ASHFORD HOSPITALITY TRUST INC
Form 424B5
September 03, 2010

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Filed pursuant to Rule 424(b)(5)
Registration No. 333-162750

Prospectus Supplement
(To prospectus dated January 25, 2010)

Up to $50,000,000
Common Stock

Through this prospectus supplement, we may offer for sale, from time to time, our common stock, having an aggregate offering price of up to $50,000,000. Our common stock is listed on the New York Stock Exchange under the symbol AHT. On September 2, 2010, the last reported sales price of our common stock on the New York Stock Exchange was $8.83 per share.

We may sell all or a portion of the shares of stock offered pursuant to this prospectus supplement over a period of time and from time to time through JMP Securities LLC, acting as our agent, pursuant to the terms of an equity distribution agreement that we have entered into with this agent. Sales of our common stock, if any, may be made in negotiated transactions or transactions that are deemed to be at-the-market offerings as defined in Rule 415 under the Securities Act of 1933, as amended (the Securities Act), including sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange.

Subject to the terms and conditions of the equity distribution agreement, the agent is not required to sell any specific number or dollar amount of shares, but will use its commercially reasonable efforts, consistent with its normal trading and sales practices, to sell the shares offered by this prospectus supplement. Such sales will be at market prices prevailing at the time of the sale. The compensation to our agent for sales of common stock pursuant to this prospectus supplement will be equal to 0.75% of the gross sales proceeds. The agent will be deemed to be an underwriter, within the meaning of the Securities Act, in connection with any sales of common stock on our behalf. See Plan of Distribution.

Investing in our common stock involves various risks. Risks associated with an investment in our common stock are described under the heading Risk Factors beginning on page S-3 of this prospectus supplement, page 2 of the accompanying prospectus and page 12 of our Annual Report on Form 10-K for the year ended December 31, 2009.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

JMP SECURITIES

The date of this prospectus supplement is September 3, 2010.

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying base prospectus and the documents incorporated by reference into this prospectus supplement and the base prospectus. The second part, the base prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in or incorporated by reference in this document is accurate only as of the date such information was issued, regardless of the time of delivery of this prospectus supplement or any sale of our common stock.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. It may not contain all of the information that is important to you. Before making a decision to invest in our common stock, you should read carefully this entire prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein, including the sections entitled Risk Factors beginning on page S-3 of this prospectus supplement and in our most recent Annual Report on Form 10-K, which is incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. All references to we, our and us in this prospectus supplement mean Ashford Hospitality Trust, Inc. and all entities owned or controlled by us except where it is made clear that the term means only the parent company. The term you refers to a prospective investor.

Our Company

We are a Maryland corporation that was formed in May 2003 to invest in the hospitality industry at all levels of the capital structure. As of June 30, 2010, we owned 96 hotels directly and six hotel properties through majority-owned investments in joint ventures, which represents 22,483 total rooms, or 22,141 net rooms excluding those attributable to joint venture partners. All of these hotel properties are located in the United States and are primarily operated under the widely recognized upper-upscale brands of Crown Plaza, Hilton, Hyatt, Marriott, Sheraton and Westin. At June 30, 2010, we also wholly owned mezzanine or first-mortgage loans receivable with a carrying value, net of impairments, of $35.6 million. In addition, at June 30, 2010, we had a 25% ownership interest in a joint venture which had $84.0 million of mezzanine loans and an 18% subordinated interest in a joint venture that was formed to hold a hotel property collateralizing a junior participation loan receivable that was foreclosed in March 2010.

Our current business strategy focuses on preserving capital, enhancing liquidity and continuing cost saving measures implemented during the recent economic downturn; however, our long-term investment strategy continues to focus on investing in the upscale and upper-upscale segments within the lodging industry. We believe that as hotel demand and capital markets demonstrate improvement, we will be able to shift our investment strategies to take advantage of lodging-related investment opportunities. During the recent economic crisis, we implemented numerous cost saving measures along with strategies to modify or extend our debt. We also repurchased shares of our common and preferred stock during a time that we believed the stock was undervalued. We are not currently pursuing a stock repurchase strategy, nor do we intend to do so in the near term based on current market conditions.

As the business cycle changes and the hotel markets continue to recover, we intend to continue to invest in a variety of lodging-related assets based upon our evaluation of diverse market conditions including our cost of capital and the expected returns from those investments. These investments may include: (i) direct hotel investments; (ii) mezzanine financing through origination or acquisition in secondary markets; (iii) first-lien mortgage financing through origination or acquisition in secondary markets; and (iv) sale-leaseback transactions.

We are self-advised and own our lodging investments and conduct our business through Ashford Hospitality Limited Partnership, our operating partnership. We are the sole general partner of our operating partnership.

We have elected to be treated as a real estate investment trust, or REIT, for federal income tax purposes. Our principal executive offices are located at 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254. Our telephone number is (972) 490-9600. Our website is http://www.ahtreit.com. The contents of our website are not a part of this prospectus supplement or the accompanying prospectus.

The Offering

Issuer	Ashford Hospitality Trust, Inc.
Securities offered by us	Shares of common stock having an initial public aggregate offering price of up to $50,000,000.
Manner of offering	Best efforts, at-the-market offering that may be made from time to time through JMP Securities LLC, as our agent. See Plan of Distribution on page S-3.
Use of proceeds	We intend to use the net proceeds from this offering for general corporate purposes, including, without limitation, repayment of debt or other maturing obligations, financing future hotel related investments, capital expenditures and working capital. Pending any such uses, we may invest the net proceeds from the sale of any stock offered pursuant to this prospectus supplement in short-term investments.
Risk factors	Investing in our securities involves various risks. Risks associated with an investment in these securities are described under the heading Risk Factors in our annual report on Form 10-K for the year ended December 31, 2009 and our quarterly reports on Form 10-Q for the periods ended March 31, 2010 and June 30, 2010.
NYSE symbol	AHT

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RISK FACTORS

Your investment in our common stock involves certain risks. In consultation with your own financial and legal advisers, you should carefully consider, among other matters, the risk factors set forth below (if applicable), which supplement the risk factors discussed in our most recent Annual Report on Form 10-K and any subsequently filed periodic reports which are incorporated by reference into this prospectus supplement and the accompanying prospectus before deciding whether an investment in our common stock is suitable for you.

The current financial crisis and general economic slowdown has harmed the operating performance of the hotel industry generally. If these or similar events continue or occur again in the future, our operating and financial results may be harmed by declines in occupancy, average daily room rates and/or other operating revenues.

The performance of the lodging industry has traditionally been closely linked with the performance of the general economy and, specifically, growth in the U.S. gross domestic product. A majority of our hotels are classified as upper upscale. In an economic downturn, these types of hotels may be more susceptible to a decrease in revenue, as compared to hotels in other categories that have lower or higher room rates. This characteristic may result from the fact that upscale and upper upscale hotels generally target business and high-end leisure travelers. In periods of economic difficulties, business and leisure travelers may seek to reduce travel costs by limiting travel or seeking to reduce costs on their trips. Likewise, the volatility in the credit and equity markets and the economic recession will continue to have an adverse effect on our business.

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

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

Our debt agreements contain financial and other covenants. If we violate covenants in any debt agreements, including as a result of impairments of our hotel or mezzanine loan assets, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all. Violations of certain debt covenants may also prohibit us from borrowing unused amounts under our lines of credit, even if repayment of some or all the borrowings is not required. In any event, financial covenants under our current or future debt obligations could impair our planned business strategies by limiting our ability to borrow beyond certain amounts or for certain purposes. Our governing instruments do not contain any limitation on our ability to incur indebtedness.

We have voluntarily elected to cease making payments on the mortgages securing three of our hotels, and we may voluntarily elect to cease making payments on additional mortgages in the future, which could reduce the number of hotels we own as well as our revenues and could affect our ability to raise equity or debt financing in the future or violate covenants in our debt agreements.

We have recently undertaken a series of actions to manage the sources and uses of our funds in an effort to navigate through challenging market conditions while still pursuing opportunities that can create long-term shareholder value. In this effort, we have attempted to proactively address value and cash flow deficits among certain of our mortgaged hotels, with a goal of enhancing shareholder value through loan amendments, or in certain instances, consensual transfers of hotel properties to the lenders in satisfaction of the related debt, some of which will likely result in impairment charges. The loans secured by these hotels, subject to certain customary exceptions, were non-recourse to us. We may continue to proactively address value and cash flow deficits in a similar manner as necessary and appropriate.

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We have elected to cease making payments on the mortgages securing certain of our hotel properties. In December 2009, after fully cooperating with the servicer for a consensual foreclosure or deed in lieu of foreclosure, we agreed to transfer possession and control of the Hyatt Regency Dearborn to a receiver. Additionally, we are continuing to negotiate a consensual transfer of the Westin O Hare hotel to the related lender. In addition, in March 2010, we elected to cease making payments on the $5.8 million mortgage note payable maturing January 2011, secured by a hotel property in Manchester, Connecticut, and since such date the loan has been transferred to a special servicer. In each of these instances, the hotel was not generating sufficient cash flow to cover its debt service and was not expected to generate sufficient cash flow to cover its debt service for the foreseeable future. These and any similar transfers reduce our assets and debt, could have an adverse effect on our ability to raise equity or debt capital in the future or increase the cost of such capital or violate covenants in other debt agreements.

In addition to the foregoing loans, we may face issues with other loans in the future, some of which may be beyond our control, including our ability to service payment obligations from the cash flow of the applicable hotel, or the inability to refinance existing debt at the applicable maturity date. In such event, we may elect to default on the applicable loan and, as a result, the lenders would have the right to exercise various remedies under the loan documents, which would include foreclosure on the applicable hotels. Any such defaults, whether voluntary or involuntary, could result in a default under our other debt or otherwise have an adverse effect on our business, results of operations or financial condition.

We may be unable to generate sufficient revenue from operations to pay our operating expenses and to pay dividends to our stockholders. Currently, our credit facility limits us from paying dividends if we do not meet certain covenants.

As a REIT, we are required to distribute at least 90% of our REIT taxable income each year, excluding net capital gains, to our stockholders. Our ability to make distributions may be adversely affected by the risk factors described herein. Effective with the fourth quarter ended December 31, 2008, and in conjunction with the credit facility amendment outlined above, the Board of Directors suspended the common stock dividend for 2009. In December 2009, the Board of Directors determined, subject to ongoing review, to continue the suspension of the common dividend in 2010, except to the extent required to maintain our REIT status. We may elect to pay dividends on our common stock in cash or a combination of cash and shares of securities as permitted under federal income tax laws governing REIT distribution requirements, but the timing and amount of such distributions will be in the sole discretion of our Board of Directors, which will consider, among other factors, our financial performance, debt service obligations, applicable debt covenants and capital expenditure requirements.

We have engaged in and may continue to engage in derivative transactions, which can limit our gains and expose us to losses.

We have entered into and may continue to enter into hedging transactions to (i) attempt to take advantage of changes in prevailing interest rates, (ii) protect our portfolio of mortgage assets from interest rate fluctuations, (iii) protect us from the effects of interest rate fluctuations on floating-rate debt or (iv) to preserve net cash flow. Our hedging transactions may include entering into interest rate swap agreements, interest rate cap or floor agreements or flooridor and corridor agreements and purchasing or selling futures contracts, purchasing put and call options on securities or securities underlying futures contracts, or entering into forward rate agreements. Hedging activities may not have the desired beneficial impact on our results of operations or financial condition. No hedging activity can completely insulate us from the risks inherent in our business.

Moreover, interest rate hedging could fail to protect us or adversely affect us because, among other things:

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

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

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

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

The value of derivatives used for hedging may be adjusted from time to time in accordance with generally accepted accounting rules to reflect changes in fair value; downward adjustments, or mark-to-market losses, would reduce our stockholders equity.

The hedge may have a margin call.

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

If LIBOR rates do not act in the manner or to the extent we have anticipated, we may not generate expected cash flow from our flooridor and corridor derivative transactions, which may adversely affect us.

In an effort to take advantage of declining LIBOR rates, we entered into a series of interest rate derivatives, referred to as flooridors and corridors beginning in December 2008. The interest rate flooridor combines two interest rate floors, structured such that the purchaser simultaneously buys an interest rate floor at a strike rate X and sells an interest rate floor at a lower strike rate Y. The purchaser of the flooridor is paid when the underlying interest rate index (for example, LIBOR) resets below strike rate X during the term of the flooridor. Unlike a standard floor, the flooridor limits the benefit the purchaser can receive as the related interest rate index falls. Once the underlying index falls below strike Y, the sold floor offsets the purchased floor. The interest rate corridor involves purchasing of an interest rate cap at one strike rate X and selling an interest rate cap with a higher strike rate Y. The purchaser of the corridor is paid when the underlying interest rate index resets above the strike rate X during the term of the corridor. If LIBOR rates do not change in the manner or to the extent we have anticipated, we may not generate the cash flow we have anticipated from our flooridor and corridor derivatives, which may adversely affect us, including by impairing our ability to service our debt obligations, comply with financial covenants or make anticipated capital investments in our hotels.

The assets associated with certain of our derivative transactions do not constitute qualified REIT assets and the related income will not constitute qualified REIT income. Significant fluctuations in the value of such assets or the related income could jeopardize our REIT status or result in additional tax liabilities.

We have entered into certain derivative transactions to protect against interest rate risks not specifically associated with debt incurred to acquire qualified REIT assets. The REIT provisions of the Internal Revenue Code limit our income and assets in each year from such derivative transactions. Failure to comply with the asset or income limitation within the REIT provisions of the Internal Revenue could result in penalty taxes or loss of our REIT status. If we elect to contribute the non-qualifying derivatives into a taxable REIT subsidiary to preserve our REIT status, such an action would result in any income from such transactions being subject to federal income taxation.

If the current economic downturn continues and the underlying hotel properties supporting our mezzanine loan portfolio are unable to generate enough cash flows for the scheduled payments, there is a possibility that our remaining mezzanine loan portfolio could be written off in its entirety, which may adversely affect our operating results.

When we implemented our mezzanine loan investment strategy, we generally performed the underwriting stress test based on worst case scenarios similar to what the hotel industry experienced post 9/11. However the magnitude of the current economic downturn far exceeded our underwriting sensitivity. As a result, we have recorded impairment charges with respect to our mezzanine loan portfolio of approximately $148.7 million in 2009, and if the current economic downturn continues, we may record additional impairment charges to this portfolio equal to as much as the remaining balance of our mezzanine loan portfolio of $56.7 million (including the 25%

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interest in a mezzanine loan joint venture). If such a write-off were to occur, it would impact our interest income by up to $4.0 million annually.

Continued significant impairment charges related to our mezzanine loan portfolio could result in our failure to satisfy certain financial ratios, which could trigger additional rights for the holder of our Series B-1 Preferred Stock.

Our Series B-1 preferred stockholder has certain contractual rights in the event we are unable to satisfy certain financial ratios, and such inability remains uncured for more than 120 days. The end of the 120 day cure period, without a cure or waiver, would severely restrict our ability to operate our company without triggering a covenant violation. Specifically, we would be restricted from issuing preferred securities, incurring additional debt or purchasing or leasing real property without triggering a covenant violation under the articles supplementary governing the Series B-1 Preferred Stock.

The impairment charges incurred in the second quarter of 2009 resulted in an adjusted EBITDA calculation that could have prevented us from satisfying one financial ratio. As a result, without a cure or waiver, we may have been obligated to restrict operations beginning in the third quarter of 2009 or risk triggering a covenant violation. However, Security Capital Preferred Growth Incorporated, the sole holder of our Series B-1 Preferred Stock, reviewed the specific impairment charges and agreed to exclude the impairment charges incurred in the second, third and fourth quarters of 2009 as they impact the financial ratio calculations for the affected periods. If we incur additional impairment charges, there is no assurance that Security Capital will grant a similar waiver in the future.

If a covenant violation does occur and we have not redeemed all of our outstanding Series B-1 Preferred Stock, we will be obligated to pay an additional $0.05015 per share quarterly dividend on our Series B-1 Preferred Stock (approximately $374,000 aggregate increase per quarter), and the Series B-1 Preferred Stockholder will gain the right to appoint two board members.

This offering is expected to be dilutive.

Giving effect to the issuance of common stock in this offering, the receipt of the expected net proceeds and the possible use of those proceeds, we expect that this offering may have a dilutive effect on our expected earnings per share, funds from operations (or FFO) per share and funds from operations adjusted (or AFFO) per share for the year ending December 31, 2010. The actual amount of dilution cannot be determined at this time and will be based on numerous factors.

Future sales or issuances of our common stock may cause the market price of our common stock to decline.

The sale of substantial amounts of our common stock, whether directly by us or in the secondary market, along with the perception that such sales could occur or the availability for future sale of shares of our common stock or securities convertible into or exchangeable or exercisable for our common stock could, in turn, materially and adversely affect the market price of our common stock and our ability to raise capital through future offerings of equity or equity-related securities. In addition, we may issue capital stock or other equity securities senior to our common stock in the future for a number of reasons, including to finance operations and business strategy, to adjust our ratio of debt to equity or for other reasons.

The market price of our common stock may fluctuate significantly.

The market price of our common stock may fluctuate significantly in response to many factors, including:

- actual or anticipated variations in our operating results, funds from operations, cash flows or liquidity;
- changes in our earnings estimates or those of analysts;
- changes in our dividend policy;

publication of research reports about us, the student housing industry or the real estate industry generally;

changes in market valuations of similar companies;

adverse market reaction to the amount of our outstanding debt at any time, the amount of our maturing debt in the near and medium term and our ability to refinance such debt and the terms thereof or our plans to incur additional debt in the future;

additions or departures of key management personnel;

actions by institutional stockholders;

speculation in the press or investment community;

the realization of any of the other risk factors included in, or incorporated by reference to, this prospectus supplement and the accompanying prospectus; and

general market and economic conditions.

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

The REIT provisions of the Internal Revenue Code may limit our ability to hedge mortgage securities and related borrowings by requiring us to limit our income and assets in each year from certain hedges, together with any other income not generated from qualified real estate assets, to no more than 25% of our gross income. In addition, we must limit our aggregate income from nonqualified hedging transactions, from our provision of services, and from other non-qualifying sources to no more than 5% of our annual gross income. As a result, we may have to limit our use of advantageous hedging techniques. This could result in greater risks associated with changes in interest rates than we would otherwise want to incur. However, for transactions occurring after July 30, 2008 that we enter into to protect against interest rate risks on debt incurred to acquire qualified REIT assets and for which we identify as hedges for tax purposes, any associated hedging income is excluded from the 95% income test and the 75% income test applicable to a REIT. If we were to violate the 25% or 5% limitations, we may have to pay a penalty tax equal to the amount of income in excess of those limitations multiplied by a fraction intended to reflect our profitability. If we fail to satisfy the REIT gross income tests, unless our failure was due to reasonable cause and not due to willful neglect, we could lose out REIT status for federal income tax purposes.

In addition to the risks described above, investors should consider the risks described in our Annual Report on Form 10-K for the year ended December 31, 2009, that are not included above. Those other risk factors are highlighted below.

Our lenders may have suffered losses related to the weakening economy and may not be able to fund our borrowings.

Our stock repurchase program could increase the volatility of the price of our common stock and utilizes our current cash on hand.

Our long-term business strategy depends on our continued growth. We may be unable to return to a period of business growth, which may adversely affect our operating results.

If we are able to return to a period of business growth, we may be unable to identify additional investments that meet our investment criteria or to acquire the properties we have under contract.

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

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

Hotel franchise requirements could adversely affect distributions to our stockholders.

Our investments are concentrated in particular segments of a single industry.

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

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

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

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

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

We are subject to general risks associated with operating hotels.

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

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

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

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

Mortgage investments that are not United States government insured involve risk of loss.

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

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

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

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

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

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

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

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

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

We may experience uninsured or underinsured losses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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USE OF PROCEEDS

The net proceeds from the stock offered by us will be available for general corporate purposes, including, without limitation, repayment of debt or other maturing obligations, financing future hotel related investments, capital expenditures and working capital. Pending any such uses, we may invest the net proceeds from the sale of any stock offered pursuant to this prospectus supplement in short-term investments.

SUPPLEMENTAL FEDERAL INCOME TAX CONSIDERATIONS

The following discussion supplements the discussion contained under the heading Federal Income Tax Consequences of Our Status as a REIT in the accompanying prospectus and supersedes such discussion to the extent inconsistent with such discussion.

Because the following discussion is a summary which, in conjunction with the discussion contained under the heading Federal Income Tax Consequences of Our Status as a REIT in the accompanying prospectus, is intended to address only material federal income tax consequences relating to the ownership and disposition of our common stock which will apply to all holders, it may not contain all the information which may be important to you. As you review this discussion, you should keep in mind the following:

- the tax consequences to you may vary depending on your particular tax situation;
- special rules not discussed below may apply to you if, for example, you are a regulated investment company or otherwise subject to special tax treatment under the Internal Revenue Code of 1986, as amended (the Code);
- except as specifically discussed under the heading Federal Income Tax Consequences of Our Status as a REIT State and Local Taxes in the accompanying prospectus, this summary does not address state, local or non-U.S. tax considerations; and
- this summary deals only with investors which hold shares of our common stock as capital assets, within the meaning of Section 1221 of the Code.

You are urged both to review the following discussion and to consult with your own tax advisor to determine the effect of ownership and disposition of common stock on your tax situation, including any state, local or non-U.S. tax consequences.

We have not requested and do not plan to request any rulings from the Internal Revenue Service concerning the matters discussed in the following discussion. It is possible the Internal Revenue Service (the IRS) could challenge the statements in this discussion, which do not bind the IRS or the courts, and a court could agree with the IRS.

Tax Legislation

On March 18, 2010, the President signed into law the Hiring Incentives to Restore Employment Act of 2010 (the HIRE Act). The HIRE Act imposes a U.S. withholding tax at a 30% rate on dividends and proceeds of sale in respect of our shares received by U.S. holders (as defined under the heading Federal Income Tax Consequences of Our Status as a REIT Taxation of Taxable U.S. Holders in the accompanying prospectus) who own their shares through foreign accounts or foreign intermediaries and certain non-U.S. holders (as defined under the heading Federal Income Tax Consequences of Our Status as a REIT Taxation of Taxable U.S. Holders in the accompanying prospectus) if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. If payment of withholding taxes is required, non-U.S. holders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect to such dividends and proceeds will be required to seek a refund from the IRS to obtain the benefit of such exemption or reduction. We will not pay any additional amounts in respect

of any amounts withheld. These new withholding rules are generally effective for payments made after December 31, 2012.

For taxable years beginning after December 31, 2012, newly enacted legislation is scheduled to impose a 3.8 percent tax on the net investment income of certain individuals, and on the undistributed net investment income of certain estates and trusts. Among other items, net investment income generally includes gross income from interest, dividends and net gains from certain property sales, less certain deductions. Prospective investors are urged to consult with their tax advisors regarding the possible implications of this legislation in their particular circumstances.

PLAN OF DISTRIBUTION

We have entered into an equity distribution agreement, dated as of September 3, 2010, with JMP Securities LLC, acting as our agent. Pursuant to the equity distribution agreement, we may issue and sell common stock having an aggregate offering price of up to $50,000,000 from time to time through our agent. The sales, if any, of our common stock under the equity distribution agreement will be made in at the market offerings as defined in Rule 415 of the Securities Act, including sales made directly on the NYSE, the existing trading market for our common stock, or sales made to or through a market maker. Our agent may also sell our common stock by any other method permitted by law, including but not limited to privately negotiated transactions.

From time to time during the term of the equity distribution agreement, we may deliver a transaction notice to our agent proposing a selling period and specifying the terms of the proposed sale of our common stock, including the number (or aggregate offering price) of shares of common stock to be sold, the time period during which sales are requested to be made, and any limitation on the number of shares of common stock that may be sold in any one day as well as any minimum price below which sales may not be made. Our agent may, in its sole discretion, accept the terms set forth in such transaction notice or propose terms that it is willing to accept. Any such proposed amendments to the transaction notice will be binding on us only to the extent we accept such amended terms. Upon acceptance of a transaction notice from us (as amended, if applicable), and subject to the terms and conditions of the equity distribution agreement, our agent has agreed to use its commercially reasonable efforts, consistent with its normal trading and sales practices, to sell such shares on the specified terms at prevailing market prices. We or the agent may suspend the offering of our shares at any time upon proper notice to the other, upon which the selling period will immediately terminate.

Our agent will not engage in any transactions that stabilize our common stock.

We will pay our agent commissions, or allow a discount, equal to 0.75% of the gross sales price of all shares of our common stock sold under the equity distribution agreement. The remaining sales proceeds, after deducting any expenses payable by us and any transaction fees imposed by any governmental or self-regulatory organization in connection with the sales, will equal our net proceeds for the sale of our common stock. We have agreed to reimburse our agent for certain expenses in certain circumstances.

Under the terms of the equity distribution agreement, we may also sell our common stock to the agent as principal for its own accounts at a price agreed upon at the time of sale. If we sell our common stock to our agent as principal, we will enter into a separate underwriting or similar agreement with the agent.

Settlement for sales of our common stock are generally anticipated to occur on the third trading day following the date on which any sales were made in return for payment of the net proceeds to us, unless we agree otherwise with the agent. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

Sales of our common stock as contemplated by this prospectus supplement will be settled through the facilities of The Depository Trust Company or by such other means as we and the agent may agree upon.

The agent will provide written confirmation to us of sales of our common stock under the equity distribution agreement no later than hour after the closing of the trading day on which such sales were

made. Each confirmation will include the number of shares sold on that day, the compensation payable by us to the agent with respect to such sales and the net proceeds from such sales payable to us, with an itemization of the deductions made by the agent from the gross proceeds that it receives from such sales. We will disclose in our quarterly reports on Form 10-Q and in our annual report on Form 10-K the number of shares of our common stock sold through our agent during the relevant quarter.

In connection with the sale of our common stock hereunder, our agent may be deemed to be an underwriter within the meaning of the Securities Act and the compensation paid to our agent may be deemed to be underwriting commissions or discounts. We have agreed to provide indemnification and contribution to our agent against certain civil liabilities, including liabilities under the Securities Act.

The agent and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The agent or its affiliates from time to time perform investment banking and other financial services for us and our affiliates for which they receive advisory or transaction fees, as applicable, plus out-of-pocket expenses, of the nature and in amounts customary in the industry for these financial services. In the ordinary course of its various business activities, the agent and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments issued by us.

We estimate that the total expenses of the offering payable by us, excluding commissions or discounts payable or provided to the agent under the equity distribution agreement, will be approximately $100,000.

The offering of our common stock pursuant to the equity distribution agreement will terminate upon the earlier of (1) the sale of all of our common stock subject to the equity distribution agreement, and (2) the termination of the equity distribution agreement by either us or the agent at any time in the respective party s sole discretion.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Andrews Kurth LLP, Dallas, Texas. In addition, the description of federal income tax consequences contained in the section of the accompanying prospectus entitled Federal Income Tax Consequences of Our Status as a REIT is based on the opinion of Andrews Kurth LLP. Certain Maryland law matters in connection with this offering will be passed upon for us by Hogan Lovells US LLP, Baltimore, Maryland. Andrews Kurth LLP will rely on the opinion of Hogan Lovells US LLP, Baltimore, Maryland, as to all matters of Maryland law.

INCORPORATION OF INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to other documents that we file with the SEC. These incorporated documents contain important business and financial information about us that is not included in or delivered with this prospectus. The information incorporated by reference is considered to be part of this prospectus, and later information filed with the SEC will update and supersede this information.

We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, until the offering of securities covered by this prospectus is complete, including, but not limited to, after the date of the initial registration statement of which this prospectus supplement is a part:

- our annual report on Form 10-K for the year ended December 31, 2009;

- our quarterly reports on Form 10-Q for the quarters ended March 31, 2010 and June 30, 2010; and

- our current reports on Form 8-K filed with the SEC on February 26, 2010 (with respect to Item 1.01), March 25, 2010, May 7, 2010, May 19, 2010, May 24, 2010 and September 2, 2010.

You may obtain copies of these documents at no cost by writing or telephoning us at the following address:

Investor Relations
Ashford Hospitality Trust, Inc.
14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
(972) 490-9600

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PROSPECTUS

$500,000,000
COMMON STOCK
PREFERRED STOCK
DEBT SECURITIES
WARRANTS
RIGHTS

Under this prospectus, we may offer, from time to time, in one or more series or classes, the securities described in this prospectus. The total offering price of securities described in this prospectus will not exceed $500,000,000.

We will provide the specific terms of any securities we may offer in a supplement to this prospectus. You should carefully read this prospectus and any applicable prospectus supplement before deciding to invest in these securities. Our common stock is listed on the New York Stock Exchange under the symbol AHT.

We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. The prospectus describes some of the general terms that may apply to these securities. The specific terms of any securities to be offered will be described in a supplement to this prospectus.

Investing in our securities involves risks. See Risk Factors on page 2 for information regarding risks associated with an investment in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is January 25, 2010.

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone else to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. An offer to sell these securities will not be made in any jurisdiction where the offer and sale is not permitted. You should assume that the information appearing in this prospectus, as well as information we previously filed with the Securities and Exchange Commission and incorporated by reference, is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

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OUR COMPANY

We are a Maryland corporation that invests in the hospitality industry at all levels of the capital structure. As of September 30, 2009, our hotel portfolio includes 103 hotel properties in 27 states and Washington D.C., six of which we own through equity investments with joint venture partners. Our hotels are operated under the widely recognized upper-upscale brands of Crown Plaza, Hilton, Hyatt, Marriott, Sheraton and Westin. Also, as of September 30, 2009, we own approximately $66.7 million of mezzanine or first-mortgage loans receivable and a 25% interest in a joint venture with Prudential Real Estate Investors, formed in January 2008, which owns $79.4 million of mezzanine loans.

Our investment strategies focus on the upscale and upper-upscale segments within the lodging industry. However, we also believe that as hotel supply, demand and capital market cycles change, we will be able to shift our investment strategies to take advantage of newly created lodging-related investment opportunities as they develop. Currently, we do not limit our acquisitions to any specific geographical market within the United States.

In response to the recent financial market crisis, we have undertaken a series of actions to manage the sources and uses of our funds in an effort to navigate through challenging market conditions while still pursuing opportunities that can create long-term shareholder value. In this effort, we have attempted to proactively address value and cash flow deficits among certain of our mortgaged hotels, with a goal of enhancing shareholder value through loan amendments, or in certain instances, consensual transfers of hotel properties to the lenders in satisfaction of the related debt, some of which will likely result in impairment charges. In December 2009, after fully cooperating with the servicer for a consensual foreclosure or deed in lieu of foreclosure, we agreed to transfer possession and control of the Hyatt Regency Dearborn to a receiver. Additionally, we are continuing to negotiate a consensual transfer of the Westin O Hare hotel to the related lender. In each of these instances, the hotel was not generating sufficient cash flow to cover its debt service and was not expected to generate sufficient cash flow to cover its debt service for the foreseeable future. The loans secured by these hotels, subject to certain customary exceptions, were non-recourse to us. We may continue to proactively address value and cash flow deficits in a similar manner as necessary and appropriate.

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

We are self-advised and own our lodging investments and conduct our business through Ashford Hospitality Limited Partnership, our operating partnership. We are the sole general partner of our operating partnership.

We have elected to be treated as a real estate investment trust, or REIT, for federal income tax purposes. Because of limitations imposed on REITs in operating hotel properties, third-party managers manage each of our hotel properties. Our employees perform, directly through our operating partnership, various acquisition, development, redevelopment, asset management, accounting and corporate management functions. All persons employed in the day-to-day operations of our hotels are employees of the management companies engaged by our lessees, and are not our employees.

Our principal executive offices are located at 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254. Our telephone number is (972) 490-9600. Our website is http://www.ahtreit.com. The contents of our website are not a part of this prospectus. Our shares of common stock are traded on the New York Stock Exchange, or the NYSE, under the symbol AHT.

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RISK FACTORS

An investment in our securities involves various risks. You should carefully consider the risk factors incorporated by reference to our most recent Annual Report on Form 10-K and the other information contained in this prospectus, as updated by our subsequent filings under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the risk factors and other information contained in the applicable prospectus supplement before acquiring any of our securities. In addition, the following risk factors describe additional important risks and uncertainties that you should consider.

If the current economic downturn continues and the underlying hotel properties supporting our mezzanine loan portfolio are unable to generate enough cash flows for the scheduled payments, there is a possibility that our remaining mezzanine loan portfolio could be written off in its entirety, which may adversely affect our operating results.

When we implemented our mezzanine loan investment strategy, we performed the underwriting stress test based on worst case scenarios similar to what the hotel industry experienced post 9/11. However, the magnitude of the current economic downturn far exceeds our underwriting sensitivity. As a result, as of September 30, 2009, we have recorded impairment charges with respect to our mezzanine loan portfolio of approximately $149.3 million in 2009, and if the current economic downturn continues, we may record additional impairment charges to this portfolio equal to as much as the remaining balance of our mezzanine loan portfolio. If such a write-off were to occur, it would impact our interest income by up to $4.9 million annually.

Continued significant impairment charges could result in our failure to satisfy certain financial ratios, which could trigger additional rights for the holder of our Series B-1 Preferred Stock.

Our Series B-1 preferred stockholder has certain contractual rights in the event we are unable to satisfy certain financial ratios, and such inability remains uncured for more than 120 days. The end of the 120 day cure period, without a cure or waiver, would severely restrict our ability to operate our company without triggering a covenant violation. Specifically, we would be restricted from issuing preferred securities, incurring additional debt or purchasing or leasing real property without triggering a covenant violation under the articles supplementary governing the Series B-1 preferred stock.

The impairment charges incurred during 2009 resulted in an adjusted EBITDA calculation that could have prevented us from satisfying one financial ratio. As a result, without a cure or waiver, we may have been obligated to restrict operations beginning in the third quarter of 2009 or risk triggering a covenant violation. However, Security Capital Preferred Growth Incorporated, the sole holder of our Series B-1 preferred stock, reviewed the specific impairment charges and consented to specific exclusions of the impairments as they impact the financial ratio calculations for the affected periods. If we incur additional impairment charges, including impairment charges we expect to incur in connection with the continuing Westin O Hare hotel negotiations, there is no assurance that Security Capital will grant a similar waiver.

If a covenant violation does occur, we will be obligated to pay an additional $0.05015 per share quarterly dividend on our Series B-1 preferred stock (approximately $373,510 aggregate increase per quarter), and the Series B-1 preferred stockholder will gain the right to appoint two board members.

The assets associated with certain of our derivative transactions do not constitute qualified REIT assets and the related income will not constitute qualified REIT income. Significant fluctuations in the value of such assets or the related income could jeopardize our REIT status or result in additional tax liabilities.

We have entered into certain derivative transactions to protect against interest rate risks not specifically associated with debt incurred to acquire qualified REIT assets. The REIT provisions of the Internal Revenue Code limit our income and assets in each year from such derivative transactions. Failure to comply with the asset or income limitations within the REIT provisions of the Internal Revenue Code could result in penalty taxes or loss of our REIT status. If we elect to contribute the non-qualifying derivatives into a taxable REIT subsidiary to preserve our REIT status, such an action would result in any income from such transactions being subject to federal income taxation.

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ABOUT THIS PROSPECTUS

This prospectus is part of a shelf registration statement. We may sell, from time to time, in one or more offerings, any combinations of the securities described in this prospectus. This prospectus only provides you with a general description of the securities we may offer. Each time we sell securities under this prospectus, we will provide a prospectus supplement that contains specific information about the terms of the securities. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with the additional information described below under the heading Where You Can Find More Information.

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated herein by reference, together with other statements and information publicly disseminated by our company, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended or the Securities Act, and Section 21E of the Exchange Act, that are subject to risks and uncertainties. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. Statements regarding the following subjects are forward-looking by their nature:

- our business and investment strategy;
- our projected operating results;
- completion of any pending transactions;
- expected liquidity needs and sources (including capital expenditures and our ability to obtain financing or raise capital);
- our understanding of our competition;
- market and industry trends;
- projected revenues and expenses; and
- the impact of technology on our operations and business.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider this risk when you make an investment decision concerning our securities. Additionally, the following factors could cause actual results to vary from our forward-looking statements:

- the factors discussed in this prospectus, and in the information incorporated by reference into it, including those set forth under the section titled Risk Factors;
- general volatility of the capital markets and the market price of our securities;
- 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.

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When we use the words will likely result, may, anticipate, estimate, should, expect, believe, intend, expressions, we intend to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Our forward-looking statements speak only as of the date of this prospectus or as of the date they are made, and except as otherwise required by federal securities laws, we are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

Unless otherwise indicated in a prospectus supplement, we expect to use the net proceeds from the sale of these securities for general corporate purposes, which may include acquisitions of additional properties as suitable opportunities arise, the origination or acquisition of hotel debt, the joint venture of hotel investments, the repayment of outstanding indebtedness, capital expenditures, the expansion, redevelopment or improvement of properties in our portfolio, working capital and other general purposes. Further details regarding the use of the net proceeds of a specific series or class of the securities will be set forth in the applicable prospectus supplement.

RATIO OF EARNINGS TO FIXED CHARGES AND EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our historical ratio of earnings to fixed charges, as adjusted for discontinued operations, and our ratio of