

ASHFORD HOSPITALITY TRUST INC

Form 424B2

April 14, 2011

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**PROSPECTUS SUPPLEMENT**  
**(To prospectus dated January 25, 2010)**

**Filed pursuant to Rule 424(b)(2)**  
**Registration No. 333-162750**

**3,000,000 Shares**

**Ashford Hospitality Trust, Inc.**  
**9.000% Series E Cumulative Preferred Stock**  
**(Liquidation Preference \$25 per Share)**

We are offering 3,000,000 shares of our 9.000% Series E Cumulative Preferred Stock, par value \$.01 per share, referred to as our Series E Preferred Stock.

We will pay cumulative dividends on the Series E Preferred Stock from and including the date of original issuance in the amount of \$2.25 per share each year, which is equivalent to 9.000% of the \$25.00 liquidation preference per share. Dividends on the Series E Preferred Stock are payable quarterly in arrears on or about the 15th day of January, April, July and October of each year. The first dividend on the Series E Preferred Stock sold in this offering will be paid on July 15, 2011.

Generally, we may not redeem the Series E Preferred Stock before April 18, 2016, except to preserve our status as a real estate investment trust. On or after April 18, 2016, we may, at our option, redeem the Series E Preferred Stock, in whole or in part, by paying \$25.00 per share, plus any accrued and unpaid dividends to and including the date of redemption. In addition, upon the occurrence of a change of control the result of which our common stock, par value \$0.01 per share, and the common securities of the acquiring or surviving entity (or American Depositary Receipts ( ADRs ) representing such securities) are not listed on the New York Stock Exchange (the NYSE ), the NYSE Amex Equities (the NYSE Amex ) or the NASDAQ Stock Market ( NASDAQ ) or listed or quoted on a successor exchange or quotation system, we may, at our option, redeem the Series E Preferred Stock, in whole or in part within 120 days after the first date on which such change of control occurred, by paying \$25.00 per share, plus any accrued and unpaid dividends to, but not including, the date of redemption. If we exercise any of our redemption rights relating to the Series E Preferred Stock, the holders of Series E Preferred Stock will not have the conversion right described below. Our Series E Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless redeemed by us or converted into our common stock in connection with a change of control. Investors in our Series E Preferred Stock generally have no voting rights but will have limited voting rights if we fail to pay dividends on our Series E Preferred Stock for six or more quarters (whether or not consecutive) and under certain other circumstances.

Upon the occurrence of a change of control the result of which our common stock and the common securities of the acquiring or surviving entity (or ADRs representing such securities) are not listed on the NYSE, the NYSE Amex or NASDAQ or listed or quoted on a successor exchange or quotation system, each holder of Series E Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date (as defined herein), we have provided or provide notice of our election to redeem the Series E Preferred Stock) to convert some or all of the Series E Preferred Stock to be converted into a number of shares of our common stock equal to the lesser of:

the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accrued and unpaid dividends to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series E Preferred Stock dividend payment and prior to the

corresponding Series E Preferred Stock dividend payment date, in which case no additional amount for such accrued and unpaid dividend will be included in this sum) by (ii) the Common Stock Price (as defined herein); and

9.0909 (the Share Cap ), subject to certain adjustments;

subject, in each case, to provisions for the receipt of alternative consideration as described in this prospectus supplement.

Our Series E Preferred Stock is subject to restrictions on ownership designed to preserve our qualification as a real estate investment trust for federal income tax purposes.

We intend to file an application to list the shares of Series E Preferred Stock sold in this offering on the NYSE under the symbol AHTPrE .

**Investing in our Series E Preferred Stock involves risks. See Risk Factors beginning on page S-7 of this prospectus supplement and on page 13 of our Annual Report on Form 10-K for the year ended December 31, 2010.**

	Per Share	Total
Public offering price	\$ 25.0000	\$ 75,000,000
Underwriting discounts and commissions	\$ 0.7875	\$ 2,362,500
Proceeds, before expenses, to us	\$ 24.2125	\$ 72,637,500

We have granted the underwriters the option to purchase up to 450,000 additional shares of Series E Preferred Stock on the same terms and conditions set forth above within 30 days of the date of this prospectus supplement.

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

Delivery of the Series E Preferred Stock will be made by the underwriters through the facilities of The Depository Trust Company on or about April 18, 2011.

Citi *Joint Book-Running Managers* BofA Merrill Lynch UBS Investment Bank

*Senior Co-Managers*

**Deutsche Bank Securities**

**Stifel Nicolaus Weisel**

*Co-Managers*

**Baird**

**Credit Agricole CIB**

**Credit Suisse**

**FBR Capital Markets**

**KeyBanc Capital Markets**

The date of this prospectus supplement is April 13, 2011.

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**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 Series E Preferred 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 Series E Preferred Stock only in jurisdictions where offers and sales are permitted. You should assume that the information**

**appearing in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference is only accurate as of the respective dates which are specified in those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.**

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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 Series E Preferred Stock, you should read carefully this entire prospectus supplement and the accompanying prospectus, including the sections entitled Risk Factors beginning on page S-7 of this prospectus supplement and on page 13 of our Annual Report on Form 10-K for the year ended December 31, 2010, as well as the documents incorporated by reference into the accompanying prospectus. This summary is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. All references to we, our and us in this prospectus supplement mean Ashford Hospitality Trust, Inc. and all entities owned or controlled by us except where it is made clear that the term means only the parent company. The term you refers to a prospective investor.*

**The Company**

We are a Maryland corporation that was formed in May 2003 to invest in the hospitality industry at all levels of the capital structure. As of December 31, 2010, we owned 94 hotel properties directly and six hotel properties through majority-owned investments in joint ventures, which represented a total of 21,734 total rooms, or 21,392 net rooms excluding those attributable to joint venture partners, and, on a pro forma basis giving effect to our March 10, 2011 acquisition of our interest in the 28-hotel portfolio of Highland Hospitality (the Highland Hospitality Portfolio ), we owned 94 hotel properties directly and 34 hotel properties through majority-owned investments in joint ventures, which represented a total of 29,816 total rooms, or 27,190 net rooms, excluding those attributable to joint venture partners. Our hotels are primarily operated under the widely recognized upper-upscale and upscale brands within the Hilton, Marriott, Starwood and Intercontinental chains, and all of our hotel properties are located in the United States.

We acquired our interest in the Highland Hospitality Portfolio through a newly-formed joint venture between us and Prudential Real Estate Investors, which effected a consensual foreclosure and restructuring of certain mezzanine and senior loans on the portfolio. We own an approximate 71.74% interest in the joint venture. The Highland Hospitality Portfolio consists of 17 full-service, upper-upscale and luxury hotels, comprising 5,684 rooms and feature brands such as Ritz-Carlton, Marriott, Hilton, Hyatt, Renaissance, Sheraton and Westin. The remaining 11 hotels in the Highland Hospitality Portfolio have 2,400 rooms and include brands such as Crowne Plaza, Hilton Garden Inn, Courtyard, Residence Inn and Hampton Inn, as well as three unbranded hotels.

As of December 31, 2010, we also owned mezzanine and first-mortgage loans receivable with a carrying value, net of impairments, of \$20.9 million. In April 2011, our mezzanine loan related to the 105 hotel portfolio owned by Whitehall Street Real Estate Funds, an affiliate of Goldman Sachs Group (the Tharaldson Loan ) was paid off at a discount. We received \$22.1 million and used \$20.0 million to repay a portion of our senior credit facility.

Our long-term investment strategies continue to focus on the upscale and upper-upscale segments within the lodging industry, while our current key priorities and financial strategies include, among other things, restructuring and liquidating positions in mezzanine loans, pursuing capital market activities to enhance long-term stockholder value, implementing selective capital improvements designed to increase profitability, and financing or refinancing hotels on competitive terms. We believe that as hotel supply and demand and capital market cycles change, we will be able to shift our investment strategies to take advantage of lodging-related investment opportunities as they develop. During the recent economic crisis, we implemented numerous cost savings measures along with strategies to modify or extend our debt. We also repurchased shares of our common and preferred stock during a time that we believed the stock was

undervalued.

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. These investments may include: (i) direct hotel investments; (ii) mezzanine financing through origination or acquisition in secondary markets; (iii) first-lien mortgage

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financing through origination or acquisition in secondary markets; and (iv) sale-leaseback transactions. Currently, we do not limit our acquisitions to any specific geographical market within the United States.

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

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

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**The Offering**

The Issuer	Ashford Hospitality Trust, Inc.
Securities Offered	3,000,000 shares of 9.000% Series E Cumulative Redeemable Preferred Stock (3,450,000 shares if the underwriters exercise their over-allotment option in full). We reserve the right to reopen this series and issue additional shares of Series E Preferred Stock either through public or private sales at any time and from time to time.
Dividends	Dividends on the Series E Preferred Stock are cumulative from the date of original issuance and are payable quarterly, when and as declared, at the rate of 9.000% of the \$25.00 liquidation preference per year (equivalent to an annual dividend rate of \$2.25 per share). Dividends will be payable quarterly on the 15th day of January, April, July and October of each year, or if such day is not a business day, the next succeeding business day. The first dividend on the Series E Preferred Stock sold in this offering will be paid on July 15, 2011 and will accrue from the date of the closing of this offering.
No Maturity	The Series E Preferred Stock has no stated maturity date and is not subject to mandatory redemption or any sinking fund. We are not required to set aside funds to redeem the Series E Preferred Stock. Accordingly, the Series E Preferred Stock will remain outstanding indefinitely unless we decide to redeem the shares at our option or, under circumstances where the holders of the Series E Preferred Stock have a conversion right, such holders decide to convert the Series E Preferred Stock.
Optional Redemption	On and after April 18, 2016, we may redeem the Series E Preferred Stock for cash at our option, in whole or from time to time in part, at a redemption price of \$25.00 per share, plus accrued and unpaid dividends, if any, to, but not including, the redemption date. Except with respect to the special optional redemption described above, and in certain limited circumstances relating to the ownership limitation necessary to preserve our qualification as a REIT, the Series E Preferred Stock will not be redeemable prior to April 18, 2016.
Special Optional Redemption	Upon the occurrence of a Change of Control (as defined below), we may, at our option, redeem the Series E Preferred Stock, in whole or in part within 120 days after the first date on which such Change of Control occurred, by paying \$25.00 per share, plus any accrued and unpaid dividends to, but not including, the date of redemption. If, prior to the Change of Control Conversion Date, we exercise any of our redemption rights relating to the Series E Preferred Stock (whether our optional redemption right or our special optional redemption right), the holders of Series E Preferred Stock will not have the conversion right described below.

A Change of Control is when, after the original issuance of the Series E Preferred Stock, the following have occurred and are continuing:

the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), of

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beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of our company entitling that person to exercise more than 50% of the total voting power of all shares of our company entitled to vote generally in elections of directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or ADRs representing such securities) listed on the NYSE, the NYSE Amex or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or NASDAQ.

Conversion Rights

Upon the occurrence of a Change of Control, each holder of Series E Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem the Series E Preferred Stock) to convert some or all of the Series E Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock per share of Series E Preferred Stock to be converted equal to the lesser of:

the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accrued and unpaid dividends to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series E Preferred Stock dividend payment and prior to the corresponding Series E Preferred Stock dividend payment date, in which case no additional amount for such accrued and unpaid dividend will be included in this sum) by (ii) the Common Stock Price; and

9.0909 (the Share Cap ), subject to certain adjustments;

subject, in each case, to provisions for the receipt of alternative consideration as described in this prospectus supplement.

If, prior to the Change of Control Conversion Date, we have provided or provide a redemption notice, whether pursuant to our special optional redemption right in connection with a Change of Control or our optional redemption right, holders of Series E Preferred Stock will not have any right to convert the Series E Preferred Stock in connection with the Change of Control Conversion Right and any shares of Series E Preferred Stock selected for redemption that have been tendered for conversion will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date.

For definitions of Change of Control Conversion Right, Change of Control Conversion Date and Common Stock Price and for a description of the adjustments and provisions for the receipt of

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alternative consideration that may be applicable to the Change of Control Conversion Right, see Description of the Series E Preferred Stock Conversion Rights.

Except as provided above in connection with a Change of Control, the Series E Preferred Stock is not convertible into or exchangeable for any other securities or property.

**Liquidation Preference**

If we liquidate, dissolve or windup our operations, the holders of our Series E Preferred Stock will have a right to receive \$25.00 per share, plus an amount equal to accumulated, accrued and unpaid dividends (whether or not declared) to the date of payment, before any payment is made to the holders of our common stock or any of our other equity securities ranking junior to the Series E Preferred Stock. The rights of the holders of the Series E Preferred Stock to receive the liquidation preference will be subject to the rights of holders of our debt, holders of any equity securities senior in liquidation preference to the Series E Preferred Stock and the proportionate rights of holders of each other series or class of our equity securities ranked on a parity with the Series E Preferred Stock, including our Series A Cumulative Preferred Stock, Series B-1 Cumulative Convertible Redeemable Preferred Stock and Series D Cumulative Preferred Stock.

**Ranking**

The Series E Preferred Stock ranks senior to our common stock and future junior securities, equal with each series of our outstanding preferred stock (our Series A Cumulative Preferred Stock, Series B-1 Cumulative Convertible Redeemable Preferred Stock and Series D Cumulative Preferred Stock) and with any future parity securities and junior to future senior securities and to all our existing and future indebtedness, with respect to the payment of dividends and the distribution of amounts upon liquidation, dissolution or winding up.

**Voting Rights**

Holders of Series E Preferred Stock generally have no voting rights except as required by law. However, whenever dividends on the Series E Preferred Stock are in arrears for six or more quarterly periods (whether or not consecutive), the holders of such shares (voting together as a single class with all other shares of any class or series of shares ranking on a parity with the Series E Preferred Stock which are entitled to similar voting rights, if any) will be entitled to vote for the election of two additional directors to serve on our board of directors until all dividends in arrears on the outstanding Series E Preferred Stock have been paid or declared and set apart for payment. In addition, the issuance of future senior stock or certain charter amendments whether by merger, consolidation or business combination or otherwise materially adversely affecting the rights of holders of Series E Preferred Stock cannot be made without the affirmative vote of holders of at least 66 $\frac{2}{3}$ % of the outstanding Series E Preferred Stock and shares of any class or series of stock ranking on a parity with the Series E Preferred Stock which are entitled to similar voting rights, if any, voting as a single class.



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Ownership Limit	Subject to certain exceptions, no person may own, directly or indirectly, more than 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding shares of our Series E Preferred Stock, unless our board of directors grants a waiver of such limitation.
Information Rights	During any period that we are not subject to the reporting requirements of the Exchange Act, and any Series E Preferred Stock is outstanding, we will (i) transmit by mail or other permissible means under the Exchange Act to all holders of Series E Preferred Stock copies of the annual reports and quarterly reports that we would have been required to file with the Securities and Exchange Commission ( SEC ), pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required), and (ii) within 15 days following written request, supply copies of such reports to any prospective holder of the Series E Preferred Stock. We will mail (or otherwise transmit or provide) the reports to the holders of Series E Preferred Stock within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act.
Listing	We intend to file an application to list the Series E Preferred Stock on the NYSE under the symbol AHTPrE. If the listing is approved, we expect trading to commence within 30 days after initial delivery of the Series E Preferred Stock.
Use of Proceeds	We intend to use the net proceeds from the sale of the Series E Preferred Stock to redeem or repurchase all or a portion of our Series B-1 Cumulative Convertible Redeemable Preferred Stock, referred to as the Series B-1 Preferred Stock, all of the shares of which are currently held by Security Capital Preferred Growth Incorporated, with the remaining proceeds to be used to repay a portion of our outstanding borrowings under our existing senior credit facility or for other general corporate purposes. See Use of Proceeds beginning on page S-10 of this prospectus supplement.
Conflicts of Interest	As described in Use of Proceeds, we may use a portion of the net proceeds from this offering to reduce amounts outstanding under our existing senior credit facility. Affiliates of certain of the underwriters are lenders under our senior credit facility and will receive a pro rata portion of the net proceeds from this offering to the extent that we use any such proceeds to reduce the outstanding balance under such facility. See Underwriting (Conflicts of Interest).
Settlement	Delivery of the shares of Series E Preferred Stock will be made against payment therefor on or about April 18, 2011.
Risk Factors	See Risk Factors beginning on page S-7 of this prospectus supplement and on page 13 of our Annual Report on Form 10-K for the year ended



December 31, 2010 for risks that you should consider before purchasing shares of our Series E Preferred Stock.

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**RISK FACTORS**

*An investment in the Series E Preferred Stock involves various risks, including those described below and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010. 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 Series E Preferred Stock offered hereby.*

***Our Series E Preferred Stock is subordinate to our debt, and your interests could be diluted by the issuance of additional preferred stock, including additional Series E Preferred Stock, and by other transactions.***

The Series E Preferred Stock is subordinate to all of our existing and future debt. Our future debt may include restrictions on our ability to pay dividends to preferred stockholders. Our charter currently authorizes the issuance of up to 50,000,000 shares of preferred stock in one or more series. The issuance of additional preferred stock on parity with or senior to the Series E Preferred Stock would dilute the interests of the holders of the Series E Preferred Stock, and any issuance of preferred stock senior to the Series E Preferred Stock or of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on the Series E Preferred Stock. Other than the conversion right afforded to holders of Series E Preferred Stock that may occur in connection with a change of control as described under **Description of the Series E Preferred Stock Conversion Rights** and other than the limited voting rights as described under **Description of the Series E Preferred Stock Voting Rights** below, none of the provisions relating to the Series E Preferred Stock relate to or limit our indebtedness or afford the holders of the Series E Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of the Series E Preferred Stock.

***The Series E Preferred Stock has not been rated.***

We have not sought to obtain a rating for the Series E Preferred Stock. No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the market price of the Series E Preferred Stock. In addition, we may elect in the future to obtain a rating of the Series E Preferred Stock, which could adversely impact the market price of the Series E Preferred Stock. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of a rating could have an adverse effect on the market price of the Series E Preferred Stock.

***As a holder of Series E Preferred Stock you have extremely limited voting rights.***

Your voting rights as a holder of Series E Preferred Stock will be limited. Shares of our common stock and shares of our Series B-1 Preferred Stock are currently the only classes of our stock carrying full voting rights. Voting rights for holders of Series E Preferred Stock exist primarily with respect to adverse changes in the terms of the Series E Preferred Stock, the creation of additional classes or series of preferred stock that are senior to the Series E Preferred Stock and our failure to pay dividends on the Series E Preferred Stock.

***The change of control conversion feature may not adequately compensate you, and the change of control conversion and redemption features of the Series E Preferred Stock may make it more difficult for a party to take over our company or discourage a party from taking over our company.***

Upon the occurrence of a change of control the result of which our common stock and the common securities of the acquiring or surviving entity (or ADRs representing such securities) are not listed on the NYSE, the NYSE Amex or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or NASDAQ, holders of the Series E Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided or provide notice of our

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election to redeem the Series E Preferred Stock) to convert some or all of their Series E Preferred Stock into shares of our common stock (or equivalent value of alternative consideration) and under these circumstances we will also have a special optional redemption right to redeem the Series E Preferred Stock. See Description of the Series E Preferred Stock Conversion Rights and Special Optional Redemption. Upon such a conversion, the holders will be limited to a maximum number of shares of our common stock equal to the Share Cap multiplied by the number of shares of Series E Preferred Stock converted. If the Common Stock Price is less than \$2.75 (which is approximately 25.0% of the per-share closing sale price of our common stock reported on the NYSE on April 12, 2011), subject to adjustment, the holders will receive a maximum of 9.0909 shares of our common stock per share of Series E Preferred Stock, which may result in a holder receiving value that is less than the liquidation preference of the Series E Preferred Stock. In addition, those features of the Series E Preferred Stock may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change of control of our company under circumstances that otherwise could provide the holders of our common stock and Series E Preferred Stock with the opportunity to realize a premium over the then-current market price or that stockholders may otherwise believe is in their best interests.

***There is no established trading market for the Series E Preferred Stock, listing on the NYSE does not guarantee a market for our Series E Preferred Stock, and the market price and trading volume of our Series E Preferred Stock may fluctuate significantly.***

The Series E Preferred Stock is a new issue of securities with no established trading market. We intend to file an application to list the Series E Preferred Stock on the NYSE, but there can be no assurance that the NYSE will approve the Series E Preferred Stock for listing. Even if the NYSE approves the Series E Preferred Stock for listing, an active trading market on the NYSE for the Series E Preferred Stock may not develop or, if it does develop, may not last, in which case the market price of the Series E Preferred Stock could be materially and adversely affected. If an active trading market does develop on the NYSE, a number of factors may adversely influence the price of the Series E Preferred Stock in public markets, including our history of paying dividends on the our preferred stock, variations in our financial results, the market for similar securities, investors' perceptions of us, our issuance of additional preferred equity or indebtedness and general economic, industry, interest rate and market conditions. Because the Series E Preferred Stock carries a fixed dividend rate, its value in the secondary market will be influenced by changes in interest rates and will tend to move inversely to such changes. In particular, an increase in market interest rates will result in higher yields on other financial instruments and may lead purchasers of Series E Preferred Stock to demand a higher yield on the price paid for the Series E Preferred Stock, which could adversely affect the market price of the Series E Preferred Stock. Although we intend to list the Series E Preferred Stock on the NYSE, the daily trading volume of the Series E Preferred Stock may be lower than the trading volume of other securities. As a result, investors who desire to liquidate substantial holdings of the Series E Preferred Stock at a single point in time may find that they are unable to dispose of their shares in the market without causing a substantial decline in the market price of such shares.

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

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

continue to have an adverse effect on our business.

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**FORWARD-LOOKING STATEMENTS**

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

our business and investment strategy;

our projected operating results;

completion of any pending transactions;

expected liquidity needs and sources (including capital expenditures and our ability to obtain financing or raise capital);

our understanding of our competition;

market and industry trends;

projected revenues and expenses; and

the impact of technology on our operations and business.

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

the factors discussed in this prospectus supplement, the accompanying prospectus and in the information incorporated herein by reference, including those set forth under the sections in such documents titled Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and Properties;

general volatility of the capital markets and the market price of our securities;

changes in our business or investment strategy;

availability, terms and deployment of capital;

availability of qualified personnel;

changes in our industry and the market in which we operate, interest rates or the general economy; and

the degree and nature of our competition.

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

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**USE OF PROCEEDS**

We expect that the net proceeds to us from the sale of the Series E Preferred Stock offered hereby (after deducting the underwriting discounts and commissions and our estimated offering expenses) will be approximately \$72.3 million (approximately \$83.2 million if the underwriters exercise their over-allotment option). We intend to use the net proceeds to repurchase all or a portion of our Series B-1 Preferred Stock, all of the shares of which are currently held by Security Capital Preferred Growth Incorporated, with the remaining proceeds to be used to repay all or a portion of our outstanding borrowings under our existing senior credit facility or for other general corporate purposes.

We currently have 7,247,865 shares of Series B-1 Preferred Stock outstanding. We are required to pay the Series B-1 Preferred Stock holders cumulative quarterly cash dividends of \$0.14 per share, which equates to a 5.561% annual return on the liquidation value of the Series B-1 Preferred Stock. If at any time, our quarterly common stock dividend is greater than \$0.14 per share, the Series B-1 Preferred Stock holders would be entitled to receive a quarterly dividend per share equal to that paid to the common stockholders per share. We intend to use proceeds of this offering to repurchase shares of our Series B-1 Preferred Stock.

We have the right to redeem all or a portion of the outstanding Series B-1 Preferred Stock at any time for a redemption price of \$10.07 per share plus all accumulated, accrued and unpaid dividends through the redemption date. To effect such redemption, we must give the Series B-1 Preferred Stockholder not less than 30 days advance written notice. The aggregate redemption price if we elected to redeem all outstanding Series B-1 Preferred Stock would be approximately \$73.0 million before accrued and unpaid dividends. Holders of the Series B-1 Preferred Stock may elect to convert their shares into shares of our common stock at any time, including after we give notice of redemption, at a conversion price of \$10.07 per share, compared to the closing price of our common stock on the NYSE as of April 12, 2011 of \$11.00 per share. We do not have the right to redeem the common stock into which the Series B-1 may be converted.

We also have the right to repurchase all or a portion of the outstanding Series B-1 Preferred Stock pursuant to a repurchase agreement with the sole holder of our Series B-1 Preferred Stock. The per share repurchase price for our Series B-1 Preferred Stock under the repurchase agreement is equal to the greater of (i) the volume weighted average price (as defined in the repurchase agreement) of a share of our common stock for the five trading days immediately preceding the closing date of the repurchase and (ii) \$10.07 per share. If, based on the formula for the repurchase price, the aggregate repurchase price for all of the shares of Series B-1 Preferred Stock to be repurchased would exceed an amount equal to \$10.07 multiplied by the number of shares to be repurchased (the Maximum Repurchase Price), the number of shares of Series B-1 Preferred Stock to be repurchased will be equal to the greatest number of whole shares having an aggregate Repurchase Price equal to or less than the Maximum Repurchase Price. Any remaining shares subject to the repurchase notice will be converted into shares of our common stock as though the holder of the Series B-1 Preferred Stock had exercised its conversion right with respect to such shares. We have until April 18, 2011 to exercise our repurchase right, for a repurchase date not less than 30 nor more than 90 calendar days following the date of the repurchase notice. Under certain circumstances the holder of the Series B-1 Preferred Stock has the right to accelerate the repurchase. To the extent we do not provide notice of our option to exercise our right to repurchase Series B-1 Preferred Stock to the holder of the Series B-1 Preferred Stock on or before April 18, 2011, our repurchase right will terminate, but we will still have the right to redeem the Series B-1 Preferred Stock as described above. In connection with this offering, we currently anticipate exercising our rights under the repurchase agreement instead of exercising our redemption right.

To the extent we use the proceeds to repay a portion of our outstanding borrowings under our existing senior credit facility with the net proceeds of this offering, we expect to pay down up to \$25.0 million of our senior credit facility



which bears an interest rate of LIBOR plus between 2.75% and 3.5% per annum, depending on our current loan-to-value ratio and matures in April 2012. As of March 31, 2011, we had approximately \$45 million of outstanding indebtedness under that facility, bearing interest at a rate of 3.24% per annum.

Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, Credit Agricole Securities (USA) Inc., Credit Suisse Securities (USA) LLC and KeyBanc Capital Markets Inc. act as lenders

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under our existing senior credit facility. As described above, we may use a portion of the net proceeds of this offering to repay borrowings outstanding under our senior credit facility, and such affiliates of the underwriters therefore may receive a portion of the net proceeds from this offering through the repayment of those borrowings.

**RATIOS OF EARNINGS TO COMBINED FIXED CHARGES  
AND PREFERRED STOCK DIVIDENDS**

The following table sets forth our historical ratio of earnings to combined fixed charges and preferred stock dividends, as adjusted for discontinued operations, for each of the periods indicated:

	<b>Year Ended December 31,</b>				
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Ratio of earnings to combined fixed charges and preferred stock dividends	*	*	1.43	*	1.33

\* For these periods, earnings were less than combined fixed charges and preferred stock dividends, and the coverage deficiency was approximately \$74,730,000, \$210,480,000 and \$21,326,000 for the years ended December 31, 2010, 2009 and 2007, respectively.

For purposes of computing the ratio of earnings to combined fixed charges and preferred stock dividends and the amount of coverage deficiency, earnings are computed as pre-tax income from continuing operations before equity method earnings or losses from equity investees plus: (a) fixed charges less preferred unit distribution requirements included in fixed charges but not deducted in the determination of earnings, as adjusted for discontinued operations, pre-tax income from continuing operations and (b) distributed income of equity investees. Fixed charges consist of (a) interest expenses, as no interest was capitalized in the periods presented, (b) amortization of debt issuance costs, discount or premium, (c) the interest component of rent expense, and (d) preferred dividends requirements of a majority-owned subsidiary.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of December 31, 2010 (i) on an actual basis; (ii) on a pro-forma basis giving effect to (a) the net effect of all pay-downs on our senior credit facility since December 31, 2010, including a \$20.0 million pay-down with the proceeds of the payoff of the Tharaldson Loan, (b) the sale of three hotels and the related debt repayments, (c) the purchase by the underwriter of 300,000 shares of our common stock upon partial exercise of the underwriter's 1,125,000-share over-allotment option granted in connection with an offering by us of 7,500,000 shares of our common stock made pursuant to a prospectus supplement which was filed with the Commission pursuant to Rule 424(b)(2) on December 14, 2010, and (d) grants of shares of our common stock under our stock incentive plan since December 31, 2010; and (iii) on pro-forma basis, as adjusted to give effect to the consummation of this offering and the use of the net proceeds therefrom (assuming the application of the estimated net proceeds of \$72.3 million to repurchase our Series B-1 Preferred Stock at the market price of \$11.00 per share as of April 12, 2011). Our acquisition of the Highland Hospitality Portfolio has no impact on the capitalization table shown below because the portfolio is held in an unconsolidated joint venture.

You should read the information included in the table below in conjunction with our consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC and incorporated by reference in this prospectus supplement and the accompanying prospectus.

	<b>December 31, 2010</b>		
	<b>Actual</b>	<b>Pro-Forma (In thousands) (Unaudited)</b>	<b>Pro-Forma as Adjusted</b>
<b>Debt:</b>			
Indebtedness	\$ 2,568,783	\$ 2,428,560	\$ 2,428,560
<b>Commitments and Contingencies:</b>			
Preferred stock, \$0.01 par value:			
Series B-1 Cumulative Convertible Redeemable Preferred Stock, 7,247,865 shares issued and outstanding, no shares outstanding, as adjusted	72,986	72,986	
Redeemable noncontrolling interests in operating partnership	126,722	125,757	125,757
<b>Equity:</b>			
Preferred stock, \$0.01 par value, 50,000,000 shares authorized:			
Series A Cumulative Preferred Stock, 1,487,900 shares issued and outstanding	15	15	15
Series D Cumulative Preferred Stock 8,966,797 shares previously issued and outstanding	90	90	90
Series E Cumulative Redeemable Preferred Stock, none previously issued and outstanding and, as to the pro forma as adjusted column only, the 3,000,000 shares being offered hereby			30
Common Stock, \$0.01 par value, 200,000,000 shares authorized, 123,403,896 shares issued and 58,999,324 shares outstanding at December 31, 2010	1,234	1,235	1,241

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Additional paid-in capital	1,552,657	1,554,332	1,633,374
Accumulated other comprehensive loss	(550)	(550)	(550)
Accumulated deficit	(543,788)	(536,800)	(543,540)
Treasury stock, at cost, 64,404,569 shares at December 31, 2010	(192,850)	(190,948)	(190,948)
Noncontrolling interests in consolidated joint ventures			