ASHFORD HOSPITALITY TRUST INC
Form 424B5
June 19, 2013
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-181499

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale thereof is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated June 19, 2013

PROSPECTUS SUPPLEMENT

(To Prospectus Dated May 17, 2012)

11,000,000 Shares

Common Stock

Ashford Hospitality Trust, Inc. is offering 11,000,000 shares of our common stock, $0.01 par value per share, by this prospectus supplement and the accompanying prospectus.

Our common stock is subject to certain restrictions on ownership designed to preserve our qualification as a real estate investment trust for federal income tax purposes. See Description of our Capital Stock Restrictions on Ownership and Transfer on page 4 of the accompanying prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol AHT. On June 18, 2013, the last reported sale price of our common stock was $13.79 per share.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should read the discussion of material risks of investing in our common stock in Risk Factors beginning on page S-5 of this prospectus supplement and on page 10 of our Annual Report on Form 10-K for the year ended December 31, 2012.

	Per Share	Total(1)
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

(1) Assumes no exercise of the underwriters option to purchase additional shares.

The underwriters may also exercise their option to purchase up to an additional 1,650,000 shares from us, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state or other securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about June , 2013.

Joint Book-Running Managers

BofA Merrill Lynch **Deutsche Bank Securities** **Morgan Stanley**

Senior Co-Managers

KeyBanc Capital Markets **Credit Agricole CIB** **Credit Suisse**

The date of this prospectus supplement is June , 2013

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Prospectus Supplement

Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus in making a decision about whether to invest in our common stock. We have not, and the underwriters have not, authorized anyone to provide you with different or additional information. We take no responsibility for, and can provide no assurance as to the reliability of, any different or inconsistent information. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents and information incorporated by reference is only accurate as of the respective dates which are specified in those documents or that information. Our business, financial condition, results of operations and prospects may have changed since those dates.

All references to Ashford Trust, we, our and us in this prospectus supplement mean Ashford Hospitality Trust, Inc. and all entities owned or controlled by Ashford Hospitality Trust, Inc., except where it is made clear that the term means only the parent company. The term you refers to a prospective investor.

Other terms that we use throughout this prospectus supplement are defined as follows:

ADR means average daily rate, which is calculated by dividing total hotel room revenues by total number of rooms sold in a given period.

GAAP means accounting principles generally accepted in the United States of America.

Gateway market means, with respect to U.S. markets, any of the 20 most populous metropolitan statistical areas, as estimated by the United States Census Bureau and delineated by the U.S. Office of Management and Budget. With respect to foreign markets, a gateway market means an area that is a general destination or in close proximity to a major transportation hub or business center, such that it serves as a significant entry or departure point to a foreign country or region of a foreign country for business or leisure travelers.

Occupancy means the total number of hotel rooms sold in a given period divided by the total number of rooms available.

RevPAR means revenue per available room, which is calculated by multiplying ADR by the average daily occupancy.

RevPAR penetration index measures a hotel s RevPAR in relation to the average RevPAR of that hotel s competitive set. The RevPAR penetration index for a particular hotel is calculated as the quotient of (1) the subject hotel s RevPAR divided by (2) the average RevPAR of the hotels in the subject hotel s competitive set, including the subject hotel, multiplied by 100. RevPAR data, other than the RevPAR of the eight hotels referred to herein as the Ashford Prime Properties, used in calculating any RevPAR penetration index in this prospectus supplement was provided by Smith Travel Research.

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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, including the section entitled Risk Factors beginning on page S-5 of this prospectus supplement, as well as the documents incorporated by reference into 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 into this prospectus supplement and the accompanying prospectus. Unless otherwise indicated, the information contained in this prospectus supplement is as of March 31, 2013 and assumes the completion of all transactions described in this prospectus supplement, including the contemplated spin-off of our indirect wholly-owned subsidiary, Ashford Hospitality Prime, Inc. to our stockholders.

The Company

General

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 March 31, 2013, we owned 90 hotels directly and four hotel properties through majority-owned investments in joint ventures, representing 20,034 total rooms, or 19,773 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 Hilton, Hyatt, Marriott, Starwood and Intercontinental Hotels Group.

In March 2011, we acquired 96 hotel condominium units at WorldQuest Resort in Orlando, Florida, and we also converted our interest in a joint venture that held a mezzanine loan into a 71.74% common equity interest and a $25.0 million preferred equity interest in a new joint venture. This joint venture holds 28 high quality full-service and select-service hotel properties with 8,084 total rooms, or 5,800 net rooms excluding those attributable to our joint venture partner. At March 31, 2013, we also wholly owned a mezzanine loan receivable with a carrying value of $3.3 million and one note receivable of $8.1 million in connection with a joint venture restructuring. Beginning in March 2008, we entered into various derivative transactions with financial institutions to hedge our debt, to improve cash flows, and to capitalize on the historical correlation between changes in LIBOR and RevPAR.

Our long-term investment strategies focus on the upscale and upper-upscale segments within the lodging industry, while our current key priorities and financial strategies include, among other things, proactive asset management, pursuing capital market activities to enhance long-term stockholder value, implementing selective capital improvements designed to increase profitability, investments and financing or refinancing hotels on competitive terms. We believe that as hotel supply and demand and capital markets cycles change, we will be able to shift our investment strategies to take advantage of lodging-related investment opportunities as they develop. As the business cycle changes and the hotel markets improve, 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.

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

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We have elected to be treated as a real estate investment trust (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 Ashford Trust OP, 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.

On June 14, 2013, our board of directors declared a regular quarterly dividend on our common stock of $0.12 per diluted share, payable on July 15, 2013 to our stockholders of record on June 28, 2013, including the purchasers of shares in the offering contemplated hereby.

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 www.ahtreit.com. The contents of our website are not a part of this prospectus. Shares of our common stock are traded on the New York Stock Exchange (the NYSE) under the symbol AHT.

Recent Developments Contemplated Spin-Off of Ashford Prime

Our board of directors has determined that a spin-off of certain of our hotels is in our best interests. To accomplish this spin-off, we expect to distribute all of the then outstanding shares of Ashford Hospitality Prime, Inc. (Ashford Prime), a Maryland corporation that is currently our indirect wholly-owned subsidiary, by way of a taxable pro rata special distribution to our stockholders. We expect that Ashford Prime will elect to be taxed as, and will operate in a manner that will allow it to qualify as, a REIT for federal income tax purposes. In addition, Ashford Prime will file an application to list its shares of common stock for trading on the NYSE.

The approval of the proposed spin-off by our stockholders is not required and will not be sought.

We anticipate that, upon completion of the spin-off, Ashford Trust OP will own 20% of the outstanding common units of Ashford Hospitality Prime Limited Partnership, Ashford Prime s operating partnership (Ashford Prime OP). Ashford Prime will be externally advised by our to-be-formed subsidiary, Ashford Hospitality Advisors LLC (Ashford Advisor).

Ashford Prime s investment strategy will be to invest primarily in full-service and select-service hotels in the luxury, upper-upscale and upscale segments, which are anticipated to generate RevPAR of at least twice the then current U.S. average RevPAR for all hotels as determined by Smith Travel Research ($130 for the year ended December 31, 2012). Ashford Prime s hotels will be located predominantly in domestic and international gateway markets. We will continue to focus on all segments of the hospitality industry with RevPAR criteria outside of Ashford Prime s initial investment focus. Our RevPAR for the year ended December 31, 2012 was approximately $99. Assuming the spin-off had occurred as of January 1, 2012, our RevPAR for the year ended December 31, 2012 would have been approximately $94.

In connection with effecting the spin-off, we will contribute to Ashford Prime our direct and indirect interests in a portfolio of eight hotel properties, including the working capital associated with such properties, plus $ million in additional working capital, of which $ million is expected to be the net proceeds of this offering. See Recent Developments Contemplated Spin-Off of Ashford Prime Contemplated Terms of the Spin-Off in this prospectus supplement for additional information for the eight hotels to be contributed to Ashford Prime.

In exchange for the hotel properties and cash contributed to Ashford Prime, we will receive common units of Ashford Prime OP and shares of common stock of Ashford Prime. The Ashford Prime OP common units

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will be distributed to the limited partners of Ashford Trust OP, including us and certain of our officers and directors; and the shares of Ashford Prime common stock will be distributed pro rata to our common stockholders in the spin-off. As a result of these transactions, we will own 20% of Ashford Prime OP. The remaining 80% of Ashford Prime OP s outstanding common units will be owned by Ashford Prime and other limited partners, including certain officers and directors of Ashford Prime and certain of our officers and directors, in the same relative proportions that we and such other limited partners own common units in Ashford Trust OP prior to the spin-off.

Also in connection with the spin-off, we will enter into option agreements with Ashford Prime to sell the Pier House Resort and the Crystal Gateway Marriott to Ashford Prime. For more information about the Pier House Resort and the Crystal Gateway Marriott and the terms of the option agreements, see Recent Developments Contemplated Spin-off of Ashford Prime Contemplated Terms of the Spin-off in this prospectus supplement.

Upon completion of the spin-off, you will receive shares of Ashford Prime common stock if you own shares of our common stock as of the close of business on the record date for the distribution, subject to certain limited exceptions. If you are to receive shares of Ashford Prime, you will not need to pay any consideration, exchange or surrender your existing shares of Ashford Trust common stock or take any other action to receive shares of Ashford Prime common stock. The distribution will be taxable, and you will not receive any cash in connection with the distribution other than in lieu of fractional shares of Ashford Prime you would otherwise receive. You will have to use cash from other sources to pay the income tax incurred with respect to the distribution.

We currently contemplate that the distribution of the shares of Ashford Prime common stock made to effect the spin-off will occur during the third quarter of 2013. However, prior to effecting the spin-off, we may subsequently determine that the spin-off should not be completed or should be completed on different terms than those described herein or one or more of the conditions that must be satisfied before the distribution of the shares of Ashford Prime common stock will occur may not be satisfied. In such an event, the spin-off may not be completed as anticipated, if at all. The completion of the spin-off is subject to, among other things, the Securities and Exchange Commission (SEC) declaring Ashford Prime s Form 10 registration statement (the Form 10) effective, the submission and approval of an application to list Ashford Prime s common stock for trading on the NYSE, obtaining all necessary consents and approval from lenders, lessors and managers, and the final approval and declaration of the distribution by our board of directors. The Form 10, including the exhibits thereto, does not constitute part of, and is not incorporated by reference in, this prospectus supplement or the accompanying prospectus.

The spin-off may not have the full strategic and financial benefits that we anticipate, or the realization of one or more of those benefits may be delayed or may not occur at all. The anticipated benefits of the spin-off are based on a number of assumptions, and there can be no assurance that such benefits will be realized to the extent anticipated or at all. In the event that the spin-off does not result in such benefits, the costs associated with the transaction could have a negative effect on our financial condition, results of operations, cash flows and ability to make distributions to our stockholders. See Risk Factors below regarding certain risks relating to the contemplated spin-off.

See Recent Developments Contemplated Spin Off of Ashford Prime below in this prospectus supplement for additional information regarding the contemplated spin-off of Ashford Prime to our stockholders.

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The Offering

Common stock offered	11,000,000 shares[1]
Common stock to be outstanding after the offering	79,317,105 shares[2]
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $ million (or $ million if the underwriters exercise their option to purchase additional shares of our common stock in full), after deducting the underwriting discount and the estimated expenses of this offering. We intend to use the net proceeds from this offering to effect the planned spin-off of Ashford Prime discussed in Recent Developments Contemplated Spin-Off of Ashford Prime below. Because of the way the spin-off is structured, we also intend to use approximately $ million to pay the common stock dividend for the quarter ending June 30, 2013, to stockholders of record on June 28, 2013, with respect to the shares issued in this offering. If the spin-off of Ashford Prime is not effected, we intend to use the proceeds from this offering for other general corporate purposes, including, without limitation, financing future hotel-related investments, capital expenditures, working capital and repayment of debt or other obligations.
Risk factors	Investing in our common stock involves risks, including those described under the heading Risk Factors beginning on page S-5 of this prospectus supplement and on page 10 of our Annual Report on Form 10-K for the year ended December 31, 2012.
NYSE symbol	AHT

1 Excludes up to 1,650,000 shares of our common stock that we may issue and sell upon the exercise of the underwriters option to purchase additional shares.

2 Based on 68,317,105 shares outstanding on June 19, 2013. Excludes up to 1,650,000 shares of our common stock that we may issue and sell upon the exercise of the underwriters option to purchase additional shares. Also excludes 18,991,498 shares of common stock potentially issuable, at our option, upon the redemption of an equal number of outstanding units of limited partnership interest in Ashford Prime OP, some of which remain subject to further vesting or earn-up requirements.

RISK FACTORS

An investment in our common stock involves various risks, including those described below and those disclosed beginning on page 10 of our Annual Report on Form 10-K for the year ended December 31, 2012. Prospective investors should carefully consider such risk factors, together with all of the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus, in determining whether to purchase the common stock offered hereby. The risks and uncertainties we discuss in this prospectus supplement and in the documents incorporated by reference in this prospectus supplement are those that we currently believe may materially affect our company. Additional risks not currently known to us or that we currently deem to be immaterial to us also could have a material adverse effect on our operations, financial condition, results of operations, cash flows and prospects. In addition to the risks identified in our Annual Report on Form 10-K referred to above, we are also subject to the risks discussed below.

We may not be able to complete the spin-off on the terms anticipated or at all.

Our board of directors has determined that a spin-off of certain of our hotels is in our best interests, subject to its final determination to complete the spin-off and declare the distribution of the outstanding shares of Ashford Prime common stock. Stockholder approval is not required and will not be sought in connection with the contemplated spin-off. The spin-off will be effected by means of a taxable pro rata special distribution of the outstanding shares of Ashford Prime common stock to the holders of our common stock on the record date for the distribution. Although we expect the spin-off to be completed in the third quarter of 2013, there can be no assurance that the spin-off will be completed as anticipated or at all. Our ability to complete the spin-off is subject to, among other things, the SEC declaring the Form 10 effective, the submission and approval of an application to list Ashford Prime s common stock on the NYSE, obtaining all necessary consents and approvals from lenders, lessors and managers, and the final approval and declaration of the distribution by our board of directors. A failure to complete the spin-off could negatively affect the price of our common stock. We have the right not to complete the spin-off if, at any time, our board of directors determines, in its sole discretion, that the spin-off is not in our best interests or that market conditions are such that it is not advisable to separate Ashford Prime from us.

The spin-off may not have the benefits we anticipate.

The spin-off may not have the full strategic and financial benefits that we expect, or the realization of such benefits may be delayed or may not occur at all. For example, analysts and investors may place a greater value on Ashford Prime as a stand-alone REIT than as a business that is a part of our company and may place a value on us after the spin-off that does not properly reflect our enterprise value after the spin-off. In the event that the spin-off does not have the benefits we expect it to have, the costs associated with the transaction could have a negative effect on our financial condition, results or operations, cash flows and ability to make distributions to our stockholders. Moreover, the announcement of the spin-off and the completion of the spin-off could adversely affect the market price of our common stock.

The spin-off could result in our common stock trading at a lower market price than anticipated.

One of the intended benefits of the spin-off is that the aggregate of the market prices of a share of our common stock and a share of Ashford Prime s common stock will be greater than was or would be the market price of our common stock had the spin-off not been effected, although it is understood that most spin-offs will result in the stock price of the company that effects the spin-off being somewhat lower, at least for some period after the spin-off, than it was prior to the spin-off. If investors and analysts were to view the spin-off of Ashford Prime as adversely affecting our post-spin-off financial condition, results of operations and cash flows in a manner disproportionate to the net value of assets conveyed to Ashford Prime, our common stock could trade at a market price lower than that which would accurately reflect the fair value of our company and result in the aggregate of the market prices of a share of our common stock and a share of Ashford Prime s common stock being less than the market price of a share of our common stock immediately prior to the spin-off.

Ashford Prime may not be able to successfully implement its business strategy.

Ashford Prime might prove to be unable to generate sufficient revenue to pay its operating expenses, including the advisory fees payable to Ashford Advisor, and make satisfactory distributions to its stockholders, or any distributions at all, once it commences operations as an independent company. As an independent, publicly traded company, Ashford Prime will incur expenses, including fees paid to its advisor, and legal, accounting, compliance and other costs associated with being a public company with equity securities traded on the NYSE and such expenses will affect its financial condition, results of operations and cash flow. In addition, its results of operations and its ability to make or sustain distributions to its stockholders would depend on the availability of opportunities to acquire attractive assets, the level and volatility of interest rates, the availability of adequate short- and long-term financing, conditions in the real estate market, the financial markets and economic conditions, among other factors described in the Form 10. After the spin-off, we would not be required, and do not intend, to provide Ashford Prime with funds to finance its working capital or other cash requirements. As a result, Ashford Prime may need to obtain additional financing from banks, through public offerings or private placements of debt or equity securities, strategic relationships or other arrangements.

The market price of our common stock could be adversely affected by our level of cash distributions after the spin-off occurs.

The market value of the equity securities of a REIT is based primarily upon the market s perception of the REIT s growth potential and its current and potential future cash distributions, whether from operations, sales or refinancings, and is secondarily based upon the real estate market value of the underlying assets. For that reason, our common stock may trade at prices that are higher or lower than our net asset value per share. If analysts and investors perceive that our operating cash flow has been materially adversely affected as a result of the spin-off and that the level of distribution to our common stockholders will be reduced or if we must reduce our distributions materially after the spin-off, the market price of our common stock could be adversely affected. Our failure to meet the market s expectations with regard to future earnings and cash distributions could adversely affect the market price of our common stock.

The spin-off would result in a change in our investment guidelines to exclude investments in certain desirable hotel properties.

Following the spin-off, Ashford Prime s business strategy will be focused on investing primarily in full-service and select-service hotels in the luxury, upper-upscale and upscale segments, which are anticipated to generate RevPAR of at least twice the then current U.S. average RevPAR for all hotels as determined by Smith Travel Research. We expect our investment guidelines would be changed so that we would exclude from our investment focus those properties that are the investment focus of Ashford Prime, *i.e.*, full-service and select-service hotels in the luxury, upper-upscale and upscale segments, which are anticipated to generate RevPAR at least twice the national average. As a result, our changed investment guidelines would result in us not considering for investment desirable properties that might otherwise be available in the market unless Ashford Prime rejects those properties. Such a change in our investment guidelines would limit our opportunities to invest in properties that could have a more positive effect on our financial condition and operating results than properties not anticipated to generate a RevPAR of the type within Ashford Prime s criteria for investment.

The spin-off could adversely affect our ability to make distributions in future periods.

Our cash flows in future periods would be reduced by the amount of the net cash flows that would have been generated in future periods by the hotel properties that are contributed or sold to Ashford Prime in the spin-off or pursuant to the option agreements between us and Ashford Prime. As a result, the distributions to our stockholders that we make with respect to those future periods could be reduced to amounts less than the distributions otherwise anticipated by our stockholders for such future periods.

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Our agreements with Ashford Prime do not reflect terms that would have resulted from arm s-length negotiations among unaffiliated third parties.

The terms of the agreements related to Ashford Prime s separation from us, including a separation and distribution agreement and an advisory agreement between Ashford Prime and Ashford Advisor, our subsidiary that will advise Ashford Prime, and other agreements entered into in connection with the spin-off, were not negotiated on an arm s-length basis (although they were approved by a majority of our directors who do not also own units in Ashford Trust OP), and we did not have the benefit of arm s-length negotiations of the type normally conducted with an unaffiliated third party. As a result, the terms may be less favorable to us than the terms that would have resulted from arm s-length negotiations among unaffiliated third parties. Furthermore, we may choose not to enforce, limit our enforcement of, or to enforce less vigorously, our rights under these agreements because of our desire to maintain an ongoing relationship with Ashford Prime as an advisory client of Ashford Advisor.

The ownership by our executive officers and some of our directors of shares of common stock, or other equity awards of Ashford Prime may create, or may create the appearance of, conflicts of interest.

Certain directors and officers of Ashford Prime are also directors and officers of Ashford Trust and own shares of our common stock and common units in Ashford Trust OP. After the spin-off, those persons will also own shares of Ashford Prime, common units of Ashford Prime OP or both and may also be granted equity awards by Ashford Prime, the value of which will be tied to the value of the Ashford Prime common stock. The positions of such directors and officers in both Ashford Trust and Ashford Prime and the ownership by such persons of Ashford Prime common stock, common units in Ashford Prime OP or equity awards with values based on the value of the Ashford Prime common stock, could create, or create the appearance of, conflicts of interest when those directors and officers are faced with decisions that could have different implications for Ashford Prime than they do for us.

The distribution of Ashford Prime common stock will not qualify for tax-free treatment and may be taxable to you as a dividend; however, the tax impact will not be calculated until the end of the 2013 calendar year.

The distribution of Ashford Prime common stock will not qualify for tax-free treatment. An amount equal to the fair market value of the shares of Ashford Prime common stock received by you on the distribution date, including any fractional shares deemed to be received on the distribution date, will be treated as a taxable dividend to the extent of your share of any of our current or accumulated earnings and profits for the year of the distribution. Any fair market value in the excess of our current or accumulated earnings and profits treated first as a non-taxable return of capital to the extent of your tax adjusted basis in our common stock and then as capital gain. The distribution will not include a distribution of cash, except for certain cash in lieu of fractional shares of Ashford Prime common stock, and, thus, you will have to obtain cash from other sources to pay the income tax on this income. In addition, we or other applicable withholding agents may be required or permitted to withhold at the applicable rate on all or a portion of the distribution payable to non-U.S. stockholders, and any such withholding would be satisfied by us or such agent withholding by selling a portion of the Ashford Prime stock otherwise distributable to non-U.S. stockholders. Such non-U.S. stockholders may bear brokerage fees or other costs from this withholding procedure. Your adjusted tax basis in our shares held at the time of the distribution will be reduced (but not below zero) to the extent the fair market value of the shares of Ashford Prime common stock distributed by us to you in the distribution exceeds your share of our current and accumulated earnings and profits. Your holding period for your shares of our common stock will not be affected by the distribution. We will not be able to advise you of the amount of our earnings and profits until after the end of the 2013 calendar year.

Although we will be ascribing a value to Ashford Prime s shares in the distribution for tax purposes, this valuation is not binding on the Internal Revenue Service (the IRS) or any other taxing authority. These taxing authorities could ascribe a higher valuation to such shares, particularly if Ashford Prime s stock trades at prices significantly above the value ascribed to such shares by us in the period following the distribution. Such a higher

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valuation may cause a larger reduction in the tax basis of your shares of us or may cause you to recognize additional dividend or capital gain income. You are urged to consult your own tax advisor as to the particular tax consequences of the distribution to you.

The option purchase price for Pier House Resort may not be market price at the time the option is exercised.

If Ashford Prime exercises the option to purchase the Pier House Resort, the purchase price it pays for such hotel may be less than the amount payable for a comparable property in a fully-marketed sale process. Pursuant to the option agreement related to the Pier House Resort, Ashford Prime s purchase price for the hotel is determined, based on the price that we paid for such hotel. Accordingly, the purchase price Ashford Prime pays for such hotel may be less than the amount payable for a comparable property in a fully-marketed sale process.

Changes in laws, regulations, or policies may adversely affect our business.

The laws and regulations governing our business or the regulatory or enforcement environment at the federal level or in any of the states in which we operate may change at any time and may have an adverse effect on our business. For example, the Patient Protection and Affordable Care Act of 2010, as it is phased in over time, will significantly affect the administration of health care services and could significantly impact our cost of providing employees with health care insurance. We are unable to predict how this or any other future legislative or regulatory proposals or programs will be administered or implemented or in what form, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect us in substantial and unpredictable ways and could have an adverse effect on our results of operations and financial condition. Our inability to remain in compliance with regulatory requirements in a particular jurisdiction could have a material adverse effect on our operations in that market and on our reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently or that new laws and regulations will not be adopted, either of which could materially adversely affect our business, financial condition, or results of operations.

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RECENT DEVELOPMENTS CONTEMPLATED SPIN-OFF OF ASHFORD PRIME

As discussed above, our board of directors has determined that a spin-off of certain of our hotels is in our best interests. To accomplish this spin-off, we expect that we will distribute all of the then outstanding shares of Ashford Prime by way of a taxable pro rata special distribution to the holders of record of our common stock at the close of business on the record date for such distribution, subject to certain limited exceptions. We expect that Ashford Prime will elect to be, and will qualify to be, treated as a REIT for federal income tax purposes. In addition, Ashford Prime will file an application to list its shares of common stock for trading on the NYSE.

Reasons for the Spin-Off

Our board of directors periodically reviews strategic alternatives. Our board of directors determined, upon careful review and consideration in accordance with the applicable standard of review under Maryland law, that the spin-off of Ashford Prime is in the best interests of our company. Our board s determination was based on a number of factors, including those set forth below.

Creation of two focused companies creates clarity. After the spin-off, Ashford Prime will focus primarily on luxury, upper-upscale and upscale hotels anticipated to generate RevPAR at least twice the national average. We will continue to focus on all segments of the hospitality industry, with RevPAR criteria outside the Ashford Prime investment focus. We believe investors may find it more appealing to be able to invest in two distinct businesses. Each business will have the opportunity to cultivate a distinct identity, which we expect will facilitate investor understanding by reducing the complexity associated with a company that has diverse business objectives.

Potential for a higher aggregate market value for stockholders. The spin-off will enable potential investors and the financial community to evaluate the performance of each company separately, which may result in a higher aggregate market value than the value of the combined company.

Tailored capital structure more efficient. Each company will have the flexibility to create a capital structure tailored to its strategic goals and consistent with its stockholders interests. In addition, tailored capital structures will facilitate each company s ability to grow through acquisitions and other strategic alliances, possibly using units of the operating partnerships as currency.

Conservative capital structure. Ashford Prime will emphasize a low leverage capital structure over time, with a target net debt plus preferred equity to EBITDA level of 5.0x or less. Our board of directors believes this structure should allow Ashford Prime to capitalize on favorable acquisition and investment opportunities.

The anticipated benefits of the spin-off are based on a number of assumptions, and there can be no assurance that such benefits will materialize to the extent anticipated or at all. In the event that the spin-off does not result in such benefits, the costs associated with the transaction could have a negative effect on our financial condition and ability to make distributions to our stockholders. For more information about the risks associated with the contemplated spin-off of Ashford Prime, see Risk Factors in this prospectus supplement.

Post-Spin-Off Investment Strategy

Ashford Prime s strategy will be to invest primarily in full-service and select-service hotels in the luxury, upper-upscale and upscale segments, which are anticipated to generate RevPAR of at least twice the then current U.S. average RevPAR for all hotels as determined by Smith Travel Research ($130 for the year ended December 31, 2012). Ashford Prime s hotels will be located predominantly in domestic gateway markets. Ashford Prime may also seek to acquire hotels outside of the U.S. that satisfy the same anticipated RevPAR criteria as its domestic hotels (after any applicable currency conversion), with a primary focus on international

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gateway cities. In addition, Ashford Prime may invest in upper-upscale and luxury hotels situated in resort markets when those hotels meet its stated RevPAR criteria. Ashford Prime will seek to acquire both premium branded and independent hotels. Ashford Prime will differ from us by having a more conservative capital structure, by focusing on higher RevPAR hotels and by its interest in international assets predominantly in gateway markets.

We currently focus on investments in all segments of the hospitality industry. After the spin-off, we will focus on all segments of the hospitality industry, with RevPAR criteria outside Ashford Prime s investment focus as described above. As a result, we will not invest in hotels anticipated to generate RevPAR meeting Ashford Prime s criteria unless Ashford Prime chooses not to invest in a particular hotel property.

Contemplated Terms of the Spin-off.

In connection with the spin-off, we will contribute to Ashford Prime our direct and indirect interests in a portfolio of eight hotel properties (the Ashford Prime Properties). All of the Ashford Prime Properties operate under premium brands affiliated with either Marriott International, Inc. (Marriott) or Hilton Worldwide, Inc. (Hilton). The following tables set forth additional information for the Ashford Prime Properties (dollars in thousands, except ADR and RevPAR).

				Year Ended December 31, 2012					
Hotel Property	**Location**	**Total Rooms**	**% Owned**	**Occupancy**	**ADR**	**RevPAR**	**RevPAR Penetration Index**	**Hotel EBITDA[1]**	**Capital Invested per Room[2]**
Hilton La Jolla Torrey Pines[3]	La Jolla, CA	394	75%	76%	$ 166.41	$ 126.19	103.2	$ 8,898	$ 32.9
The Capital Hilton	Washington, D.C.	544	75%	82%	213.93	176.09	107.2	15,285	64.2
Marriott Plano Legacy Town Center	Plano, TX	404	100%	66%	162.59	107.91	128.6	8,392	16.4
Seattle Marriott Waterfront	Seattle, WA	358	100%	78%	200.34	155.64	110.0	10,521	14.1
Courtyard San Francisco Downtown	San Francisco, CA	405	100%	85%	206.95	176.66	103.6	10,135	7.8
Courtyard Seattle Downtown	Seattle, WA	250	100%	72%	148.58	107.02	108.9	4,860	13.9
Courtyard Philadelphia Downtown	Philadelphia, PA	498	100%	78%	161.20	125.56	113.0	9,805	8.7
Renaissance Tampa International Plaza[4]	Tampa, FL	293	100%	78%	154.68	120.57	127.6	5,144	6.9
Total / Weighted Average[5]		**3,146**		**77%**	**$ 181.13**	**$ 140.20**	**110.6**	**$ 73,040**	**$ 23.0**

		Three Months Ended March 31, 2013				
Hotel Property	**Location**	**Occupancy**	**ADR**	**RevPAR**	**RevPAR Penetration Index**	**Hotel EBITDA[1]**
Hilton La Jolla Torrey Pines[3]	La Jolla, CA	66%	$ 174.80	$ 114.70	97.0	$ 1,716
The Capital Hilton	Washington, D.C.	77%	235.67	180.29	109.2	3,710
Marriott Plano Legacy Town Center	Plano, TX	69%	170.72	118.01	123.7	2,481
Seattle Marriott Waterfront	Seattle, WA	70%	169.30	118.24	108.0	1,645
Courtyard San Francisco Downtown	San Francisco, CA	84%	201.78	169.85	105.0	2,278
Courtyard Seattle Downtown	Seattle, WA	66%	124.05	81.37	115.2	800
Courtyard Philadelphia Downtown	Philadelphia, PA	71%	152.60	108.81	119.4	1,931
Renaissance Tampa International Plaza[4]	Tampa, FL	83%	177.03	147.70	116.3	1,986
Total / Weighted Average[5]		**73%**	**$ 181.60**	**$ 133.27**	**110.6**	**$ 16,547**

(1) See Non-GAAP Financial Measures in this prospectus supplement for a reconciliation of Hotel EBITDA (as defined below) by property. We own the Hilton La Jolla Torrey Pines and The Capital Hilton in a joint venture. The Hotel EBITDA represents the total amount for each hotel, not our pro rata amount based on our ownership percentage.

(2) Consists of all capital expenditures by Ashford Trust since January 1, 2008 and represents the total investment for each hotel, not our pro rata investment based on our ownership percentage. In aggregate, we have invested capital of $72.5 million in these hotels during that period. Based on our current capital budget, we expect that an additional approximately $17.4 million will be invested by Ashford Prime in these hotels in the 12 months following the spin-off, or approximately $5,500 per room.

(3) Subject to a ground lease that expires in 2043.

(4) Subject to a ground lease that expires in 2080.

(5)

RevPAR penetration represents a weighted average based on the sum of the product of RevPAR for the competitive set of each hotel and the total room count for the respective hotel for all eight hotels. All other values on this line are calculated on a portfolio basis for all eight hotels.

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We will also contribute to Ashford Prime the working capital associated with such properties, plus $ million in additional working capital, of which $ million is expected to be the net proceeds of this offering.

In connection with our contribution of the Ashford Prime Properties to Ashford Prime, Ashford Prime will assume property-level mortgage debt which had an outstanding principal balance on March 31, 2013 of approximately $627.7 million. That indebtedness includes mortgage indebtedness secured by two hotels we own through a consolidated joint venture. The entities that own those properties would continue to be primarily liable for that indebtedness if the spin-off is effected as contemplated. We may maintain in effect certain limited guarantees with respect to such debt for the benefit of the applicable lenders. Ashford Prime will indemnify us to the extent we realize any losses or are required to make any payments pursuant to any such guarantees continuing in effect after the spin-off.

In connection with the spin-off, Ashford Prime will purchase, for a cash payment in the estimated amount of $3.0 million, the three taxable REIT subsidiaries of Ashford Trust that currently lease six of the Ashford Prime Properties. The two taxable REIT subsidiaries that currently lease the two other Ashford Prime Properties, which are held in a joint venture in which we own equity interests, will remain subsidiaries of the joint venture, but we will contribute our equity interests in the joint venture to Ashford Prime OP.

In connection with the spin-off, we also will enter into option agreements to sell the following hotels to Ashford Prime (dollars in thousands, except ADR and RevPAR):

				Year Ended December 31, 2012				
Hotel Property	**Location**	**Total Rooms**	**% Owned**	**Occupancy**	**ADR**	**RevPAR**	**RevPAR Penetration Index**	**Hotel EBITDA[1]**
Pier House Resort	Key West, FL	142	100%	82.8%	$ 332.71	$ 275.50	97.2	$ 5,896
Crystal Gateway Marriott	Arlington, VA	697	100%	75.1%	182.39	136.97	112.5	15,972

		Three Months Ended March 31, 2013				
Hotel Property	**Location**	**Occupancy**	**ADR**	**RevPAR**	**RevPAR Penetration Index**	**Hotel EBITDA[1]**
Pier House Resort	Key West, FL	85.1%	$ 432.71	$ 368.04	97.3	$ 2,584
Crystal Gateway Marriott	Arlington, VA	71.6%	178.32	127.69	111.7	3,622

(1) See Non-GAAP Financial Measures in this prospectus supplement for a reconciliation of Hotel EBITDA by property.

Pursuant to the Pier House Resort option agreement, Ashford Prime will have an 18-month option to acquire the Pier House Resort, and the purchase price initially will be $90.6 million (which is the price we paid when we acquired the property in May 2013 and the out of pocket costs we incurred in connection with the acquisition), plus the cost of any owner funded capital improvements made by us prior to the acquisition of the hotel by Ashford Prime. The purchase price will increase by 1% six months following the spin-off and will increase an additional 1% 12 months following the spin-off. The Crystal Gateway option agreement will provide us with an option to acquire the Crystal Gateway Marriott beginning six months from the date of the spin-off and extending for 12 months from such date. The purchase price will be equal to the fair market value at the time the option is exercised, based on an appraisal prepared by a nationally recognized appraiser jointly selected by Ashford Prime and us. The purchase price for the Pier House Resort is payable in cash or common units of Ashford Prime OP, at our option, while the purchase price for the Crystal Gateway Marriott will be payable in common units of Ashford Prime OP only.

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We will enter into a right of first offer agreement with Ashford Prime. The hotels currently held by us and subject to the right of first offer will be as follows:

Hotel Property	Location	Total Rooms	% Owned	RevPAR for Year Ended December 31, 2012	RevPAR for Three Months Ended March 31, 2013
Crowne Plaza Beverly Hills	Beverly Hills, CA	260	100%	$ 133.00	$ 123.41
Embassy Suites Crystal City	Arlington, VA	267	100%	156.81	151.40
Crowne Plaza Key West	Key West, FL	160	100%	177.08	259.55
Hyatt Coral Gables	Coral Gables, FL	242	100%	133.98	197.81
One Ocean Jacksonville	Jacksonville, FL	193	100%	108.41	107.09
Houston Embassy Suites	Houston, TX	150	100%	134.86	152.78
Portland Embassy Suites	Portland, OR	276	100%	131.83	111.46
Ritz-Carlton Atlanta	Atlanta, GA	444	72%*	123.60	133.35
Hilton Boston Back Bay	Boston, MA	390	72%*	184.47	129.62
Courtyard Boston Downtown	Boston, MA	315	72%*	133.64	83.68
The Churchill	Washington, D.C.	173	72%*	122.99	121.85
The Melrose	Washington, D.C.	240	72%*	122.00	104.37

* These hotels are owned by a joint venture in which we hold an approximate 72% common equity interest and a $25.0 million preferred equity interest. To the extent we have the opportunity to acquire the entire interest in these hotels or control the right to sell these hotels, we contemplate that the right of first offer agreement between us and Ashford Prime will extend to these properties.

The right of first offer agreement will provide Ashford Prime the first right to acquire each of the subject hotels, to the extent our board of directors determines it is appropriate for us to market and sell the hotel, subject to any prior rights of the managers of the hotel or other third parties and the limitation noted in the footnote to the table above with respect to hotels in a joint venture. In addition, so long as Ashford Prime does not materially change its initial investment guidelines without the express consent of Ashford Advisor, the right of first offer agreement will extend to hotels later acquired by us that satisfy Ashford Prime s investment guidelines.

Pursuant to such right of first offer agreement, Ashford Prime will give us a right of first offer with respect to any properties that it acquires in a portfolio transaction, to the extent Ashford Prime s board of directors determines it is appropriate to market and sell such assets and Ashford Prime controls the disposition, provided such assets satisfy our investment guidelines and do not satisfy Ashford Prime s initial investment guidelines. Any such right of first offer granted to us will be subject to certain prior rights, if any, granted to the managers of the related properties or other third parties.

Pursuant to an advisory agreement, Ashford Advisor will act as Ashford Prime s external advisor, responsible for implementing Ashford Prime s investment strategies and decisions and the management of its day-to-day operations, subject to the supervision and oversight of Ashford Prime s board of directors. Ashford Prime, which will have no employees of its own, will rely on us and Ashford Advisor to provide, or obtain on behalf of Ashford Prime, the personnel and services necessary for Ashford Prime to conduct its business. Moreover, all of Ashford Prime s officers will also be employees of us and Ashford Advisor. The advisory agreement will have an initial term of five years, and will be automatically renewed for one-year terms thereafter subject to termination by Ashford Advisor upon 180 days notice and termination by Ashford Prime in certain circumstances upon 180 days notice. We expect that our management team will become employees of Ashford Advisor and will provide the services described above to Ashford Prime. Ashford Advisor may not act as an external advisor for an entity with investment guidelines similar to Ashford Prime, as initially set forth in the advisory agreement. However, Ashford Advisor will be permitted to have other advisory clients, which may include other REITs operating in the real estate industry. Ashford Prime would pay Ashford Advisor a quarterly

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base fee equal to 0.70% per annum of the total enterprise value of Ashford Prime calculated as set forth in the advisory agreement, subject to a minimum quarterly base fee. Ashford Prime would also pay Ashford Advisor an incentive fee equal to 10% of the amount by which any increase in market price of Ashford Prime s common stock over the course of a year (assuming all dividends on the common stock are reinvested into additional shares of Ashford Prime common stock) exceeds the average of such common stock increases for Ashford Prime s peer group for the year multiplied by the fully diluted equity value of Ashford Prime at December 31 of the applicable year. We expect that the peer group will initially consist of Strategic Hotels and Resorts, Inc., Chesapeake Lodging Trust, DiamondRock Hospitality Co., LaSalle Hotel Properties, Pebblebrook Hotel Trust and Sunstone Hotel Investors, Inc. Up to 50% of the incentive fee may be paid in shares of Ashford Prime common stock with the balance payable in cash, unless at the time of payment of the incentive fee, Ashford Advisor owns Ashford Prime common stock or Ashford Prime OP common units in an amount greater than or equal to three times the base fee for the preceding three quarters, in which event the entire incentive fee will be payable in cash. In addition, Ashford Advisor and its officers may receive certain equity awards from Ashford Prime at the discretion of Ashford Prime. Ashford Prime would be obligated to reimburse Ashford Advisor for certain of the expenses incurred in providing the advisory services to Ashford Prime.

Ashford Advisor must present Ashford Prime with investment opportunities that satisfy Ashford Prime s initial investment guidelines but Ashford Advisor will have discretion to determine which investment opportunities satisfy Ashford Prime s investment guidelines. However, if Ashford Prime materially changes its initial investment guidelines without the express consent of Ashford Advisor, Ashford Advisor will use its best judgment to allocate investment opportunities to Ashford Prime and other entities Ashford Advisor advises, taking into account such factors as Ashford Advisor deems relevant, in its discretion, subject to any then existing obligations of Ashford Advisor to such other entities.

We currently are a party to a mutual exclusivity agreement with Remington Lodging and Hospitality LLC (Remington), a property management company that is owned by Mr. Monty J. Bennett, our chief executive officer and chairman, and his father, Mr. Archie Bennett, Jr., our chairman emeritus. Pursuant to that agreement we have a first right of refusal to purchase any lodging-related investments identified by Remington and any of its affiliates that meet our investment guidelines. In connection with the spin-off, Ashford Prime will enter into a similar mutual exclusivity agreement with Remington. We will subordinate our right of first refusal with respect to any properties that satisfy Ashford Prime s investment guidelines. As a result, any new investment opportunities that satisfy Ashford Prime s initial investment guidelines will be first presented to Ashford Prime s board of directors, who will have up to 10 business days to accept any such opportunity prior to it being available to us. Only if Ashford Prime elects not to purchase such property would such property be presented to our board of directors for consideration pursuant to our agreement with Remington.

Post-Spin-Off Ownership of Ashford Prime OP

Upon completion of the spin-off, we will own 20% of the outstanding common units of Ashford Prime OP, which generally will not convey voting power with respect to matters voted on by Ashford Prime stockholders. Beginning one year from the issuance date, the common units in Ashford Prime OP will be redeemable by their holders for cash or, at Ashford Prime s option, into shares of Ashford Prime common stock on a one-for-one basis. The remaining 80% of Ashford Prime OP s outstanding common units will be owned by Ashford Prime and other limited partners, including certain officers and directors of Ashford Prime and certain of our officers and directors, in the same relative proportions that we and such other limited partners own common units of Ashford Trust OP prior to the spin-off. We expect that our executive management team, together with Mr. Archie Bennett, Jr., chairman emeritus and co-founder of Ashford Trust, will own, directly or indirectly (including through ownership interests in our operating partnership), approximately 21% of the equity interest in Ashford Prime OP on a fully-diluted basis.

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Other Matters Relating to the Spin-Off

We will enter into a separation and distribution agreement with Ashford Prime to set forth the terms on which the distribution will be made to effect the spin-off of Ashford Prime to our common stockholders.

Our executive officers will also be the executive officers of Ashford Prime immediately after the spin-off is effected and for the foreseeable future thereafter and would hold offices with Ashford Prime similar to those they hold with us. Moreover, two of our directors will also be directors of Ashford Prime. As a result, our executive officers and directors also holding positions with Ashford Prime could be subject to certain conflicts of interest between us and Ashford Prime. See Risk Factors above.

We currently contemplate that the distribution of the shares of Ashford Prime common stock made to effect the spin-off of Ashford Prime will occur during the third quarter of 2013. However, prior to effecting the spin-off we may determine that the spin-off should not be completed or that it should be completed on different terms different from those described herein. Moreover, one or more of the conditions that must be satisfied before the distribution of the shares of Ashford Prime common stock will occur may not be satisfied. In any such event, the spin-off may not be completed as anticipated, if at all. Our ability to complete the spin-off is subject to, among other things, the SEC declaring the Form 10 effective, the submission and approval of an application to list Ashford Prime s common stock for trading on the NYSE, obtaining all necessary consents and approvals from lenders, lessors and managers, and the final approval and declaration of the distribution by our board of directors.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $ million (or $ million if the underwriters exercise their option to purchase additional shares of our common stock in full), after deducting the underwriting discount and the estimated expenses of this offering. We intend to use the net proceeds from this offering to effect the planned spin-off of Ashford Prime discussed in Recent Developments Contemplated Spin-Off of Ashford Prime below. Because of the way the spin-off is structured, we also intend to use approximately $ million to pay the common stock dividend for the quarter ending June 30, 2013, to stockholders of record on June 28, 2013, with respect to the shares issued in this offering. If the spin-off of Ashford Prime is not effected, we intend to use the proceeds from this offering for other general corporate purposes, including, without limitation, financing future hotel-related investments, capital expenditures, working capital and repayment of debt or other obligations.

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This prospectus supplement and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus contain certain forward looking statements that are subject to various risks and uncertainties. Forward looking statements are generally identifiable by use of forward looking terminology such as may, will, should, potential, intend, expect, outlook, seek, anticipate, approximately, believe, could, project, predict, or other similar words or expressions. Additionally, statements regarding the following subje are forward-looking by their nature:

- our ability to effect the spin-off of Ashford Prime as discussed in this prospectus supplement;
- the expected benefits of the spin-off of Ashford Prime to our company and our stockholders;
- our investment strategies after the spin-off is effected;
- our business and investment strategy;
- our projected operating results, including cash available for distribution, and distribution rates;
- our ability to obtain future financing arrangements;
- our understanding of our competition;
- market trends;
- projected capital expenditures; and
- the impact of technology on our operations and business.

Forward looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain financial and operating projections or state other forward looking information. Our ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although we believe that the expectations reflected in our forward looking statements are based on reasonable assumptions, taking into account all information currently available to us, our actual results and performance could differ materially from those set forth in our forward looking statements. Factors that could have a material adverse effect on our forward looking statements include, but are not limited to:

- the factors referenced in this prospectus supplement, including those set forth under the section captioned Risk Factors, and the factors referenced in Part I, Item 1. Business and Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012 and in Management s Discussion and Analysis of Financial Conditions and Results of Operations in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and in our Annual Report on Form 10-K for the year ended December 31, 2012;

general volatility of the capital markets, the general economy or the hospitality industry, whether the result of market events or otherwise;

our ability to deploy our initial capital contributions and raise additional capital at reasonable costs to repay debts, invest in our properties and fund future acquisitions;

unanticipated increases in financing and other costs, including a rise in interest rates;

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- the degree and nature of our competition;
- actual and potential conflicts of interest with Ashford Prime, Remington, our executive officers and our non-independent directors;
- changes in personnel of our advisor or the lack of availability of qualified personnel;
- changes in governmental regulations, accounting rules, tax rates and similar matters;
- legislative and regulatory changes, including changes to the Code and related rules, regulations and interpretations governing the taxation of REITs; and
- limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify as a REIT for U.S. federal income tax purposes.

When considering forward looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus supplement, the accompanying prospectus and in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The matters summarized under Risk Factors and elsewhere in this prospectus supplement and in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus could cause our actual results and performance to differ significantly from those contained in our forward looking statements. Accordingly, we cannot guarantee future results or performance. Readers are cautioned not to place undue reliance on any of these forward looking statements, which reflect our views as of the date of this prospectus supplement. Furthermore, we do not intend to update any of our forward looking statements after the date of this prospectus supplement to conform these statements to actual results and performance, except as may be required by applicable law.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information was derived from the application of pro forma adjustments to the historical consolidated financial statements of Ashford Trust and its subsidiaries, which are referred to collectively in this section as Ashford. These unaudited pro forma condensed consolidated financial statements should be read in conjunction with the other information contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus, the related notes to these financial statements and with Ashford s historical consolidated financial statements and the related notes included in Ashford s previous filings with the SEC that are incorporated by reference into this prospectus supplement and the accompanying prospectus.

The unaudited pro forma information set forth below reflects the historical information of Ashford, as adjusted to give effect to the following transactions, which are described in more detail elsewhere in this prospectus supplement:

- the consummation of the offering contemplated by this prospectus supplement and the receipt by us of net proceeds of $ million from the offering;

- the contribution to Ashford Prime of the Ashford Prime Properties, and the related working capital, plus additional working capital in the amount of $ million, including the net proceeds of the offering contemplated by this prospectus supplement;

- the sale to Ashford Prime of our three subsidiaries that are lessees of certain of the Ashford Prime Properties and our interests in the joint venture that owns two entities that are the lessees of the other Ashford Prime Properties for a cash payment in the estimated amount of $3.0 million;

- the distribution of all of the outstanding shares of Ashford Prime common stock as described in Recent Developments Contemplated Spin-Off of Ashford Prime ; and

- Ashford Prime s acquisition of Crystal Gateway Marriott pursuant to the option agreement described in Recent Developments Contemplated Spin-Off of Ashford Prime Contemplated Terms of Spin-Off, at an assumed purchase price of $232.5 million based on management s estimate of current market value and the assumption of $102.2 million in indebtedness on the date the spin-off is effected.

The unaudited pro forma condensed consolidated statements of operations give effect to the spin-off of Ashford Prime as if the spin-off had occurred on January 1, 2012. The unaudited pro forma condensed consolidated statements of operations exclude the impact of the offering of common stock since the impact will depend on future returns, which are based on various assumptions which could prove to be incorrect.

The historical statements of operations presented in the unaudited pro forma condensed consolidated financial information are for the three months ended March 31, 2013 as presented in Ashford s Quarterly Report on Form 10-Q for the three months ended March 31, 2013, filed on May 9, 2013, and for the year ended December 31, 2012 as presented in Ashford s Annual Report on Form 10-K for the year ended December 31, 2012, filed on March 1, 2013, as amended by the Form 10-K/A filed on March 12, 2013, each of which is incorporated by reference into this prospectus supplement. The historical balance sheet presented in the unaudited pro forma condensed consolidated financial information is as of March 31, 2013 as presented in Ashford s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, which is incorporated by reference into this prospectus supplement.

In the opinion of management, all adjustments necessary to reflect the effects of the potential transactions described in the notes to the unaudited pro forma condensed consolidated financial statements have been included and are based upon available information and assumptions that Ashford believes are reasonable. Further, the historical financial information presented herein has been adjusted to give pro forma effect to events

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that Ashford believes are factually supportable and which are expected to have a continuing impact on Ashford s results. However, such adjustments are estimates and may not prove to be accurate. Information regarding these adjustments is subject to risks and uncertainties that could cause actual results to differ materially from those anticipated. See Risk Factors and Cautionary Statement Regarding Forward Looking Statements in this prospectus supplement.

These unaudited pro forma condensed consolidated financial statements are provided for information purposes only. The unaudited pro forma condensed consolidated statements of operations and the unaudited pro forma condensed consolidated balance sheet do not purport to represent what Ashford s results of operations would have been had such transactions been consummated on the dates indicated, nor do they represent the financial position or results of operations of either Ashford or Ashford Prime for any future date or period.

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ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS

As of March 31, 2013

(in thousands, except share amounts)

	Ashford Consolidated Historical(A)	Capital Raise(B)	Spin-Off of Ashford Prime(C)	Separation Adjustments(D)	Sub-total	Crystal Gateway Marriott(E)	Separation Adjustments(E)	Ashford Consolidated Pro Forma
Assets								
Cash and cash equivalents	$ 209,982	$	$ (13,706)	$ 3,000	$ 199,276	$ (50)	$	$ 199,226
Marketable securities	27,769				27,769			27,769
Total cash, cash equivalents and marketable securities	**237,751**		**(13,706)**	**3,000**	**227,045**	**(50)**		**226,995**
Investment in hotel properties, net	2,857,538		(770,158)		2,087,380	(113,583)		1,973,797
Restricted cash	78,896		(6,421)		72,475	(1,920)		70,555
Accounts receivable, net of allowance	34,627		(9,470)		25,157	(2,966)		22,191
Inventories	2,141		(285)		1,856	(82)		1,774
Notes receivable, net of allowance	11,367		(8,098)		3,269			3,269
Investment in unconsolidated joint ventures	151,806			32,210	184,016		130,276	314,292
Deferred costs, net	16,073		(2,666)		13,407	(481)		12,926
Prepaid expenses	11,884		(2,610)		9,274	(374)		8,900
Derivative assets, net	237		(5)		232			232
Other assets	7,118		(1,835)		5,283	(H)		5,283
Intangible asset, net	2,698		(2,698)					
Due from affiliates	1,884				1,884			1,884
Due from third-party hotel managers	57,670		(17,283)		40,387	(9,040)		31,347
Total assets	**$ 3,471,690**	**$**	**$ (835,235)**	**$ 35,210**	**$ 2,671,665**	**$ (128,496)**	**$ 130,276**	**$ 2,673,445**
Liabilities and Equity								
Liabilities:								
Indebtedness	$ 2,390,725	$	$ (627,685)		$ 1,763,040	$ (102,224)		$ 1,660,816
Accounts payable and accrued expenses	81,573		(16,176)(F)		65,397	(3,197)		62,200
Dividends payable	19,250				19,250			19,250
Unfavorable management contract liabilities	10,553		(593)		9,960	(6,553)		3,407
Due to related party, net	1,373				1,373			1,373
Due to third-party hotel managers	2,058		(671)		1,387			1,387
Liabilities associated with marketable securities	3,511				3,511			3,511
Other liabilities	6,408		(4,758)		1,650			1,650
Total liabilities	**$ 2,515,451**	**$**	**$ (649,883)**	**$**	**$ 1,865,568**	**$ (111,974)**	**$**	**$ 1,753,594**
Redeemable noncontrolling interests in operating partnership	196,468		(24,300)(G)	4,223(G)	176,391	(2,166)(G)	17,079(G)	191,304

Equity:							
Preferred stock, $0.01 par value, 50,000,000 shares authorized:							
Series A Cumulative Preferred Stock, 1,657,206 shares issued and outstanding at March 31, 2013	17			17			17
Series D Cumulative Preferred Stock, 9,468,706 shares issued and outstanding at March 31, 2013	95			95			95
Series E Cumulative Preferred Stock, 4,630,000 shares issued and outstanding at March 31, 2013	46			46			46
Common stock, $0.01 par value, 200,000,000 shares authorized, 124,896,765 shares issued, 68,332,627 shares outstanding at March 31, 2013	1,249			1,249			1,249
Additional paid-in capital	1,759,037	(162,729)	27,987	1,624,295	(14,356)	113,197	1,723,136
Accumulated other comprehensive loss	(277)			(277)			(277)
Accumulated deficit	(837,169)		3,000	(834,169)			(834,169)
Treasury stock, at cost (56,564,138 shares at March 31, 2013)	(164,389)			(164,389)			(164,389)
Total stockholders equity of the Company	**758,609**	**(162,729)**	**30,987**	**626,867**	**(14,356)**	**113,197**	**725,708**
Noncontrolling interests in consolidated entities	1,162	1,677		2,839			2,839
Total equity	**759,771**	**(161,052)**	**30,987**	**629,706**	**(14,356)**	**113,197**	**728,547**
Total liabilities and equity	**$ 3,471,690**	**$ $ (835,235)**	**$ 35,210**	**$ 2,671,665**	**$ (128,496)**	**$ 130,276**	**$ 2,673,445**

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NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS

(A) Represents the historical consolidated financial position of Ashford Trust reported in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.

(B) Represents gross cash proceeds of $ million less the 4.25% underwriter discount of $ million and approximately $.5 million of other expenses, common stock issued and additional paid-in capital from the issuance of shares of common stock at a price to the public of $ per share in this offering.

(C) Represents the historical combined consolidated financial position of Ashford Prime Properties as of March 31, 2013.

(D) Represents adjustments for: (i) the contribution of the Ashford Prime Properties and Ashford Trust s 20% non-controlling interest in Ashford Prime OP; (ii) the investment of the net proceeds of this offering plus additional working capital from Ashford Trust to Ashford Prime totaling $ million in connection with the contemplated spin-off; and (iii) an estimated $3.0 million received from Ashford Prime related to the acquisition of three taxable REIT subsidiaries. Ashford Trust s 20% ownership interest of common units of Ashford Prime OP will increase upon Ashford Prime s exercise of its option to acquire the Crystal Gateway Marriott for common units.

(E) Represents Ashford Prime s exercise of its option to acquire the Crystal Gateway Marriott as of March 31, 2013 for an assumed purchase price of $232.5 million based on management s estimate of current market value and Ashford Prime s assumption of $102.2 million in property-level mortgage debt secured by that hotel property.

(F) Accounts payable and accrued expenses have been adjusted for the effect of income taxes.

(G) Represents the existing 13.11% of noncontrolling interest in Ashford Trust OP at March 31, 2013.

(H) Other assets have been adjusted for the effect of income taxes as if the consolidated group filed without Ashford Prime and the Crystal Gateway Marriott.

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ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended March 31, 2013

(in thousands, except share and per share amounts)

	Ashford Consolidated Historical(A)	Spin-Off of Ashford Prime(B)	Separation Adjustments(C)	Sub-total	Crystal Gateway Marriott(D)	Separation Adjustments(E)	Ashford Consolidated Pro Forma
Revenue							
Rooms	$ 183,469	$ (38,618)	$	$ 144,851	$ (8,277)	$	$ 136,574
Food and beverage	39,650	(13,094)		26,556	(3,581)		22,975
Other	8,716	(2,374)		6,342	(517)		5,825
Total hotel revenue	**231,835**	**(54,086)**		**177,749**	**(12,375)**		**165,374**
Other	107		(G)	107			107
Total Revenue	**231,942**	**(54,086)**		**177,856**	**(12,375)**		**165,481**
Expenses							
Hotel operating expenses:							
Rooms	42,156	(9,506)		32,650	(2,027)		30,623
Food and beverage	27,175	(8,737)		18,438	(2,569)		15,869
Other expenses	68,292	(14,255)		54,037	(3,117)		50,920
Management fees	9,893	(2,255)		7,638	(371)		7,267
Total hotel operating expenses	**147,516**	**(34,753)**		**112,763**	**(8,084)**		**104,679**
Property taxes, insurance and other	12,248	(2,927)		9,321	(690)		8,631
Depreciation and amortization	32,480	(7,450)		25,030	(1,115)		23,915
Impairment charges	(96)			(96)			(96)
Corporate general and administrative	14,516	(3,779)	(H)	10,737	(580)		10,157
Total Operating Expenses	**206,664**	**(48,909)**		**157,755**	**(10,469)**		**147,286**
Operating income	**25,278**	**(5,177)**		**20,101**	**(1,906)**		**18,195**
Equity in loss of unconsolidated joint ventures	(6,888)		(839)	(7,727)		56	(7,671)
Interest income	36	(10)		26	(2)		24
Other income	5,822			5,822			5,822
Interest expense and amortization of loan costs	(35,380)	7,892		(27,488)	1,618		(25,870)
Write-off of loan costs and exit fees	(1,971)	1,971					
Unrealized gain on marketable securities	2,701			2,701			2,701
Unrealized loss on derivatives	(7,149)	31		(7,118)			(7,118)
INCOME (LOSS) BEFORE INCOME TAXES	**(17,551)**	**4,707**	**(839)**	**(13,683)**	**(290)**	**56**	**(13,917)**
Income tax expense	(604)	194(F)		(410)	10(F)		(400)
NET INCOME (LOSS)	**(18,155)**	**4,901**	**(839)**	**(14,093)**	**(280)**	**56**	**(14,317)**
Loss from consolidated entities attributable to noncontrolling interests	707	(704)		3			3
Net loss attributable to redeemable noncontrolling interests in operating partnership	2,762			2,762			2,762
	(14,686)	**4,197**	**(839)**	**(11,328)**	**(280)**	**56**	**(11,552)**

NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY														
Preferred dividends		(8,490)						(8,490)						(8,490)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	**$**	**(23,176)**	**$**	**4,197**	**$**	**(839)**	**$**	**(19,818)**	**$**	**(280)**	**$**	**56**	**$**	**(20,042)**
LOSS PER SHARE BASIC AND DILUTED:														
Basic:														
Loss attributable to common stockholders	$	(0.34)												
Weighted average common shares outstanding basic		67,682												
Diluted:														
Loss attributable to common stockholders	$	(0.34)												
Weighted average common shares outstanding diluted		67,682												
Dividends declared per common share	$	0.12												
Amounts attributable to common stockholders:														
Net Income (loss)	$	(14,686)	$	4,197	$	(839)	$	(11,328)	$	(280)	$	56	$	(11,552)
Preferred dividends		(8,490)						(8,490)						(8,490)
Net income (loss) attributable to common stockholders	**$**	**(23,176)**	**$**	**4,197**	**$**	**(839)**	**$**	**(19,818)**	**$**	**(280)**	**$**	**56**	**$**	**(20,042)**

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ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ended December 31, 2012

(in thousands, except share and per share amounts)

	Ashford Consolidated Historical(A)	Spin-Off of Ashford Prime(B)	Separation Adjustments(C)	Sub-total	Crystal Gateway Marriott(D)	Separation Adjustments(E)	Ashford Consolidated Pro Forma
Revenue							
Rooms	$ 727,124	$ (160,811)	$	$ 566,313	$ (34,750)	$	$ 531,563
Food and beverage	160,488	(50,784)		109,704	(14,928)		94,776
Other	34,689	(9,593)		25,096	(1,964)		23,132
Total hotel revenue	**922,301**	**(221,188)**		**701,113**	**(51,642)**		**649,471**
Other	305		(G)	305			305
Total Revenue	**922,606**	**(221,188)**		**701,418**	**(51,642)**		**649,776**
Expenses							
Hotel operating expenses:							
Rooms	166,625	(37,001)		129,624	(7,892)		121,732
Food and beverage	108,274	(33,377)		74,897	(9,731)		65,166
Other expenses	276,949	(59,013)		217,936	(13,956)		203,980
Management fees	38,492	(9,360)		29,132	(1,549)		27,583
Total hotel operating expenses	**590,340**	**(138,751)**		**451,589**	**(33,128)**		**418,461**
Property taxes, insurance and other	44,903	(10,236)		34,667	(2,596)		32,071
Depreciation and amortization	133,979	(29,549)		104,430	(5,836)		98,594
Impairment charges and other	(5,440)			(5,440)			(5,440)
Corporate general and administrative	44,050	(10,846)	(H)	33,204	(1,668)		31,536
Total Operating Expenses	**807,832**	**(189,382)**		**618,450**	**(43,228)**		**575,222**
Operating income	**114,774**	**(31,806)**		**82,968**	**(8,414)**		**74,554**
Equity in earnings (loss) of unconsolidated joint ventures	(20,833)		(323)	(21,156)		351	(20,805)
Interest income	125	(29)		96	(11)		85
Other income	31,700		3,000	34,700			34,700
Interest expense and amortization of loan costs	(144,796)	31,244		(113,552)	6,630		(106,922)
Write-off of loan costs and exit fees	(3,998)			(3,998)			(3,998)
Unrealized gain on marketable securities	2,502			2,502			2,502
Unrealized loss on derivatives	(35,657)			(35,657)			(35,657)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**(56,183)**	**(591)**	**2,677**	**(54,097)**	**(1,795)**	351	**(55,541)**
Income tax expense	(2,375)	1,456(F)		(919)	39(F)		(880)
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(58,558)**	**865**	**2,677**	**(55,016)**	**(1,756)**	351	**(56,421)**
Loss from discontinued operations	(3,650)			(3,650)			(3,650)
NET INCOME (LOSS)	**(62,208)**	**865**	**2,677**	**(58,666)**	**(1,756)**	351	**(60,071)**
Income from consolidated entities attributable to noncontrolling interests	(868)	752		(116)			(116)

Net loss attributable to redeemable noncontrolling interests in operating partnership	9,296			9,296			9,296
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	**(53,780)**	**1,617**	**2,677**	**(49,486)**	**(1,756)**	351	**(50,891)**
Preferred dividends	(33,802)			(33,802)			(33,802)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	**$ (87,582)**	**$ 1,617**	**$ 2,677**	**$ (83,288)**	**$ (1,756)**	**$ 351**	**$ (84,693)**
LOSS PER SHARE BASIC AND DILUTED:							
Basic:							
Loss from continuing operations attributable to common stockholders	$ (1.25)						
Loss from discontinued operations attributable to common stockholders	(0.05)						
Loss attributable to common stockholders	$ (1.30)						
Weighted average common shares outstanding basic	67,533						
Diluted:							
Loss from continuing operations attributable to common stockholders	$ (1.25)						
Loss from discontinued operations attributable to common stockholders	(0.05)						
Loss attributable to common stockholders	$ (1.30)						
Weighted average common shares outstanding diluted	67,533						
Dividends declared per common share	$ 0.44						
Amounts attributable to common stockholders:							
Income (loss) from continuing operations, net of tax	$ (50,570)	$ 1,617	$ 2,677	$ (46,276)	$ (1,756)	$ 351	$ (47,681)
Loss from discontinued operations, net of tax	(3,210)			(3,210)			(3,210)
Preferred dividends	(33,802)			(33,802)			(33,802)
Net income (loss) attributable to common stockholders	**$ (87,582)**	**$ 1,617**	**$ 2,677**	**$ (83,288)**	**$ (1,756)**	**$ 351**	**$ (84,693)**

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NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(A) Represents the historical consolidated financial position of Ashford Trust as reported by Ashford Trust in its Quarterly Report on Form 10-Q for the three months ended March 31, 2013 and in its Annual Report on Form 10-K for the year ended December 31, 2012.

(B) Represents the historical combined consolidated statements of operations of the Ashford Prime Properties for the three months ended March 31, 2013 and the year ended December 31, 2012.

(C) Represents Ashford Trust s share of loss attributable to its 20% non-controlling interest in Ashford Prime OP for the three months ended March 31, 2013 and the year ended December 31, 2012 and reflects an estimated $3.0 million received from Ashford Prime related to the acquisition of three taxable REIT subsidiaries. Ashford Trust s 20% ownership interest of common units of Ashford Prime OP will increase upon Ashford Prime s exercise of its option to acquire the Crystal Gateway Marriott for units.

(D) Represents the historical combined statements of operations of the Crystal Gateway Marriott for the three months ended March 31, 2013 and the year ended December 31, 2012.

(E) Represents adjustments for Ashford Trust s share of income attributable to its 20% non-controlling interest in the Crystal Gateway Marriott for the three months ended March 31, 2013 and the year ended December 31, 2012. Ashford Trust s 20% ownership interest of common units of Ashford Prime OP will increase upon Ashford Prime s exercise of its option to acquire the Crystal Gateway Marriott for units.

(F) Income tax expense has been adjusted as if the consolidated group filed without Ashford Prime and the Crystal Gateway Marriott.

(G) Represents the base fee payable to Ashford Hospitality Advisors LLC, a subsidiary of Ashford Trust and Ashford Prime s external advisor, equal to 0.70% per annum of the total enterprise value of Ashford Prime, calculated as 0.70% of (i) the product of the number of shares of common stock outstanding upon completion of the separation and distribution and the related transactions, on a fully diluted basis, and the volume weighted average price per share, plus (ii) the aggregate principal amount of Ashford Prime s outstanding consolidated indebtedness (including Ashford Prime s proportionate share of debt of any entity that is not consolidated but excluding Ashford Prime s joint venture partners proportionate share of any consolidated debt), plus (iii) the liquidation value of Ashford Prime s outstanding preferred equity.

(H) Represents reimbursement of the external advisor for certain expenses, including employment and travel expenses of employees of Ashford Prime s external advisor providing internal audit services.

NON-GAAP FINANCIAL MEASURES

The following non-GAAP presentations of EBITDA, Adjusted EBITDA, Hotel EBITDA, funds from operations (FFO) and adjusted FFO (AFFO) are made to help investors in evaluating our operating performance.

EBITDA is defined as net income (loss) attributable to the Company before interest expense and amortization of loan costs, interest income other than interest from mezzanine loans, income taxes and depreciation and amortization. We adjust EBITDA to exclude certain additional items such as write-off of loan costs and exit fees, non-cash items, and various other items which are detailed in the following table (Adjusted EBITDA). We also present Hotel EBITDA, which is Adjusted EBITDA for the hotel properties before corporate general and administrative expense, before corporate-level property taxes, insurance and other items and after other adjustments shown in the following tables. EBITDA, Adjusted EBITDA and Hotel EBITDA exclude amounts attributable to the portion of our joint venture owned by the third party. We present EBITDA, Adjusted EBITDA and Hotel EBITDA because we believe they reflect more accurately the ongoing performance of our hotel assets and other investments and provide more useful information to investors as they are indicators of our ability to meet our future debt payment requirements, working capital requirements and they provide an overall evaluation of our financial condition. We also believe, with respect to Hotel EBITDA, that property-level results provide investors with supplemental information on the ongoing operational performance of our hotels and effectiveness of the management companies operating our business on a property-level basis. EBITDA, Adjusted EBITDA and Hotel EBITDA as calculated by us may not be comparable to EBITDA, Adjusted EBITDA and Hotel EBITDA reported by other companies that do not define EBITDA, Adjusted EBITDA and Hotel EBITDA exactly as we define the terms. EBITDA, Adjusted EBITDA and Hotel EBITDA do not represent cash generated from operating activities determined in accordance with GAAP, and should not be considered as an alternative to operating income or net income determined in accordance with GAAP as an indicator of performance or as an alternative to cash flows from operating activities as determined by GAAP as an indicator of liquidity.

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The following table reconciles net income (loss) to EBITDA and Adjusted EBITDA (in thousands) (unaudited):

	Three Months Ended March 31, 2013					Year Ended December 31, 2012				
	Ashford Consolidated Historical	Spin-off of Ashford Prime	Crystal Gateway Marriott	Separation Adjustments	Ashford Consolidated Pro Forma	Ashford Consolidated Historical	Spin-off of Ashford Prime	Crystal Gateway Marriott	Separation Adjustments	Ashford Consolidated Pro Forma
Net income (loss)	$ (18,155)	$ (4,901)	$ 280	$ (783)	$ (14,317)	$ (62,208)	$ (865)	$ 1,756	$ 3,028	$ (60,071)
(Income) loss from consolidated entities attributable to noncontrolling interests	707	704			3	(868)	(752)			(116)
Net loss attributable to redeemable noncontrolling interests in operating partnership	2,762				2,762	9,296				9,296
Net income (loss) attributable to the Company	(14,686)	(4,197)	280	(783)	(11,552)	(53,780)	(1,617)	1,756	3,028	(50,891)
Interest income	(36)	(10)	(2)		(24)	(124)	(28)	(11)		(85)
Interest expense and amortization of loan costs	34,972	7,503	1,618		25,851	144,857	29,917	6,630		108,310
Depreciation and amortization	31,661	6,670	1,115		23,876	133,463	26,625	5,836		101,002
Impairment charges	(96)				(96)	(1,229)				(1,229)
Income tax expense	604	194	10		400	2,352	1,456	39		857
Net loss attributable to redeemable noncontrolling interests in operating partnership	(2,762)				(2,762)	(9,296)				(9,296)
Equity in loss of unconsolidated joint ventures	6,888			783	7,671	20,833			(28)	20,805
Company s portion of EBITDA of unconsolidated joint ventures	17,389			2,636	20,025	78,730			14,121	92,851
EBITDA	73,934	10,160	3,021	2,636	63,389	315,806	56,353	14,250	17,121	262,324
Amortization of unfavorable management contract liabilities	(612)	(40)	(345)		(227)	(2,447)	(158)	(1,380)		(909)
Gain on sale/disposition of properties						(4,488)			(3,000)	(7,488)
Non-cash gain on insurance settlements						(91)				(91)
Write-off of loan costs and exit fees	1,971	1,971				4,117				4,117
Other income	(5,822)				(5,822)	(31,700)				(31,700)
Dead deal costs						869				869
Legal costs related to litigation settlements						2,491				2,491
Unrealized gain on marketable securities	(2,701)				(2,701)	(2,502)				(2,502)
Unrealized loss on derivatives	7,149	31			7,118	35,657				35,657
El Conquistador results since appointment of receiver						1,402				1,402
Equity-based compensation	8,342				8,342	17,440				17,440
Company s portion of adjustments to EBITDA of unconsolidated joint ventures	19			324	343	219			(308)	(89)

Adjusted EBITDA	$ 82,280	$ 12,122	$ 2,676	$ 2,960	$ 70,442	$ 336,773	$ 56,195	$ 12,870	$ 13,813	$ 281,521

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The following table reconciles Adjusted EBITDA to Hotel EBITDA (in thousands) (unaudited):

	Three Months Ended March 31, 2013					Year Ended December 31, 2012				
	Ashford Consolidated Historical	**Spin-off of Ashford Prime**	**Crystal Gateway Marriott**	**Separation Adjustments**	**Ashford Consolidated Pro Forma**	**Ashford Consolidated Historical**	**Spin-off of Ashford Prime**	**Crystal Gateway Marriott**	**Separation Adjustments**	**Ashford Consolidated Pro Forma 2012**
Adjusted EBITDA	$ 82,280	$ 12,122	$ 2,676	$ 2,960	$ 70,442	$ 336,773	$ 56,195	$ 12,870	$ 13,813	$ 281,521
EBITDA adjustments attributable to JV partner	1,227	1,168			59	4,466	4,250			216
Income (loss) from consolidated entities attributable to non-controlling interest	(707)	(704)			(3)	868	752			116
Adjusted EBITDA (including amounts attributable to noncontrolling interest)	82,800	12,586	2,676	2,960	70,498	342,107	61,197	12,870	13,813	281,853
Non-Hotel entities	321				321	1,300				1,300
Company s portion of EBITDA of unconsolidated joint ventures	(17,389)			(2,636)	(20,025)	(78,730)			(14,121)	(92,851)
Company s portion of adjustments to EBITDA of unconsolidated joint ventures	(19)			(324)	(343)	(219)			308	89
Corporate general and administrative	6,173	3,779	580		1,814	21,848	10,847	1,668		9,333
Corporate property taxes, insurance, and other	50	142	21		(113)	1,156	838	54		264
Unfavorable contract liability	612	40	345		227	2,447	158	1,380		909
Hotel EBITDA (including amounts attributable to noncontrolling interest) (total for properties)	72,548	16,547	3,622		52,379	289,909	73,040	15,972		200,897
Less: Hotel EBITDA attributable to noncontrolling interest	(1,394)	(1,357)			(37)	(6,256)	(6,046)			(210)
Hotel EBITDA	$ 71,154	$ 15,190	$ 3,622		$ 52,342	$ 283,653	$ 66,994	$ 15,972		$ 200,687
Hotel EBITDA (including amounts attributable to noncontrolling interest) (total for properties)	72,548	16,547	3,622		52,379	289,909	73,040	15,972		200,897
71.74% share of hotels in PIM Highland Holding LLC Portfolio	18,916				18,916	84,547				84,547
Combined Hotel EBITDA	$ 91,464	$ 16,547	$ 3,622		$ 71,295	$ 374,456	$ 73,040	$ 15,972		$ 285,444

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The following tables reconcile hotel-level net income (loss) to Hotel EBITDA on a property-by-property basis for the Ashford Prime Properties and on a corporate basis for the year ended December 31, 2012 and the three months ended March 31, 2013 (in thousands) (unaudited):

	Year Ended December 31, 2012										
	The Capital Hilton	**Hilton La Jolla Torrey Pines**	**Courtyard San Francisco Downtown**	**Courtyard Seattle Downtown**	**Marriott Plano Legacy Town Center**	**Seattle Marriott Waterfront**	**Renaissance Tampa International Plaza**	**Courtyard Philadelphia Downtown**	**Hotel Total**	**Corporate / Allocated[(1)]**	**Ashford Hospitality Prime, Inc.**
Net income attributable to the Company	$ 5,144	$ 2,592	$ 7,363	$ 3,037	$ 5,045	$ 6,724	$ 2,950	$ 4,337	$ 37,192	$ (41,737)	$ (4,545)
Income from consolidated entities attributable to non-controlling interest	1,824	966							2,790	(2,038)	752
Net income	6,968	3,558	7,363	3,037	5,045	6,724	2,950	4,337	39,982	(43,775)	(3,793)
Non Property Adjustments										15,583	15,583
Interest income	(1)	(2)	(3)	(1)	(1)	(2)		(2)	(12)	(16)	(28)
Interest expense								2,096	2,096	27,788	29,884
Amortization of loan costs								33	33		33
Depreciation and amortization	7,474	4,855	2,773	1,778	3,338	3,783	2,193	3,356	29,550	(2,925)	26,625
Income tax expense	572	484						(17)	1,039	3,345	4,384
Non-Hotel EBITDA ownership expense	272	3	2	46	10	16	1	2	352		352
Hotel EBITDA (including amounts attributable to non-controlling interest)	$ 15,285	$ 8,898	$ 10,135	$ 4,860	$ 8,392	$ 10,521	$ 5,144	$ 9,805	$ 73,040	$	$ 73,040
Less Hotel EBITDA attributable to noncontrolling interest	(3,821)	(2,225)							(6,046)		(6,046)
Hotel EBITDA attributable to the Company	$ 11,464	$ 6,673	$ 10,135	$ 4,860	$ 8,392	$ 10,521	$ 5,144	$ 9,805	$ 66,994	$	$ 66,994

(1) Represents expenses not recorded at the individual hotel property level.

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	Three Months March 31, 2013										
	The Capital Hilton	Hilton La Jolla Torrey Pines	Courtyard San Francisco Downtown	Courtyard Seattle Downtown	Marriott Plano Legacy Town Center	Seattle Marriott Waterfront	Renaissance Tampa International Plaza	Courtyard Philadelphia Downtown	Hotel Total	Corporate / Allocated[1]	Ashford Hospitality Prime, Inc.
Net income attributable to the Company	$ 1,316	$ 192	$ 1,700	$ 340	$ 1,610	$ 720	$ 1,437	$ 623	$ 7,938	$ (12,560)	$ (4,622)
Income from consolidated entities attributable to non-controlling interest	469	87							556	(1,260)	(704)
Net income	1,785	279	1,700	340	1,610	720	1,437	623	8,494	(13,820)	(5,326)
Non Property Adjustments										7,104	7,104
Interest income			(1)					(1)	(2)	(8)	(10)
Interest expense								512	512	6,983	7,495
Amortization of loan costs								8	8		8
Depreciation and amortization	1,890	1,387	579	460	871	925	549	789	7,450	(780)	6,670
Income tax expense	49	49							98	521	619
Non-Hotel EBITDA ownership expense	(14)	1							(13)		(13)
Hotel EBITDA (including amounts attributable to non-controlling interest)	$ 3,710	$ 1,716	$ 2,278	$ 800	$ 2,481	$ 1,645	$ 1,986	$ 1,931	$ 16,547	$	$ 16,547
Less Hotel EBITDA attributable to noncontrolling interest	(928)	(429)							(1,357)		(1,357)
Hotel EBITDA attributable to the Company	$ 2,782	$ 1,287	$ 2,278	$ 800	$ 2,481	$ 1,645	$ 1,986	$ 1,931	$ 15,190	$	$ 15,190

(1) Represents expenses not recorded at the individual hotel property level.

The following tables reconcile hotel-level net income to Hotel EBITDA on a property-by-property basis for the two hotel properties subject to the option agreements for the year ended December 31, 2012 and the three months ended March 31, 2013 (in thousands) (unaudited):

	Year Ended December 31, 2012	
	Pier House Resort	Crystal Gateway Marriott
Net income	$ 2,170	$ 10,141
Interest income	(47)	(9)
Interest expense	1,626	
Depreciation and amortization	1,489	5,836
Non-Hotel EBITDA ownership expense	284	4
Hotel EBITDA	$ 5,522	$ 15,972

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	Three Months Ended March 31, 2013	
	Pier House Resort	Crystal Gateway Marriott
Net income	$ 1,599	$ 2,508
Interest income		(1)
Interest expense	423	
Depreciation and amortization	373	1,115
Non-Hotel EBITDA ownership expense	70	
Hotel EBITDA	$ 2,465	$ 3,622

We calculate FFO available to common stockholders and AFFO available to common stockholders in the following table. FFO is calculated on the basis defined by the National Association of Real Estate Investment Trusts (NAREIT), which is net income (loss) attributable to common stockholders, computed in accordance with GAAP, excluding gains or losses on sales of properties and extraordinary items as defined by GAAP, plus depreciation and amortization of real estate assets. NAREIT developed FFO as a relative measure of performance of an equity REIT to recognize that income-producing real estate historically has not depreciated on the basis determined by GAAP. The calculation of AFFO excludes write-off of loan costs and exit fees, noncash items, and various other items as detailed in the following table. FFO and AFFO exclude amounts attributable to the portion of a partnership owned by the third party. We consider FFO and AFFO to be appropriate measures of the ongoing normalized operating performance as a REIT. We compute FFO in accordance with our interpretation of standards established by NAREIT, which may not be comparable to FFO reported by other REITs that either do not define the term in accordance with the current NAREIT definition or interpret the NAREIT definition differently than us. FFO and AFFO do not represent cash generated from operating activities as determined by GAAP and should not be considered as an alternative to GAAP net income or loss as an indication of financial performance or GAAP cash flows from operating activities as a measure of liquidity. FFO and AFFO are also not indicative of funds available to satisfy cash needs, including the ability to make cash distributions. However, to facilitate a clear understanding of historical operating results, we believe that FFO and AFFO should be considered along with net income or loss and cash flows reported.

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The following table reconciles net income (loss) to FFO and AFFO (in thousands) (unaudited):

	Three Months Ended March 31, 2013					Year Ended December 31, 2012				
	Ashford Consolidated Historical	Spin-off of Ashford Prime	Crystal Gateway Marriott	Separation Adjustments	Ashford Consolidated Pro Forma	Ashford Consolidated Historical	Spin-off of Ashford Prime	Crystal Gateway Marriott	Separation Adjustments	Ashford Consolidated Pro Forma
Net income (loss)	$ (18,155)	$ (4,901)	$ 280	$ (783)	$ (14,317)	$ (62,208)	$ (865)	$ 1,756	$ 3,028	$ (60,071)
(Income) loss from consolidated entities attributable to noncontrolling interests	707	704			3	(868)	(752)			(116)
Net loss attributable to redeemable noncontrolling interests in operating partnership	2,762				2,762	9,296				9,296
Preferred dividends	(8,490)				(8,490)	(33,802)				(33,802)
Net loss attributable to common shareholders	(23,176)	(4,197)	280	(783)	(20,042)	(87,582)	(1,617)	1,756	3,028	(84,693)
Depreciation and amortization on real estate	31,615	6,670	1,115		23,830	133,246	26,625	5,836		100,785
Impairment charges	(96)				(96)	(1,229)				(1,229)
Gain on sale/disposition of properties						(4,488)			(3,000)	(7,488)
Non-cash gain on insurance settlements						(91)				(91)
Net loss attributable to redeemable noncontrolling interests in operating partnership	(2,762)				(2,762)	(9,296)				(9,296)
Equity in loss of unconsolidated joint ventures	6,888			783	7,671	20,833			(28)	20,805
Company s portion of FFO of unconsolidated joint ventures	5,636			774	6,410	31,496			6,520	38,016
FFO available to common shareholders	18,105	2,473	1,395	774	15,011	82,889	25,008	7,592	6,520	56,809
Dividends on convertible preferred stock										
Write-off of loan costs and exit fees	1,971	1,971				4,117				4,117
Legal costs related to litigation settlements						2,491				2,491
Dead deal costs						869				869
Other income	393				393	340				340
Unrealized gain on marketable securities	(2,701)				(2,701)	(2,502)				(2,502)
Unrealized loss on derivatives	7,149	31			7,118	35,657				35,657
El Conquistador results, interest, and amortization of deferred loan costs since appointment of receiver						2,068				2,068
Equity-based compensation adjustment related to modified employment terms	4,678				4,678	480				480

Company s portion of adjustments to FFO of unconsolidated joint ventures	19			400	419	234				234
AFFO available to common shareholders	$ 29,614	$ 4,475	$ 1,395	$ 1,174	$ 24,918	$ 126,643	$ 25,008	$ 7,592	$ 6,520	$ 100,563

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ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES

Tax Legislation

Recent Legislation. Pursuant to recently enacted legislation, as of January 1, 2013, (1) the maximum federal income tax rate on qualified dividend income received by U.S. holders (as defined in the accompanying prospectus) taxed at individual rates is 20%, (2) the maximum federal income tax rate on long-term capital gain applicable to U.S. holders taxed at individual rates is 20%, and (3) the highest marginal individual federal income tax rate is 39.6%.

Pursuant to such legislation, the backup withholding rate remains at 28%. Such legislation also makes permanent certain federal income tax provisions that were scheduled to expire on December 31, 2012. Also as of January 1, 2013, U.S. holders that are individuals, trusts and estates whose income exceeds certain thresholds are subject to a 3.8% Medicare tax on their net investment income, which would include dividends on our stock and any gain from the disposition of our stock. We urge you to consult your tax advisors regarding the impact of this legislation on the purchase, ownership and sale of our stock.

Withholding Foreign Account Tax Compliance Act. As described in Federal Income Tax Consequences of Our Status as a REIT Additional U.S. Federal Income Tax Withholding Rules in the accompanying prospectus, a U.S. withholding tax at a 30% rate will be imposed on dividends and proceeds of sale in respect of our stock held by or through certain foreign financial institutions (including investment funds), unless various information reporting requirements are satisfied. These reporting requirements include such institution entering into an agreement with the Treasury to report, on an annual basis, information with respect to shares in the institution held by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury regulations or other guidance, may modify these requirements. Accordingly, the entity through which our stock is held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale of, our stock held by an investor that is a nonfinancial non-U.S. entity will be subject to withholding at a rate of 30%, unless such entity either: (i) certifies to the applicable withholding agent that such entity does not have any substantial United States owners or (ii) provides certain information regarding the entity s substantial United States owners, which will in turn be provided to the Secretary of the Treasury. The withholding tax described above will apply to payments of dividends on our stock made on or after January 1, 2014 and to payments of gross proceeds from a sale or other disposition of such stock on or after January 1, 2017. Prospective investors should consult their tax advisors regarding these withholding provisions.

Taxation of Non-U.S. Holders

The fifth and sixth paragraphs in the section of the accompanying prospectus entitled Federal Income Tax Consequences of Our Status as a REIT Taxation of Non-U.S. Holders are superseded and replaced in their entirety by the following two paragraphs:

If our stock constitutes a United States real property interest, as defined in the accompanying prospectus, unless we are a domestically-controlled REIT, as defined below or the distribution is with respect to a class of our stock regularly traded on an established securities market located in the United States the distribution will give rise to gain from the sale or exchange of such stock, the tax treatment of which is described below, and we must withhold 10% of any distribution that exceeds our current and accumulated earnings and profits. Consequently, although we intend to withhold at a rate of 30% on the entire amount of any distribution, to the extent that we do not do so, we may withhold at a rate of 10% on any portion of a distribution not subject to withholding at a rate of 30%.

For any year in which we qualify as a REIT, a non-U.S. holder may incur tax on distributions that are attributable (or deemed so attributable pursuant to applicable Treasury regulations) to gain from our sale or

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exchange of United States real property interests under special provisions of the federal income tax laws referred to as FIRPTA. The term United States real property interests includes certain interests in real property and stock in corporations at least 50% of whose assets consists of interests in real property. Under those rules, a non-U.S. holder is taxed on distributions attributable (or deemed attributable) to gain from sales of United States real property interests as if such gain were effectively connected with a United States business of the non-U.S. holder. A non-U.S. holder thus would be taxed on such a distribution at the normal rates, including applicable capital gains rates, applicable to U.S. holders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-U.S. corporate holder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution. Except as described below with respect to regularly traded stock, we must withhold 35% of any distribution that we could designate as a capital gain dividend. A non-U.S. holder may receive a credit against its tax liability for the amount we withhold. Any distribution with respect to any class of stock which is regularly traded on an established securities market located in the United States, will not be treated as gain recognized from the sale or exchange of a United States real property interest if the non-U.S. holder did not own more than 5% of such class of stock at any time during the one-year period preceding the distribution. As a result, non-U.S. holders generally will be subject to withholding tax on such capital gain distributions in the same manner as they are subject to withholding tax on ordinary dividends. We anticipate that our common stock will be regularly traded on an established securities market in the United States following this offering. If our common stock is not regularly traded on an established securities market in the United States or the non-U.S. holder owned more than 5% of our common stock at any time during the one-year period preceding the distribution, capital gain distributions that are attributable to our sale of real property would be subject to tax under FIRPTA, as described above. Moreover, if a non-U.S. holder disposes of our common stock during the 30-day period preceding the ex-dividend date of a dividend, and such non-U.S. holder (or a person related to such non-U.S. holder) acquires or enters into a contract or option to acquire our common stock within 61 days of the first day of the 30-day period described above, and any portion of such dividend payment would, but for the disposition, be treated as a United States real property interest capital gain to such non-U.S. holder, then such non-U.S. holder will be treated as having United States real property interest capital gain in an amount that, but for the disposition, would have been treated as United States real property interest capital gain.

Tax Considerations Relating to the Spin-Off

Tax Classification of the Spin-Off in General. For U.S. federal income tax purposes, the spin-off will not be eligible for treatment as a tax-free distribution by us with respect to our stock. Accordingly, the spin-off will be treated as if we had distributed to each of our stockholders an amount equal to the fair market value of the Ashford Prime common stock received by such stockholder (including any fractional shares deemed to be received, as described below), determined as of the date of the spin-off (such amount, the spin-off distribution amount). The U.S. federal income tax consequences of the spin-off on our stockholders are thus generally the same as the U.S. federal income tax consequences of cash distributions by us. The discussion below describes the U.S. federal income tax consequences to a U.S. holder, a non-U.S. holder (each as defined in the accompanying prospectus), and a tax-exempt U.S. holder of our stock upon the receipt of Ashford Prime common stock in the spin-off.

Although we will ascribe a value to the Ashford Prime shares distributed in the spin-off, this valuation is not binding on the IRS or any other taxing authority. These taxing authorities could ascribe a higher valuation to the distributed Ashford Prime shares, particularly if, following the spin-off, those shares trade at prices significantly above the value ascribed to those shares by us. Such a higher valuation may affect the distribution amount and thus the U.S. federal income tax consequences of the spin-off to our stockholders.

Any cash received by a holder of our stock in lieu of a fractional share of Ashford Prime common stock should be treated as if such fractional share had been (i) received by the stockholder as part of the spin-off and then (ii) sold by such stockholder for the amount of cash received. Because (as described below) the basis of the fractional share deemed received by the holder of our stock will equal the fair market value of such share on the date of the spin-off, a holder of our stock generally should not recognize additional gain or loss on the transaction described in (ii) of the preceding sentence.

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We will be required to recognize any gain, but will not be permitted to recognize any loss, with respect to the Ashford Prime shares that we distribute in the spin-off.

Tax Basis and Holding Period of Ashford Prime Shares Received by Holders of Our Stock. A holder of our shares tax basis in shares of Ashford Prime common stock received in the spin-off (including any fractional shares deemed to be received, as described below) generally will equal the fair market value of such shares on the date of the spin-off, and the holding period for such shares will begin the day after the date of the spin-off.

Tax Treatment of the Spin-Off to U.S. Holders. The following discussion describes the U.S. federal income tax consequences to a U.S. holder of our stock upon the receipt of Ashford Prime common stock in the spin-off.

Ordinary Dividends. The portion of the spin-off distribution amount received by a U.S. holder that is payable out of our current or accumulated earnings and profits for the year of the distribution and that is not designated by us as a capital gain dividend will generally be taken into account by such U.S. holder as ordinary income and will not be eligible for the dividends received deduction for corporations. With limited exceptions, dividends paid by us are not eligible for taxation at the preferential income tax rates for qualified dividends received by U.S. holders that are individuals, trusts and estates from taxable C corporations. Such U.S. holders, however, are taxed at the preferential rates on dividends designated by and received from a REIT such as us to the extent that the dividends are attributable to:

1. income retained by the REIT in the prior taxable year on which the REIT was subject to corporate level income tax (less the amount of tax), or

2. dividends received by the REIT from TRSs or other taxable C corporations.

Non-Dividend Distributions. A distribution to U.S. holders in excess of our current and accumulated earnings and profits will generally represent a return of capital and will not be taxable to a stockholder to the extent that the amount of such distribution does not exceed the adjusted tax basis of the holder s shares in respect of which the distribution was made. Rather, the distribution will reduce the adjusted tax basis of the holder s shares. To the extent that such distribution exceeds the adjusted tax basis of a U.S. holder s shares, the holder generally must include such distribution in income as long-term capital gain, or short-term capital gain if the holder s shares have been held for one year or less.

Capital Gain Dividends. A distribution that we designate as a capital gain dividend will generally be taxed to U.S. holders as long-term capital gain, to the extent that such distribution does not exceed our actual net capital gain for the taxable year, without regard to the period for which the holder that receives such distribution has held our stock. Corporate U.S. holders may be required to treat up to 20% of some capital gain dividends as ordinary income. Long-term capital gains are generally taxable at reduced maximum federal rates in the case of U.S. holders that are individuals, trusts and estates, and ordinary income rates in the case of stockholders that are corporations.

Tax Treatment of the Spin-Off to Non-U.S. Holders. The following discussion describes the U.S. federal income tax consequences to a non-U.S. holder of our stock upon the receipt of Ashford Prime common stock in the spin-off.

Ordinary Dividends. The portion of the spin-off distribution amount received by a non-U.S. holder that is (1) payable out of our current and accumulated earnings and profits for the year of the distribution, (2) not attributable to our capital gains, and (3) not effectively connected with a U.S. trade or business of the non-U.S. holder, will be treated as a dividend that is subject to U.S. withholding tax at the rate of 30%, unless reduced or eliminated by treaty.

In general, non-U.S. holders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our stock. In cases where the dividend income from a non-U.S. holder s investment in our stock is, or is treated as, effectively connected with the non-U.S. holder s conduct of a U.S. trade or business, the non-U.S. holder generally will be subject to U.S. federal income tax at graduated rates, in the same manner as U.S. holders are taxed with respect to such dividends. Such income must generally be reported on a U.S. federal income tax return filed by or on behalf of the non-U.S. holder. The income may also be subject to the 30% branch profits tax in the case of a non-U.S. holder that is a corporation unless reduced or eliminated by tax treaty.

Non-Dividend Distributions. Unless our stock constitutes a United States real property interest (as defined in the accompanying prospectus), the spin-off distribution amount, to the extent not made out of Ashford s earnings and profits, will not be subject to U.S. income tax. If we cannot determine at the time of the spin-off whether or not the spin-off distribution amount will exceed current and accumulated earnings and profits, the spin-off distribution amount will be subject to withholding at the rate applicable to ordinary dividends, as described above.

If our stock constitutes a United States real property interest, distributions that we make in excess of the sum of (a) the stockholder s proportionate share of our earnings and profits, plus (b) the stockholder s basis in our stock, will be taxed under FIRPTA (as defined in the accompanying prospectus) in the same manner as if the stock had been sold. In such situations, the non-U.S. holder would be required to file a U.S. federal income tax return and would be subject to the same treatment and same tax rates as a U.S. holder with respect to such excess, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals.

We anticipate that we will be a United States real property holding corporation based on our investment strategy. Further, it is anticipated that we will be a domestically-controlled qualified investment entity.

See Federal Income Tax Consequences of Our Status as a REIT Taxation of Non-U.S. Holders in the accompanying prospectus (as amended as set forth in Taxation of Non-U.S. Holders above) for a discussion of applicable tests in determining whether our stock constitutes a United States real property interest and whether capital gain distributions to a non-U.S. holder would be subject to tax under FIRPTA.

Withholding of Amounts Distributable to Non-U.S. Holders in the Spin-Off. If we are required to withhold any amounts otherwise distributable to a non-U.S. holder in the spin-off, we or other applicable withholding agents will collect the amount required to be withheld by reducing to cash for remittance to the IRS a sufficient portion of Ashford Prime common stock that such non-U.S. holder would otherwise receive, and such holder may bear brokerage or other costs for this withholding procedure. A non-U.S. holder may seek a refund from the IRS of any amounts withheld if it is subsequently determined that the amounts withheld exceeded the holder s U.S. tax liability for the year in which the spin-off occurred.

Tax Treatment of the Spin-Off to Tax-Exempt Entities. While some investments in real estate may generate unrelated business taxable income, the IRS has ruled that in a published ruling dividend distributions from a REIT to a tax-exempt entity do not constitute unrelated business taxable income. Based on that ruling, and provided that (1) a tax-exempt stockholder has not held our stock as debt financed property within the meaning of the Code (i.e., where the acquisition or holding of the property is financed through a borrowing by the tax-exempt stockholder), and (2) stock is not otherwise used in an unrelated trade or business, the spin-off generally should not give rise to unrelated business taxable income to a tax-exempt stockholder.

Tax-exempt stockholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from federal income taxation under sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Code are subject to different unrelated business taxable income rules, which generally require such stockholders to characterize distributions that we make as unrelated business taxable income.

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In certain circumstances, a pension trust that owns more than 10% of our stock could be required to treat a percentage of the dividends as unrelated business taxable income, if we are a pension-held REIT. The ownership and transfer restrictions in our charter reduce the risk that we may become a pension-held REIT. See Federal Income Tax Consequences of Our Status as a REIT Taxation of Tax-Exempt Stockholders in the accompanying prospectus for a discussion of the determination of a pension-held REIT.

Time for Determination of the Tax Impact of the Spin-Off. The actual tax impact of the spin-off will be affected by a number of factors that are unknown at this time, including our final earnings and profits for 2013 (including as a result of the gain, if any, we recognize in the spin-off), the fair market value of Ashford Prime s common stock on the date of the spin-off and sales of FIRPTA or other capital assets. Thus, a definitive calculation of the U.S. federal income tax impact of the spin-off will not be possible until after the end of the 2013 calendar year. We will notify our stockholders of the tax attributes of the spin-off (including the spin-off distribution amount) on an IRS Form 1099-DIV.

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UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Deutsche Bank Securities Inc.	
Morgan Stanley & Co. LLC	
KeyBanc Capital Markets Inc.	
Credit Agricole Securities (USA) Inc.	
Credit Suisse Securities (USA) LLC	
Total	11,000,000

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer s certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of $ per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$ &