% to 1.95% to LIBOR plus a range of 1.6% to 1.85% depending on the loan-to-value ratio. On February 27, 2006, April 18, 2006, July 14, 2006, November 8, 2006, and December 6, 2006, the Company completed draws on this credit facility of \$10.0 million, \$88.9 million, \$25.0 million, \$80.0 million, and \$25.0 million, respectively. On January 31, 2006, June 28, 2006, July 25, 2006, and November 16, 2006, the Company paid down this credit facility by \$60.0 million, \$25.0 million, \$98.9 million, and \$80.0 million, respectively. At December 31, 2006, the Company had an outstanding balance of \$25.0 million on this credit facility.

On November 16, 2006, the Company executed a \$101.0 million mortgage note payable, due December 8, 2016, at an interest rate of 5.81%, with interest-only payments due monthly for five years plus principal payments thereafter based on a thirty-year amortization schedule, and certain prepayment restrictions and fees imposed.

On December 7, 2006, the Company executed a \$247.0 million mortgage note payable, of which \$212.0 million was funded immediately with the remaining balance to be funded over the next two years, if necessary, as capital expenditures are incurred by the Company. The loan matures December 11, 2009, with two one-year extension options, bears interest at a rate of LIBOR plus 1.72%, with interest-only payments due monthly, and includes certain prepayment restrictions and fees. In connection with this loan, the Company purchased two 6.25% LIBOR interest rate caps with a total notional amount of \$247.0 million, which both mature December 11, 2009, to limit its exposure to rising interest rates on its variable-rate debt.

On January 30, 2007, the Company completed a \$20.0 million draw on its \$150.0 million credit facility, due August 16, 2008.

On February 6, 2007, in connection with the Company's sale of its Marriott located in Trumbull, Connecticut, for approximately \$28.3 million, the Company paid down its \$212.0 million mortgage note payable, due December 11, 2009, by approximately \$28.0 million. Consequently, the \$212.0 million mortgage loan secured by seven hotels outstanding at December 31, 2006 became the \$184.0 million mortgage loan secured by six hotels outstanding at December 31, 2007. In connection with this pay-down, the Company wrote-off unamortized loan costs of

approximately \$212,000.

On March 8, 2007, the Company terminated its \$100.0 million credit facility, due December 23, 2008. This credit facility never had an outstanding balance. In connection with this termination, the Company wrote-off unamortized loan costs of approximately \$490,000.

On April 9, 2007, the Company drew \$45.0 million on its \$47.5 million credit facility, due October 10, 2008.

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On April 10, 2007, the Company repaid its \$45.0 million outstanding balance on its \$150.0 million credit facility, due August 16, 2008, and terminated the facility. In connection with this termination, the Company wrote-off unamortized loan costs of approximately \$1.2 million. This transaction was completed in connection with the Company's acquisition of a 51-property hotel portfolio on April 11, 2007 discussed below.

On April 11, 2007, in connection with its acquisition of a 51-property hotel portfolio from CNL Hotels and Resorts, Inc. for approximately \$2.4 billion plus closing costs of approximately \$96.0 million, the Company executed a \$928.5 million, ten-year, fixed-rate loan at an average blended interest rate of 5.95%, a \$555.1 million, two-year, variable-rate loan with three one-year extension options at an interest rate of LIBOR plus 1.65%, and a \$325.0 million, one-year, variable-rate loan with two one-year extension options at an interest rate of LIBOR plus 1.5%, and assumed fixed-rate debt of approximately \$562.1 million (or approximately \$432.3 million net of debt attributable to joint venture partners) representing eleven fixed-rate loans with an average blended interest rate of 6.01% and expiration dates ranging from 2008 to 2027. In addition, the Company executed a \$200.0 million credit facility with an interest rate of LIBOR plus a range of 1.55% to 1.95% depending on the loan-to-value ratio, which matures April 9, 2010 with two one-year extension options, requires interest-only payments through maturity, and requires quarterly commitment fees ranging from 0.125% to 0.20% of the average undrawn balance during the quarter. To fund this acquisition, the Company drew approximately \$50.0 million on this credit facility. Regarding the assumed debt of approximately \$562.1 million, the Company recorded these loans at premiums totaling approximately \$2.7 million as the fixed interest rates on many of these loans exceeds current interest rates the Company would otherwise incur on similar financial instruments. The debt premiums are amortized as an adjustment to interest expense over the terms of the related loans using the effective interest method.

On April 11, 2007, in connection with its acquisition of the remaining 15% joint venture interest in the Hyatt Regency Dearborn in Detroit, Michigan, for approximately \$7.5 million, the Company assumed debt attributable to the joint venture partner of approximately \$4.6 million. The Company acquired the other 85% interest pursuant to its acquisition of the 51-property hotel portfolio on April 11, 2007, as discussed above.

On April 24 and 25, 2007, with proceeds received from its follow-on public offering completed April 24, 2007, the Company paid down the \$45.0 million outstanding balance on its \$47.5 million credit facility, due October 10, 2008, paid off the \$325.0 million variable-rate loan, due April 9, 2008, and paid down its \$555.1 million variable-rate loan, due May 9, 2009, by approximately \$180.1 million. These three debt payments were made on April 25, 2007, April 24, 2007, and April 25, 2007, respectively. In connection with these repayments, the Company wrote-off unamortized loan costs of approximately \$1.9 million related to the repayment of the \$325.0 million loan and incurred prepayment penalties of approximately \$559,000 related to the \$180.1 million repayment.

On May 18, 2007, in connection with the Company's sale of its portfolio of seven TownePlace Suites hotels for approximately \$57.5 million, the Company paid down approximately \$32.0 million related to its mortgage loan due July 1, 2015. Consequently, the \$487.1 million mortgage loan secured by 32 hotels outstanding at December 31, 2006 became the \$455.1 million mortgage loan secured by 25 hotels outstanding at December 31, 2007. In connection with this pay-down, the Company wrote-off unamortized loan costs of approximately \$205,000 and incurred prepayment penalties of approximately \$1.5 million.

On May 22, 2007, the Company modified its \$200.0 million credit facility, due April 9, 2010, to increase its capacity to \$300.0 million. On April 16, 2007, December 4, 2007, and December 20, 2007, the Company completed draws on

this credit facility of \$25.0 million, \$25.0 million, and \$10.0 million, respectively. On May 3, 2007 and October 9, 2007, the Company paid down this credit facility by \$25.0 million and \$20.0 million, respectively. At December 31, 2007, the Company had an outstanding balance of \$65.0 million on this credit facility.

On October 2, 2007, in connection with the sale of its Hilton in Birmingham, Alabama, for approximately \$25.0 million, the Company paid down its mortgage loan, due May 9, 2009, by approximately \$23.7 million. In connection with this payment, the Company wrote-off unamortized loan costs of approximately \$258,000.

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On October 9, 2007, the Company drew approximately \$47.5 million on its \$47.5 million credit facility, and used the proceeds to repay \$20.0 million on its \$300.0 million credit facility, due April 9, 2010, as discussed above. On October 11, 2007, the revolving period on this \$47.5 million credit facility expired and the outstanding balance converted to a \$47.5 million mortgage loan, due October 10, 2008, at an interest rate of LIBOR plus 2%, requiring monthly interest-only payments through maturity, with three one-year extension options. In connection with this loan, on October 15, 2007, the Company purchased a 7.0% LIBOR interest rate cap with a \$47.5 million notional amount, which matures October 15, 2008, to limit its exposure to rising interest rates on its variable-rate debt.

On November 2, 2007, in connection with the sale of two Residence Inns in Torrance, California, and Atlanta, Georgia, for approximately \$61.5 million, the Company paid down its mortgage loan, due May 9, 2009, by approximately \$67.7 million pursuant to the loan agreement, with proceeds from the sale and corporate cash. In connection with this payment, the Company wrote-off unamortized loan costs of approximately \$699,000 and incurred a prepayment penalty of approximately \$242,000.

On November 20, 2007, in connection with the sale of its Residence Inn in Kansas City, Missouri, for approximately \$7.0 million, the Company paid down its mortgage loan, due May 9, 2009, by approximately \$7.4 million. In connection with this payment, the Company wrote-off unamortized loan costs of approximately \$72,000 and incurred a prepayment penalty of approximately \$40,000.

On November 30, 2007, in connection with the sale of its Marriott in Baltimore, Maryland, for approximately \$61.5 million, the Company paid down its mortgage loan, due May 9, 2009, by approximately \$62.4 million. In connection with this payment, the Company wrote-off unamortized loan costs of approximately \$609,000 and incurred a prepayment penalty of approximately \$312,000.

On December 15, 2007, in connection with an asset swap with a joint venture partner, the Company assumed \$41.9 million of mortgage debt previously attributable to the joint venture partner's minority ownership in nine acquired hotel properties that secured such debt and ceded \$109.5 million of mortgage debt, of which \$80.1 million was attributable to its majority ownership in the two surrendered hotel properties that secured such debt and the remainder attributable to the joint venture partner's former minority ownership. The surrendered debt had interest rates ranging from 5.47% to 5.95% and maturity dates ranging from 2010 to 2011.

On December 15, 2007, in connection with the aforementioned asset swap, the Company repaid an additional \$8.7 million of mortgage debt attributable to its majority ownership in such joint ventures, which was secured by hotels involved in the asset swap, at interest rates ranging from 5.47% to 5.95%, and with maturity dates ranging from 2010 to 2011. In connection with this payment, the Company wrote-off related unamortized loan costs of approximately \$143,000 and incurred a prepayment penalty of approximately \$326,000.

Maturities of indebtedness as of December 31, 2007 are as follows (in thousands):

2008	\$ 171,329
2009	560,376
2010	150,187
2011	86,506

2012	28,598
Thereafter	1,700,011
Total(1)	\$ 2,697,007

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Maturities of indebtedness as of December 31, 2007 including extension options are as follows (in thousands):

2008	\$ 123,880
2009	162,486
2010	197,637
2011	270,506
2012	242,487
Thereafter	1,700,011
Total(1)	\$ 2,697,007

(1) Payments do not reflect the premiums of \$3,768,000 that are being amortized as a reduction of interest expense.

The carrying values of assets collateralizing indebtedness as of December 31, 2007 and 2006 are as follows (in thousands):

Hotel Property	Location	December 31,	
		2007	2006
Embassy Suites	Austin, TX	10,751(b)	\$ 9,502(b)
Embassy Suites	Dallas, TX	10,681(b)	9,697(b)
Embassy Suites	Herndon, VA	11,733(b)	9,691(b)
Embassy Suites	Las Vegas, NV	22,947(b)	17,395(b)
Embassy Suites	Syracuse, NY	14,115(b)	14,651(b)
Embassy Suites	Flagstaff, AZ	6,430(c)	6,441(d)
Embassy Suites	Houston, TX	12,441(a)	12,612(a)
Embassy Suites	West Palm Beach, FL	19,306(a)	25,315(a)
Embassy Suites	Philadelphia, PA	44,068(h)	41,368(e)
Embassy Suites	Walnut Creek, CA	36,546(h)	43,122(e)
Embassy Suites	Arlington, VA	78,428(i)	
Embassy Suites	Portland, OR	70,550(i)	
Embassy Suites	Santa Clara, CA	57,371(i)	
Embassy Suites	Orlando, FL	27,406(i)	
Radisson Hotel	Holtsville, NY	21,062(d)	
Radisson Hotel	Rockland, MA	4,198(d)	
Doubletree Guest Suites	Columbus, OH	9,419(d)	
Hilton Garden Inn	Jacksonville, FL	11,490(b)	11,046(b)
Hilton	Ft. Worth, TX	27,824(a)	27,322(a)
Hilton	Houston, TX	17,642(a)	17,087(a)
Hilton	St. Petersburg, FL	21,911(a)	20,394(a)

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Hilton	Santa Fe, NM	20,430(d)	19,450(d)
Hilton	Bloomington, MN	66,446(h)	59,256(e)
Hilton	Washington DC	145,676(i)	
Hilton	La Jolla, CA	114,009(i)	
Hilton	Costa Mesa, CA	108,288(i)	
Hilton	Tuscon, AZ	65,259(i)	
Hilton	Dallas, TX	69,458(i)	

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Hotel Property	Location	December 31,	
		2007	2006
Hilton	Rye Town, NY	46,429(i)	
Hilton	Auburn Hills, MI	17,281(i)	
Homewood Suites	Mobile, AL	8,986(d)	
Hampton Inn	Lawrenceville, GA	4,388(d)	4,527(d)
Hampton Inn	Evansville, IN	7,608(b)	8,225(b)
Hampton Inn	Terre Haute, IN	8,603(b)	8,792(b)
Hampton Inn	Buford, GA	6,531(b)	6,654(b)
Hampton Inn	Houston, TX	16,798(i)	
Marriott	Durham, NC	29,987(c)	27,920(d)
Marriott	Arlington, VA	128,652(f)	122,858(f)
Marriott	Trumbull, CT		27,537(e)
Marriot	Seattle, WA	166,978(c)	
Marriot	Bridgewater, NJ	93,995(c)	
Marriot	Plano, TX	93,059(c)	
Marriot	Dallas, TX	33,875(c)	
JW Marriott	New Orleans, LA	63,253(i)	
SpringHill Suites by Marriott	Jacksonville, FL	8,670(b)	9,046(b)
SpringHill Suites by Marriott	Baltimore, MD	15,543(d)	15,722(d)
SpringHill Suites by Marriott	Kennesaw, GA	6,456(d)	6,719(d)
SpringHill Suites by Marriott	Buford, GA	6,988(b)	7,158(b)
SpringHill Suites by Marriott	Gaithersburg, MD	21,942(a)	22,294(a)
SpringHill Suites by Marriott	Centreville, VA	13,843(a)	14,011(a)
SpringHill Suites by Marriott	Charlotte, NC	7,852(a)	8,021(a)
SpringHill Suites by Marriott	Durham, NC	5,012(a)	5,110(a)
SpringHill Suites by Marriott	Orlando, FL	36,226(c)	
SpringHill Suites by Marriott	Manhattan Beach, CA	25,975(c)	
SpringHill Suites by Marriott	Plymouth Meeting, PA	27,372(c)	
SpringHill Suites by Marriott	Glen Allen, VA	17,182(c)	
Fairfield Inn by Marriott	Kennesaw, GA	5,011(d)	5,099(d)
Fairfield Inn by Marriott	Orlando, FL	17,369(c)	
Courtyard by Marriott	Bloomington, IN	11,755(b)	12,155(b)
Courtyard by Marriott	Columbus, IN	6,034(b)	6,190(b)
Courtyard by Marriott	Louisville, KY	13,229(b)	13,659(b)
Courtyard by Marriott	Crystal City, VA	44,622(a)	45,472(a)
Courtyard by Marriott	Ft. Lauderdale, FL	20,012(a)	20,612(a)
Courtyard by Marriott	Overland Park, KS	16,167(a)	16,179(a)
Courtyard by Marriott	Palm Desert, CA	15,124(a)	15,425(a)
Courtyard by Marriott	Foothill Ranch, CA	18,133(a)	18,784(a)
Courtyard by Marriott	Alpharetta, GA	15,032(a)	15,389(a)
Courtyard by Marriott	Philadelphia, PA	102,049(i)	

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Hotel Property	Location	December 31,	
		2007	2006
Courtyard by Marriott	Seattle, WA	74,317(c)	
Courtyard by Marriott	San Francisco, CA	93,397(c)	
Courtyard by Marriott	Orlando, FL	35,800(c)	
Courtyard by Marriott	Oakland, CA	24,222(c)	
Courtyard by Marriott	Scottsdale, AZ	27,772(c)	
Courtyard by Marriott	Plano, TX	23,630(c)	
Courtyard by Marriott	Edison, NJ	13,491(c)	
Courtyard by Marriott	Newark, CA	13,125(c)	
Courtyard by Marriott	Manchester, CT	8,308(i)	
Courtyard by Marriott	Basking Ridge, NJ	50,422(c)	
Marriott Residence Inn	Lake Buena Vista, FL	24,072(b)	23,249(b)
Marriott Residence Inn	Evansville, IN	7,230(b)	7,646(b)
Marriott Residence Inn	Orlando, FL	45,383(a)	46,635(a)
Marriott Residence Inn	Falls Church, VA	37,098(a)	38,110(a)
Marriott Residence Inn	San Diego, CA	32,220(a)	33,206(a)
Marriott Residence Inn	Salt Lake City, UT	17,614(a)	17,985(a)
Marriott Residence Inn	Palm Desert, CA	13,985(a)	14,067(a)
Marriott Residence Inn	Las Vegas, NV	66,054(d)	
Marriott Residence Inn	Phoenix, AZ	29,436(c)	
Marriott Residence Inn	Plano, TX	18,348(c)	
Marriott Residence Inn	Newark, CA	14,453(c)	
Marriott Residence Inn (Buckhead)	Atlanta, GA	18,048(c)	
TownePlace Suites by Marriott	Manhattan Beach, CA	22,052(c)	
TownePlace Suites by Marriott	Mt. Laurel, NJ		7,469(a)
TownePlace Suites by Marriott	Scarborough, ME		6,742(a)
TownePlace Suites by Marriott	Miami, FL		5,398(a)
TownePlace Suites by Marriott	Ft. Worth, TX		5,657(a)
TownePlace Suites by Marriott	Miami Lakes, FL		7,883(a)
TownePlace Suites by Marriott	Tewksbury, MA		2,627(a)
TownePlace Suites by Marriott	Newark, CA		2,634(a)
Sea Turtle	Atlantic Beach, FL	39,772(d)	24,040(d)
Sheraton Hotel	Langhorne, PA	17,746(c)	
Sheraton Hotel	Minneapolis, MN	18,196(a)	18,369(a)
Sheraton Hotel	Milford, MA	7,893(d)	
Sheraton Hotel	Indianapolis, IN	32,213(a)	27,482(a)
Sheraton Hotel	Anchorage, AK	45,929(h)	39,161(e)
Sheraton Hotel	Iowa City, IA	9,550(h)	15,003(e)
Sheraton Hotel	San Diego, CA	44,800(h)	42,653(e)
Hyatt Regency	Anaheim, CA		75,720(j)
Hyatt Regency	Herndon, VA	69,242(e)	70,204(g)

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Hotel Property	Location	December 31,	
		2007	2006
Hyatt Regency	Detriot, MI	48,865(i)	
Hyatt Regency	Coral Gables, FL	53,621(d)	
Crowne Plaza	Beverly Hills, CA	29,815(a)	28,995(a)
Crowne Plaza	Key West, FL	29,036(a)	28,257(a)
Annapolis Inn	Annapolis, MD	14,219(a)	14,030(a)
Westin	Rosemont, IL	119,051(g)	124,202(c)
Renaissance	Tampa, FL	71,873(c)	
Total		\$ 3,692,204	\$ 1,535,331

- (a) Represents collateral for the \$455.1 million mortgage note payable outstanding at December 31, 2007.
- (b) Represents collateral for the \$211.5 million term loan outstanding at December 31, 2007.
- (c) Represents collateral for the \$928.5 million mortgage note payable outstanding at December 31, 2007.
- (d) Represents collateral for the \$213.9 million mortgage note payable outstanding at December 31, 2007.
- (e) Represents collateral for the \$47.5 million credit facility outstanding at December 31, 2007.
- (f) Represents collateral for the \$52.5 million mortgage note payable and premium outstanding at December 31, 2007.
- (g) Represents collateral for the \$101.0 million mortgage note payable outstanding at December 31, 2007.
- (h) Represents collateral for the \$184.0 million mortgage note payable outstanding at December 31, 2007.
- (i) Represents collateral for the \$441.9 million mortgage note payable and premium outstanding at December 31, 2007.
- (j) Represents collateral for the \$150.0 million credit facility with a \$25.0 million outstanding balance at December 31, 2006.

If the Company violates covenants in any debt agreements, the Company could be required to repay all or a portion of its indebtedness before maturity at a time when the Company might be unable to arrange financing for such repayment on attractive terms, if at all. Violations of certain debt covenants may result in the Company being unable to borrow unused amounts under a line of credit, even if repayment of some or all borrowings is not required. In any event, financial covenants under the Company's current or future debt obligations could impair the Company's planned

business strategies by limiting the Company's ability to borrow (i) beyond certain amounts or (ii) for certain purposes. Presently, the Company's existing financial debt covenants primarily relate to maintaining minimum debt coverage ratios at certain properties, maintaining an overall minimum net worth, maintaining a maximum loan to value, and maintaining an overall minimum total assets.

11. Derivative Instruments and Hedging Activities

Derivatives owned as of December 31, 2007 and 2006 as well as derivative-related transactions completed during the years ended December 31, 2007, 2006, and 2005 are described below:

On September 2, 2004, the Company purchased a 6.0% LIBOR interest rate cap with a \$210.0 million notional amount to limit its exposure to rising interest rates on \$210.0 million of its variable-rate debt. To partially offset the cost of the purchased cap, the Company sold a 6.0% LIBOR interest rate cap with a \$105.0 million notional amount with identical terms to the purchased cap. Both interest rate caps matured on October 2, 2006. The Company designated the net purchased option of \$105.0 million as a cash flow hedge of its exposure to changes in interest rates on a corresponding amount of variable-rate debt.

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On September 7, 2004, the Company entered into a \$105.0 million stair-stepped interest rate swap agreement, at an average interest rate of 4.9% over the term of the swap, which matured March 1, 2007. The interest rate swap, which effectively converted interest payments on \$105.0 million of the Company's variable-rate debt to a fixed rate, was designated as a cash flow hedge.

On October 28, 2005, the Company purchased a 7.0% LIBOR interest rate cap with a \$45.0 million notional amount, which matured October 15, 2007, to limit its exposure to rising interest rates on \$45.0 million of its variable-rate debt. The Company designated the \$45.0 million cap as a cash flow hedge of its exposure to changes in interest rates on a corresponding amount of variable-rate debt. On February 9, 2006, the Company paid down the related hedged \$45.0 million revolving mortgage loan, due October 10, 2008, to \$100 and discontinued hedge accounting related to this derivative as it no longer qualified as a cash flow hedge.

On November 14, 2005, the Company executed a \$211.5 million mortgage loan and used the proceeds to repay its hedged variable-rate \$210.0 million term loan, due October 10, 2006. In connection with the repayment of the \$210.0 million loan, the Company sold its net purchased \$105.0 million cap and terminated its \$105.0 million interest-rate swap for approximately \$1.6 million. Accumulated other comprehensive income associated with these cash flow hedges of approximately \$1.6 million, which had accumulated over the lives of these hedging relationships, was reclassified from accumulated other comprehensive income to reduce interest expense over the original terms of these cash flow hedges as interest payments on the new mortgage loan were made. In addition, the originally hedged \$210.0 million loan was effectively refinanced with the new \$211.5 million loan, thus no hedge ineffectiveness was recognized related to the original loan's payoff.

On December 6, 2006, the Company purchased a 6.25% LIBOR interest rate cap with a \$212.0 million notional amount, which matures December 11, 2009, to limit its exposure to rising interest rates on \$212.0 million of its variable-rate debt. The Company designated the \$212.0 million cap as a cash flow hedge of its exposure to changes in interest rates on a corresponding amount of variable-rate debt. On February 6, 2007, the Company paid down the related hedged \$212.0 million mortgage loan, due December 11, 2009, by approximately \$28.0 million and discontinued hedge accounting related to \$28.0 million of this derivative.

On December 6, 2006, the Company purchased a 6.25% LIBOR interest rate cap with a \$35.0 million notional amount, which matures December 11, 2009, to limit its exposure to rising interest rates on future variable-rate debt that the Company intends to draw over the next two years as capital expenditures are incurred. As this cap did not meet applicable hedge accounting criteria, it is not designated as a cash flow hedge.

On April 11, 2007, the Company purchased four 6.0% LIBOR interest rate caps with a total notional amount of approximately \$555.1 million, which mature May 9, 2009, to limit its exposure to rising interest rates on \$555.1 million of its variable-rate debt. On April 25, 2007, the Company paid down the related hedged \$555.1 million mortgage loan, due May 9, 2009, by approximately \$180.1 million and terminated a corresponding amount of these caps. As the remaining \$375.0 million of these caps did not meet applicable hedge accounting criteria, such derivatives are not designated as cash flow hedges.

On October 15, 2007, the Company purchased a 7.0% LIBOR interest rate cap with a \$47.5 million notional amount, which matures October 15, 2008, to limit its exposure to rising interest rates on \$47.5 million of its variable-rate debt. The Company designated the \$47.5 million cap as a cash flow hedge of its exposure to changes in interest rates on a

corresponding amount of variable-rate debt.

As of December 31, 2007 and 2006, no derivatives were designated as fair value hedges or hedges of net investments in foreign operations. Additionally, the Company does not use derivatives for trading or speculative purposes.

As of December 31, 2007 and 2006, derivatives with a fair value of approximately \$21,000 and \$222,000, respectively, were included in other assets. For the years ended December 31, 2007, 2006, and 2005, the change in accumulated other comprehensive income of approximately (\$295,000) million, (\$1.3 million), and \$818,000,

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

respectively, for all derivatives is separately disclosed in the consolidated statements of comprehensive income (loss).

For the years ended December 31, 2007, 2006, and 2005, approximately \$211,000, \$16,000, and \$0 was recognized as a reduction in other income, respectively, related to hedge ineffectiveness and fair value changes of derivatives not qualifying as cash flow hedges. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next twelve months, the Company estimates that approximately \$58,000 will be reclassified from accumulated other comprehensive income existing at December 31, 2007 to reduce interest expense.

12. Employee Stock Grants

All shares issued under the Company's Stock Plan are charged to compensation expense on a straight-line basis over the vesting period based on the Company's stock price on the date of each issuance. For the years ended December 31, 2007, 2006, and 2005, the Company recognized compensation expense of approximately \$6.2 million, \$5.2 million, and \$3.4 million, respectively, related to these shares. As of December 31, 2007, the unamortized value of the Company's unvested shares of restricted stock was approximately \$11.7 million, with an average remaining vesting period of approximately 1.25 years.

During the years ended December 31, 2007, 2006, and 2005, 35,391, 2,225, and 2,553 unvested shares of restricted common stock were forfeited and became available for re-issuance. During the year ended December 31, 2007, 60,177 vested shares were acquired by the Company to cover employees individual federal income taxes withheld on such shares. Such shares became available for re-issuance.

For the years ended December 31, 2007 and 2006, the Company issued the following shares under its Stock Plan:

On March 28, 2006, the Company issued 642,557 shares of restricted common stock to its executive officers and certain employees of the Company and its affiliates. Such shares vest over three years.

On May 2, 2006, the Company issued 16,000 shares of common stock to its directors as compensation for serving on the Board of Directors through May 2007. Such shares vested immediately.

On August 1, 2006, the Company issued 3,000 shares of restricted common stock to certain employees of the Company. Such shares vest over three years.

On March 27, 2007, the Company issued 712,500 shares of restricted common stock to its executive officers. Such shares vest over four years.

On March 27, 2007, the Company issued 126,000 shares of restricted common stock to certain employees. Such shares vest over three years.

On May 15, 2007, the Company issued 16,000 shares of common stock to its directors as compensation for serving on the Board of Directors through May 2008. Such shares vested immediately.

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For the years ended December 31, 2007 and 2006, the following table summarizes information regarding the Company's Stock Plan:

	Share Count		Weighted Average Grant Price
Unvested shares at December 31, 2005	685,553	\$	9.77
Shares granted on March 28, 2006	642,557		12.47
Shares granted on May 2, 2006	16,000		11.61
Shares forfeited on June 14, 2006	(2,225)		12.22
Shares granted on August 1, 2006	3,000		11.51
Shares vested during the year ended December 31, 2006	(405,262)		9.56
Unvested shares at December 31, 2006	939,623		11.74
Shares granted on March 27, 2007	838,500		12.39
Shares granted on May 15, 2007	16,000		12.06
Shares forfeited during the year ended December 31, 2007	(35,391)		12.19
Shares vested during the year ended December 31, 2007	(390,232)		11.51
Unvested shares at December 31, 2007	1,368,500	\$	12.19

13. Capital Stock

Common Stock On January 25, 2006, in a follow-on public offering, the Company issued 12,107,623 shares of its common stock at \$11.15 per share, which generated gross proceeds of approximately \$135.0 million. However, the aggregate proceeds to the Company, net of underwriters' discount and offering costs, was approximately \$128.1 million. The 12,107,623 shares issued include 1,507,623 shares sold pursuant to an over-allotment option granted to the underwriters. The net proceeds were used for a \$60.0 million pay-down on the Company's \$100.0 million credit facility, due August 17, 2008, on January 31, 2006, a \$45.0 million pay-down on the Company's \$45.0 million mortgage loan, due October 10, 2007, on February 9, 2006, and the acquisition of the Marriott at Research Triangle Park hotel property on February 24, 2006 for \$28.0 million.

On February 15, 2006, the Company filed a Form S-3 related to the registration of up to \$700.0 million of securities for potential future issuance, including common stock, preferred stock, debt, and warrants.

On July 25, 2006, in a follow-on public offering, the Company issued 14,950,000 shares of its common stock at \$11.40 per share, which generated gross proceeds of approximately \$170.4 million. However, the aggregate proceeds to the Company, net of underwriters' discount and offering costs, was approximately \$162.0 million. The 14,950,000 shares issued include 1,950,000 shares sold pursuant to an over-allotment option granted to the underwriters. On July 25, 2006, the net proceeds were used to pay down the Company's \$30.0 million balance on its \$47.5 million credit facility, due October 10, 2007, and pay down its \$98.9 million balance on its \$100.0 million credit

facility, due August 17, 2008.

On April 13, 2007, the Company filed a Form S-3 related to the registration of an indeterminate value of securities for potential future issuance, including common stock, preferred stock, debt, and warrants.

On April 24, 2007, in a follow-on public offering, the Company issued 48,875,000 shares of its common stock at \$11.75 per share, which generated gross proceeds of approximately \$574.3 million. However, aggregate proceeds to the Company, net of underwriters' discount and offering costs, was approximately \$548.2 million. The 48,875,000 shares issued include 6,375,000 shares sold pursuant to an over-allotment option granted to the underwriters. These net proceeds along with cash on hand were used to pay-down the \$45.0 million outstanding balance on its \$47.5 million credit facility, due October 10, 2008, payoff the \$325.0 million variable-rate loan, due

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

April 9, 2008, and pay-down its \$555.1 million variable-rate loan, due May 9, 2009, by approximately \$180.1 million. These three debt payments were made on April 25, 2007, April 24, 2007, and April 25, 2007, respectively.

During the year ended December 31, 2007, the Company acquired 60,177 shares of treasury stock for approximately \$728,000 in connection with the Company's Stock Plan, which allows employees to tender vested shares of restricted common stock to the Company at current market prices to cover individual federal income taxes withheld on such shares as such shares vest. During the year ended December 31, 2007, the Company reissued 36,841 treasury shares under its Stock Plan as common stock granted to its executives, certain employees, and directors.

During the year ended December 31, 2007, the Company acquired 2,366,300 shares of treasury stock for approximately \$18.2 million in connection with its stock repurchase program.

Common Stock and Units Dividends During the year ended December 31, 2007, the Company declared cash dividends of approximately \$100.4 million, or \$0.21 per share per quarter, related to both common stockholders and common unit holders, of which approximately \$92.3 million and \$8.1 million related to each, respectively. During the year ended December 31, 2007, the Company declared cash dividends of approximately \$2.9 million, or \$0.19 per share per quarter, related to Class B unit holders.

During the year ended December 31, 2006, the Company declared cash dividends of approximately \$60.1 million, or \$0.20 per share per quarter, related to both common stockholders and common unit holders, of which approximately \$51.9 million and \$8.3 million related to each, respectively. During the year ended December 31, 2006, the Company declared cash dividends of approximately \$1.4 million, or \$0.19 per share per quarter prorated for days outstanding, related to Class B unit holders.

Preferred Stock In accordance with the Company's charter, the Company is authorized to issue 50 million shares of preferred stock, which currently includes Series A cumulative preferred stock, Series B cumulative convertible redeemable preferred stock, and Series D cumulative preferred stock.

Series A Cumulative Preferred Stock As of December 31, 2007 and 2006, the Company had 2,300,000 outstanding shares of 8.55% Series A Cumulative Preferred Stock at \$25 per share. Series A preferred stock has no maturity date, and the Company is not required to redeem these shares at any time. Prior to September 22, 2009, Series A preferred stock is not redeemable, except in certain limited circumstances relating to the ownership limitation necessary to preserve the Company's qualification as a REIT. However, on and after September 22, 2009, Series A preferred stock will be redeemable at the Company's option for cash, in whole or from time to time in part, at a redemption price of \$25 per share plus accrued and unpaid dividends, if any, at the redemption date. Series A preferred stock dividends are payable quarterly, when and as declared, at the rate of 8.55% per annum of the \$25 liquidation preference (equivalent to an annual dividend rate of \$2.1375 per share). In general, Series A preferred stock holders have no voting rights.

Series A Preferred Stock Dividends During the years ended December 31, 2007 and 2006, the Company declared cash dividends of approximately \$4.9 million and \$4.9 million, respectively, or \$0.5344 per share per quarter, related to Series A preferred stockholders.

Series B Cumulative Convertible Redeemable Preferred Stock As of December 31, 2007 and 2006, the Company had 7,447,865 outstanding shares of Series B Cumulative Convertible Redeemable Preferred Stock. Series B preferred

stock is convertible at any time, at the option of the holder, into the Company's common stock by dividing the preferred stock carrying value by the conversion price then in effect, which is \$10.07, subject to certain adjustments, as defined. Series B preferred stock holders are entitled to vote, on an as-converted basis voting as a single class together with common stock holders, on all matters to be voted on by the Company's stockholders.

Series B preferred stock is redeemable for cash at the option of the Company at the liquidation preference, which is set at \$10.07, after three years from June 17, 2005 (or two years if the Company's weighted average common stock price for a period of 30 days is above \$11.83 with over 7.5 million shares traded during that period).

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Series B preferred stock is redeemable for cash at the option of the holder at a specified redemption price, as defined, if certain events occur. Series B preferred stock quarterly dividends are set at the greater of \$0.14 per share or the prevailing common stock dividend rate.

Series B Preferred Stock Dividends During the years ended December 31, 2007 and 2006, the Company declared cash dividends of approximately \$6.3 million and \$6.0 million, respectively, related to Series B preferred stockholders, which represents \$0.21 and \$0.20 per share per quarter, respectively, for those years.

Series C Cumulative Preferred Stock On April 11, 2007, the Company issued 8.0 million shares of Series C cumulative redeemable preferred stock at \$25 per share for approximately \$200.0 million less a commitment fee of approximately \$6.3 million. On July 18, 2007, with proceeds received from the issuance of Series D preferred stock discussed below, the Company redeemed its 8.0 million shares of Series C preferred stock for approximately \$200.0 million and received a refund of related commitment fees of approximately \$4.3 million. Dividends were payable quarterly, when and as declared, at a rate of three-month LIBOR plus 2.5% through the first 18 months and three-month LIBOR plus a range of 4.25% to 8.0% depending on the net debt to total assets ratio thereafter.

Series C Preferred Stock Dividends During the year ended December 31, 2007, the Company declared cash dividends of approximately \$4.3 million, based on LIBOR plus 2.5% for the period outstanding, related to Series C preferred stockholders. In addition, the Company recognized non-cash preferred dividends of approximately \$845,000 related to the amortization of the discount attributable to the increasing-rate preferred dividend clause effective 18 months after issuance.

Series D Cumulative Preferred Stock On July 18, 2007, the Company issued 8.0 million shares of 8.45% Series D cumulative preferred stock at \$25 per share for approximately \$200.0 million less underwriting discounts and commissions of approximately \$6.3 million. Series D preferred stock has no maturity date, and the Company is not required to redeem the shares at any time. Prior to July 18, 2012, Series D preferred stock is not redeemable, except in certain limited circumstances such as to preserve the status of the Company as a REIT or in the event the Series D preferred stock ceases to be listed on an exchange and the Company ceases to be subject to the reporting requirements of the Exchange Act, at the Company's option, as described in the Company's charter. However, on and after July 18, 2012, Series D preferred stock will be redeemable at the Company's option for cash, in whole or from time to time in part, at a redemption price of \$25 per share plus accrued and unpaid dividends, if any, at the redemption date. Series D preferred stock dividends are payable quarterly, when and as declared, at the rate of 8.45% per annum of the \$25 liquidation preference (equivalent to an annual dividend rate of \$2.11 per share). The dividend rate increases to 9.45% per annum if these shares are no longer traded on a major stock exchange. In general, Series D preferred stock holders have no voting rights.

Series D Preferred Stock Dividends During the year ended December 31, 2007, the Company declared cash dividends of approximately \$7.7 million, or \$0.5281 per share per quarter prorated for the period outstanding, related to Series D preferred stockholders.

14. Minority Interest

Minority Interest In Consolidated Joint Ventures Minority interest in consolidated joint ventures represents net income (loss) attributable to joint venture partners. Such joint venture partners originally owned between 11%-30% of

17 hotel properties acquired on April 11, 2007. On December 15, 2007, the Company completed an asset swap with its partner in two of these joint ventures, whereby the Company surrendered its majority ownership interest in two hotel properties in exchange for the joint venture partner's minority ownership interest in nine hotel properties. Upon completion of this asset swap, remaining joint venture partners now own between 11%-25% of six hotel properties.

Minority Interest Related To Limited Partners Minority interest related to limited partners represents the limited partners' proportionate share of the equity in the operating partnership. Minority interest related to limited partners represents dividends to Class B common unit holders plus an allocation of net income (loss) available to

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common shareholders after deducting dividends to Class B common unit holders based on the common unit holders weighted average limited partnership percentage ownership throughout the period.

Beginning one year after issuance, each common unit of limited partnership interest (including each Class B common unit) may be redeemed for either cash or one share of the Company's common stock at the Company's discretion, subject to contractual lock-up agreements that prevent holders of Class B common units from redeeming 2/3 of said units before 18 months and 1/3 of said units before two years from the issuance date. Beginning ten years after issuance, each Class B common unit of limited partnership interest may be converted into a common unit at either party's discretion.

For the years ended December 31, 2007, 2006, and 2005, the following table summarizes information related to limited partnership units outstanding:

Units outstanding at January 1, 2005	6,097,925
Units issued during 2005	4,994,150
Units outstanding at December 31, 2005	11,092,075
Units issued during 2006	3,814,842
Units redeemed for common stock during 2006	(1,394,492)
Units outstanding at December 31, 2006	13,512,425
Units redeemed for common stock during 2007	(165,582)
Units outstanding at December 31, 2007	13,346,843

On July 13, 2006, the Company issued 3,814,842 Class B common units of limited partnership interest in connection with the acquisition of the Marriott Crystal Gateway hotel in Arlington, Virginia, of which 165,582 such units were redeemed for common stock on November 1, 2007. Aside from these Class B common units, all other outstanding units represent common units. Class B common units have a fixed dividend rate of 6.82% in years 1-3 and 7.2% thereafter, and have priority in payment of cash dividends over common unit holders but otherwise have no preference over common units.

As of December 31, 2007, 2006, and 2005, all units of limited partnership interest represent a minority interest ownership of approximately 9.98%, 15.63%, and 20.20%, respectively.

15. Income Taxes

For federal income tax purposes, the Company elected to be treated as a REIT under the Internal Revenue Code. To qualify as a REIT, the Company must meet certain organizational and operational stipulations, including a requirement that the Company distribute at least 90% its REIT taxable income to its stockholders. The Company currently intends to adhere to these requirements and maintain its REIT status. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income taxes at regular corporate rates (including

any applicable alternative minimum tax) and may not qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes as well as to federal income and excise taxes on its undistributed taxable income.

As of December 31, 2007, 111 of the Company's 112 hotel properties were leased or owned by Ashford TRS (the Company's taxable REIT subsidiaries) while the remaining hotel was leased on a triple-net lease basis to a third-party tenant. For the years ended December 31, 2007, 2006, and 2005, Ashford TRS recognized net book (loss) income of approximately (\$8.5 million), (\$5.5 million), and \$13,000, respectively, and a (provision for) benefit from income taxes of approximately (\$5.6 million), \$2.7 million, and \$184,000, respectively.

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For the years ended December 31, 2007, 2006, and 2005, the following table reconciles the (provision for) benefit from income taxes at statutory rates to the actual benefit from (provision for) income taxes recorded (in thousands):

	Years Ended December 31,		
	2007	2006	2005
Benefit from income taxes at 35% statutory rate	\$ 8,633	\$ 3,362	\$ 2,106
State income taxes benefit, net of Federal benefit	286	433	268
Foreign	(95)		
Other	(361)	629	197
Valuation allowance	(13,444)	(1,479)	
 (Provision for) benefit income taxes from:			
Continuing operations	(4,981)	2,945	2,571
Discontinued operations	(618)	(226)	(2,387)
 Total	 \$ (5,599)	 \$ 2,719	 \$ 184

For the years ended December 31, 2007, 2006, and 2005, components of the (provision for) benefit from income taxes from continuing operations are as follows (in thousands):

	Years Ended December 31,		
	2007	2006	2005
Current:			
Federal	149	\$ 1,657	\$ 1,542
State	(838)	213	293
Foreign	(95)		
Total current	(784)	1,870	1,835
Deferred:			
Federal	(3,720)	953	509
State	(477)	122	227
Total deferred	(4,197)	1,075	736
 (Provision for) benefit from income taxes from continuing operations	 (4,981)	 \$ 2,945	 \$ 2,571

In May 2006, the State of Texas adopted House Bill 3, which modified the state's franchise tax structure, replacing the previous tax based on capital or earned surplus with a margin tax (the Texas Margin Tax) effective with franchise tax

reports filed on or after January 1, 2008. The Texas Margin Tax is computed by applying the applicable tax rate (1% for the Company's business) to the profit margin, which is generally determined by total revenue less either the cost of goods sold or compensation as applicable. Although House Bill 3 states that the Texas Margin Tax is not an income tax, the Company believes that SFAS No. 109, *Accounting for Income Taxes*, applies to the Texas Margin Tax. However, the Partnership has determined that the impact of the Texas Margin Tax is insignificant as of December 31, 2007. The Company may be required to record an income tax provision for the Texas Margin Tax in future periods.

For the year ended December 31, 2007, the provision for income taxes includes interest and penalties paid to taxing authorities of approximately \$215,000. At December 31, 2007, the Company determined that there were no amounts to accrue for interest and penalties due to taxing authorities.

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At December 31, 2007 and 2006, the Company's deferred tax assets (liabilities) and related valuation allowance consisted of the following (in thousands):

	December 31,	
	2007	2006
Allowance for doubtful accounts	\$ 609	\$ 152
Unearned income	1,405	1,479
Unfavorable management contract liability	9,242	6,245
Federal and state net operating losses	43,472	1,673
Accrued expenses	3,579	1,312
Prepaid expenses	(7,047)	
Interest expense carryforward	3,009	729
Tax property basis greater(less) than book	9,290	(216)
Other	858	
Gross deferred tax asset	64,417	11,374
Valuation allowance	(64,137)	(7,724)
Net deferred tax asset	\$ 280	\$ 3,650

At December 31, 2007, the Company increased the valuation allowance to approximately \$64.1 million to fully offset its net deferred tax asset except for certain minor deductible temporary differences. As a result of Ashford TRS losses in 2007 and 2006, and the limitations imposed by the Internal Revenue Code on the utilization of net operating losses of acquired subsidiaries, the Company believes that it is more likely than not its net deferred tax asset will not be realized, and therefore, has provided a valuation allowance to fully reserve against these amounts. In addition, at December 31, 2007, Ashford TRS has net operating loss carryforwards for federal income tax purposes of approximately \$110.2 million, which are available to offset future taxable income, if any, through 2027. Approximately \$60.1 million of the \$110.2 million net operating loss carryforward is attributable to acquired subsidiaries and subject to substantial limitations on its use.

16. Related Party Transactions

Under management agreements with related parties owned by the Company's Chairman and its Chief Executive Officer, the Company pays such related parties a) monthly property management fees equal to the greater of \$10,000 (CPI adjusted) or 3% of gross revenues as well as annual incentive management fees, if certain operational criteria are met, b) market service fees on the approved capital improvements, including project management fees of up to 4% of project costs, and c) other reimbursements as approved by the Company's independent directors. As of December 31, 2007, these related parties managed 43 of the Company's 112 hotels while unaffiliated management companies managed the remaining 69 hotel properties.

Under agreements with both related parties and unaffiliated hotel managers, the Company incurred property management fees, including incentive property management fees, of approximately \$59.6 million, \$25.0 million, and \$15.2 million for the years ended December 31, 2007, 2006, and 2005, respectively. Regarding the \$59.6 million incurred for the year ended December 31, 2007, approximately \$13.1 million and \$46.5 million relates to related parties and third parties, respectively. Regarding the \$25.0 million incurred for the year ended December 31, 2006, approximately \$9.1 million and \$15.9 million relates to related parties and third parties, respectively. Regarding the \$15.2 million incurred for the year ended December 31, 2005, approximately \$7.3 million and \$8.0 million relates to related parties and third parties, respectively. Incentive property management fees are included in indirect expenses in the accompanying consolidated statements of operations.

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under these agreements with related parties, the Company also incurred market service and project management fees related to capital improvement projects of approximately \$9.0 million, \$5.1 million, and \$3.3 million for the years ended December 31, 2007, 2006, and 2005, respectively.

In addition, these related parties fund certain corporate general and administrative expenses on behalf of the Company, including rent, payroll, office supplies, travel, and accounting. These related parties allocate such charges to the Company based on various methodologies, including headcount and actual amounts incurred. For the years ended December 31, 2007, 2006, and 2005, such costs were approximately \$3.2 million, \$3.6 million, and \$3.0 million, respectively.

Management agreements with related parties include exclusivity clauses that require the Company to engage such related parties, unless the Company's independent directors either (i) unanimously vote to hire a different manager or developer or (ii) by a majority vote elect not to engage such related party because special circumstances exist or, based on the related party's prior performance, it is believed that another manager or developer could materially improve the performance of such management duties.

On March 16, 2005, the Company acquired 21 hotel properties and an office building from selling entities controlled by affiliates of Fisher Brothers, Gordon Getty Trust, and George Soros, which collectively owned approximately 78% of the acquired properties, and certain members of the Company's senior management, which collectively owned approximately 22% of the acquired properties, for approximately \$250.0 million. The \$250.0 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. Company management received 100% of their net consideration for the acquisition in the form of limited partnership units, whereas the third parties received 50% of their consideration in limited partnership units and 50% in cash. The 21 acquired hotels were among the 27 hotel properties for which the Company provided asset management and consulting services for related parties, who subsequently sold the remaining six properties. However, the related parties, pursuant to an agreement, will continue to guarantee a minimum annual fee of approximately \$1.2 million through December 31, 2008. In addition, related to this acquisition, the Company's Board of Directors formed a Special Committee solely comprised of independent directors to evaluate this transaction. In connection with their services, the Special Committee retained independent advisors to review, evaluate, and negotiate the transaction, which the Special Committee unanimously approved.

Upon formation of the Company on August 29, 2003, the Company agreed to indemnify certain related parties, including its Chief Executive Officer and its Chairman, who contributed hotel properties in connection with the Company's initial public offering in exchange for operating partnership units, against the income tax such related parties may incur if the Company disposes of one of these properties.

17. Commitments and Contingencies

Restricted Cash Under certain management and debt agreements existing at December 31, 2007, the Company escrows payments required for insurance, real estate taxes, and debt service. In addition, for certain properties with underlying debt, the Company escrows 4% to 6% of gross revenue for capital improvements.

Franchise Fees Under franchise agreements existing at December 31, 2007, the Company pays franchisors royalty fees between 2.5% and 6% of gross room revenue, 3.0% food and beverage revenue, fees for marketing, reservations,

and other related activities aggregating between 1% and 3.75% of gross room revenue. These franchise agreements expire from 2011 through 2027. When a franchise term expires, the franchisor has no obligation to renew the franchise. A franchise termination could have a material adverse effect on the operations or the underlying value of the affected hotel due to loss of associated name recognition, marketing support, and centralized reservation systems provided by the franchisor. A franchise termination could also have a material adverse effect on cash available for distribution to stockholders. In addition, if the Company terminates a franchise

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prior to its expiration date, the Company may be liable for up to three times the average annual franchise fees incurred for that property.

For the years ended December 31, 2007, 2006, and 2005, the Company incurred franchise fees of approximately \$27.9 million, \$18.0 million, and \$13.9 million, respectively. Franchise fees related to continuing operations are included in indirect hotel operating expenses in the accompanying consolidated statements of operations.

Management Fees Under management agreements existing at December 31, 2007, the Company pays a) monthly property management fees equal to the greater of \$10,000 (CPI adjusted) or 3% of gross revenues, or in some cases 3% to 7% of gross revenues, as well as annual incentive management fees, if applicable, b) market service fees on approved capital improvements, including project management fees of up to 4% of project costs, for certain hotels, and c) other general fees at current market rates as approved by the Company's independent directors. These management agreements expire from 2008 through 2027, with renewal options on agreements with related parties of up to 25 additional years. If the Company terminates a management agreement prior to its expiration, it may be liable for estimated management fees through the remaining term of the related contract or, in certain circumstances, allowed to substitute a new management agreement related to a different hotel. To date, the Company has terminated certain management agreements upon sale of the related hotels prior to such agreements' expirations. In such cases, the Company has either a) received termination fee waivers from related parties managing the hotels or b) substituted a similar management agreement.

Leases The Company leases certain equipment, land, and facilities under non-cancelable operating leases, which expire between 2040 and 2084, including six ground leases and one air lease related to its hotel properties. Several of these leases are subject to base rent plus contingent rent based on the related property's financial results. For the years ended December 31, 2007, 2006, and 2005, the Company recognized rent expense of approximately \$8.6 million, \$3.9 million, and \$2.3 million, respectively. Rent expense related to continuing operations is included in indirect hotel operating expenses in the accompanying consolidated statements of operations. The Company also owns equipment acquired under capital leases, included in Investment in Hotel Properties, which expire between 2007 and 2012, and have interest rates ranging between 7.15% and 11.64%.

As of December 31, 2007, future minimum annual commitments for non-cancelable lease agreements are as follows (in thousands):

	Operating Leases	Capital Leases
2008	5,203	235
2009	4,223	263
2010	3,693	
2011	3,539	
2012	3,424	
Thereafter	178,948	
Total future minimum lease payments	\$ 199,030	\$ 498

As of December 31, 2007 and 2006, assets acquired under capital leases consist of the following (in thousands):

	December 31,	
	2007	2006
Assets under capital leases	\$ 781	\$ 1,036
Accumulated depreciation	(372)	(609)
Assets under capital leases, net	\$ 409	\$ 427

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2007, the Company had capital commitments of approximately \$40.6 million relating to general capital improvements that are expected to be paid in the next 12 months.

Employment Agreements The Company's employment agreements with certain executive officers provide for minimum annual base salaries, other fringe benefits, and non-compete clauses as determined by the Board of Directors. The employment agreements terminate on December 31, 2008, with automatic one-year renewals, unless terminated by either party upon six months' notice, subject to severance provisions.

Employee Incentive Plan The Company's Employee Savings and Incentive Plan (ESIP), a nonqualified compensation plan that covers employees who work at least 25 hours per week, allows eligible employees to contribute up to 100% of their compensation to various investment funds. The Company matches 25% of the first 10% each employee contributes. Employee contributions vest immediately whereas Company contributions vest 25% annually. For the years ended December 31, 2007, 2006, and 2005, the Company incurred matching expenses of approximately \$7,000, \$34,000, and \$60,000, respectively.

401(k) Plan Effective January 1, 2006, the Company created a 401(k) Plan, a qualified contribution retirement plan that covers employees 21 years of age or older who have completed one year of service and work a minimum of 1,000 hours annually. The 401(k) Plan allows eligible employees to defer receipt of up to 100% of their compensation, subject to IRS-imposed limitations, and contribute such amounts to various investment funds. The Company matches 50% of amounts contributed up to 6% of a particular employee's salary. However, for each employee, Company matching only occurs in either the 401(k) Plan or the ESIP, as directed by the employee. Employee contributions vest immediately whereas Company contributions vest 25% annually. For the years ended December 31, 2007 and 2006, the Company incurred matching expenses of approximately \$91,000 and \$73,000, respectively.

Litigation The Company is currently subject to litigation arising in the normal course of its business. In the opinion of management, none of these lawsuits or claims against the Company, either individually or in the aggregate, is likely to have a material adverse effect on the Company's business, results of operations, or financial condition. In addition, management believes the Company has adequate insurance in place to cover any such significant litigation.

Taxes If the Company disposes of the four remaining properties contributed in connection with its IPO in exchange for units of operating partnership, the Company may be obligated to indemnify the contributors, including the Company's Chairman and Chief Executive Officer whom have substantial ownership interests, against the tax consequences of the sale. In addition, the Company agreed to use commercially reasonable efforts to maintain non-recourse mortgage indebtedness of at least \$16.0 million, which allows contributors of the Las Vegas hotel property to defer gain recognition in connection with its contribution.

Additionally, for certain periods of time, the Company is prohibited from selling or transferring the Sea Turtle Inn in Atlantic Beach, Florida, and the Marriott Crystal Gateway in Arlington, Virginia, if as a result, the entity from which the Company acquired the property would recognize gain for federal tax purposes.

Further, in connection with the Company's acquisition of certain properties on March 16, 2005 that were contributed in exchange for units of operating partnership, the Company agreed to certain tax indemnities with respect to 11 of these properties. If the Company disposes of these 11 properties or reduces debt on these properties in a transaction that results in a taxable gain to the contributors, the Company may be obligated to indemnify the contributors or their

specified assignees against the tax consequences of the transaction.

In general, tax indemnities equal the federal, state, and local income tax liabilities the contributor or its specified assignee incurs with respect to the gain allocated to the contributor. The contribution agreements terms generally require the Company to gross-up tax indemnity payments for the amount of income taxes due as a result of such tax indemnities.

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Fair Value of Financial Instruments**

As of December 31, 2007, the Company's \$2.7 billion debt portfolio consisted of approximately \$510.3 million of variable-rate debt and approximately \$2.2 billion of fixed-rate debt, with interest rates ranging from 5.42% to 7.24%. As of December 31, 2007, the Company's \$94.2 million portfolio of mezzanine and first-mortgage loans receivable consisted of approximately \$57.9 million of variable-rate notes and approximately \$36.5 million of fixed-rate notes, all with interest rates of 14%.

As of December 31, 2006, the Company's \$1.1 billion debt portfolio consisted of approximately \$237.0 million of variable-rate debt and approximately \$854.2 million of fixed-rate debt, with interest rates ranging from 5.41% to 7.24%. As of December 31, 2006, the Company's \$103.0 million portfolio of mezzanine and first-mortgage loans receivable consisted of approximately \$80.0 million of variable-rate notes and approximately \$23.0 million of fixed-rate notes, with interest rates ranging from 14.0% to 15.0%.

As of December 31, 2007 and 2006, the carrying values of cash and cash equivalents, restricted cash, accounts receivable, amounts due from or to affiliates or third-party hotel managers, accounts payable, and accrued expenses approximate their fair values due to the short-term nature of these financial instruments.

As of December 31, 2007 and 2006, the carrying values of variable-rate notes receivable, variable-rate indebtedness, and capital leases payable approximate their fair values because the interest rates on these financial instruments are variable or approximate current interest rates charged on similar financial instruments. However, due to the Company's significant holdings of fixed-rate financial instruments at December 31, 2007 and 2006, carrying values and related estimated fair values of notes receivable and indebtedness as of December 31, 2007 and 2006 are as follows (in thousands):

	December 31, 2007		December 31, 2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes receivable	\$ 94,394	\$ 97,776	\$ 102,977	\$ 111,048
Indebtedness	\$ 2,700,775	\$ 2,705,218	\$ 1,091,150	\$ 1,099,775

Fair values presented in the above tables are based on estimates that consider the terms of the individual instruments. However, there is not an active market for these instruments. Therefore, the estimated fair values do not necessarily represent the amounts at which these instruments could be purchased, sold, or settled.

As of December 31, 2007 and 2006, derivatives with a fair value of approximately \$21,000 and \$222,000, respectively, were included in other assets. Derivatives owned as of December 31, 2007 and 2006 are described below:

On October 28, 2005, the Company purchased a 7.0% LIBOR interest rate cap with a \$45.0 million notional amount, which matured October 15, 2007, to limit its exposure to rising interest rates on \$45.0 million of its variable-rate debt. The Company designated the \$45.0 million cap as a cash flow hedge of its exposure to changes in interest rates on a

corresponding amount of variable-rate debt. On February 9, 2006, the Company paid down the related hedged \$45.0 million revolving mortgage loan, due October 10, 2008, to \$100 and discontinued hedge accounting related to this derivative as it no longer qualified as a cash flow hedge.

On December 6, 2006, the Company purchased a 6.25% LIBOR interest rate cap with a \$212.0 million notional amount, which matures December 11, 2009, to limit its exposure to rising interest rates on \$212.0 million of its variable-rate debt. The Company designated the \$212.0 million cap as a cash flow hedge of its exposure to changes in interest rates on a corresponding amount of variable-rate debt. On February 6, 2007, the Company paid down the related hedged \$212.0 million mortgage loan, due December 11, 2009, by approximately \$28.0 million and discontinued hedge accounting related to \$28.0 million of this derivative.

On December 6, 2006, the Company purchased a 6.25% LIBOR interest rate cap with a \$35.0 million notional amount, which matures December 11, 2009, to limit its exposure to rising interest rates on future variable-rate debt

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

that the Company intends to draw over the next two years as capital expenditures are incurred. As this cap did not meet applicable hedge accounting criteria, it is not designated as a cash flow hedge.

On April 11, 2007, the Company purchased four 6.0% LIBOR interest rate caps with a total notional amount of approximately \$555.1 million, which mature May 9, 2009, to limit its exposure to rising interest rates on \$555.1 million of its variable-rate debt. On April 25, 2007, the Company paid down the related hedged \$555.1 million mortgage loan, due May 9, 2009, by approximately \$180.1 million and terminated a corresponding amount of these caps. As the remaining \$375.0 million of these caps did not meet applicable hedge accounting criteria, such derivatives are not designated as cash flow hedges.

On October 15, 2007, the Company purchased a 7.0% LIBOR interest rate cap with a \$47.5 million notional amount, which matures October 15, 2008, to limit its exposure to rising interest rates on \$47.5 million of its variable-rate debt. The Company designated the \$47.5 million cap as a cash flow hedge of its exposure to changes in interest rates on a corresponding amount of variable-rate debt. Considerable judgment is required to interpret market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts.

19. Supplemental Cash Flow Information

For the years ended December 31, 2007, 2006, and 2005, interest paid was approximately \$138.3 million, \$45.0 million, and \$32.4 million, respectively.

For the years ended December 31, 2007, 2006, and 2005, income taxes paid was approximately \$701,000, \$1.3 million, and \$1.9 million, respectively.

During the year ended December 31, 2007, the Company recorded the following non-cash transactions: a) on March 27, 2007, the Company issued 838,500 shares of restricted common stock to its executives and certain employees, b) on April 11, 2007, in connection with its acquisition of a 51-property hotel portfolio, the Company assumed eleven mortgage loans totaling approximately \$562.1 million (or approximately \$432.3 million net of debt attributable to joint venture partners) and recognized debt premiums of approximately \$2.7 million, c) on April 11, 2007, in connection with its acquisition of the remaining 15% joint venture interest in a hotel property, the Company assumed debt attributable to the joint venture partner of approximately \$4.6 million, d) on May 15, 2007, the Company issued 16,000 shares of common stock to its directors, e) on November 1, 2007, the Company issued 165,582 shares of common stock in exchange for 165,582 units of limited partnership interest, f) on December 15, 2007, in connection with an asset swap with a joint venture partner, the Company assumed \$41.9 million of debt previously attributable to the joint venture partner's minority ownership in nine acquired hotel properties that secured such debt and ceded \$80.1 million of debt previously attributable to its majority ownership in the two surrendered hotel properties that secured such debt, and g) during the year ended December 31, 2007, the Company recognized non-cash preferred dividends of approximately \$845,000 related to the amortization of the discount associated with its Series C preferred stock.

During the year ended December 31, 2006, the Company recorded the following non-cash transactions: a) on March 24, 2006, in connection with the sale of eight hotel properties, the buyer assumed approximately \$93.7 million

of the Company's mortgage debt, b) on March 28, 2006, the Company issued 642,557 shares of restricted common stock to its executives and certain employees of the Company and its affiliates, c) on May 2, 2006, the Company issued 16,000 shares of common stock to its directors, d) on July 13, 2006, in connection with its acquisition of a hotel property, the Company assumed a mortgage note payable of approximately \$53.3 million and recognized a debt premium of approximately \$2.1 million, e) on July 13, 2006, in connection with its acquisition of a hotel property, the Company issued 3,814,842 units of limited partnership interest, f) on August 1, 2006, the Company issued 3,000 shares of restricted common stock to certain employees of the Company, and g) during the

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

year ended December 31, 2006, the Company issued 1,394,492 shares of common stock in exchange for 1,394,492 units of limited partnership interest.

20. Segments Reporting

The Company presently operates in two business segments within the hotel lodging industry: direct hotel investments and hotel financing. Direct hotel investments refer to owning hotels through either acquisition or new development. Management reports operating results of direct hotel investments on an aggregate basis as substantially all of the Company's hotel investments have similar economic characteristics and exhibit similar long-term financial performance. Hotel financing refers to owning subordinate hotel-related mortgages through acquisition or origination. The Company does not allocate corporate-level accounts to its operating segments, including corporate general and administrative expenses, non-operating interest income, interest expense, provision for income taxes, and minority interest.

For the year ended December 31, 2007, financial information related to the Company's reportable segments was as follows (in thousands):

	Direct Hotel Investments	Hotel Financing	Corporate	Consolidated
Total revenues	\$ 1,117,762	\$ 11,005	\$	\$ 1,128,767
Operating expenses	797,422			797,422
Depreciation and amortization	153,285			153,285
Corporate general and administrative			26,953	26,953
Operating income (loss)	167,055	11,005	(26,953)	151,107
Interest income			3,178	3,178
Interest expense			(133,275)	(133,275)
Amortization of loan costs			(5,838)	(5,838)
Write-off of loan costs			(4,216)	(4,216)
Income (loss) before minority interest and benefit from income taxes	167,055	11,005	(167,104)	10,956
Provision for income taxes			(4,981)	(4,981)
Minority interest in consolidated joint ventures			(323)	(323)
Minority interest related to limited partners			(1,684)	(1,684)
Income (loss) from continuing operations	\$ 167,055	\$ 11,005	\$ (174,092)	\$ 3,968
Income from discontinued operations, net				26,192
Net income				\$ 30,160

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the year ended December 31, 2006, financial information related to the Company's reportable segments was as follows (in thousands):

	Direct Hotel Investments	Hotel Financing	Corporate	Consolidated
Total revenues	\$ 456,270	\$ 14,858	\$	\$ 471,128
Operating expenses	325,198			325,198
Depreciation and amortization	48,460			48,460
Corporate general and administrative			20,359	20,359
Operating income (loss)	82,612	14,858	(20,359)	77,111
Interest income			2,917	2,917
Interest expense			(43,201)	(43,201)
Amortization of loan costs			(1,984)	(1,984)
Write-off of loan costs			(101)	(101)
Income (loss) before minority interest and benefit from income taxes	82,612	14,858	(62,728)	34,742
Benefit from income taxes			2,945	2,945
Minority interest related limited partners			(4,540)	(4,540)
Income (loss) from continuing operations	\$ 82,612	\$ 14,858	\$ (64,323)	\$ 33,147
Income from discontinued operations, net				4,649
Net income				\$ 37,796

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the year ended December 31, 2005, financial information related to the Company's reportable segments was as follows (in thousands):

	Direct Hotel Investments	Hotel Financing	Corporate	Consolidated
Total revenues	\$ 290,494	\$ 13,323	\$	\$ 303,817
Operating expenses	207,989			207,989
Depreciation and amortization	27,218			27,218
Corporate general and administrative			14,523	14,523
Operating income (loss)	55,287	13,323	(14,523)	54,087
Interest income			1,027	1,027
Interest expense			(30,772)	(30,772)
Amortization of loan costs			(3,900)	(3,900)
Write-off of loan costs and exit fees			(5,803)	(5,803)
Loss on debt extinguishment			(10,000)	(10,000)
Income (loss) before minority interest and provision for income taxes	55,287	13,323	(63,971)	4,639
Benefit from income taxes			2,571	2,571
Minority interest related limited partners			(1,482)	(1,482)
Income (loss) from continuing operations	\$ 55,287	\$ 13,323	\$ (62,882)	\$ 5,728
Income from discontinued operations, net				3,709
Net income				\$ 9,437

As of December 31, 2007, 2006, and 2005, aside from the Company's \$94.2 million, \$103.0 million, and \$108.3 million notes receivable portfolio, respectively, all assets of the Company primarily relate to the direct hotel investments segment. In addition, for the years ended December 31, 2007, 2006, and 2005, all capital expenditures incurred by the Company relate to the direct hotel investments segment.

As of December 31, 2007, 2006, and 2005, all of the Company's owned hotels were domestically located except for the Hyatt Regency in Montreal, Canada, acquired April 11, 2007. In addition, as of December 31, 2007, 2006, and 2005, all hotels securing the Company's notes receivable were domestically located with the exception of one hotel securing an \$18.2 million loan receivable, which is located in Nevis, West Indies.

21. Business Combinations

On February 24, 2006, the Company acquired the Marriott at Research Triangle Park hotel property in Durham, North Carolina, from Host Marriott Corporation for approximately \$28.0 million in cash. The Company used proceeds from its sale of two hotels on January 17, 2006 and its follow-on public offering on January 25, 2006 to fund this acquisition.

On April 19, 2006, the Company acquired the Pan Pacific San Francisco Hotel in San Francisco, California, from W2001 Pac Realty, L.L.C. for approximately \$95.0 million in cash and immediately re-branded the property as a JW Marriott. The Company used proceeds from two credit facility draws of approximately \$88.9 million and \$15.0 million to fund this acquisition. In connection with the re-branding of this hotel, Marriott contributed \$5.0 million, which the Company recorded, net of certain reimbursements to Marriott, as deferred incentive management fees. Deferred management fees are amortized as a reduction to management fees on a straight-line basis over the term of the management agreement, which expires in 2026.

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On July 13, 2006, the Company acquired the Marriott Crystal Gateway hotel in Arlington, Virginia, from EADS Associates Limited Partnership for approximately \$107.2 million. The purchase price consisted of the assumption of approximately \$53.3 million of mortgage debt, the issuance of approximately \$42.7 million worth of limited partnership units, which equates to 3,814,842 units valued at \$11.20 per unit, approximately \$2.5 million in cash paid in lieu of units, the reimbursement of capital expenditures costs of approximately \$7.2 million, and other net closing costs and adjustments of approximately \$1.5 million. The limited partnership units issued represent Class B common units, which are more fully described in note 14. For accounting purposes, these units were valued at approximately \$40.6 million or \$10.64 per unit, which represents the average market price of the Company's common stock from five business days before the definitive agreement was finalized on May 18, 2006 to five business days after such date. In addition, the Company assumed the existing management agreement which expires in 2017 with three ten-year renewal options. The management agreement provides for a base management fee of 3% of the hotel's gross revenues plus certain incentive management fees. Based on the Company's review of this management agreement, the Company concluded that the terms are more favorable to the manager than a typical current-market management agreement. Hence, the Company recorded an unfavorable contract liability of approximately \$15.8 million related to this management agreement, which is amortized as a reduction to incentive management fees on a straight-line basis over the initial term of the management agreement.

On November 9, 2006, the Company acquired the Westin O'Hare hotel property in Rosemont, Illinois, from JER Partners for approximately \$125.0 million in cash. To fund this acquisition, the Company used cash available on its balance sheet and proceeds from a \$101.0 million mortgage loan executed on November 16, 2006.

On December 7, 2006, the Company acquired a seven-property hotel portfolio (MIP Portfolio) from a partnership of affiliates of Oak Hill Capital Partners, The Blackstone Group, and Interstate Hotels and Resorts for approximately \$267.2 million in cash. Of the seven acquired hotels, five were considered core hotels while two were immediately held for sale. To fund this acquisition, the Company used cash available on its balance sheet, proceeds from a \$25.0 million draw on a credit facility, and proceeds from a \$212.0 million mortgage loan executed on December 7, 2006.

On April 11, 2007, the Company acquired a 51-property hotel portfolio (CNL Portfolio) from CNL Hotels and Resorts, Inc. (CNL) for approximately \$2.4 billion plus closing costs of approximately \$96.0 million. The Company acquired 100% of 33 properties and interests ranging from 70%-89% in 18 properties through existing joint ventures. To fund this acquisition, the Company utilized several sources as follows: a) borrowings of approximately \$928.5 million of ten-year, fixed-rate debt at an average blended interest rate of 5.95%, approximately \$555.1 million of two-year, variable-rate debt with three one-year extension options at an interest rate of LIBOR plus 1.65%, and approximately \$325.0 million of one-year, variable-rate debt with two one-year extension options at an interest rate of LIBOR plus 1.5%, b) the sale of 8.0 million shares of Series C Cumulative Redeemable Preferred Stock for approximately \$200.0 million less a commitment fee of approximately \$6.3 million at a dividend rate of LIBOR plus 2.5%, c) assumed fixed-rate debt of approximately \$562.1 million (or approximately \$432.3 million net of debt attributable to joint venture partners), representing eleven fixed-rate loans with an average blended interest rate of 6.01% and expiration dates ranging from 2008 to 2027, and d) a \$50.0 million draw on a newly executed \$200.0 million credit facility with an interest rate of LIBOR plus a range of 1.55% to 1.95% depending on the loan-to-value ratio, which matures April 9, 2010 with two one-year extension options, and requires interest-only payments through maturity. With respect to this acquisition, the Company recognized the following:

Based on the Company's preliminary review of management agreements assumed, the Company believes the terms of certain management agreements are more favorable to the manager than typical current-market management agreements. As a result, the Company recorded an unfavorable contract liability of approximately \$10.4 million related to these management agreements, which is amortized as a reduction to incentive management fees on a straight-line basis over the initial terms of the related management agreements.

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Based on the Company's preliminary assessment, the Company allocated approximately \$14.0 million of the purchase price to intangible assets, which relate to a favorable market-rate ground lease and other identifiable intangible assets related to certain hotels.

Based on the Company's preliminary assessment, the Company believes that the terms of an assumed ground lease are more favorable to the lessor than typical current-market leases. As a result, the Company recorded an unfavorable lease liability of approximately \$4.2 million related to this lease, which is classified in other liabilities on the consolidated balance sheet and is amortized as a reduction to lease expense on a straight-line basis over the related remaining lease term, which expires in 2080.

Regarding the assumed debt of approximately \$562.1 million, the Company recorded these loans at premiums totaling approximately \$2.7 million as the fixed interest rates on many of these loans exceeds current interest rates the Company would otherwise incur on similar financial instruments. The debt premiums are amortized as an adjustment to interest expense over the terms of the related loans using the effective interest method.

On April 11, 2007, the Company acquired the remaining 15% joint venture interest in the Hyatt Regency Dearborn in Detroit, Michigan, for approximately \$7.5 million, which represents approximately \$2.9 million in cash and assumed debt of approximately \$4.6 million. The Company acquired the other 85% interest pursuant to its acquisition of CNL Portfolio, which was consummated April 11, 2007, as discussed above.

On May 21, 2007, the Company acquired a Marriott Residence Inn and a Hampton Inn, both in Jacksonville, Florida, from MS Resort Holdings LLC for approximately \$35.8 million in cash. The acquisition of these hotel properties, which were previously owned by CNL, related to the Company's acquisition of the CNL Portfolio on April 11, 2007. The Company used proceeds from its sale of seven hotels on May 18, 2007 and cash available on its balance sheet to fund this acquisition.

On December 15, 2007, the Company completed an asset swap with Hilton Hotels Corporation, its partner in two joint ventures which were simultaneously dissolved, whereby the Company surrendered its majority ownership interest in two hotel properties in exchange for the joint venture partner's minority ownership interest in nine hotel properties. In connection with this asset swap, the Company assumed \$41.9 million of debt previously attributable to the joint venture partner's minority ownership in the nine acquired hotel properties that secured such debt and ceded \$109.5 million of debt, of which \$80.1 million was attributable to its majority ownership in the two surrendered hotel properties that secured such debt and the remainder attributable to the joint venture partner's former minority ownership. This asset swap resulted in the following changes in the Company's ownership structure of the affected hotels:

Hotel Property	Location	Ownership	
		Pre-Asset Swap	Post-Asset Swap
Embassy Suites	Arlington, VA	75%	100%
Embassy Suites	Portland, OR	70%	100%

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Embassy Suites	Santa Clara, CA	75%	100%
Embassy Suites	Orlando, FL	75%	100%
Doubletree Guest Suites	Arlington, VA	75%	0%
Hilton	Costa Mesa, CA	70%	100%
Hilton	Miami, FL	70%	0%
Hilton	Tuscon, AZ	75%	100%
Hilton	Dallas, TX	75%	100%
Hilton	Rye Town, NY	75%	100%
Hilton	Auburn Hills, MI	70%	100%

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In connection with these acquisitions, the accompanying consolidated financial statements include the results of the acquired hotels since the acquisition dates, all purchase prices were the result of arms-length negotiations, no value was assigned to goodwill or other intangible assets aside from those discussed above, and purchase price allocations related to certain acquisitions completed within the last year are preliminary subject to further internal review and third-party appraisals.

For acquisitions completed during the year ended December 31, 2007, a condensed balance sheet showing the amounts assigned to each major asset or liability caption related to these acquisitions follows (in thousands):

	CNL Portfolio	MS Portfolio	Hilton JVs Asset Swap	Finalization of Purchase Accounting	Total
Investment in hotel properties	\$ 2,664,656	\$ 35,707	\$ 41,907	\$ 5,374	\$ 2,747,644
Restricted cash					
Assets held for sale			(212,929)	(5,501)	(218,430)
Other assets	87,859	378	(6,752)	116	81,601
Intangible assets	13,796		514		14,310
Total assets acquired	\$ 2,766,311	\$ 36,085	\$ (177,260)	\$ (11)	\$ 2,625,125
Indebtedness	\$ 564,778	\$	\$ (109,458)	\$	455,320
Other liabilities	73,696	123	(3,066)	0	70,753
Total liabilities assumed	638,474	123	(112,524)	0	526,073
Minority interest in consolidated joint ventures	113,516		(73,619)		39,897
Cash paid, including closing costs	2,014,321	35,962	8,883	(11)	2,059,155
Total cash paid and liabilities assumed	\$ 2,766,311	\$ 36,085	\$ (177,260)	\$ (11)	\$ 2,625,125

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For acquisitions completed during the year ended December 31, 2006, a condensed balance sheet showing the amounts assigned to each major asset or liability caption related to these acquisitions follows (in thousands):

	Marriott at RTP	JW Marriott Pan Pacific	Marriott Gateway	Westin O Hare	MIP Portfolio	Finalization of Purchase Accounting	Total
Investment in hotel properties	\$ 28,164	\$ 96,399	\$ 123,740	\$ 125,206	\$ 226,333	\$ 5,005	\$ 604,847
Restricted cash			3,235		891		4,126
Assets held for sale					42,706	(4,535)	38,171
Other assets	489	1,490	3,883	2,300	5,842	0	14,004
Intangible assets							
Total assets acquired	\$ 28,653	\$ 97,889	\$ 130,858	\$ 127,506	\$ 275,772	\$ 470	\$ 661,148
Indebtedness	\$	\$	\$ 55,427	\$	\$	\$	\$ 55,427
Other liabilities	120	1,780	17,282	3,215	1,784	312	24,493
Total liabilities assumed	120	1,780	72,709	3,215	1,784	312	79,920
Minority interest in limited partners			40,590				40,590
Cash paid, including closing costs	28,533	96,109	17,559	124,291	273,988	158	540,638
Total cash paid, liabilities assumed, and operating partnership units issued	\$ 28,653	\$ 97,889	\$ 130,858	\$ 127,506	\$ 275,772	\$ 470	\$ 661,148

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following unaudited pro forma statements of operations for the years ended December 31, 2007 and 2006 are based on the historical consolidated financial statements of the Company adjusted to give effect to the completion of the aforementioned acquisitions and the related debt and equity offerings to fund these acquisitions as if such transactions occurred at the beginning of the periods presented (in thousands, except share and per share amounts):

	Years Ended December 31,	
	2007	2006
	(Unaudited)	
Total revenues	\$ 1,311,390	\$ 1,255,725
Operating expenses	1,124,969	1,083,877
Operating income	186,421	171,848
Interest income	3,178	2,917
Interest expense and amortization of loan costs	(167,279)	(167,279)
Write-off of loan costs and exit fees	(4,216)	(101)
Income before minority interest and income taxes	18,104	7,385
Provision for income taxes	(5,798)	(957)
Minority interest in consolidated joint ventures	(137)	(214)
Minority interest relating to limited partners	(1,525)	(1,024)
Income from continuing operations	10,644	5,190
Preferred dividends	(28,072)	(28,072)
Loss from continuing operations available to common shareholders	\$ (17,428)	\$ (22,882)
Basic and diluted:		
Loss from continuing operations per share available to common shareholders	\$ (0.14)	\$ (0.19)
Weighted average shares outstanding	121,292	121,292

Table of Contents**ASHFORD HOSPITALITY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****22. Selected Quarterly Financial Data (Unaudited)**

Selected quarterly financial data for the years ended December 31, 2007 and 2006 is below (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue				
2007	\$ 153,301	\$ 318,245	\$ 312,170	\$ 345,051
2006	\$ 100,964	\$ 114,805	\$ 114,268	\$ 141,091
Total operating expenses				
2007	\$ 128,459	\$ 277,058	\$ 269,333	\$ 302,811
2006	\$ 83,441	\$ 91,843	\$ 96,990	\$ 121,743
Operating income				
2007	\$ 24,842	\$ 41,187	\$ 42,837	\$ 42,240
2006	\$ 17,523	\$ 22,962	\$ 17,278	\$ 19,348
Income (loss) from continuing operations				
2007	\$ 9,328	\$ (1,315)	\$ 2,905	\$ (6,951)
2006	\$ 6,335	\$ 10,108	\$ 7,072	\$ 9,632
Net income (loss)				
2007	\$ 11,491	\$ 21,084	\$ 508	\$ (2,923)
2006	\$ 7,462	\$ 11,023	\$ 8,650	\$ 10,661
Net income (loss) available to common shareholders				
2007	\$ 8,698	\$ 14,051	\$ (6,638)	\$ (9,941)
2006	\$ 4,743	\$ 8,305	\$ 5,931	\$ 7,942
Net income (loss) available to common shareholders per share basic				
2007	\$ 0.12	\$ 0.13	\$ (0.05)	\$ (0.08)
2006	\$ 0.09	\$ 0.15	\$ 0.09	\$ 0.11

Net income (loss) available to common shareholders per
share diluted

2007	\$	0.12	\$	0.13	\$	(0.05)	\$	(0.08)
2006	\$	0.09	\$	0.15	\$	0.09	\$	0.09

Note: During 2007, the Company reclassified interest and related debt expense to the discontinued operations in accordance with EITF No. 87-24. Accordingly, all quarterly amounts presented for 2007 and 2006 have been restated to reflect this reclassification.

As of December 31, 2007 and 2006, Marriott International, Inc. (Marriott) managed 42 and 24 of the Company's properties, respectively. For these Marriott-managed hotels, the fiscal year reflects twelve weeks of

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ASHFORD HOSPITALITY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

operations for each of the first three quarters of the year and sixteen weeks for the fourth quarter of the year. Therefore, in any given quarterly period, period-over-period results will have different ending dates. For Marriott-managed hotels, the fourth quarters of 2007 and 2006 ended December 28th and December 29th, respectively.

23. Subsequent Events (unaudited)

Effective January 1, 2008, the Company created the Nonqualified Deferred Compensation Plan (NDCP), which allows designated employees the option to defer receipt of certain cash and restricted stock compensation and to index such amounts to selected investment funds. With certain exceptions, payments under NDCP will be upon a) a fixed date, as selected by the employee, b) termination of employment, or c) an unforeseeable emergency.

On January 2, 2008, the Company originated a \$7.1 million mezzanine loan receivable, which is secured by one hotel, matures January 2011, at an interest rate of LIBOR plus 9%, with interest-only payments through maturity.

On January 4, 2008, the Company drew \$10.0 million on its \$300.0 million credit facility, due April 9, 2010.

On January 11, 2008, the Company sold its JW Marriott in New Orleans, Louisiana, for approximately \$67.5 million. As the Company acquired this property on April 11, 2007, no gain or loss will be recognized on this sale. In connection with this sale, the buyer assumed approximately \$43.5 million mortgage debt, due August 1, 2010. In addition, the Company wrote-off the related debt premium balance of approximately \$2.1 million and unamortized loan costs of approximately \$155,000.

On January 14, 2008, the Company drew \$30.0 million on its \$300.0 million credit facility, due April 9, 2010.

On January 22, 2008, the Company formed a joint venture with Prudential Real Estate Investors (PREI) to invest in structured debt and equity hotel investments in the United States. The joint venture, which is expected to be funded over the next two years, will ultimately be capitalized with \$300 million from investors in a fund managed by PREI and \$100 million from the Company. The Company and PREI will contribute the capital required for each mezzanine investment on a 25%/75% basis, respectively. The Company will be entitled to annual management and sourcing fees, reimbursement of expenses, and a promoted yield equal to a current 1.3x the venture yield subject to maximum threshold limitations, but further enhanced by an additional promote based upon a total net return to PREI. PREI 's equity will be in a senior position on each investment. With limited exceptions, the joint venture will be the primary vehicle for the Company 's hotel lending efforts. The joint venture will have the right of first refusal on all mezzanine investment opportunities presented by the Company, provided the investment meets certain criteria. On February 6, 2008, PREI acquired a 75% interest in the Company 's \$21.5 million mezzanine loan receivable, which the Company originated December 5, 2007, is secured by two hotels, and matures January 2018. Simultaneously, the Company and PREI capitalized the joint venture by contributing this \$21.5 million mezzanine loan receivable to the joint venture.

On February 6, 2008, the Company drew \$20.0 million on its \$300.0 million credit facility, due April 9, 2010.

On February 6, 2008, the Company acquired a \$38.0 million mezzanine loan receivable for approximately \$33.0 million, which is secured by one hotel, matures June 2017, at an interest rate of 9.66%, with interest-only payments through maturity.

On February 19, 2008, the Company acquired a \$21.0 million senior mezzanine loan, which is secured by a 29-hotel portfolio, through its joint venture with PREI for approximately \$17.5 million at an interest rate of LIBOR plus 2.75%, with interest only payments through maturity. This loan has an initial term of three years from origination with two one-year extension options.

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SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2007

Hotel Property	Column A Location	Column B Encumbrances	Column C		Column D	
			Land	Initial Cost FF&E, Buildings and Improvements	Land	Costs Capitalized Since Acquisition FF&E, Buildings and Improvements
(In thousands)						
Embassy Suites	Austin, TX	\$ 14,296	\$ 1,200	\$ 11,531	\$ 201	\$ 3,060
Embassy Suites	Dallas, TX	8,449	1,871	10,960	244	3,043
Embassy Suites	Herndon, VA	26,000	1,298	11,775	282	3,682
Embassy Suites	Las Vegas, NV	32,176	3,300	20,055	404	7,441
Embassy Suites	Syracuse, NY	12,877	2,839	10,959		4,112
Embassy Suites	Flagstaff, AZ	11,407	1,267	4,873		1,789
Embassy Suites	Houston, TX	13,050	1,800	10,547		1,243
Embassy Suites	West Palm Beach, FL	18,525	5,106	18,703		(2,758)
Embassy Suites	Philadelphia, PA	27,313	5,791	35,740		4,363
Embassy Suites	Walnut Creek, CA	34,173	7,452	26,828		4,109
Embassy Suites	Arlington, VA	20,046	35,466	44,102		1,005
Embassy Suites	Portland, OR	21,515	10,938	61,903		227
Embassy Suites	Santa Clara, CA	20,198	8,800	48,128		2,645
Embassy Suites	Orlando, FL	5,488	5,580	22,638		30
Radisson Hotel	Holtsville, NY	6,300	5,745	17,014	13	4,089
Radisson Hotel	Rockland, MA	5,350	585	3,240		1,050
Doubletree Guest Suites	Columbus, OH	9,277		9,663		2,322
Hilton Garden Inn	Jacksonville, FL	11,098	1,751	9,920		1,772
Hilton	Fort Worth, TX	24,050	5,100	17,084		9,785
Hilton	Houston, TX	15,825	2,200	13,742		3,662
Hilton	St. Peterburg, FL	19,565	2,991	14,715		6,903
Hilton	Santa Fe, NM	19,572	7,004	11,632		3,612
Hilton	Bloomington, MN	46,386	5,685	61,479		1,809
Hilton	Washington DC	63,300	44,779	106,598		53
Hilton	La Jolla, CA	63,900		120,180		(1,052)
Hilton	Costa Mesa, CA	35,947	12,717	98,716		1,168
Hilton	Tuscon, AZ	42,185	11,836	55,996		1,545
Hilton	Dallas, TX	31,792	3,411	69,121		884
Hilton	Rye Town, NY	29,268	10,082	37,932		804
Hilton	Auburn Hills, MI	10,448	3,910	13,704		236
Homewood Suites	Mobile, AL	9,951	1,334	7,559		1,377
Hampton Inn	Lawrenceville, GA	5,974	697	3,951		439

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Hampton Inn	Evansville, IN	7,155	1,301	5,599	2,465
Hampton Inn	Terre Haute, IN	9,466	700	7,745	1,434
Hampton Inn	Buford, GA	7,970	1,168	5,502	704
Hampton Inn	Houston, TX	8,187	2,712	14,793	257
Hampton Inn	Jacksonville, FL		1,701	13,328	14
Marriott	Durham, NC	25,983	1,794	26,370	4,228

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Hotel Property	Column A Location	Column B Encumbrances	Column C		Column D
			Land	Initial Cost FF&E, Buildings and Improvements	Costs Capitalized Since Acquisition FF&E, Buildings and Improvements
(In thousands)					
Marriott	Arlington, VA	52,474	20,637	103,103	10,120
Marriott	Seattle, WA	135,710	31,888	133,899	5,973
Marriott	Bridgewater, NJ	75,391	4,948	92,486	157
Marriott	Plano, TX	79,575	2,665	93,891	314
Marriott	Dallas, TX	26,942	2,642	32,625	88
JW Marriott	San Francisco, CA			96,423	13,650
JW Marriott	New Orleans, LA	45,630		66,690	
SpringHill Suites by Marriott	Jacksonville, FL	8,168	1,348	7,636	1,146
SpringHill Suites by Marriott	Baltimore, MD	18,061	2,502	13,666	1,132
SpringHill Suites by Marriott	Kennesaw, GA	8,445	1,122	5,279	866
SpringHill Suites by Marriott	Buford, GA	8,193	1,132	6,480	237
SpringHill Suites by Marriott	Gaithersburg, MD	15,680	2,200	19,827	1,513
SpringHill Suites by Marriott	Centerville, VA	9,150	1,806	11,780	1,319
SpringHill Suites by Marriott	Charlotte, NC	6,300	1,235	7,090	299
SpringHill Suites by Marriott	Durham, NC	5,400	1,090	4,051	240
SpringHill Suites by Marriott	Orlando, FL	30,213	8,431	28,314	494
SpringHill Suites by Marriott	Manhattan Beach, CA	21,920	5,600	20,871	38
SpringHill Suites by Marriott	Plymouth Meeting, PA	20,000	3,140	24,855	41
SpringHill Suites by Marriott	Glen Allen, VA	15,286	2,000	15,672	13
Fairfield Inn by Marriott	Kennesaw, GA	8,277	840	4,489	196
Fairfield Inn by Marriott	Orlando, FL	15,930	6,364	10,501	1,061
Courtyard by Marriott	Bloomington, IN	12,323	900	11,034	1,534
Courtyard by Marriott	Columbus, IN	6,318	673	5,165	1,112
Courtyard by Marriott	Louisville, KY	15,010	1,352	13,467	338
Courtyard by Marriott	Crystal City, VA	34,505	5,411	38,746	3,827

Courtyard by Marriott	Ft. Lauderdale, FL	15,000	2,244	19,216	510
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	Column A	Column B	Column C	Column D	
			Initial Cost FF&E, Buildings and	Costs Capitalized Since Acquisition FF&E, Buildings and	
Hotel Property	Location	Encumbrances	Land Improvements	Land Improvements	
			(In thousands)		
Courtyard by Marriott	Overland Park, KS	12,620	1,868	14,114	1,347
Courtyard by Marriott	Palm Desert, CA	11,350	2,722	12,071	1,476
Courtyard by Marriott	Foothill Ranch, CA	14,000	2,447	17,123	318
Courtyard by Marriott	Alpharetta, GA	10,800	2,244	12,422	1,569
Courtyard by Marriott	Philadelphia, PA	42,783	9,608	95,232	535
Courtyard by Marriott	Seattle, WA	59,868	17,351	58,700	153
Courtyard by Marriott	San Francisco, CA	68,540	22,154	72,102	2,292
Courtyard by Marriott	Orlando, FL	29,190	7,227	27,842	1,857
Courtyard by Marriott	Oakland, CA	24,002	5,000	19,799	86
Courtyard by Marriott	Scottsdale, AZ	23,043	3,700	24,498	363
Courtyard by Marriott	Plano, TX	19,688	2,069	22,010	103
Courtyard by Marriott	Edison, NJ	12,640	2,100	12,082	
Courtyard by Marriott	Newark, CA	6,227	2,800	11,036	34
Courtyard by Marriott	Manchester, CT	6,102	1,277	7,380	(7)
Courtyard by Marriott	Basking Ridge, NJ	42,640	5,300	45,347	1,393
	Lake Buena Vista,				
Marriott Residence Inn	FL	25,065	2,555	22,887	2,771
Marriott Residence Inn	Evansville, IN	6,911	960	6,285	943
Marriott Residence Inn	Orlando, FL	36,470	6,554	41,939	999
Marriott Residence Inn	Falls Church, VA	23,850	2,752	35,058	2,095
Marriott Residence Inn	San Diego, CA	21,375	3,156	29,589	2,055
Marriott Residence Inn	Salt Lake City, UT	14,700	1,897	16,429	466
Marriott Residence Inn	Palm Desert, CA	11,750	3,280	10,528	1,189
Marriott Residence Inn	Las Vegas, NV	54,361	18,177	49,524	172
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Hotel Property	Column A Location	Column B Encumbrances	Column C		Column D	
			Land (In thousands)	Initial Cost FF&E, Buildings and Improvements	Costs Capitalized Since Acquisition FF&E, Buildings and Improvements	
Marriott Residence Inn	Phoenix, AZ	23,150	4,100	26,087		83
Marriott Residence Inn	Plano, TX	14,760	2,000	16,551		177
Marriott Residence Inn	Newark, CA	11,120	3,200	11,958		16
Marriott Residence Inn	Manchester, CT		1,434	8,298		(2)
Marriott Residence Inn	Atlanta, GA	15,933	1,860	16,440		111
Marriott Residence Inn	Jacksonville, FL		1,997	18,681		164
TownePlace Suites by Marriott	Manhattan Beach, CA	20,230	4,700	17,282		515
Sea Turtle Inn	Altantic Beach, FL	22,753	5,815	17,440		20,554
Sheraton Hotel	Langhorne, PA	18,382	2,037	12,624		6,654
Sheraton Hotel	Minneapolis, MN	19,575	2,953	14,753		2,408
Sheraton Hotel	Milford, MA	5,784	698	3,996		4,451
Sheraton Hotel	Indianapolis, IN	27,225	3,100	22,481		9,856
Sheraton Hotel	Anchorage, AK	24,607	4,023	40,207		3,676
Sheraton Hotel	Iowa City, IA	15,600	2,087	12,916		(5,453)
Sheraton Hotel	San Diego, CA	35,922	7,294	37,162		2,210
Hyatt Regency	Anaheim, CA		16,242	64,967		2,482
Hyatt Regency	Herndon, VA	47,450	6,753	66,196		2,212
Hyatt Regency	Montreal, CAN		7,785	42,402		1,150
Hyatt Regency	Detriot, MI	30,118	3,150	47,711		854
Hyatt Regency	Coral Gables, FL	39,784	4,700	50,108		134
Crowne Plaza	Beverly Hills, CA	32,025	6,510	22,458		3,193
Crowne Plaza	Key West, FL	29,474		27,746		3,935
Annapolis Inn	Annapolis, MD	12,850	3,028	7,962		5,107
Westin	Rosemonth, IL	101,000	14,033	111,198		1,225
Renaissance	Tampa, FL	45,695		74,508		352
Totals		\$ 2,635,775	\$ 570,778	\$ 3,427,710	\$ 1,144	\$ 218,042

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Property	Location	Column E Gross Carrying Amount at Close of Period FF&E, Buildings and			Column F	Column G	Column H	Column I
		Land	Improvements	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Deprecia Life In Latest Income Stateme
Suites	Austin, TX	\$ 1,401	\$ 14,591	\$ 15,992	\$ 5,241	August 1998		(1)
Suites	Dallas, TX	2,115	14,003	16,119	5,438	December 1998		(1)
Suites	Herndon, VA	1,580	15,457	17,037	5,304	December 1998		(1)
Suites	Las Vegas, NV	3,704	27,496	31,200	8,253	May 1999		(1)
Suites	Syracuse, NY	2,839	15,071	17,910	3,795		October 2003	(1)
Suites	Flagstaff, AZ	1,267	6,662	7,929	1,499		October 2003	(1)
Suites	Houston, TX	1,800	11,790	13,590	1,149		March 2005	(1)
Suites	West Palm Beach, FL	5,106	15,945	21,051	1,745		March 2005	(1)
Suites	Philadelphia, PA	5,791	40,103	45,894	1,826		December 2006	(1)
Suites	Walnut Creek, CA	7,452	30,937	38,389	1,843		December 2006	(1)
Suites	Arlington, VA	35,466	45,107	80,573	2,145		April 2007	(1)
Suites	Portland, OR	10,938	62,130	73,068	2,518		April 2007	(1)
Suites	Santa Clara, CA	8,800	50,773	59,573	2,202		April 2007	(1)
Suites	Orlando, FL	5,580	22,668	28,248	842		April 2007	(1)
n Hotel	Holtsville, NY	5,758	21,103	26,860	5,798		January 2001	(1)
n Hotel	Rockland, MA	585	4,290	4,875	677		March 2005	(1)
ree Guest	Columbus, OH		11,985	11,985	2,566		October 2003	(1)
arden Inn	Jacksonville, FL	1,751	11,692	13,443	1,953		November 2003	(1)
	Fort Worth, TX	5,100	26,869	31,969	4,145		March 2005	(1)
	Houston, TX	2,200	17,404	19,604	1,962		March 2005	(1)
	St. Petersburg, FL	2,991	21,618	24,609	2,698		March 2005	(1)
	Santa Fe, NM	7,004	15,244	22,247	1,817		March 2005	(1)
	Bloomington, MN	5,685	63,288	68,973	2,527		December 2006	(1)
	Washington DC	44,779	106,651	151,430	5,754		April 2007	(1)
	La Jolla, CA		119,128	119,128	5,119		April 2007	(1)
	Costa Mesa, CA	12,717	99,884	112,601	4,313		April 2007	(1)
	Tuscon, AZ	11,836	57,541	69,377	4,118		April 2007	(1)
	Dallas, TX	3,411	70,005	73,416	3,958		April 2007	(1)
	Rye Town, NY	10,082	38,736	48,818	2,389		April 2007	(1)
	Auburn Hills, MI	3,910	13,940	17,850	569		April 2007	(1)
ood Suites	Mobile, AL	1,334	8,936	10,270	1,284		November 2003	(1)
n Inn	Lawrenceville, GA	697	4,390	5,087	699		November 2003	(1)
n Inn	Evansville, IN	1,301	8,064	9,364	1,756		September 2004	(1)
n Inn	Terre Haute, IN	700	9,179	9,879	1,276		September 2004	(1)
n Inn	Buford, GA	1,168	6,206	7,374	843		July 2004	(1)
n Inn	Houston, TX	2,712	15,050	17,762	964		April 2007	(1)
n Inn	Jacksonville, FL	1,701	13,342	15,043	230		May 2007	(1)

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	Durham, NC	1,794	30,598	32,392	2,405	February 2006	(1)
	Arlington, VA	20,637	113,223	133,860	5,208	July 2006	(1)
	Seattle, WA	31,888	139,872	171,760	4,782	April 2007	(1)
	Bridgewater, NJ	4,948	92,643	97,591	3,596	April 2007	(1)
	Plano, TX	2,665	94,205	96,870	3,811	April 2007	(1)
	Dallas, TX	2,642	32,713	35,355	1,480	April 2007	(1)
riott	San Francisco, CA		110,073	110,073	8,998	April 2006	(1)
riott	New Orleans, LA		66,690	66,690	3,437	April 2007	(1)
ill Suites							
ott	Jacksonville, FL	1,348	8,782	10,130	1,460	November 2003	(1)
ill Suites							
ott	Baltimore, MD	2,502	14,798	17,300	1,757	May 2004	(1)
ill Suites							
ott	Kennesaw, GA	1,122	6,145	7,267	811	July 2004	(1)
ill Suites							
ott	Buford, GA	1,132	6,717	7,849	861	July 2004	(1)
ill Suites							
ott	Gaithersburg, MD	2,200	21,340	23,540	1,598	June 2005	(1)
ill Suites							
ott	Centerville, VA	1,806	13,099	14,905	1,062	June 2005	(1)
ill Suites							
ott	Charlotte, NC	1,235	7,389	8,624	772	June 2005	(1)
ill Suites							
ott	Durham, NC	1,090	4,291	5,381	369	June 2005	(1)
ill Suites							
ott	Orlando, FL	8,431	28,808	37,239	1,013	April 2007	(1)
ill Suites							
ott	Manhattan Beach, CA	5,600	20,909	26,509	534	April 2007	(1)
ill Suites							
ott	Plymouth Meeting, PA	3,140	24,896	28,036	664	April 2007	(1)
ill Suites							
ott	Glen Allen, VA	2,000	15,685	17,685	503	April 2007	(1)
Inn by							
	Kennesaw, GA	840	4,685	5,525	514	July 2004	(1)
Inn by							
	Orlando, FL	6,364	11,562	17,926	557	April 2007	(1)
rd by							
	Bloomington, IN	900	12,568	13,468	1,713	September 2004	(1)
rd by							
	Columbus, IN	673	6,277	6,950	916	September 2004	(1)
rd by							
	Louisville, KY	1,352	13,805	15,157	1,928	September 2004	(1)
rd by							
	Crystal City, VA	5,411	42,573	47,984	3,362	June 2005	(1)
rd by							
	Ft. Lauderdale, FL	2,244	19,726	21,970	1,958	June 2005	(1)
rd by							
	Overland Park, KS	1,868	15,461	17,329	1,162	June 2005	(1)

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Hotel Property	Location	Column E Gross Carrying Amount at Close of Period FF&E, Buildings and			Column F	Column G	Column H	Column I
		Land	Improvements	Total	Accumulated Depreciation	Construction	Acquisition	Depreciable Life In Latest Income Statement
					Depreciation Date		Date	
Residence Inn by Marriott	Palm Desert, CA	2,722	13,547	16,269	1,145		June 2005	(1),(2), (3)
Residence Inn by Marriott	Foothill Ranch, CA	2,447	17,441	19,888	1,755		June 2005	(1),(2), (3)
Residence Inn by Marriott	Alpharetta, GA	2,244	13,991	16,235	1,203		June 2005	(1),(2), (3)
Residence Inn by Marriott	Philadelphia, PA	9,608	95,767	105,375	3,326		April 2007	(1),(2), (3)
Residence Inn by Marriott	Seattle, WA	17,351	58,853	76,204	1,887		April 2007	(1),(2), (3)
Residence Inn by Marriott	San Francisco, CA	22,154	74,394	96,548	3,151		April 2007	(1),(2), (3)
Residence Inn by Marriott	Orlando, FL	7,227	29,699	36,926	1,126		April 2007	(1),(2), (3)
Residence Inn by Marriott	Oakland, CA	5,000	19,885	24,885	663		April 2007	(1),(2), (3)
Residence Inn by Marriott	Scottsdale, AZ	3,700	24,861	28,561	789		April 2007	(1),(2), (3)
Residence Inn by Marriott	Plano, TX	2,069	22,113	24,182	552		April 2007	(1),(2), (3)
Residence Inn by Marriott	Edison, NJ	2,100	12,082	14,182	691		April 2007	(1),(2), (3)
Residence Inn by Marriott	Newark, CA	2,800	11,070	13,870	745		April 2007	(1),(2), (3)
Residence Inn by Marriott	Manchester, CT	1,277	7,373	8,650	342		April 2007	(1),(2), (3)
Residence Inn by Marriott	Basking Ridge, NJ	5,300	46,740	52,040	1,618		April 2007	(1),(2), (3)
Residence Inn by Marriott	Lake Buena Vista, FL	2,555	25,658	28,213	4,141		March 2004	(1),(2), (3)
Residence Inn by Marriott	Evansville, IN	960	7,228	8,188	958		September 2004	(1),(2), (3)
Residence Inn by Marriott	Orlando, FL	6,554	42,938	49,492	4,109		June 2005	(1),(2), (3)
Residence Inn by Marriott	Falls Church, VA	2,752	37,153	39,905	2,807		June 2005	(1),(2), (3)
Residence Inn by Marriott	San Diego, CA	3,156	31,644	34,800	2,580		June 2005	(1),(2), (3)
Residence Inn by Marriott	Salt Lake City, UT	1,897	16,895	18,792	1,178		June 2005	(1),(2), (3)

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	Years Ended December 31,		
	2007	2006	2005
Investment in Real Estate:			
Beginning Balance	\$ 1,863,741	\$ 1,284,368	\$ 457,801
Additions	2,834,970	690,507	859,187
Disposals	(481,041)	(111,134)	(32,620)
Ending Balance	\$ 4,217,670	\$ 1,863,741	\$ 1,284,368
Accumulated Depreciation:			
Beginning Balance	\$ 113,980	\$ 61,105	\$ 31,342
Depreciation expense	167,506	52,075	29,771
Loss from reclassification		863	
Writeoffs	(23,343)	(63)	(8)
Ending Balance	\$ 258,143	\$ 113,980	\$ 61,105
Investment in Real Estate, net	\$ 3,959,527	\$ 1,749,761	\$ 1,223,263

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SCHEDULE IV MORTGAGE LOANS AND INTEREST EARNED ON REAL ESTATE
December 31, 2007

Description	Column A	Column B	Column C	Column D	Column E	Column F	Column G	
				Delinquent	Being	Accrued	Interest Income During Year Ended	
			Balance at	at	at	at	December 31,	
		Prior Liens	December 31,	December 31,	December 31,	December 31,	2007	
			2007	2007	2007	2007		
			(In thousands)					
Westin Hotel*	Various securities	\$	\$ 11,000	\$	\$	\$ 133	\$ 1,561	
Marriott Hotel	Franklin, TN		4,000			33	568	
Doubletree Guest Suites	Albuquerque, NM		3,000				500	
Four Seasons Resort	Nevis, West Indies		18,200			108	2,649	
Portfolio: 105 Hotels	Various		25,694			165	2,680	
Hilton Suites Galleria	Dallas, Texas		7,000			47	874	
Wyndham Dallas North	Dallas, Texas		4,000			25	469	
Westin Resorts	Various		21,500				230	
Total		\$	\$ 94,394	\$	\$	\$ 511	\$ 9,531	
Related to paid-off mortgage receivables							1,474	
Total							\$ 11,005	
Balance at January 1, 2007	\$		102,977					

New mortgage loans		21,500
Principal payments		(30,083)
Other (describe)		
Balance at December 31, 2007	\$	94,394

* On December 13, 2007, the Company substituted the collaterals of mortgage-backed securities on this loan with various government securities.

Table of Contents**Exhibit Index**

Exhibit Number	Description of Exhibit
3.1	Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.1 of Form S-11/A, filed on July 31, 2003)
3.2.1	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of Form S-11/A, filed on July 31, 2003)
3.2.2	Amendment No. 1 to Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2.2 to the Registrant's Form 10-K for the year ended December 31, 2003)
4.1	Form of Certificate for Common Stock (incorporated by reference to Exhibit 4.1 of Form S-11/A, filed on August 20, 2003)
4.1.1	Articles Supplementary for Series A Cumulative Preferred Stock, dated September 15, 2004 (incorporated by reference to Exhibit 4.4 to the Registrant's Form 8-K, dated September 21, 2004, for the event dated September 15, 2004)
4.1.2	Form of Certificate of Series A Cumulative Preferred Stock (incorporated by reference to Exhibit 4.4.1 to the Registrant's Form 8-K, dated September 21, 2004, for the event dated September 15, 2004)
4.2	Articles Supplementary for Series B-1 Convertible Preferred Stock, dated December 28, 2004 (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K, dated January 4, 2005, for the event dated December 28, 2004)
4.3	Articles Supplementary for Series B-2 Convertible Preferred Stock, dated December 28, 2004 (incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-K, dated January 4, 2005, for the event dated December 28, 2004)
4.4	Articles Supplementary for Series C Cumulative Redeemable Preferred Stock, dated April 11, 2007 (incorporated by reference to Exhibit 4.4 to the Registrant's Form 8-K, dated April 12, 2007, for the event dated April 11, 2007)
4.5	Articles Supplementary for Series D Cumulative Redeemable Preferred Stock, dated July 17, 2007 (incorporated by reference to Exhibit 3.5 to the Registrant's Form 8-A, filed July 17, 2007)
4.6	Form of Certificate of Series D Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-A, filed July 17, 2007)
10.1.1	Third Amended and Restated Agreement of Limited Partnership of Ashford Hospitality Limited Partnership (incorporated by reference to Exhibit 10.33.1.1 of Form 10-Q, filed on May 9, 2007)
10.1.2	Amendment No. 1 to Third Amended and Restated Agreement of Limited Partnership of Ashford Hospitality Limited Partnership (incorporated by reference to Exhibit 10.1.5 of the Registrant's Form 8-K, dated July 24, 2007, for the event dated July 18, 2007)
*10.1.3	Amendment No. 2 to Third Amended Restated Agreement of Limited Partnership of Ashford Hospitality Limited Partnership.
10.2	Registration Rights Agreement among Ashford Hospitality Trust, Inc. and the persons named therein (incorporated by reference to Exhibit 10.2 of Form S-11/A, filed on July 31, 2003)
10.3.1	Amended and Restated 2003 Stock Incentive Plan of Ashford Hospitality Trust, Inc. (incorporated by reference to Exhibit 10.3.1 to the Registrant's Form 8-K, dated May 9, 2005, for the event dated May 3, 2005)
*10.3.2	Nonqualified Deferred Compensation Plan of Ashford Hospitality Trust, Inc., dated January 1, 2008
10.4	Non-Compete Agreement between Ashford Hospitality Trust, Inc. and Archie Bennett, Jr. (incorporated by reference to Exhibit 10.4 of Form S-11/A, filed on July 31, 2003)

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- 10.5.1 Employment Agreement between Ashford Hospitality Trust, Inc. and Montgomery J. Bennett (incorporated by reference to Exhibit 10.5 of Form S-11/A, filed on July 31, 2003)
- 10.5.1.1 Employment Agreement Amendment between Ashford Hospitality Trust, Inc. and Montgomery J. Bennett (incorporated by reference to Exhibit 10.5.11 of Form 8-K, filed on April 3, 2006)
- 10.5.2 Employment Agreement between Ashford Hospitality Trust, Inc. and Douglas Kessler (incorporated by reference to Exhibit 10.6 of Form S-11/A, filed on July 31, 2003)

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Exhibit Number	Description of Exhibit
10.5.2.1	Employment Agreement Amendment between Ashford Hospitality Trust, Inc. and Douglas Kessler (incorporated by reference to Exhibit 10.5.7 of Form 8-K, filed on April 3, 2006)
10.5.3	Employment Agreement between Ashford Hospitality Trust, Inc. and David A. Brooks (incorporated by reference to Exhibit 10.7 of Form S-11/A, filed on July 31, 2003)
10.5.3.1	Employment Agreement Amendment between Ashford Hospitality Trust, Inc. and David A. Brooks (incorporated by reference to Exhibit 10.5.9 of Form 8-K, filed on April 3, 2006)
10.5.4	Employment Agreement between Ashford Hospitality Trust, Inc. and David Kimichik (incorporated by reference to Exhibit 10.8 of Form S-11/A, filed on July 31, 2003)
10.5.4.1	Employment Agreement Amendment between Ashford Hospitality Trust, Inc. and David Kimichik (incorporated by reference to Exhibit 10.5.8 of Form 8-K, filed on April 3, 2006)
10.5.5	Employment Agreement between Ashford Hospitality Trust, Inc. and Mark Nunneley (incorporated by reference to Exhibit 10.9 of Form S-11/A, filed on July 31, 2003)
10.5.5.1	Employment Agreement Amendment between Ashford Hospitality Trust, Inc. and Mark Nunneley (incorporated by reference to Exhibit 10.5.10 of Form 8-K, filed on April 3, 2006)
10.6	Form of Management Agreement between Remington Lodging and Ashford TRS Corporation (incorporated by reference to Exhibit 10.10 of Form S-11/A, filed on July 31, 2003)
10.6.1	Hotel Management Agreement between Remington Management, L.P. and Ashford TRS Corporation (incorporated by reference to Exhibit 10.6.1 of Form 10-K, filed on March 9, 2007)
10.7	Form of Lease Agreement between Ashford Hospitality Limited Partnership and Ashford TRS Corporation (incorporated by reference to Exhibit 10.11 of Form S-11/A, filed on July 31, 2003)
10.8.1	Assignment and Assumption of Contract and Contract Rights between Ashford Hospitality Limited Partnership and Ashford Financial Corporation, dated October 7, 2003 (incorporated by reference to Exhibit 10.4 of Form 10-Q, filed on November 14, 2003)
10.8.2	Assignment and Assumption of Contract and Contract Rights between Ashford Hospitality Limited Partnership and Ashford Financial Corporation, dated January 4, 2004 Bylaws (incorporated by reference to Exhibit 10.10.2 to the Registrant's Form 10-K for the year ended December 31, 2003)
10.9	Guaranty by Ashford Financial Corporation in favor of Ashford Hospitality Trust Limited Partnership (incorporated by reference to Exhibit 10.26 of Form S-11/A, filed on July 31, 2003)
10.10	Mutual Exclusivity Agreement by and between Ashford Hospitality Limited Partnership, Ashford Hospitality Trust, Inc., Remington Hotel Corporation and Remington Lodging and Hospitality, L.P. (incorporated by reference to Exhibit 10.22 of Form S-11/A, filed on July 31, 2003)
10.11	Tax Indemnification Agreement between Ashford Hospitality Trust, Inc. and the persons named therein (incorporated by reference to Exhibit 10.25 of Form S-11/A, filed on July 31, 2003)
10.12	Secured Revolving Credit Facility Agreement, dated February 5, 2004, among the Registrant and Credit Lyonnais New York Branch, as Administrative Agent and Sole Lead Arranger and Book Manager, and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., as Syndication Agent (incorporated by reference to Exhibit 10.15 to the Registrant's Form 10-Q for the quarter ended March 31, 2004)
10.12.1	First Amendment to Credit Agreement, dated August 17, 2004, among the Registrant, Calyon New York Branch, and Merrill Lynch Capital (incorporated by reference to Exhibit 10.15.1 of the Registrant's Form 10-Q for the quarter ended September 30, 2004)
10.12.2	Third Amendment to Credit Agreement, dated August 24, 2005, among the Registrant, Calyon New York Branch, and Merrill Lynch Capital (incorporated by reference to Exhibit 10.15.2 of the Registrant's Form 8-K, dated August 26, 2005, for the event dated August 24, 2005)
10.12.3	

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Fourth Amendment to Credit Agreement, dated September 8, 2006, among the Registrant, Calyon New York Branch, Merrill Lynch Capital, and Wachovia Bank (incorporated by reference to Exhibit 10.15.3 of the Registrant's Form 8-K, dated September 12, 2006, for the event dated September 8, 2006)

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Exhibit Number	Description of Exhibit
10.13	Contribution and Purchase and Sale Agreement, dated December 27, 2004, between the Registrant and FGSB Master Corp. (incorporated by reference to Exhibit 10.20 to the Registrant's Form 8-K, dated December 28, 2004, for the event dated December 27, 2004)
10.14	Purchase Agreement, dated December 27, 2004, between the Registrant and Security Capital Preferred Growth Incorporated (incorporated by reference to Exhibit 10.21 to the Registrant's Form 8-K, dated December 28, 2004, for the event dated December 27, 2004)
10.14.1	Form of Registration Rights Agreement, dated December 27, 2004, between the Registrant and Security Capital Preferred Growth Incorporated (incorporated by reference to Exhibit 10.21.1 to the Registrant's Form 8-K, dated December 28, 2004, for the event dated December 27, 2004)
10.14.2	Amendment #1 to Purchase Agreement, dated February 8, 2005, between the Registrant and Security Capital Preferred Growth Incorporated (incorporated by reference to Exhibit 10.21.2 to the Registrant's Form 8-K, dated February 9, 2005, for the event dated February 8, 2005)
10.15	Loan Agreement, dated October 28, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.23.2 to the Registrant's Form 8-K, dated November 1, 2005, for the event dated October 28, 2005)
10.15.1	Amendment No. 2 to Loan Agreement, dated October 28, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.23.2.1 to the Registrant's Form 8-K, dated July 27, 2006, for the event dated July 26, 2006)
10.15.2	\$45 Million Rate Protection Agreement, dated October 27, 2005, between the Registrant and SMBC Derivative Products Limited Branch (incorporated by reference to Exhibit 10.23.3 to the Registrant's Form 8-K, dated November 1, 2005, for the event dated October 28, 2005)
10.16	Commitment Letter, dated October 5, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.8 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.1	Early Rate Lock Agreement, dated October 5, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.9 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.2	Amended and Restated Loan Agreement, dated as of October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.10 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.2.1	Amended and Restated Cross-Collateralization and Cooperation Agreement, dated October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.10.1 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.2.2	Loan Agreement, dated as of October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.11 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.2.2.1	Cross-Collateralization and Cooperation Agreement, dated October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.11.1 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.3	Amended and Restated Loan Agreement, dated as of October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.12 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.3.1	

Amended and Restated Cross-Collateralization and Cooperation Agreement, dated October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.12.1 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)

10.16.4 Amended and Restated Loan Agreement, dated as of October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.13 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)

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Exhibit Number	Description of Exhibit
10.16.4.1	Amended and Restated Cross-Collateralization and Cooperation Agreement, dated October 13, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.13.1 to the Registrant's Form 8-K, dated October 19, 2005, for the event dated October 13, 2005)
10.16.5	Amended and Restated Loan Agreement, dated as of December 20, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.14 to the Registrant's Form 8-K, dated December 22, 2005, for the event dated December 20, 2005)
10.16.5.1	Amended and Restated Cross-Collateralization and Cooperation Agreement, dated December 20, 2005, between the Registrant and Merrill Lynch Mortgage Lending, Inc. (incorporated by reference to Exhibit 10.24.14.1 to the Registrant's Form 8-K, dated December 22, 2005, for the event dated December 20, 2005)
10.17	Mortgage Loan Agreement (Pool 1), dated November 14, 2005, between the Registrant and UBS Real Estate Investments, Inc. (incorporated by reference to Exhibit 10.25 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.1	Mortgage Loan Agreement (Pool 2), dated November 14, 2005, between the Registrant and UBS Real Estate Investments, Inc. (incorporated by reference to Exhibit 10.25.1 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.2	Guarantee of Recourse Obligations, dated November 14, 2005, by the Registrant for the benefit of UBS Real Estate Investments, Inc. with respect to Pool 1 (incorporated by reference to Exhibit 10.25.2 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.3	Guarantee of Recourse Obligations, dated November 14, 2005, by the Registrant for the benefit of UBS Real Estate Investments, Inc. with respect to Pool 1 (incorporated by reference to Exhibit 10.25.3 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.4	Guarantee of Recourse Obligations, dated November 14, 2005, by the Registrant for the benefit of UBS Real Estate Investments, Inc. with respect to Pool 2 (incorporated by reference to Exhibit 10.25.4 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.5	Guarantee of Recourse Obligations, dated November 14, 2005, by the Registrant for the benefit of UBS Real Estate Investments, Inc. with respect to Pool 2 (incorporated by reference to Exhibit 10.25.5 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.6	Interest Rate Lock Agreement (Pool 1), dated October 24, 2005, between the Registrant and UBS Real Estate Investments, Inc. (incorporated by reference to Exhibit 10.25.6 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.17.7	Interest Rate Lock Agreement (Pool 2), dated October 24, 2005, between the Registrant and UBS Real Estate Investments, Inc. (incorporated by reference to Exhibit 10.25.7 to the Registrant's Form 8-K, dated November 18, 2005, for the event dated November 14, 2005)
10.18	Purchase and Sale Agreement, dated October 12, 2005, between the Registrant and Schuylkill, LLC (incorporated by reference to Exhibit 10.26 to the Registrant's Form 8-K, dated November 28, 2005, for the event dated November 18, 2005)
10.18.1	Amendment No. 1 to Purchase and Sale Agreement, dated November 11, 2005, between the Registrant and Schuylkill, LLC (incorporated by reference to Exhibit 10.26.1 to the Registrant's Form 8-K, dated November 28, 2005, for the event dated November 18, 2005)

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- 10.18.2 Amendment No. 2 to Purchase and Sale Agreement, dated November 18, 2005, between the Registrant and Schuylkill, LLC (incorporated by reference to Exhibit 10.26.2 to the Registrant's Form 8-K, dated November 28, 2005, for the event dated November 18, 2005)
- 10.19 Revolving Credit Loan And Security Agreement, dated December 23, 2005, between the Registrant and UBS Real Estate Investments, Inc. (incorporated by reference to Exhibit 10.27 to the Registrant's Form 8-K, dated December 28, 2005, for the event dated December 23, 2005)

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Exhibit Number	Description of Exhibit
10.20	Purchase and Sale Agreement, dated February 16, 2006, between the Registrant and W2001 Pac Realty, LLC. (incorporated by reference to Exhibit 10.28 to the Registrant's Form 8-K, dated February 23, 2006, for the event dated February 16, 2006)
10.21	Purchase and Sale Agreement, dated May 18, 2006, between the Registrant and EADS Associates Limited Partnership (incorporated by reference to Exhibit 10.29 to the Registrant's Form 8-K, dated May 23, 2006, for the event dated May 18, 2006)
10.22	Purchase and Sale Agreement, dated September 6, 2006, between the Registrant and JER O Hare Hotel, LLC (incorporated by reference to Exhibit 10.30 to the Registrant's Form 8-K, dated September 8, 2006, for the event dated September 6, 2006)
10.23	Purchase and Sale Agreement, dated September 15, 2006, between the Registrant and a partnership between Oak Hill Capital Partners, The Blackstone Group, and Interstate Hotels and Resorts (incorporated by reference to Exhibit 10.31 to the Registrant's Form 8-K, dated September 19, 2006, for the event dated September 15, 2006)
10.23.1	Loan Agreement, dated December 7, 2006, between the Registrant and Countrywide Commercial Real Estate Finance, Inc. (incorporated by reference to Exhibit 10.3.1 to the Registrant's Form 8-K, dated December 6, 2006, for the event dated December 7, 2006)
10.23.2	\$212 Million Rate Protection Agreement, dated December 6, 2006, between the Registrant and SMBC Derivative Products Limited Branch (incorporated by reference to Exhibit 10.31.2 to the Registrant's Form 8-K, dated December 6, 2006, for the event dated December 7, 2006)
10.23.3	\$35 Million Rate Protection Agreement, dated December 6, 2006, between the Registrant and SMBC Derivative Products Limited Branch (incorporated by reference to Exhibit 10.31.3 to the Registrant's Form 8-K, dated December 6, 2006, for the event dated December 7, 2006)
10.24	Loan Agreement, dated November 16, 2006, between the Registrant and Morgan Stanley Mortgage Capital, Inc. (incorporated by reference to Exhibit 10.32 to the Registrant's Form 8-K, dated November 20, 2006, for the event dated November 16, 2006)
10.25	Purchase and Sale Agreement, dated January 18, 2007, between the Registrant and CNL Hotels and Resorts, Inc. (incorporated by reference to Exhibit 10.33 of Form 10-K, filed on March 9, 2007)
10.25.1	Agreement and Plan of Merger, dated January 18, 2007, between the Registrant, MS Resort Holdings LLC, MS Resort Acquisition LLC, MS Resort Purchase LLC, and CNL Hotels & Resorts, Inc. (incorporated by reference to Exhibit 10.33.1 of Form 10-K, filed on March 9, 2007)
10.25.1.1	Amendment #1 to Agreement and Plan of Merger, dated February 21, 2007, between the Registrant, MS Resort Holdings LLC, MS Resort Acquisition LLC, MS Resort Purchase LLC, and CNL Hotels & Resorts, Inc. (incorporated by reference to Exhibit 10.33.1.1 of Form 10-Q, filed on May 9, 2007)
10.25.1.2	Amendment #2 to Agreement and Plan of Merger, dated April 4, 2007, between the Registrant, MS Resort Holdings LLC, MS Resort Acquisition LLC, MS Resort Purchase LLC, and CNL Hotels & Resorts, Inc. (incorporated by reference to Exhibit 10.33.1.2 of Form 10-Q, filed on May 9, 2007)
10.25.2	Guaranty Agreement, dated January 18, 2007, between the Registrant and Morgan Stanley Real Estate Fund V U.S., L.P. in favor of CNL Hotels and Resorts, Inc. (incorporated by reference to Exhibit 10.33.3 of Form 10-K, filed on March 9, 2007)
10.25.3	Contribution and Rights Agreement, dated January 18, 2007, between the Registrant and Morgan Stanley Real Estate Fund V U.S., L.P. (incorporated by reference to Exhibit 10.33.3 of Form 10-K, filed on March 9, 2007)
10.25.4	

Loan and Security Agreement, dated as of April 11, 2007, between Ashford Sapphire Junior Holder I LLC, Ashford Sapphire Junior Holder II LLC, and Wachovia Bank, National Association (incorporated by reference to Exhibit 10.33.4 to the Registrant's Form 8-K, dated April 13, 2007, for the event dated April 11, 2007)

- 10.25.4.1 Loan and Security Agreement, dated as of April 11, 2007, between Ashford Sapphire Junior Mezz I LLC, Ashford Sapphire Junior Mezz II LLC and Wachovia Bank, National Association (incorporated by reference to Exhibit 10.33.4.1 to the Registrant's Form 8-K, dated April 13, 2007, for the event dated April 11, 2007)

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Exhibit Number	Description of Exhibit
10.25.4.2	Loan and Security Agreement, dated as of April 11, 2007, between Ashford Sapphire Senior Mezz I LLC, Ashford Senior Mezz II LLC and Wachovia Bank, National Association (incorporated by reference to Exhibit 10.33.4.2 to the Registrant's Form 8-K, dated April 13, 2007, for the event dated April 11, 2007)
10.25.4.3	Form of Mortgage, Security Agreement, Assignment of Rents and Fixture Filing (Floating Rate Pool) (incorporated by reference to Exhibit 10.33.4.3 to the Registrant's Form 8-K, dated April 13, 2007, for the event dated April 11, 2007)
10.25.4.4	Form of Mortgage, Security Agreement, Assignment of Rents and Fixture Filing (Fixed Rate Pool) (incorporated by reference to Exhibit 10.33.4.4 to the Registrant's Form 8-K, dated April 13, 2007, for the event dated April 11, 2007)
10.25.4.5	Credit Agreement, dated as of April 10, 2007, by and among Ashford Hospitality Limited Partnership, as Borrower, Ashford Hospitality Trust, Inc., as Parent, Wachovia Capital Markets, LLC, as Arranger, Wachovia Bank, National Association, as Administrative Agent, Morgan Stanley Senior Funding, Inc. and Merrill Lynch Bank USA, as Co-Syndication Agents, each of Bank America, N.A. and Caylon New York Branch, as Co-Documentation Agents and the financial institutions initially signatory thereto and their assignees, as Lenders (incorporated by reference to Exhibit 10.33.4.5 to the Registrant's Form 8-K, dated April 13, 2007, for the event dated April 10, 2007)
10.25.4.5.1	First Amendment to Credit Agreement between the Registrant and Wachovia Bank, National Association, dated May 22, 2007 (incorporated by reference to Exhibit 10.33.4.5.1 of Form 8-K, dated May 24, 2007, for the event dated May 22, 2007).
10.25.4.5.2	Guarantor Acknowledgement of the Registrant in favor of Wachovia Bank, National Association, dated May 22, 2007 (incorporated by reference to Exhibit 10.33.4.5.2 of Form 8-K, dated May 24, 2007, for the event dated May 22, 2007).
10.25.4.5.3	Revolving Note Agreements between the Registrant and Wachovia Bank, National Association, dated May 22, 2007 (incorporated by reference to Exhibit 10.33.4.5.3 of Form 8-K, dated May 24, 2007, for the event dated May 22, 2007)
10.25.4.6	Form of Guaranty for Fixed-Rate Pool between the Registrant and Wachovia Bank, National Association, dated April 11, 2007 (incorporated by reference to Exhibit 10.33.4.6 of Form 10-Q, filed on May 9, 2007)
10.25.4.7	Guaranty Agreement for Floating-Rate Pool between Registrant and Wachovia Bank, National Association, dated April 11, 2007 (incorporated by reference to Exhibit 10.33.4.7 of Form 10-Q, filed on May 9, 2007)
10.25.4.8	Guaranty Agreement for Junior Mezzanine Loan between Registrant and Wachovia Bank, National Association, dated April 11, 2007 (incorporated by reference to Exhibit 10.33.4.8 of Form 10-Q, filed on May 9, 2007)
10.25.4.9	Guaranty Agreement for Intermediate Mezzanine Loan between Registrant and Wachovia Bank, National Association, dated April 11, 2007 (incorporated by reference to Exhibit 10.33.4.9 of Form 10-Q, filed on May 9, 2007)
10.25.4.10	Guaranty Agreement for Senior Mezzanine Loan between Registrant and Wachovia Bank, National Association, dated April 11, 2007 (incorporated by reference to Exhibit 10.33.4.10 of Form 10-Q, filed on May 9, 2007)
10.25.5	Stock Purchase Agreement, dated April 11, 2007, between the registrant and Wachovia Investment Holdings, LLC (incorporated by reference to Exhibit 10.33.5 to the Registrant's Form 8-K, dated April 12, 2007, for the event dated April 11, 2007)

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- 10.25.5.1 Investor Rights Agreement, dated April 11, 2007, between the registrant and Wachovia Investment Holdings, LLC (incorporated by reference to Exhibit 10.33.5.1 to the Registrant's Form 8-K, dated April 12, 2007, for the event dated April 11, 2007)
- 10.25.5.2 Letter Agreement, dated April 10, 2007, between the registrant and Security Capital Preferred Growth Incorporated (incorporated by reference to Exhibit 10.33.5.2 to the Registrant's Form 8-K, dated April 12, 2007, for the event dated April 11, 2007)

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Exhibit Number	Description of Exhibit
*10.26	Investor Program Agreement, dated January 22, 2008, between the registrant and Prudential Investment Management, Inc.
*10.26.1	Form of Joint Venture Agreement to the Investor Program Agreement, dated January 22, 2008, between the registrant and Prudential Investment Management, Inc.
*10.26.2	Form of Loan Servicing Agreement to the Investor Program Agreement, dated January 22, 2008, between the registrant and Prudential Investment Management, Inc.
*10.26.3	Limited Liability Company Agreement of PIM Ashford Venture I, LLC, dated February 6, 2008, between the registrant and Prudential Investment Management, Inc.
*21.1	Registrant's Subsidiaries Listing as of December 31, 2007
*23.1	Consent of Ernst & Young LLP
*31.1	Certification of the Chief Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
*31.2	Certification of the Chief Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
*31.3	Certification of the Chief Accounting Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
*32.1	Certification of the Chief Executive Officer Required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (In accordance with Sec Release 33-8212, this exhibit is being furnished, and is not being filed as part of this report or as a separate disclosure document, and is not being incorporated by reference into any Securities Act of 1933 registration statement.)
*32.2	Certification of the Chief Financial Officer Required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (In accordance with Sec Release 33-8212, this exhibit is being furnished, and is not being filed as part of this report or as a separate disclosure document, and is not being incorporated by reference into any Securities Act of 1933 registration statement.)
*32.3	Certification of the Chief Accounting Officer Required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (In accordance with Sec Release 33-8212, this exhibit is being furnished, and is not being filed as part of this report or as a separate disclosure document, and is not being incorporated by reference into any Securities Act of 1933 registration statement.)