

ASHFORD HOSPITALITY TRUST INC

Form 8-K/A

December 08, 2004

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 8-K/A

CURRENT REPORT

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

Date of Report (date of earliest event reported): October 1, 2004

ASHFORD HOSPITALITY TRUST, INC.

(Exact name of registrant as specified in its charter)

MARYLAND  
(State of Incorporation)

001-31775  
(Commission File Number)

86-1062192  
(I.R.S. Employer  
Identification Number)

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

75254  
(Zip code)

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

EXPLANATORY NOTE: Pursuant to Item 9.01 of Form 8-K, this Current Report on Form 8-K/A amends the Registrant's Current Report on Form 8-K for the event dated September 24, 2004, to include the historical financial statements and pro forma financial information required by Item 9.01 (a) and (b).

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FORM 8-K/A

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**ITEM 2.01. ACQUISITION OR DISPOSITION OF ASSETS**

On October 1, 2004, Ashford Hospitality Trust, Inc. (the Company ) acquired the Hyatt Orange County hotel in Anaheim, California ( Hyatt Orange County ) from Atrium Plaza, LLC for approximately \$81.0 million in cash, inclusive of the seller's commitment to fund a \$6.0 million renovation, which will be completed in December 2004. The purchase price was the result of an arms length negotiation.

Hyatt Orange County has 654 rooms in two towers connected with a 17-story atrium, 65,000 square feet of meeting space, an exercise facility, restaurant, Starbucks and Pizza Hut outlets, two swimming pools, a business center, and a gift shop. The hotel is located approximately one mile south of the entrance to Disneyland Park, the Anaheim Convention Center, Downtown Disney District, and California Adventure.

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

REPORT OF INDEPENDENT AUDITORS

BOARD OF TRUSTEES AND SHAREHOLDERS  
ASHFORD HOSPITALITY TRUST, INC.

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

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

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

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

/s/ Holland Shipes Vann, P.C.

Atlanta, Georgia  
November 12, 2004

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HYATT REGENCY ORANGE COUNTY  
HISTORICAL SUMMARY OF REVENUE AND DIRECT OPERATING EXPENSES FOR THE NINE MONTHS  
ENDED SEPTEMBER 30, 2004 AND YEAR ENDED DECEMBER 31, 2003

|  | <b>Nine Months<br/>Ended<br/>September 30,<br/>2004<br/><br/>(unaudited)</b> | <b>Year<br/>Ended<br/>December 31,<br/>2003</b> |
|--|--|---|
|  | <hr/>  | <hr/>   |
| <b>Revenue</b>                                       |  |   |
| Rooms  | \$11,851,663   | \$15,048,963                                    |
| Food and beverage                                    | 6,948,235  | 9,115,427                                       |
| Telephone  | 275,940  | 363,600   |
| Other  | 1,716,191  | 2,045,247                                       |
|  | <hr/>  | <hr/>   |
| <b>Total Revenue</b>                                 | 20,792,029   | 26,573,237                                      |
| <b>Direct Operating Expenses</b>                     |  |   |
| Rooms  | 3,854,293  | 4,560,932                                       |
| Food and beverage                                    | 5,578,014  | 7,195,082                                       |
| Telephone  | 262,549  | 347,645   |
| Other direct   | 516,460  | 629,944   |
| Indirect   | 5,477,818  | 6,517,622                                       |
| Property taxes and insurance                         | 755,400  | 941,780   |
| Management fees                                      | 609,017  | 740,103   |
|  | <hr/>  | <hr/>   |
| <b>Total Direct Operating Expenses</b>               | 17,053,551   | 20,933,108                                      |
|  | <hr/>  | <hr/>   |
| <b>Excess Revenue Over Direct Operating Expenses</b> | \$ 3,738,478   | \$ 5,640,129                                    |
|  | <hr/>  | <hr/>   |

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

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HYATT REGENCY ORANGE COUNTY

NOTES TO HISTORICAL SUMMARY OF REVENUE AND DIRECT OPERATING EXPENSES

1. ORGANIZATION AND BASIS FOR PRESENTATION

The accompanying Historical Summary of Revenue and Direct Operating Expenses (the Historical Summary ) is comprised of the revenue and direct operating expenses of the Hyatt Regency Orange County hotel in Anaheim, California (the Hotel ), owned by Atrium Plaza, LLC, during the year ended December 31, 2003 and the nine month period ended September 30, 2004 (unaudited).

On October 1, 2004, Ashford Hospitality Trust, Inc. (the Company ) acquired the Hotel for approximately \$81.0 million, inclusive of the seller's commitment to fund a \$6.0 million renovation, which will be completed in December 2004. The Historical Summary was prepared for the purpose of assisting management of Ashford Hospitality Trust, Inc. in complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission. Accordingly, the Historical Summary excludes certain items not comparable to the proposed future operations of the Hotel such as mortgage interest expense, depreciation expense, corporate expenses, and interest income. Consequently, the Historical Summary is not representative of the actual operations of the Hotel for the periods presented nor is it necessarily indicative of future operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Revenue and Direct Operating Expenses** Revenue is recognized as the related service is performed. Expenses are recognized when incurred. Other revenue consists primarily of revenue from parking, meeting room rentals, in-house movie services, gift shop, and the Starbucks and Pizza Hut outlets. Indirect expenses primarily consist of general and administrative, sales and marketing, property operations, and energy expenses.

**Advertising and Promotion Costs** Advertising and promotion costs are expensed as incurred. For the nine months ended September 30, 2004 and year ended December 31, 2003, total advertising and promotion cost was approximately \$579,000 (unaudited) and \$819,000, respectively.

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

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

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HYATT REGENCY ORANGE COUNTY  
NOTES TO HISTORICAL SUMMARY OF REVENUE  
AND DIRECT OPERATING EXPENSES

**3. LEASES**

The Hotel has entered into certain noncancelable operating leases for certain equipment. For the nine months ended September 30, 2004 and year ended December 31, 2003, total rent expense was approximately \$29,000 (unaudited) and \$37,800, respectively. Future minimum lease payments under these leases as of September 30, 2004 and December 31, 2003 are as follows:

|           | <b>As of<br/>September 30, 2004<br/>(unaudited)</b> |       | <b>As of<br/>December 31, 2003</b> |
|-----------|---|-------|------------------------------------|
| 2004-2005 | \$34,009  | 2004  | \$ 37,867                          |
| 2005-2006 | 26,740  | 2005  | 32,926                             |
| 2006-2007 | 16,888  | 2006  | 23,289                             |
| 2007-2008 | 3,824   | 2007  | 15,463                             |
| 2008-2009 | 52  | 2008  | 917                                |
|           | <hr/>   |       | <hr/>                              |
| Total     | \$81,513  | Total | \$110,462                          |
|           | <hr/>   |       | <hr/>                              |

**4. MANAGEMENT AGREEMENT**

The Hotel is operated under a management agreement with Hyatt Corporation ( Hyatt ). Management fees are based on 2% of gross receipts, as defined, from February 6, 2002 to February 28, 2003. Thereafter, the management fee is equal to 3% of gross receipts, as defined. This management agreement expires in 2022.

In addition to management fees earned by Hyatt, the Hotel incurs charges for services, programs, and allocated costs from Hyatt and certain of its subsidiaries and affiliates in connection with its operation and Hyatt s customary practices. For the nine months ended September 30, 2004 and year ended December 31, 2003 total charges were approximately \$2,311,000 (unaudited) and \$2,618,000, respectively.



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ASHFORD HOSPITALITY TRUST, INC.  
CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS

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

The Unaudited Pro Forma Consolidated Balance Sheet at September 30, 2004 has been prepared to reflect the acquisition of Hyatt Orange County, as if such transaction had occurred on September 30, 2004.

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

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The following consolidated pro forma financial statements should be read in conjunction with the Company's Form 8-K filed with the Securities and Exchange Commission on September 30, 2004, which announced the acquisition of Hyatt Orange County, the Company's consolidated financial statements and notes thereto for the year ended December 31, 2003, which are incorporated by reference in the Company's Form 10-K, filed March 29, 2004, and the Combined Historical Summary of Revenue and Direct Operating Expenses and Notes included elsewhere in this Form 8-K/A. In the Company's opinion, all significant adjustments necessary to reflect the acquisition have been made.

**Table of Contents****Ashford Hospitality Trust, Inc.****Consolidated Pro Forma Balance Sheet  
As of September 30, 2004  
(Unaudited)**

|                                       | <b>Historical<br/>September 30,<br/>2004</b> | <b>(a)<br/>Hyatt Orange<br/>County<br/>Pro Forma<br/>Adjustments</b> | <b>Pro Forma<br/>September 30,<br/>2004</b> |
|---------------------------------------|--|--|---|
| <b>Assets</b>                         |  |  |   |
| Investment in hotel properties, net   | \$347,738,782                                | \$ 81,563,572(1)   | \$429,302,354                               |
| Cash                                  | 92,344,154                                   | (81,563,572)(2)  | 10,780,582                                  |
| Restricted cash                       | 21,029,522                                   |  | 21,029,522                                  |
| Accounts receivable, net of allowance | 4,473,071                                    |  | 4,473,071                                   |
| Inventories                           | 464,703                                      |  | 464,703                                     |
| Notes receivable                      | 90,552,800                                   |  | 90,552,800                                  |
| Deferred costs, net                   | 10,249,080                                   |  | 10,249,080                                  |
| Prepaid expenses                      | 1,834,236                                    |  | 1,834,236                                   |
| Other assets                          | 2,274,142                                    |  | 2,274,142                                   |
| Due from affiliates                   | 195,060                                      |  | 195,060                                     |
| <b>Total assets</b>                   | <b>\$571,155,550</b>                         | <b>\$</b>  | <b>\$571,155,550</b>                        |
| <b>Liabilities and Owners Equity</b>  |  |  |   |
| Indebtedness                          | \$286,422,168                                | \$   | \$286,422,168                               |
| Capital leases payable                | 369,927                                      |  | 369,927                                     |
| Accounts payable                      | 5,690,010                                    |  | 5,690,010                                   |
| Accrued expenses                      | 10,074,102                                   |  | 10,074,102                                  |
| Other liabilities                     | 208,313                                      |  | 208,313                                     |
| Dividends payable                     | 4,467,172                                    |  | 4,467,172                                   |
| Deferred income                       | 519,872                                      |  | 519,872                                     |
| Due to affiliates                     | 1,026,910                                    |  | 1,026,910                                   |
| <b>Total liabilities</b>              | <b>\$308,778,474</b>                         | <b>\$</b>  | <b>\$308,778,474</b>                        |
| Commitments & contingencies           | \$   | \$   | \$  |
| Minority interest                     | \$ 40,128,755                                | \$   | \$ 40,128,755                               |
| Preferred stock                       | \$ 23,000                                    | \$   | \$ 23,000                                   |
| Common stock                          | 258,104                                      |  | 258,104                                     |
| Additional paid-in capital            | 235,124,140                                  |  | 235,124,140                                 |
| Unearned compensation                 | (4,542,279)                                  |  | (4,542,279)                                 |

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|  |                             |                             |                             |
|--|-----------------------------|-----------------------------|-----------------------------|
| Accumulated other comprehensive<br>income loss | (102,831)                   |                             | (102,831)                   |
| Accumulated deficit                            | (8,511,813)                 |                             | (8,511,813)                 |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total owners' equity                           | \$222,248,321               | \$                          | \$222,248,321               |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total liabilities and owners' equity           | \$571,155,550               | \$                          | \$571,155,550               |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |

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

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Explanation of pro forma adjustments:

- (a) Represents pro forma adjustments to reflect the acquisition of Hyatt Orange County on October 1, 2004.
- (1) Represents management's estimate of the allocation of the purchase price and closing costs.
- (2) Represents payment of the purchase price, closing costs, and related costs of acquiring the properties.

**Table of Contents****Ashford Hospitality Trust, Inc.****Consolidated Pro Forma Statement of Operations For the Nine Months Ended September 30, 2004 (Unaudited)**

|                                      | (a)<br>Historical<br>September<br>30,<br>2004 | (a)<br>Acquired<br>Properties<br><br>Pro Forma<br>Adjustments | (b)<br>Day<br><br>Pro Forma<br>Adjustments | (c)<br>Dunn<br><br>Pro Forma<br>Adjustments | (d)<br>Hyatt<br><br>Pro Forma<br>Adjustments | (e)<br>Debt<br><br>Pro Forma<br>Adjustments | Adjusted<br>Pro Forma<br>September<br>30,<br>2004 |
|--------------------------------------|---|---|--|---|--|---|---|
| <b>Revenue</b>                       |   |   |  |   |  |   |   |
| Rooms                                | \$59,991,874                                  | 6,724,722(4)  | 4,491,274(4)                               | 13,555,979(4)                               | 11,851,663(4)                                |   | \$ 96,615,512                                     |
| Food and beverage                    | 8,176,507                                     | 2,417,885(4)  | (4)  | 369,796(4)                                  | 7,224,175(4)                                 |   | 18,188,363  |
| Other                                | 2,366,860                                     | 458,812(4)  | 59,298(4)                                  | 376,941(4)                                  | 1,716,191(4)                                 |   | 4,978,102   |
| Total hotel revenue                  | 70,535,241                                    | 9,601,419   | 4,550,572                                  | 14,302,716                                  | 20,792,029                                   |   | 119,781,977                                       |
| Interest income from mezzanine loans | 4,946,547                                     |   |  |   |  |   | 4,946,547   |
| Asset management fees                | 1,000,033                                     |   |  |   |  |   | 1,000,033   |
| <b>Total Revenue</b>                 | 76,481,821                                    | 9,601,419   | 4,550,572                                  | 14,302,716                                  | 20,792,029                                   |   | 125,728,557                                       |
| <b>Expenses</b>                      |   |   |  |   |  |   |   |
| Hotel operating expenses             |   |   |  |   |  |   |   |
| Rooms                                | 13,595,603                                    | 1,429,482(4)  | 1,054,124(4)                               | 1,524,070(4)                                | 3,854,293(4)                                 |   | 21,457,572  |
| Food and beverage                    | 6,229,246                                     | 1,445,996(4)  | (4)  | 448,800(4)                                  | 5,840,563(4)                                 |   | 13,964,605  |
| Other direct                         | 1,334,411                                     | 237,503(4)  | 35,160(4)                                  | 355,494(4)                                  | 516,460(4)                                   |   | 2,479,028   |
| Indirect                             | 23,361,370                                    | 3,504,984(4)  | 1,652,766(4)                               | 5,169,955(4)                                | 5,477,818(4)                                 |   | 39,166,893  |
| Management fees                      | 2,191,532                                     | 336,599(4)  | 227,556(4)                                 | 852,834(4)                                  | 609,017(4)                                   |   | 4,217,538   |
| Property taxes, insurance, and other | 4,928,028                                     | 329,520(4)  | 187,483(4)                                 | 712,744(4)                                  | 755,400(4)                                   |   | 6,913,175   |
| Depreciation & amortization          | 6,727,667                                     | 936,082(5)  | 403,064(5)                                 | 1,566,597(5)                                | 2,418,775(5)                                 |   | 12,052,184  |
| Corporate general and                | 8,701,264                                     |   |  |   |  |   | 8,701,264   |

administrative

|  |             |              |              |                                  |              |                               |              |
|--|-------------|--------------|--------------|----------------------------------|--------------|-------------------------------|--------------|
|  |             |              |              |                                  |              |                               |              |
| <b>Total Operating Expenses</b>                                    | 67,069,121  | 8,220,166    | 3,560,153    | 10,630,494                       | 19,472,326   |                               | 108,952,259  |
| <b>Operating Income (Loss)</b>                                     | 9,412,700   | 1,381,254    | 990,419      | 3,672,222                        | 1,319,703    |                               | 16,776,298   |
| Interest income  | 247,087     |              |              |                                  |              |                               | 247,087      |
| Interest expense and amortization of loan costs                    | (7,949,535) | (822,087)(6) | (606,089)(6) | (1,002,900)(7)<br>(1,451,274)(8) |              | (228,561)(9)<br>(213,629)(10) | (12,274,075) |
| <b>Net Income (Loss) before Minority Interest and Income Taxes</b> | 1,710,252   | 559,167      | 384,330      | 1,218,048                        | 1,319,703    | (442,190)                     | 4,749,310    |
| Income tax benefit (expense)                                       | (687,176)   | (1)          | (1)          | (1)                              | (1)          | (1)                           | (687,176)    |
| Minority interest  | (165,037)   | (137,330)(3) | (73,445)(3)  | (232,769)(3)                     | (252,195)(3) | 84,503(3)                     | (776,274)    |
| <b>Net Income (Loss)</b>   | \$ 858,039  | 421,837      | 310,885      | 985,279                          | 1,067,508    | (357,687)                     | \$ 3,285,860 |
| <b>Earnings (Loss) Per Share:</b>                                  |             |              |              |                                  |              |                               |              |
| Basic  |             |              |              |                                  |              |                               | \$ 0.13      |
| Diluted  |             |              |              |                                  |              |                               | \$ 0.13      |
| <b>Weighted Average</b>  |             |              |              |                                  |              |                               |              |

|                                |     |                   |
|--------------------------------|-----|-------------------|
| <b>Shares<br/>Outstanding:</b> |     |                   |
| Basic                          | (2) | <u>25,293,969</u> |
| Diluted                        | (2) | <u>31,400,045</u> |

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



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## Explanation of pro forma adjustments:

- (a) Represents pro forma adjustments to reflect the acquisition of the Acquired Properties on various dates in 2004, and the completion of the related \$9.7 million mortgage note payable on July 7, 2004.
- (b) Represents pro forma adjustments to reflect the acquisition of Day Properties on July 23, 2004, and the completion of the related \$19.6 million mortgage note payable on July 23, 2004.
- (c) Represents pro forma adjustments to reflect the acquisition of Dunn Properties on September 2, 2004, and the completion of the related \$210.0 million term loan, net of debt payments of \$127.6 million, completed September 2, 2004.
- (d) Represents pro forma adjustments to reflect the acquisition of Hyatt Orange County hotel on October 1, 2004.
- (e) Represents pro forma adjustments to reflect the completion of the \$27.8 million mortgage note payable and the \$60.0 million credit facility as if such transactions occurred at the beginning of the period presented.
- (1) Represents the income tax benefit (expense) related to these transactions.
- (2) Common shares issuable include:

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

- (3) Minority interest represents 19.11% of the net income (loss) before minority interest.
- (4) Represents Day, Dunn, Acquired Properties, or Hyatt estimated unaudited statements of operations for the periods preceding their acquisitions.
- (5) Represents additional depreciation expense associated with Day, Dunn, Acquired Properties, or Hyatt based on preliminary purchase price allocations.
- (6) Represents estimated interest expense associated with the mortgage debt assumed from the Acquired Properties or the mortgage debt executed with the acquisitions of Day Properties and one of the Acquired Properties (purchased from Household).
- (7) Represents estimated interest expense associated with the \$210.0 million term loan, net of interest expense associated with debt payments of \$127.6 million, associated with the acquisition of the Dunn Properties.
- (8) Represents additional amortization of deferred loan costs related to the \$210.0 million term loan less the deferred loan costs amortization savings related to the written-off deferred loan costs.
- (9) Represents interest expense associated with the \$28.4 million mortgage note payable entered into on December 24, 2003, as if \$32.1 million was outstanding the entire period.
- (10) Represents interest expense associated with the \$60 million credit facility entered into on February 5, 2004, as if such debt was outstanding the entire period.

Table of Contents**Ashford Hospitality Trust, Inc.****Consolidated Pro Forma Statement of Operations For the Year Ended December 31, 2003 (Unaudited)**

|   | (a)                                | (b)                                   | (c)                                |
|---|------------------------------------|---------------------------------------|------------------------------------|
|   | Historical<br>December 31,<br>2003 | Formation<br>Pro Forma<br>Adjustments | FelCor<br>Pro Forma<br>Adjustments |
|   |                                    |                                       | Noble<br>Pro Forma<br>Adjustments  |
| <b>Revenue</b>                                  |                                    |                                       |                                    |
| Rooms   | \$34,682,916                       |                                       | 16,903,815(10)                     |
| Food and beverage                               | 6,158,916                          |                                       | 8,481,820(10)                      |
| Other   | 1,189,450                          |                                       | 2,000,382(10)                      |
|   | <hr/>                              |                                       | 902,865(10)                        |
|   |                                    |                                       | <hr/>                              |
| Total hotel revenue                             | 42,031,282                         |                                       | 19,807,062                         |
| Interest income from mezzanine loans            | 110,000                            |                                       | 8,844,476                          |
| Asset management fees                           | 137,319                            |                                       |                                    |
|   | <hr/>                              |                                       | <hr/>                              |
| <b>Total Revenue</b>                            | 42,278,601                         |                                       | 19,807,062                         |
|   |                                    |                                       | 8,844,476                          |
| <b>Expenses</b>                                 |                                    |                                       |                                    |
| Hotel operating expenses                        |                                    |                                       |                                    |
| Rooms   | 8,113,097                          |                                       | 4,009,914(10)                      |
| Food and beverage                               | 4,702,780                          |                                       | 1,906,659(10)                      |
| Other direct                                    | 900,621                            |                                       | 1,863,416(10)                      |
| Indirect  | 14,823,432                         |                                       | 803,714(10)                        |
| Management fees                                 | 1,369,888                          |                                       | 7,182,638(12)                      |
| Property taxes, insurance, and other            | 2,858,050                          |                                       | 2,626,606(10)                      |
| Depreciation & amortization                     | 4,932,676                          | 140,284(6)                            | 1,383,821(11)                      |
| Corporate general and administrative            | 4,002,950                          | 4,823,917(5)                          | 950,548(11)                        |
|   |                                    | 1,622,922(4)                          |                                    |
|   |                                    | (8)                                   |                                    |
|   | <hr/>                              | <hr/>                                 | <hr/>                              |
| <b>Total Operating Expenses</b>                 | 41,703,494                         | 6,587,123                             | 16,877,615                         |
|   |                                    |                                       | 6,574,461                          |
| <b>Operating Income (Loss)</b>                  | 575,107                            | (6,587,123)                           | 2,929,447                          |
|   | <hr/>                              | <hr/>                                 | <hr/>                              |
| Interest income                                 | 289,133                            |                                       |                                    |
| Interest expense and amortization of loan costs | (5,000,206)                        | 3,173,010(1)                          | (419,222)(13)                      |
|   |                                    | 284,000(2)                            |                                    |
|   | <hr/>                              | <hr/>                                 | <hr/>                              |

|  |                             |                             |                             |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Net Income (Loss) before<br/>Minority Interest and Income<br/>Taxes</b> | (4,135,966)                 | (3,130,113)                 | 2,929,447                   | 1,850,793                   |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Income tax benefit (expense)   | (142,178)                   | (3)                         | (110,004)(3)                | (74,024)(3)                 |
| Minority interest  | 357,943                     | 1,057,775(9)                | (538,796)(9)                | (339,541)(9)                |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| <b>Net Income (Loss)</b>   | <b>\$ (3,920,201)</b>       | <b>(2,072,338)</b>          | <b>2,280,647</b>            | <b>1,437,228</b>            |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |

**Earnings (Loss) Per Share:**

Basic

Diluted

**Weighted Average Shares****Outstanding:**

Basic

Diluted

[Additional columns below]

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

|                                      | (d)<br><b>Acquired<br/>Properties<br/>Pro Forma<br/>Adjustments</b> | (e)<br><b>Day<br/>Pro Forma<br/>Adjustments</b> | (f)<br><b>Dunn<br/>Pro Forma<br/>Adjustments</b> |
|--------------------------------------|---|---|--|
|                                      | <u>                    </u>   | <u>                    </u>                     | <u>                    </u>                      |
| <b>Revenue</b>                       |   |   |  |
| Rooms                                | 20,274,283(10)  | 7,601,074(10)                                   | 18,566,911(10)                                   |
| Food and beverage                    | 6,214,127(10)   | (10)  | 455,202(10)                                      |
| Other                                | 1,329,955(10)   | 121,352(10)                                     | 464,523(10)                                      |
|                                      | <u>                    </u>   | <u>                    </u>                     | <u>                    </u>                      |
| Total hotel revenue                  | 27,818,365  | 7,722,426                                       | 19,486,636                                       |
| Interest income from mezzanine loans |   |   |  |
| Asset management fees                |   |   |  |
|                                      | <u>                    </u>   | <u>                    </u>                     | <u>                    </u>                      |
| <b>Total Revenue</b>                 | <b>27,818,365</b>   | <b>7,722,426</b>                                | <b>19,486,636</b>                                |
|                                      |   |   |  |
| <b>Expenses</b>                      |   |   |  |
| Hotel operating expenses             |   |   |  |
| Rooms                                | 4,306,535(10)   | 1,856,017(10)                                   | 4,041,496(10)                                    |
| Food and beverage                    | 4,400,336(10)   | (10)  | 280,341(10)                                      |

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|  |                   |                  |                                    |
|--|-------------------|------------------|------------------------------------|
| Other direct   | 680,186(10)       | 88,763(10)       | 253,906(10)                        |
| Indirect   | 8,150,486(10)     | 2,599,559(10)    | 5,777,254(10)                      |
| Management fees  | 887,694(10)       | 364,145(10)      | 1,168,705(10)                      |
| Property taxes, insurance, and other                               | 1,214,622(10)     | 386,122(10)      | 991,960(10)                        |
| Depreciation & amortization  | 2,939,014(11)     | 704,033(11)      | 2,318,284(11)                      |
| Corporate general and administrative                               |                   |                  |                                    |
|  | <hr/>             | <hr/>            | <hr/>                              |
| <b>Total Operating Expenses</b>                                    | <b>22,578,873</b> | <b>5,998,639</b> | <b>14,831,946</b>                  |
|  | <hr/>             | <hr/>            | <hr/>                              |
| <b>Operating Income (Loss)</b>                                     | <b>5,239,492</b>  | <b>1,723,787</b> | <b>4,654,690</b>                   |
|  | <hr/>             | <hr/>            | <hr/>                              |
| Interest income  |                   |                  |                                    |
| Interest expense and amortization of loan costs                    | (1,930,610)(13)   | (980,000)(13)    | (1,337,200)(14)<br>(3,810,294)(15) |
|  | <hr/>             | <hr/>            | <hr/>                              |
| <b>Net Income (Loss) before Minority Interest and Income Taxes</b> | <b>3,308,882</b>  | <b>743,787</b>   | <b>(492,804)</b>                   |
|  | <hr/>             | <hr/>            | <hr/>                              |
| Income tax benefit (expense)                                       | (181,324)(3)      | 507,530(3)       | (3)                                |
| Minority interest  | (597,676)(9)      | (239,127)(9)     | 94,175(9)                          |
|  | <hr/>             | <hr/>            | <hr/>                              |
| <b>Net Income (Loss)</b>   | <b>2,529,882</b>  | <b>1,012,190</b> | <b>(398,629)</b>                   |
|  | <hr/>             | <hr/>            | <hr/>                              |
| <b>Earnings (Loss) Per Share:</b>                                  |                   |                  |                                    |
| Basic  |                   |                  |                                    |
| Diluted  |                   |                  |                                    |
| <b>Weighted Average Shares Outstanding:</b>                        |                   |                  |                                    |
| Basic  |                   |                  |                                    |
| Diluted  |                   |                  |                                    |

[Additional columns below]

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

|             |             |              |
|-------------|-------------|--------------|
| (g)         | (h)         | Adjusted     |
| Hyatt       | Debt        | Pro Forma    |
| Pro Forma   | Pro Forma   | December 31, |
| Adjustments | Adjustments | 2003         |

|  |                |                                    |                |
|--|----------------|------------------------------------|----------------|
| <b>Revenue</b>   |                |                                    |                |
| Rooms  | 15,048,963(10) |                                    | \$ 121,559,782 |
| Food and beverage  | 9,115,427(10)  |                                    | 24,137,462     |
| Other  | 2,408,847(10)  |                                    | 6,586,240      |
|  |                |                                    |                |
| Total hotel revenue  | 26,573,237     |                                    | 152,283,484    |
| Interest income from mezzanine loans                               |                |                                    | 110,000        |
| Asset management fees  |                |                                    | 137,319        |
|  |                |                                    |                |
| <b>Total Revenue</b>   | 26,573,237     |                                    | 152,530,803    |
|  |                |                                    |                |
| <b>Expenses</b>  |                |                                    |                |
| Hotel operating expenses Rooms                                     | 4,560,932(10)  |                                    | 28,794,650     |
| Food and beverage  | 7,542,727(10)  |                                    | 18,950,277     |
| Other direct   | 629,944(10)    |                                    | 3,450,337      |
| Indirect   | 6,517,622(10)  |                                    | 47,677,597     |
| Management fees  | 740,103(10)    |                                    | 5,333,842      |
| Property taxes, insurance, and other                               | 941,780(10)    |                                    | 8,060,107      |
| Depreciation & amortization  | 3,225,033(11)  |                                    | 16,593,693     |
| Corporate general and administrative                               |                |                                    | 10,449,789     |
|  |                |                                    |                |
| <b>Total Operating Expenses</b>                                    | 24,158,141     |                                    | 139,310,292    |
|  |                |                                    |                |
| <b>Operating Income (Loss)</b>                                     | 2,415,096      |                                    | 13,220,511     |
|  |                |                                    |                |
| Interest income  |                |                                    | 289,133        |
| Interest expense and amortization of loan costs                    |                | (1,551,909)(16)<br>(1,970,757)(17) | (13,543,188)   |
|  |                |                                    |                |
| <b>Net Income (Loss) before Minority Interest and Income Taxes</b> | 2,415,096      | (3,522,666)                        | (33,544)       |
|  |                |                                    |                |
| Income tax benefit (expense)                                       | (3)            | (3)                                |                |
| Minority interest  | (461,525)(9)   | 673,181(9)                         | 6,410          |
|  |                |                                    |                |
| <b>Net Income (Loss)</b>   | 1,953,571      | (2,849,485)                        | \$ (27,134)    |
|  |                |                                    |                |
| <b>Earnings (Loss) Per Share:</b>                                  |                |                                    |                |
| Basic  |                |                                    | \$ (0.00)      |

|                                |     |                             |
|--------------------------------|-----|-----------------------------|
|                                |     | <u>                    </u> |
| Diluted                        |     | \$ (0.00)                   |
|                                |     | <u>                    </u> |
| <b>Weighted Average Shares</b> |     |                             |
| <b>Outstanding:</b>            |     |                             |
| Basic                          | (7) | 25,293,969                  |
|                                |     | <u>                    </u> |
| Diluted                        | (7) | 31,400,045                  |
|                                |     | <u>                    </u> |

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

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Explanation of pro forma adjustments:

- (a) Represents pro forma adjustments to reflect the Company's formation transactions and its initial public offering on August 29, 2003.
- (b) Represents pro forma adjustments to reflect the acquisition of FelCor Properties on October 8, 2003.
- (c) Represents pro forma adjustments to reflect the acquisition of Noble Properties on November 24, 2003.
- (d) Represents pro forma adjustments to reflect the acquisition of the Acquired Properties on various dates in 2004, and the completion of the related \$9.7 million mortgage note payable on July 7, 2004.
- (e) Represents pro forma adjustments to reflect the acquisition of Day Properties on July 23, 2004, and the completion of the related \$19.6 million mortgage note payable on July 23, 2004.
- (f) Represents pro forma adjustments to reflect the acquisition of Dunn Properties on September 2, 2004, and the completion of the related \$210.0 million term loan, net of debt payments of \$127.6 million, completed September 2, 2004.
- (g) Represents pro forma adjustments to reflect the acquisition of Hyatt Orange County hotel on October 1, 2004.
- (h) Represents pro forma adjustments to reflect the completion of the \$27.8 million mortgage note payable and the \$60.0 million credit facility as if such transactions occurred at the beginning of the period presented.
- (1) Represents the interest expense reduction due to payoff of mortgage notes payable.
- (2) Represents elimination of deferred loan costs amortization due to payoff of mortgage notes payable.
- (3) Represents the income tax benefit (expense) related to these transactions.
- (4) Represents restricted shares issued to officers, employees, and employees of affiliates vesting one-third annually. Pro forma compensation expense is calculated as follows: 689,317 shares valued at \$9 per share offering price for total compensation cost of \$6,203,853, of which one third vests annually to generate an eight-month cost of \$1,378,634 for the period preceding the Company's formation plus 70,400 shares valued at \$10.41 per share at the date of grant for total compensation cost of \$732,864, of which one third vests annually to generate an annual cost of \$244,288.
- (5) Represents additional general and administrative expenses associated with the operations of the Company, which includes projected compensation and benefit expenses, along with related overhead and administration expense calculated on an historical basis.
- (6) Represents additional depreciation expense resulting from step-up of net carrying value due to acquisition of minority interests.
- (7) Common shares issuable include:

|   |            |
|---|------------|
| Shares issued in the initial public offering                | 22,500,000 |
| Shares issued upon exercise of underwriters' over-allotment | 1,734,072  |
| Shares sold to Archie and Montgomery Bennett                | 500,000    |



|   |            |                                  |
|---|------------|----------------------------------|
| Shares conveyed to a limited partnership owned by Archie and Montgomery Bennett                             | 216,634    |                                  |
| Restricted shares issuable to Company directors   | 25,000     | assumed to be fully vested       |
| Shares issued to Company underwriters   | 65,024     |                                  |
| Restricted shares issued to executives and employees  | 253,239    | 759,717 shares, one-third vested |
|   | <hr/>      |                                  |
| Total basic shares  | 25,293,969 |                                  |
|   | <hr/>      |                                  |
| Shares issuable upon conversion of limited partnership units issued upon formation                          | 5,657,917  |                                  |
| Shares issuable upon conversion of limited partnership units issued upon acquisition of Acquired Properties | 106,675    |                                  |
| Shares issuable upon conversion of limited partnership units issued upon acquisition of Dunn Properties     | 333,333    |                                  |
| Incremental diluted shares issuable for unvested restricted shares  | 8,151      |                                  |
|   | <hr/>      |                                  |
| Total diluted shares  | 31,400,045 |                                  |
|   | <hr/>      |                                  |

- (8) Represents restricted shares issued to directors that vest after three months. Pro forma compensation expense is calculated as follows: 25,000 shares valued at \$9 per share offering price for total compensation cost of \$225,000, which was recorded by the Company prior to December 31, 2003.
- (9) Minority interest represents 19.11% of the net income (loss) before minority interest.
- (10) Represents FelCor, Noble, Day, Dunn, Acquired Properties, or Hyatt estimated unaudited statements of operations for the periods preceding their acquisitions.
- (11) Represents additional depreciation expense associated with the acquired FelCor, Noble, Day, Dunn, Acquired Properties, or Hyatt based on preliminary purchase price allocations.
- (12) Represents FelCor's estimated unaudited statements of operations for the period preceding its acquisition plus additional franchise fees of \$313,500.
- (13) Represents estimated interest expense associated with the mortgage debt assumed from Noble Properties or Acquired Properties or the mortgage debt executed with the acquisitions of the Day Properties and one of the Acquired Properties (purchased from Household).
- (14) Represents estimated interest expense associated with the \$210.0 million term loan, net of interest expense associated with debt payments of \$127.6 million, associated with the acquisition of the Dunn Properties.
- (15) Represents additional amortization of deferred loan costs related to the \$210.0 million term loan, plus the write-off of unamortized deferred loan costs charged-off with respect to the related debt reductions, less the deferred loan costs amortization savings related to the written-off deferred loan costs.

- (16) Represents interest expense associated with the \$27.8 million mortgage note payable completed on December 24, 2003, as if \$32.1 million was outstanding the entire year.
- (17) Represents interest expense associated with the \$60 million credit facility completed on February 5, 2004, as if such debt was outstanding the entire year.

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EXHIBITS

23.1 Consent of Independent Auditors

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SIGNATURE

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

Dated: December 8, 2004

ASHFORD HOSPITALITY TRUST, INC.

By: /s/ DAVID J. KIMICHIK

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David J. Kimichik  
Chief Financial Officer