

ASHFORD HOSPITALITY TRUST INC

Form 10-Q

August 08, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2007.**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period From _____ to _____.**

**Commission file number: 001-31775
ASHFORD HOSPITALITY TRUST, INC.
(Exact name of registrant as specified in its charter)**

Maryland

86-1062192

(State or other jurisdiction of
incorporation or organization)

(IRS employer identification number)

14185 Dallas Parkway, Suite 1100
Dallas, Texas

75254

(Address of principal executive offices)

(Zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding at August 8, 2007:

Common Stock, \$0.01 par value per share

122,611,689

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FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2007
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Certification of the Chief Financial Officer Required by Rule 13a-14(a)
Certification of the Chief Accounting Officer Required by Rule 13a-14(a)

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Certification of the Chief Executive Officer Required by Rule 13a-14(b)

Certification of the Chief Financial Officer Required by Rule 13a-14(b)

Certification of the Chief Accounting Officer Required by Rule 13a-14(b)

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ASHFORD HOSPITALITY TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Amounts)
(Unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Investment in hotel properties, net	\$ 4,279,054	\$ 1,632,946
Cash and cash equivalents	157,175	73,343
Restricted cash	48,208	9,413
Accounts receivable, net of allowance of \$889 and \$384, respectively	81,278	22,081
Inventories	4,522	2,110
Assets held for sale	26,553	119,342
Notes receivable	72,815	102,833
Deferred costs, net	34,066	14,143
Prepaid expenses	21,251	11,154
Other assets	7,193	7,826
Due from third-party hotel managers	39,097	15,964
Due from related parties	3,513	757
 Total assets	 \$ 4,774,725	 \$ 2,011,912
 LIABILITIES AND OWNERS EQUITY		
Indebtedness	\$ 2,922,085	\$ 1,091,150
Capital leases payable	815	177
Accounts payable	38,817	16,371
Accrued expenses	85,524	32,591
Dividends payable	34,842	19,975
Deferred income	270	294
Deferred incentive management fees	3,658	3,744
Unfavorable management contract liability	24,714	15,281
Other liabilities	3,084	
Due to third-party hotel managers	5,583	1,604
Due to related parties	929	4,152
 Total liabilities	 3,120,321	 1,185,339
 Commitments and contingencies (see Note 13)		
Minority interest in consolidated joint ventures	103,624	
Minority interest related to limited partnership interests	108,141	109,864
Preferred stock, \$0.01 par value:		
Series B Cumulative Convertible Redeemable Preferred Stock, 7,447,865 issued and outstanding at June 30, 2007 and December 31, 2006, respectively	75,000	75,000
 Preferred stock, \$0.01 par value, 50,000,000 shares authorized:	 23	 23

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Series A Cumulative Preferred Stock, 2,300,000 issued and outstanding at June 30, 2007 and December 31, 2006, respectively		
Series C Cumulative Preferred Stock, 8,000,000 issued and outstanding at June 30, 2007	80	
Common stock, \$0.01 par value, 200,000,000 shares authorized, 122,634,167 shares issued and 122,613,582 shares outstanding at June 30, 2007 and 72,942,841 shares issued and outstanding at December 31, 2006	1,226	729
Additional paid-in capital	1,452,629	708,420
Accumulated other comprehensive income (loss)	(14)	111
Accumulated deficit	(86,058)	(67,574)
Treasury stock, at cost (20,585 shares)	(247)	
Total owners' equity	1,367,639	641,709
Total liabilities and owners' equity	\$ 4,774,725	\$ 2,011,912

See notes to consolidated financial statements.

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ASHFORD HOSPITALITY TRUST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Share and Per Share Amounts)
(Unaudited)

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
REVENUE				
Rooms	\$ 250,772	\$ 88,550	\$ 364,163	\$ 167,017
Food and beverage	79,116	17,754	110,326	32,540
Rental income from operating leases	1,184		1,184	
Other	16,006	4,263	21,020	7,711
Total hotel revenue	347,078	110,567	496,693	207,268
Interest income from notes receivable	2,866	3,920	6,221	7,866
Asset management fees from affiliates	331	318	663	636
Total Revenue	350,275	114,805	503,577	215,770
EXPENSES				
Hotel operating expenses				
Rooms	55,268	19,058	80,388	35,908
Food and beverage	55,366	13,114	78,062	24,615
Other direct	7,912	1,836	10,279	3,429
Indirect	88,976	31,032	132,209	60,632
Management fees third-party hotel managers	10,248	2,601	13,373	4,953
Management fees related parties (see Note 12)	2,543	1,714	4,939	3,248
Total hotel expenses	220,313	69,355	319,250	132,785
Property taxes, insurance, and other	18,602	6,000	26,614	11,193
Depreciation and amortization	60,213	11,148	77,132	21,155
Corporate general and administrative	7,148	5,339	11,741	10,149
Total Operating Expenses	306,276	91,842	434,737	175,282
OPERATING INCOME	43,999	22,963	68,840	40,488
Interest income	975	566	1,473	1,060
Interest expense	(43,206)	(11,330)	(59,284)	(22,766)
Amortization of loan costs	(2,263)	(461)	(2,923)	(975)
Write-off of loan costs and exit fees	(5,264)	(102)	(5,966)	(788)
	(5,759)	11,636	2,140	17,019

INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST				
Benefit from (provision for) income taxes	(36)	(103)	1,187	(228)
Minority interest in consolidated joint ventures	523		523	
Minority interest related to limited partners	451	(1,839)	(800)	(2,760)
INCOME (LOSS) FROM CONTINUING OPERATIONS				
	(4,821)	9,694	3,050	14,031
Income from discontinued operations, net (see Note 5)	25,905	1,329	29,525	4,454
NET INCOME				
	21,084	11,023	32,575	18,485
Preferred dividends	7,033	2,719	9,826	5,438
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS				
	\$ 14,051	\$ 8,304	\$ 22,749	\$ 13,047
Income (Loss) From Continuing Operations Per Share Available To Common Shareholders:				
Basic	\$ (0.11)	\$ 0.13	\$ (0.08)	\$ 0.16
Diluted	\$ (0.11)	\$ 0.12	\$ (0.08)	\$ 0.16
Income From Discontinued Operations Per Share:				
Basic	\$ 0.24	\$ 0.02	\$ 0.33	\$ 0.08
Diluted	\$ 0.24	\$ 0.02	\$ 0.33	\$ 0.08
Net Income Per Share Available To Common Shareholders:				
Basic	\$ 0.13	\$ 0.15	\$ 0.25	\$ 0.24
Diluted	\$ 0.13	\$ 0.15	\$ 0.25	\$ 0.24
Weighted Average Common Shares Outstanding:				
Basic	108,138,363	55,711,214	90,275,311	53,828,335
Diluted	108,138,363	55,924,733	90,275,311	54,365,854

See notes to consolidated financial statements.

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ASHFORD HOSPITALITY TRUST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)
(Unaudited)

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
NET INCOME	\$ 21,084	\$ 11,023	\$ 32,575	\$ 18,485
Reclassification to Increase (Decrease)				
Interest Expense	1	(349)	(150)	(711)
Net Unrealized Gains (Losses) on Derivative Instruments	83		3	(1)
Foreign Currency Translation Adjustments	22		22	
 Comprehensive Income	 \$ 21,190	 \$ 10,674	 \$ 32,450	 \$ 17,773

See notes to consolidated financial statements.

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Ashford Hospitality Trust, Inc.
Consolidated Statement of Owners Equity
For the Six Months Ended June 30, 2007
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Preferred Stock - Series A		Preferred Stock - Series C		Common Stock		Accumulated		Treasury Stock		Total	
	Number of Shares	\$0.01 Par Value	Number of Shares	\$0.01 Par Value	Number of Shares	\$0.01 Par Value	Additional Paid-In Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Shares		Cost
Balance at December 31, 2006	2,300	\$ 23		\$	72,943	\$ 729	\$ 708,420	\$ 111	\$(67,574)		\$	\$ 641,709
Stock-based Compensation							2,773					2,773
Issuance of Common Shares in Follow-On Public Offering on April 24, 2007					48,875	489	547,760					548,249
Issuance of Preferred Shares Series C			8,000	80			193,239					193,319
Forfeitures of Restricted Common Shares					(1)							
Issuance of Restricted Common Shares to Employees					817	8	(268)					(260)
Purchases of Treasury Shares										(58)	(700)	(700)

Reissuances of Treasury Shares										37	453	453	
Dividends Declared Common Shares												(41,233)	(41,233)
Dividends Declared Preferred Shares Series A												(2,458)	(2,458)
Dividends Declared Preferred Shares Series B												(3,128)	(3,128)
Dividends Declared Preferred Shares Series C									705			(4,240)	(3,535)
Net Unrealized Loss on Derivative Instruments												3	3
Reclassification to Reduce Interest Expense												(150)	(150)
Foreign Operations Translation Adjustments												22	22
Net Income												32,575	32,575
Balance at June 30, 2007	2,300	\$ 23	8,000	\$ 80	122,634	\$ 1,226	\$ 1,452,629	\$ (14)	\$ (86,058)	(21)	\$ (247)	\$ 1,367,639	

See notes to consolidated financial statements.

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**ASHFORD HOSPITALITY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)**

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Cash flows from operating activities:		
Net income	\$ 32,575	\$ 18,485
Adjustments to reconcile net income to net cash flow provided by operations:		