

ASHFORD HOSPITALITY TRUST INC

Form PRER14A

April 04, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- x Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

Ashford Hospitality Trust, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 3, 2005

To the stockholders of
ASHFORD HOSPITALITY TRUST, INC.:

The annual meeting of stockholders of Ashford Hospitality Trust, Inc., a Maryland corporation, will be held at the Embassy Suites Hotel, 14021 Noel Road, Dallas, Texas on May 3, 2005 beginning at 10:00 a.m., Central time, for the following purposes:

- (i) To elect seven directors to hold office until the next annual meeting of stockholders and until their successors are elected and qualified;
- (ii) To ratify the appointment of Ernst & Young LLP, a national public accounting firm, as our independent auditors for the fiscal year ending December 31, 2005;
- (iii) To approve, for purposes of the New York Stock Exchange listing standards, the issuance of up to 2,285,865 shares of Series B-1 preferred stock that are convertible into shares of our common stock to Security Capital Preferred Growth Incorporated and additional shares of our common stock that Security Capital may acquire pursuant to certain participation rights granted to Security Capital which expire no later than July 31, 2005;
- (iv) To approve, for purposes of the New York Stock Exchange listing standards, the conversion of 839,934 Class B Units in Ashford Hospitality Limited Partnership into 839,934 Common Units in such entity;
- (v) To approve amendments to the Company's 2003 Stock Incentive Plan to increase the number of shares of Common Stock reserved for issuance under the plan from 364,564 to 2,850,000 shares, to extend the termination date of the plan from August 1, 2006 to August 1, 2013, to avoid adverse tax consequences to a participant under Section 409A of the Internal Revenue Code and to prohibit option repricing; and
- (vi) To transact any other business that may properly come before the annual meeting of stockholders or any adjournment of the annual meeting.

Stockholders of record at the close of business on March 11, 2005 will be entitled to notice of and to vote at the annual meeting of stockholders. **It is important that your shares be represented at the annual meeting of stockholders regardless of the size of your holdings.** Whether or not you plan to attend the annual meeting of stockholders in person, please vote your shares by signing, dating and returning the enclosed proxy card as promptly as possible. A postage-paid envelope is enclosed if you wish to vote your shares by mail. If you hold shares in your own name as a holder of record and vote your shares by mail prior to the annual meeting of stockholders, you may revoke your proxy by any one of the methods described herein if you choose to vote in person at the annual meeting of stockholders. Voting promptly saves us the expense of a second mailing.

By order of the board of directors,

David A. Brooks
Secretary

14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
April 7, 2005

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

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 3, 2005

This proxy statement, together with the enclosed proxy, is solicited by and on behalf of the board of directors of Ashford Hospitality Trust, Inc., a Maryland corporation, for use at the annual meeting of stockholders to be held at the Embassy Suites Hotel, 14021 Noel Road, Dallas, Texas on May 3, 2005 beginning at 10:00 a.m., Central time. The board of directors is requesting that you allow your shares to be represented and voted at the annual meeting of stockholders by the proxies named on the enclosed proxy card. We, our, us, Ashford, and the Company each refer to Ashford Hospitality Trust, Inc. This proxy statement and accompanying proxy will first be mailed to stockholders on or about April 7, 2005.

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

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

ratify the appointment of Ernst & Young LLP, a national public accounting firm, as our independent auditors for the fiscal year ending December 31, 2005 (Proposal 2);

approve, for purposes of the New York Stock Exchange listing standards, the issuance of up to 2,285,865 shares of Series B-1 preferred stock that are convertible into shares of our common stock (Common Stock) to Security Capital Preferred Growth Incorporated (Security Capital) and the issuance of additional shares of Common Stock that Security Capital may acquire pursuant to certain participation rights granted to Security Capital which expire no later than July 31, 2005 (Proposal 3);

approve, for purposes of the New York Stock Exchange listing standards, the conversion of 839,934 Class B Units of limited partnership interest (Class B Units) in Ashford Hospitality Limited Partnership (our Operating Partnership) into 839,934 common units of limited partnership interest (Common Units) in our Operating Partnership, which Common Units may, at the option of the Company, be converted into shares of our Common Stock (Proposal 4);

approve amendments to the Company's 2003 Stock Incentive Plan to increase the number of shares of Common Stock reserved for issuance under the plan from 364,564 to 2,850,000 shares, to extend the termination date of the plan from August 1, 2006 to August 1, 2013, to avoid adverse tax consequences to a participant under Section 409A of the Internal Revenue Code and to prohibit option repricing (Proposal 5); and

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

FORWARD-LOOKING STATEMENTS

Certain statements and assumptions in this proxy statement contain or are based upon forward-looking information and are being made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties. When we use the words will likely result, may, anticipate, estimate, should, expect, believe, intend, or similar expressions, we intend to identify forward-looking statements. Such forward-looking statements include, but are not limited to, our business and investment strategy, our understanding of our competition,

current market trends and opportunities, and projected capital expenditures. Such statements are subject to numerous assumptions and uncertainties, many of which are outside of our control.

These forward-looking statements are subject to known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated, including, without limitation: general volatility of the capital markets and the market price of our Common Stock; changes in our business or investment strategy; availability, terms and deployment of capital; availability of qualified personnel; changes in our industry and the market in which we operate, interest rates or the general economy; and the degree and nature of our competition. These and other risk factors are more fully discussed in the section entitled "Risk Factors" in our Annual Report on Form 10-K, and from time to time, in Ashford's other filings with the Securities and Exchange Commission.

The forward-looking statements included in this proxy statement are only made as of the date of this proxy statement. Investors should not place undue reliance on these forward-looking statements. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or circumstances, changes in expectations or otherwise.

GENERAL INFORMATION ABOUT VOTING

Solicitation of Proxies

The enclosed proxy is solicited by and on behalf of our board of directors. The expense of soliciting proxies for the annual meeting of stockholders, including the cost of mailing, will be borne by us. We also intend to request persons holding shares of our Common Stock in their name or custody, or in the name of a nominee, to send proxy materials to their principals and request authority for the execution of the proxies, and we will reimburse such persons for their expense in doing so. We will also use the proxy solicitation services of Georgeson Shareholder Communications Inc. For such services, we will pay a fee that is not expected to exceed \$15,000 plus out-of-pocket expenses.

Voting Securities

Our outstanding voting equity securities include shares of our common stock ("Common Stock") and shares of our Series B-1 Cumulative Convertible Redeemable Preferred Stock ("Series B-1 Preferred Stock"). Each share of Common Stock and each share of Series B-1 Preferred Stock entitles the holder to one vote. As of March 11, 2005 there were outstanding and entitled to vote 36,160,447 shares of Common Stock and 993,049 shares of Series B-1 Preferred Stock. Only stockholders of record at the close of business on March 11, 2005 are entitled to vote at the annual meeting of stockholders or any adjournment of the annual meeting.

Voting

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

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

Counting of Votes

A quorum will be present if the holders of a majority of the outstanding shares entitled to vote are present, in person or by proxy, at the annual meeting of stockholders. If you have returned valid proxy instructions or if you hold your shares in your own name as a holder of record and attend the annual meeting of stockholders in person, your shares will be counted for the purpose of determining whether there is a quorum.

If a quorum is not present, the annual meeting of stockholders may be adjourned by the vote of a majority of the shares represented at the annual meeting until a quorum has been obtained.

The affirmative vote of a plurality of the shares of Common Stock and shares of Series B-1 Preferred Stock, voting together as a single class, cast at the annual meeting of stockholders is required to elect each nominee to our board of directors. The affirmative vote of a majority of the shares present and voting is required to ratify the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2005. The affirmative vote of a majority of all the votes cast on Proposal 3, Proposal 4 and Proposal 5, respectively, is required to approve each such proposal, and the total votes cast on each of Proposal 3, Proposal 4 and Proposal 5 must represent at least a majority of the Company's outstanding Common Stock and Series B-1 Preferred Stock. For any other matter, unless otherwise required by Maryland or other applicable law, the affirmative vote of a majority of the shares of Common Stock and shares of Series B-1 Preferred Stock, voting together as a single class, present and voting at the annual meeting of stockholders is required to approve the matter.

Proposal 3, to approve the issuance of shares of Series B-1 Preferred Stock and Common Stock to Security Capital, Proposal 4, to approve the conversion of Class B Units into Common Units, and Proposal 5, to approve amendments to our 2003 Stock Incentive Plan, are matters that require stockholder votes under the rules of the New York Stock Exchange. Based on New York Stock Exchange listing rules, if your shares are held in the name of a nominee such as your brokerage firm, and you as beneficial owner do not tell your nominee how to vote your shares, the nominee cannot vote your shares on Proposal 3, Proposal 4 or Proposal 5 (giving rise to what is known as a broker non-vote). If the nominee signs and returns the proxy card, your shares will be counted as present to determine whether a quorum exists.

If you abstain or withhold votes or your shares are treated as broker non-votes, your abstention, withheld vote or broker non-vote:

Will not be counted as votes cast and will have no effect on the outcome in the election of our board of directors or the ratification of the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2005;

Will have the effect of a vote against (i) Proposal 3 to approve the issuance up to 2,285,865 shares of Series B-1 preferred stock to Security Capital and any additional shares of Common Stock that Security Capital may acquire pursuant to certain participation rights granted to Security Capital, (ii) Proposal 4 to approve the conversion of Class B Units in our Operating Partnership into Common Units in our Operating Partnership and (iii) Proposal 5 to approve amendments to our 2003 Stock Incentive Plan to increase the number of shares of Common Stock reserved for issuance under the plan from 364,564 to 2,850,000 shares, to extend the termination date of the plan from August 1, 2006 to August 1, 2013, to avoid adverse tax consequences to a participant under Section 409A of the Internal Revenue Code and to prohibit option repricing; unless, with respect to each proposal, for purposes of the New York Stock Exchange listing standards over 50% of the shares of Common Stock entitled to vote as of the record date cast votes for that proposal, in which event your broker non-votes will not have any effect on the result of the votes on such proposal.

If you sign and return your proxy card without giving specific voting instructions, your shares will be voted FOR the nominees to our board of directors, FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2005, FOR the issuance of up to 2,285,865 shares of Series B-1 Preferred Stock to Security Capital and any additional shares of Common Stock that Security Capital may acquire pursuant to participation rights granted to Security Capital, FOR the conversion of 839,934 Class B Units in our Operating Partnership into 839,934 Common Units in our Operating Partnership and FOR the amendments to our 2003 Stock Incentive Plan to increase the number of shares of Common Stock reserved for issuance under the plan from 364,564 to 2,850,000 shares, to extend the termination date of the plan from August 1, 2006 to August 1, 2013, to avoid adverse tax consequences to a participant under Section 409A of the Internal Revenue Code and to prohibit option repricing.

Right To Revoke Proxy

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

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

sign, date and mail a new proxy card to Equiserve, L.P.; or

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

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

If shares of Common Stock or Series B-1 Preferred Stock are held on your behalf by a broker, bank or other nominee, you must contact them to receive instructions as to how you may revoke your proxy instructions.

Multiple Stockholders Sharing the Same Address

The Securities and Exchange Commission (the SEC) rules allow for the delivery of a single copy of an annual report and proxy statement to any household at which two or more stockholders reside, if it is believed the stockholders are members of the same family. Duplicate account mailings will be eliminated by allowing stockholders to consent to such elimination, or through implied consent if a stockholder does not request continuation of duplicate mailings. Depending upon the practices of your broker, bank or other nominee, you may need to contact them directly to discontinue duplicate mailings to your household. If you wish to revoke your consent to householding, you must contact your broker, bank or other nominee.

If you hold shares of Common Stock or Series B-1 Preferred Stock in your own name as a holder of record, householding will not apply to your shares.

If you wish to request extra copies free of charge of any annual report, proxy statement or information statement, please send your request to Ashford Hospitality Trust, Inc., Attention: Stockholder Relations, 14185 Dallas Parkway, Suite 1100, Dallas, Texas, 75254. You can also obtain copies from our web site at www.ahtreit.com.

PROPOSAL NUMBER ONE ELECTION OF DIRECTORS

One of the purposes of the annual meeting of stockholders is to elect directors to hold office until the next annual meeting of stockholders and until their successors have been elected and qualified. Set forth below are the names, principal occupations, committee memberships, ages, directorships held with other companies, and other biographical data for the nominees for director, as well as the month and year each nominee was first elected as one of our directors. Also set forth below is the beneficial ownership of our shares of Common Stock as of March 11, 2005 for each nominee. This beneficial ownership figure does not necessarily demonstrate the nominee's individual ownership. No nominee owns any shares of Series B-1 Preferred Stock. For discussion of beneficial ownership, see the Security Ownership of Management and Certain Beneficial Owners section of this proxy statement. If any nominee becomes unable to stand for election as a director, an event that our board of directors does not presently expect, the proxy will be voted for a replacement nominee if one is designated by our board of directors.

The board of directors recommends a vote FOR all nominees.

Nominees for Director

ARCHIE BENNETT, JR.

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

Director since May, 2003

Shares of Common Stock
beneficially owned 3,091,152*

Age 67

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

MONTGOMERY J. BENNETT

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

Director since May, 2003

Shares of Common Stock
beneficially owned 3,091,152*

Age 39

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

MARTIN L. EDELMAN

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

Chairman: Nominating/ Corporate Governance
Committee

Director since August, 2003

Shares of Common Stock beneficially
owned by Mr. Edelman or members
of his family 232,647*

Age 63

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

* Includes Common Units of our Operating Partnership, which are convertible on a one-for-one basis into shares of our Common Stock, at our option.

W.D. MINAMI

*President,
Billy Casper Golf Management, Inc.*

Member: Audit Committee

Director since August, 2003
Shares of Common Stock
beneficially owned 11,500
Age 48

Mr. Minami serves as President of Billy Casper Golf Management, Inc. From 2001 until 2002, Mr. Minami served as President of Charles E. Smith Residential. From 1997 to 2001, Mr. Minami worked for Charles E. Smith Residential Realty Inc., a NYSE-listed real estate investment trust, initially as Chief Financial Officer, then as Chief Operating Officer, and beginning in 2001, as President. Prior to 1997, Mr. Minami served in various financial service capacities for numerous entities, including Ascent Entertainment Group, Comsat Corporation, Oxford Realty Services Corporation and Satellite Business Systems. Mr. Minami is also a director of NorthStar Realty Finance Corp., an NYSE-listed real estate investment trust.

W. MICHAEL MURPHY

*Executive Vice President,
First Fidelity Mortgage Corporation*

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

Director since August, 2003
Shares of Common Stock
beneficially owned 9,000
Age 59

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

PHILIP S. PAYNE

*Chairman of the Board and Chief Financial Officer,
BNP Residential Properties, Inc.*

Chairman: Audit Committee
Member: Compensation Committee

Director since August, 2003
Shares of Common Stock
beneficially owned 12,000
Age 53

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

CHARLES P. TOPPINO

*Executive Vice President,
Secured Capital Corp.*

Member: Compensation Committee

Director since August, 2003

Shares of Common Stock
beneficially owned 12,100

Age 46

Since 1990, Mr. Toppino has served as the Executive Vice President, founder and principal of Secured Capital Corp., a real estate investment bank. Mr. Toppino is also a director of Secured Capital Japan Co. Ltd., which is a corporation incorporated under the law of Japan and a public company that trades on the Tokyo Stock Exchange. Secured Capital is an investment manager and asset manager of Japanese commercial real estate properties and Japanese loan portfolios.

BOARD OF DIRECTORS AND COMMITTEE MEMBERSHIP

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

During the year ended December 31, 2004, our board of directors held five regular meetings and nine special meetings. All directors standing for re-election attended, in person or by telephone, at least 75 percent of all meetings of our board of directors and committees on which such director served.

Attendance at Annual Meeting of Stockholders

In keeping with our corporate governance principles, directors are expected to attend the annual meeting of stockholders in person. All directors standing for re-election attended the 2004 annual meeting of stockholders.

Board Member Independence

Section 303A.02 Independence Tests of the NYSE Listed Company Manual describes the requirements for a director to be deemed independent by the NYSE, including the requirement of an affirmative determination by our board of directors that the director has no material relationship with us that would impair independence. The portion of our board of directors Corporate Governance Guidelines addressing director independence is attached to this proxy statement as Annex I, and the full text of the Guidelines can be found in the Investor Relations section of our website at www.ahtreit.com by clicking INVESTOR RELATIONS, then CORPORATE GOVERNANCE, and then Corporate Governance Guidelines. In determining whether any of our director nominees has a material relationship with us that would impair independence, our board of directors reviewed both the NYSE Listed Company Manual requirements on independence as well as our own Guidelines. Our Guidelines provide that if any director receives more than \$100,000 per year in compensation from the Company, he or she will not be considered independent. Our board of directors interpreted this language to exclude director and committee fees, which is consistent with the NYSE Listed Company Manual requirements for independence. Our board of directors also decided to revise the Guidelines to specifically include this exception. Our board of directors has affirmatively determined that, with the exception of Messrs. Archie Bennett, Jr. and Montgomery J. Bennett who are our Chairman of the board of directors and Chief Executive Officer, respectively, all of the directors nominated for election at the annual meeting are independent of Ashford and its management under the standards set forth in the Corporate Governance Guidelines, as interpreted by our board of directors, and the NYSE listing requirements. In making its determination, our board of directors examined relationships between directors or their affiliates with Ashford and its affiliates including those reported below under the heading Certain Relationships and Related Transactions on page 24. Therefore, our board of directors is comprised of a majority of independent directors, as required in Section 303A.01 of the NYSE Listed Company Manual. Any reference to an independent director herein infers compliance with the NYSE independence tests.

Board Committees and Meetings

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

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

The *Audit Committee*, composed of three independent directors, met five times during 2004. This committee's purpose is to provide assistance to our board of directors in fulfilling their oversight responsibilities relating to:

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

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

The *Compensation Committee*, composed of three independent directors, met four times during 2004. This committee's purpose is to:

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

The *Nominating/ Corporate Governance Committee*, composed of two independent directors, met one time during 2004. This committee's purpose is to:

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

Board Member Compensation

Each of our independent directors who does not serve as the chairman of one of our committees is paid a director's fee of \$20,000 per year. Each director who serves as a committee chairman, other than the chairman

of our Audit Committee, is paid a director's fee of \$25,000. The director who serves as the chairman of our Audit Committee is paid a director's fee of \$35,000 per year. Each director is also paid a fee of \$2,000 for each board of directors or committee meeting that he or she attends in person, except that the chairman of each committee is paid a fee of \$3,000 for each committee meeting that he or she attends in person. Each director is also paid a fee of \$500 for each telephone board or telephone committee meeting that he or she attends or other board or committee meeting that he or she attends via teleconference. In addition, we reimburse all directors for reasonable out-of-pocket expenses incurred in connection with their services on the board of directors.

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

On the date of the first meeting of the board of directors following each annual meeting of stockholders at which an independent director is reelected to our board of directors, each independent director will receive additional restricted stock grants of 2,000 shares of our Common Stock. These restricted stock grants will be fully vested immediately. In accordance with this policy, we granted 2,000 shares of fully vested Common Stock to each of our independent directors in May 2004.

Additionally, we granted to our Chairman 10,500 shares of Common Stock in March 2004 based, in part, on his leadership role on the board during 2003 and 56,000 shares of common stock in March 2005 based, in part, on his leadership role on the board during 2004.

Non-Compete Agreement

We entered into a non-compete agreement with Mr. Archie Bennett, Jr. in August 2003. The non-compete agreement provides for Mr. Bennett to serve as our executive Chairman. The non-compete agreement has an initial term ending December 31, 2006 and is subject to automatic one-year extensions thereafter, in each case, unless either party provides at least six months' notice of non-renewal. Mr. Bennett's non-compete agreement allows him to continue to act as Chairman of Remington Hotel and Remington Lodging provided his duties for Remington Hotel do not materially interfere with his duties to us.

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

an annual director's fee of \$200,000, of which \$25,000 may be paid in the form of shares of our Common Stock, at the discretion of our compensation committee;

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

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

OUR CORPORATE GOVERNANCE PRINCIPLES

Our policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of the New York Stock Exchange (the "NYSE") and the corporate governance requirements of the Sarbanes-Oxley Act of 2002. We maintain a corporate governance section on our website which includes key information about our corporate governance initiatives including our Board of Director Guidelines, charters for the committees of our board of directors, our Code of Business Conduct and Ethics and our Code of Ethics for the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. The corporate governance section can be found on our website at www.ahreit.com by clicking "INVESTOR RELATIONS" and then "CORPORATE GOVERNANCE".

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

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

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

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

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

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

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

OTHER GOVERNANCE INFORMATION

Stockholder Procedures for Recommending Candidate for Director

Stockholders who wish to recommend individuals for consideration by the Nominating/ Corporate Governance Committee to become nominees for election to our board of directors may do so by submitting a written recommendation to our Secretary at 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254. For the committee to consider a candidate, submissions must include sufficient biographical information concerning the recommended individual, including age, employment history, a description of each employer's business that includes employer names and phone numbers, affirmation of whether such individual can read and understand basic financial statements and a list of board memberships the candidates holds, if any. The secretary will, in turn, deliver any stockholder recommendations for director candidates prepared in accordance with our bylaws to our Nominating/ Corporate Governance Committee.

The recommendation must be accompanied by a written consent of the individual to stand for election if nominated by the board of directors and to serve if elected by the stockholders. Once a reasonably complete recommendation is received by our Nominating/ Corporate Governance Committee, a questionnaire will be delivered to the recommended candidate which will request additional information regarding the recommended candidate's independence, qualifications and other information that would assist our Nominating/ Corporate Governance Committee in evaluating the recommended candidate, as well as certain information that must be disclosed about the candidate in our proxy statement, if nominated. The recommended candidate must return the questionnaire within the time frame provided to be considered for nomination by our Nominating/ Corporate Governance Committee. Recommendations received between the period December 8, 2005 and January 7, 2006, will be considered for candidacy at the 2006 annual meeting of stockholders.

Stockholder Communication with our Board of Directors

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

Meetings of Non-Management Directors

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

management directors include a director that is not an independent director, then at least one of the scheduled meetings should include only independent directors.

Director Orientation and Continuing Education

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

EXECUTIVE OFFICERS

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

	Age	Title
Montgomery J. Bennett	39	President and Chief Executive Officer
Douglas A. Kessler	44	Chief Operating Officer
David A. Brooks	45	Chief Legal Officer and Secretary
David J. Kimichik	44	Chief Financial Officer and Treasurer
Mark L. Nunneley	47	Chief Accounting Officer

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

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

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

Mr. Kimichik has served as our Chief Financial Officer and Head of Asset Management since May, 2003. Mr. Kimichik has been associated with the Remington Hotel Corporation principals for the past 20 years and was President of Ashford Financial Corporation, an affiliate of ours, from 1992 until August, 2003. Mr. Kimichik previously served as Executive Vice President of Mariner Hotel Corporation, an affiliate of Remington Hotel Corporation, in which capacity he administered all corporate activities, including business development, financial management and operations.

Mr. Nunneley has served as our Chief Accounting Officer since May, 2003. From 1992 until 2003, Mr. Nunneley served as Chief Financial Officer of Remington Hotel Corporation. He previously served as a tax consultant at Arthur Andersen & Company and as a tax manager at Deloitte & Touche. Mr. Nunneley is a

certified public accountant and is a member of the American Institute of Certified Public Accountants, Texas Society of CPAs and Dallas Chapter of AICPAs.

EXECUTIVE COMPENSATION

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

SUMMARY COMPENSATION TABLE

		Annual Compensation		Long-Term Compensation
		Salary	Bonus	Restricted Stock Awards
Montgomery J. Bennett	2004	425,000	531,250	256,086 ⁽¹⁾
President and Chief Executive Officer	2003	149,044 ⁽²⁾	141,667 ⁽²⁾	1,990,602 ⁽³⁾
Douglas A. Kessler	2004	300,000	300,000	124,920 ⁽¹⁾
Chief Operating Officer	2003	106,736 ⁽²⁾	75,000 ⁽²⁾	947,079 ⁽³⁾
David A. Brooks	2004	260,000	234,000	73,911 ⁽¹⁾
Chief Legal Officer and Secretary	2003	93,198 ⁽²⁾	52,000 ⁽²⁾	343,656 ⁽³⁾
David J. Kimichik	2004	260,000	234,000	73,911 ⁽¹⁾
Chief Financial Officer and Treasurer	2003	88,000 ⁽²⁾	52,000 ⁽²⁾	645,345 ⁽³⁾
Mark L. Nunneley	2004	150,000	90,000	36,435 ⁽¹⁾
Chief Accounting Officer	2003	45,000 ⁽²⁾	27,000 ⁽²⁾	162,504 ⁽³⁾

(1) Represents shares of restricted Common Stock issued on March 15, 2004, valued at \$10.41 per share, the closing price of our Common Stock on the date of issuance. All such shares vest ¹/₃ annually beginning with the first anniversary of issuance. Dividends will be paid on the shares of restricted Common Stock.

(2) Represents salaries or bonuses for the period August 29, 2003 (the date of our initial public offering) through December 31, 2003.

(3) Represents shares of restricted Common Stock issued upon the completion of our initial public offering valued at \$9.00 per share, the initial public offering price of our Common Stock. All such shares vest ¹/₃ annually beginning with the first anniversary of issuance. Dividends will be paid on the shares of restricted Common Stock.

Employment Agreements

In addition to the non-compete agreement with our Chairman described above under Board of Directors and Committee Membership Non Compete Agreement, we entered into employment agreements with each of Messrs. Montgomery Bennett, Kessler, Brooks, Kimichik and Nunneley in August, 2003. The employment agreements provide for Mr. Bennett to serve as our President and Chief Executive Officer, Mr. Kessler to serve as our Chief Operating Officer, Mr. Brooks to serve as our Chief Legal Officer and Secretary, Mr. Kimichik to serve as our Chief Financial Officer and Treasurer, and Mr. Nunneley to serve as our Chief Accounting Officer. These employment agreements require Messrs. Kessler, Brooks, Kimichik and Nunneley to devote substantially full-time attention and time to our affairs, but also permit them to devote time to their outside business interests consistent with past practice. Mr. Bennett's employment agreement allows him to continue to act as Chief Executive Officer and President of Remington Hotel and to act as an executive officer of the general partner of Remington Lodging,

provided his duties for Remington Hotel and Remington Lodging do not materially interfere with his duties to us.

Each of the employment agreements has an initial term ending December 31, 2006 (December 31, 2007 in the case of Mr. Bennett) and is subject to automatic one-year renewals at the end of the initial term, unless either party provides at least six months notice of non-renewal.

The employment agreements provide for:

An annual base salary of \$425,000 for Mr. Bennett, \$300,000 for Mr. Kessler, \$260,000 for Mr. Brooks, \$260,000 for Mr. Kimichik and \$135,000 for Mr. Nunneley, subject to increase in accordance with our normal executive compensation practices;

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

Director's and officer's liability insurance coverage;

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

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

Mr. Bennett's annual bonus will range from 75% to 125% of his base salary, and will be at least 75% of his base salary for the first four years of his employment term. Mr. Kessler's annual bonus will range from 50% to 100% of his base salary, and will be at least 50% of his base salary for the first three years of his employment term. Mr. Brooks' annual bonus will range from 30% to 90% of his base salary, and will be at least 30% of his base salary for the first three years of his employment term. Mr. Kimichik's annual bonus will range from 30% to 90% of his base salary, and will be at least 30% of his base salary for the first three years of his employment term. Mr. Nunneley's annual bonus will range from 20% to 60% of his base salary, and will be at least 20% of his base salary for the first three years of his employment term.

In addition, in connection with our initial public offering:

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

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

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

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

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

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

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

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

pro-rated payment of the incentive bonus;

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

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

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

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

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

Mr. Bennett's employment agreement also contains standard confidentiality, non-compete and non-solicitation provisions. The confidentiality provisions apply during the term of the employment agreement and for a period of two years thereafter. The non-compete and non-solicitation provisions apply during the term of his employment agreement, and if Mr. Bennett resigns without cause, for a period of one year therea