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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

OR

☐ **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: 001-35074 (Summit Hotel Properties, Inc.)
Commission File Number: 001-54273 (Summit Hotel OP, LP)

SUMMIT HOTEL PROPERTIES, INC.
SUMMIT HOTEL OP, LP
(Exact name of registrant as specified in its charter)

Maryland (Summit Hotel Properties, Inc.) **Delaware (Summit Hotel OP, LP)** (State or other jurisdiction of incorporation or organization)	**27-2962512 (Summit Hotel Properties, Inc.)** (I.R.S. Employer Identification No.)

2701 South Minnesota Avenue, Suite 6
Sioux Falls, SD 57105
(Address of principal executive offices, including zip code)

(605) 361-9566
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Summit Hotel Properties, Inc.

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**New York Stock Exchange**

Summit Hotel OP, LP

Title of each class	Name of each exchange on which registered
None	**Not applicable**

Securities registered pursuant to Section 12(g) of the Act:

Summit Hotel Properties, Inc.: None
Summit Hotel OP, LP: Units of partnership interest in Summit Hotel OP, LP designated as "Common Units"

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Summit Hotel Properties, Inc. ☐ Yes ☒ No

Summit Hotel OP, LP ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Summit Hotel Properties, Inc. ☐ Yes ☒ No

Summit Hotel OP, LP ☐ Yes ☒ No

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.

Summit Hotel Properties, Inc. ☒ Yes ☐ No

Summit Hotel OP, LP ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405) of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Summit Hotel Properties, Inc. ☐ Yes ☐ No

Summit Hotel OP, LP ☐ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Summit Hotel Properties, Inc. ☒

Summit Hotel OP, LP ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company in Rule 12b-2 of the Exchange Act.

Summit Hotel Properties, Inc.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☒ Smaller reporting company ☐

Summit Hotel OP, LP

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☒ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Summit Hotel Properties, Inc. ☐ Yes ☒ No

Summit Hotel OP, LP ☐ Yes ☒ No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Summit Hotel Properties, Inc. : Not applicable

Summit Hotel OP, LP : Not applicable

Neither registrant had any outstanding securities at the end of the most recently completed second fiscal quarter.

As of March 25, 2011, the number of outstanding shares of common stock of Summit Hotel Properties, Inc. was 27,278,000 and the number of outstanding Common Units of Summit Hotel OP, LP was 37,378,000, including Common Units held by Summit Hotel Properties, Inc. and the general partner of Summit Hotel OP, LP.

EXPLANATORY NOTE

This report ("this report") combines the Annual Reports on Form 10-K for the year ended December 31, 2010 of Summit Hotel Properties, Inc., a Maryland corporation, and Summit Hotel OP, LP, a Delaware limited partnership.

Unless stated otherwise or the context otherwise requires, references in this report to:

- "Summit REIT" mean Summit Hotel Properties, Inc., a Maryland corporation;
- "Summit OP" or "our operating partnership" mean Summit Hotel OP, LP, a Delaware limited partnership; and
- "we," "our," "us," "our company" or "the company" mean Summit REIT, Summit OP and their consolidated subsidiaries taken together as one company. When this report discusses or refers to activities occurring prior to February 14, 2011, the date on which our operations commenced, these references refer to Summit Hotel Properties, LLC, our predecessor.

Summit REIT is the sole member of Summit Hotel GP, LLC, a Delaware limited liability company, which is the sole general partner (the "General Partner") of Summit OP. As of December 31, 2010, Summit REIT owned a 99.9% limited partnership interest in Summit OP and the General Partner owned a 0.1% general partnership interest in Summit OP. Effective as of February 14, 2011, the partnership agreement of Summit OP was amended and restated. As a result, Summit OP's equity interests include common units representing general and limited partnership interests ("Common Units"). As of December 31, 2010, Summit REIT owned an approximate 73% partnership interest in Summit OP, including the sole general partnership interest held by the General Partner. As the sole member of the General Partner, Summit REIT has exclusive control of our operating partnership's day-to-day management.

We believe combining the Annual Reports on Form 10-K of Summit REIT and Summit OP into this single report provides the following benefits:

- it enhances investors' understanding of Summit REIT and Summit OP by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- it eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both Summit REIT and Summit OP; and
- it creates time and cost efficiencies for both companies through the preparation of one combined report instead of two separate reports.

We believe it is important to understand the few differences between Summit REIT and Summit OP in the context of how Summit REIT and Summit OP operate as a consolidated company. Summit REIT intends to elect and qualify to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), for its short taxable year ending December 31, 2011.

Summit REIT's only material assets are its ownership of Common Units of Summit OP and its ownership of the membership interests in the General Partner. As a result, Summit REIT does not conduct business itself, other than controlling, through the General Partner, Summit OP, raising capital through issuances of equity securities from time to time and guaranteeing certain debt of Summit OP and its subsidiaries. Summit OP and its subsidiaries hold all the assets of the consolidated company. Except for net proceeds from securities issuances by Summit REIT, which are contributed to Summit OP in exchange for partnership units of Summit OP, Summit OP and its subsidiaries generate capital from the operation of our business and, through borrowings and the issuance of partnership units of Summit OP.

Stockholders' equity, partners' capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of Summit REIT and those of Summit OP. Summit OP's capital interests includes Common Units representing general and limited partnership interests. The Common Units owned by limited partners other than Summit REIT and its subsidiaries are accounted for in partners' capital in Summit OP's consolidated financial statements and (within stockholders' equity) as noncontrolling interests in Summit REIT's consolidated financial statements.

In order to highlight the differences between Summit REIT and Summit OP, there are sections in this report that separately discuss Summit REIT and Summit OP, including separate financial statements and notes thereto and separate Exhibit 31 and Exhibit 32 certifications. In the sections that combine disclosure for Summit REIT and Summit OP (i.e., where the disclosure refers to the consolidated company), this report refers to actions or holdings as our actions or holdings and, unless otherwise indicated, means the actions or holdings of Summit REIT and Summit OP and their respective subsidiaries, as one consolidated company.

As the sole member of the General Partner, Summit REIT consolidates Summit OP for financial reporting purposes, and Summit REIT does not have assets other than its investment in the General Partner and Summit OP. Therefore, while stockholders' equity and partners' capital differ as discussed above, the assets and liabilities of Summit REIT and Summit OP are the same on their respective financial statements.

Finally, we refer to a number of other entities in this report as follows. Unless the context otherwise requires or indicates, references to

- "the LLC" refer to Summit Hotel Properties, LLC and references to "our predecessor" refer to the LLC and its consolidated subsidiaries, including Summit Group of Scottsdale, Arizona, LLC ("Summit of Scottsdale"); Effective February 14, 2011, the LLC was merged with and into Summit OP with Summit OP surviving the merger and succeeding to the business and assets of the LLC;

- "Summit TRS" refer to Summit Hotel TRS, Inc., a Delaware corporation;

- "our TRSs" refer to Summit TRS and any other taxable REIT subsidiaries ("TRSs") that we may form in the future;

- "our TRS lessees" refer to our TRSs and the wholly owned subsidiaries of our TRSs that lease our hotels from our operating partnership or subsidiaries of our operating partnership.

- "The Summit Group" refer to The Summit Group, Inc., our predecessor's hotel management company, Company Manager and Class C Member.

ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 2010
SUMMIT HOTEL PROPERTIES, INC.
SUMMIT HOTEL OP, LP

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This report, together with other statements and information publicly disseminated by us, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. Forward-looking statements in this report include, among others, statements about our business strategy, including acquisition and development strategies, industry trends, estimated revenue and expenses, ability to realize deferred tax assets and expected liquidity needs and sources (including capital expenditures and the ability to obtain financing or raise capital). You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. Factors that may cause actual results to differ materially from current expectations include, but are not limited to:

- the timing and availability of potential hotel acquisitions and our ability to identify and complete hotel acquisitions in accordance with our business strategy;
- risks associated with the hotel industry, including competition, increases in employment costs, energy costs and other operating costs, or decreases in demand caused by actual or threatened terrorist attacks, any type of flu or disease-related pandemic, or downturns in general and local economic conditions;
- the availability and terms of financing and capital and the general volatility of securities markets;
- our dependence on third-party managers of our hotels, including our inability to implement strategic business decisions directly;
- risks associated with the real estate industry, including environmental contamination and costs of complying with the Americans with Disabilities Act and similar laws;
- interest rate increases;
- our possible failure to qualify as a REIT and the risk of changes in laws affecting REITs;
- the possibility of uninsured losses;
- risks associated with redevelopment and repositioning projects, including delays and cost overruns; and
- the other factors discussed under the heading "Risk Factors" in this report.

Accordingly, there is no assurance that our expectations will be realized. Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

PART I

Item 1. Business.

All references and descriptions in this report relating to assets owned and business conducted prior to February 14, 2011, the date of completion of Summit REIT's initial public offering and the formation transactions, refer to the business of our predecessor, which was merged into Summit OP as part of the formation transactions in connection with the initial public offering.

Overview

We are a self-managed hotel investment company that was recently organized to continue and expand the existing hotel investment business of our predecessor, Summit Hotel Properties, LLC, a leading U.S. hotel owner. We focus exclusively on acquiring and owning premium-branded limited-service and select-service hotels in the upscale and midscale without food and beverage segments of the U.S. lodging industry. We completed our initial public offering (our "IPO") and other formation transactions and commenced operations on February 14, 2011.

As of December 31, 2010, our hotel portfolio consisted of 65 hotels with a total of 6,533 guestrooms located in 19 states. Based on total number of rooms, 48% of our portfolio is positioned in the top 50 metropolitan statistical areas ("MSAs") and 68% is located within the top 100 MSAs.

As we disclosed in the prospectus for our IPO, our current portfolio consists of what we consider "seasoned" and "unseasoned" hotels. At the time of our IPO, we classified 46 of our hotels as seasoned based on their construction or acquisition date and we classified 19 of our hotels as unseasoned, those hotels that were either built after January 1, 2007 or experienced a brand conversion since January 1, 2008. We will continue to report results using this classification for these 65 hotels only through December 31, 2011, beyond which time the categories will have become less meaningful. All of our hotels are located in markets in which we have extensive experience and that exhibit multiple demand generators, such as business and corporate headquarters, retail centers, airports and tourist attractions.

At December 31, 2010, the majority of our hotels operate under premium franchise brands owned by Marriott International, Inc. (Courtyard ® by Marriott, Residence Inn ® by Marriott, SpringHill Suites ® by Marriott, Fairfield Inn ® by Marriott and TownePlace Suites ® by Marriott), Hilton Worldwide (Hampton Inn ® , Hampton Inn & Suites ® and Hilton Garden Inn ®), IHG (Holiday Inn Express ® and Staybridge Suites ®) and an affiliate of Hyatt Hotels Corporation (Hyatt Place ®). Our franchise mix, by total number of rooms, consists of Marriott (2,754 rooms, or 42%), Hilton Worldwide (1,331 rooms, or 20%), IHG (639 rooms, or 10%), Hyatt Hotels and Resorts (556 rooms, or 9%) and others (1,253 rooms, or 19%). Smith Travel Research classifies 28 of our hotels within the "upscale" segment and 36 of our hotels within the "midscale without food and beverage" segment. We classify our one independent hotel as midscale without food and beverage.

Our corporate offices are located at 2701 South Minnesota Avenue, Suite 6, Sioux Falls, South Dakota, 57105. Our telephone number is (605) 361-9566. Our website is *www.shpreit.com* . The information contained on, or accessible through, our website is not incorporated by reference into this report and should not be considered a part of this report.

Development of Business

Summit REIT was formed June 30, 2010 as a Maryland corporation. On February 14, 2011, we closed our IPO and a concurrent private placement and sold a total of 27,274,000 shares of common stock.

We conduct substantially all of our business through our operating partnership, which was formed on June 30, 2010 as a Delaware limited partnership. Effective February 14, 2011, our predecessor merged with and into our operating partnership (the "Merger") with our operating partnership as the surviving entity and succeeding to the business and ownership of the 65 hotels owned by our predecessor. At the effective time of the Merger, the outstanding membership interests in our predecessor were converted into, and cancelled in exchange for, Common Units and the members of our predecessor were admitted as limited partners of our operating partnership. Also effective February 14, 2011, The Summit Group contributed its Class B membership interest in Summit of Scottsdale, which owns two hotels in Scottsdale, Arizona, to our operating partnership and an unaffiliated third-party investor contributed its Class C membership interest in Summit of Scottsdale to our operating partnership. We refer to these transactions as the "formation transactions."

We intend to elect to be taxed as a REIT for federal income tax purposes beginning with our short taxable year ending December 31, 2011. To qualify as a REIT, we cannot operate or manage our hotels. Instead, we lease our hotels to our TRS lessees, which are wholly owned, directly or indirectly, by our operating partnership. Our TRS lessees have engaged Interstate Management Company ("Interstate") to operate and manage our hotels pursuant to a hotel management agreement and may engage other third-party hotel management companies to operate and manage our hotels in the future.

Business Strategy

We focus on acquiring, owning, renovating, repositioning and aggressively asset-managing and selectively selling premium-branded limited-service and select-service hotels in the upscale and midscale without food and beverage segments of the U.S. lodging industry. We seek to maximize the cash flow of our portfolio through focused asset management, targeted capital investment and opportunistic acquisitions.

We believe the U.S. economy and the U.S. lodging industry in particular has begun to recover from the recent economic recession and, as a result, lodging industry fundamentals will continue to strengthen over the near-term. As a result, we believe our portfolio is well-positioned for significant internal growth in hotel operating revenue in this environment based on our mix of seasoned hotels and unseasoned hotels. We believe we can create long-term value by pursuing the following strategies:

- *Disciplined Acquisitions of Hotel Properties.* We believe that the significant decline in lodging industry fundamentals from 2008 through early 2010 and the resultant declines in cash flows has created a difficult environment for hotel owners lacking ready access to financing or suffering from reduced cash flows. As a result, we believe that the significant number of hotel properties experiencing substantial declines in operating cash flow, coupled with tight credit markets, near-term debt maturities and, in some instances, covenant defaults relating to outstanding indebtedness, will present attractive investment opportunities to acquire hotel properties at prices significantly below replacement cost, with substantial appreciation potential as the U.S. economy recovers. We intend to grow through acquisitions of existing hotels using a disciplined approach while maintaining a prudent capital structure. We intend to target upscale and midscale without food and beverage hotels that meet one or more of the following acquisition criteria:

    - have potential for strong risk-adjusted returns located in the top 50 MSAs, with a secondary focus on the next 100 markets;
    - operate under leading franchise brands, which may include but are not limited to brands owned by Marriott, Hilton, IHG and Hyatt;
    - are located in close proximity to multiple demand generators, including businesses and corporate headquarters, retail centers, airports, medical facilities, tourist attractions and convention centers, with a diverse source of potential guests, including corporate, government and leisure travelers;
    - are located in markets exhibiting barriers to entry due to strong franchise areas of protection or other factors;
    - can be acquired at a discount to replacement cost; and
    - provide an opportunity to add value through operating efficiencies, repositioning, renovating or rebranding.

- *Selective Hotel Development.* We believe there will be attractive opportunities to partner on a selective basis with experienced hotel developers to acquire upon completion newly constructed hotels that meet our investment criteria.

- *Strategic Hotel Sales.* A primary part of our strategy is to acquire and own hotels. However, consistent with our strategy of maximizing the cash flow of our portfolio and our return on invested capital, we periodically review our hotels to determine if any significant changes to area markets or our hotels have occurred or are anticipated to occur that would warrant the sale of a particular hotel.

- *Capitalize on Investments in Our Hotels.* Since January 1, 2007, our predecessor made approximately $311.0 million of capital investments through development, strategic acquisitions and upgrades and improvements to our hotels in anticipation of improving general lodging fundamentals, including approximately $270.3 million of capital investment in our unseasoned portfolio. We believe these investments are paying off, as our unseasoned hotels have demonstrated significant revenue per available room ("RevPAR") growth of 13.6% for the year ended December 31, 2010, surpassing the RevPAR growth rates of 5.7% and 4.3% reported by Smith Travel Research for the upscale and midscale without food and beverage segments nationally. Likewise, we believe that the investments since 2007 in our seasoned portfolio also will produce attractive returns. We expect the performance of our seasoned hotels, approximately 68.3% of which by room count as of December 31, 2010 are midscale without food and beverage properties and approximately 58.4% of which by room count as of December 31, 2010 are located outside the top 50 MSAs, generally to track the performance of these hotels during the prior lodging industry recovery when owned by The Summit Group and our predecessor. During that period, from June 2003 to November 2008, the performance of our seasoned hotels initially trailed the upper-upscale segment at the beginning of the growth cycle, but ultimately generated total RevPAR growth of 57.9%, significantly in excess of the 33.0% RevPAR growth produced by the upper-upscale segment during the same recovery period. We believe that our seasoned hotels are currently following, and expect that they will likely continue to follow, a similar RevPAR growth path during the current industry recovery.

Our Financing Strategy

We expect to maintain a prudent capital structure and, following application of the net proceeds from the IPO and the concurrent private placement (including the repayment of indebtedness), intend to limit the sum of the outstanding principal amount of our consolidated net indebtedness to not more than 50% of the sum of our equity market capitalization and consolidated net indebtedness. Over time, we intend to finance our long-term growth with common and preferred equity issuances and debt financing having staggered maturities. Our debt may include mortgage debt secured by hotels and unsecured debt. During the second quarter of 2011, we anticipate entering into the credit facility described in "Our Anticipated Senior Secured Revolving Credit Facility" below to fund future acquisitions, as well as for property redevelopments, capital expenditures and working capital requirements.

When purchasing hotel properties, we may issue Common Units as full or partial consideration to sellers who may desire to take advantage of tax deferral on the sale of a hotel or participate in the potential appreciation in value of our common stock.

Competition

We face competition for investments in hotel properties from institutional pension funds, private equity investors, REITs, hotel companies and others who are engaged in hotel acquisitions and investments. Some of these entities have substantially greater financial and operational resources than we have. This competition may increase the bargaining power of property owners seeking to sell, reduce the number of suitable investment opportunities available to us and increase the cost of acquiring our targeted hotel properties.

The lodging industry is highly competitive. Our hotels will compete with other hotels for guests in their respective markets based on a number of factors, including location, convenience, brand affiliation, room rates, range of services and guest amenities or accommodations offered and quality of customer service. Competition will often be specific to the individual markets in which our hotels are located and includes competition from existing and new hotels. Competition could adversely affect our occupancy rates ("occupancy"), our average daily rates ("ADR") and our RevPAR, and may require us to provide additional amenities or make capital improvements that we otherwise would not have to make, which may reduce our profitability.

Seasonality

Certain segments of the hotel industry are seasonal in nature. Leisure travelers tend to travel more during the summer. Business travelers occupy hotels relatively consistently throughout the year, but decreases in business travel occur during summer and the winter holidays. The hotel industry is also seasonal based upon geography. Hotels in the southern U.S. tend to have higher occupancy rates during the winter months. Hotels in the northern U.S. tend to have higher occupancy rates during the summer months.

Due to our portfolio's geographic diversification, our revenue has not experienced significant seasonality. For the year ended December 31, 2010, our predecessor received 23.1% of its total revenue in the first quarter, 26.4% in the second quarter, 27.7% in the third quarter and 22.7% in the fourth quarter. For the year ended December 31, 2009, our predecessor received 24.2% of its total revenue in the first quarter, 25.8% in the second quarter, 26.6% in the third quarter and 23.4% in the fourth quarter.

Regulation

Our properties are subject to various covenants, laws, ordinances and regulations, including regulations relating to accessibility, fire and safety requirements. We believe each of our initial hotels has the necessary permits and approvals to operate its business.

Americans with Disabilities Act

Our properties must comply with Title III of the ADA to the extent that they are "public accommodations" as defined by the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where removal is readily achievable. Although we believe the properties in our portfolio substantially comply with present requirements of the ADA, we have not conducted a comprehensive audit or investigation of all of our properties to determine our compliance, and we are aware that some particular properties may currently be in non-compliance with the ADA. Noncompliance with the ADA could result in the incurrence of additional costs to attain compliance. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

Environmental, Health and Safety Matters

Our hotels and development parcels are subject to various federal, state and local environmental laws that impose liability for contamination. Under these laws, governmental entities have the authority to require us, as the current owner of property, to perform or pay for the clean up of contamination (including hazardous substances, waste, or petroleum products) at, on, under or emanating from the property and to pay for natural resource damages arising from contamination. These laws often impose liability without regard to whether the owner or operator or other responsible party knew of, or caused the contamination, and the liability may be joint and several. Because these laws also impose liability on persons who owned a property at the time it became contaminated, we could incur cleanup costs or other environmental liabilities even after we sell properties. Contamination at, on, under or emanating from our properties also may expose us to liability to private parties for costs of remediation, personal injury and death and/or property damage. In addition, environmental liens may be created on contaminated sites in favor of the government for damages and costs it incurs to address contamination. If contamination is discovered on our properties, environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Moreover, environmental contamination can affect the value of a property and, therefore, an owner's ability to borrow funds using the property as collateral or to sell the property on favorable terms or at all. Furthermore, persons who sent waste to a waste disposal facility, such as a landfill or an incinerator, may be liable for costs associated with cleanup of that facility.

Some of our properties may have contained historic uses which involved the use and/or storage of hazardous chemicals and petroleum products (for example, storage tanks, gas stations, dry cleaning operations) which, if released, could have impacted our properties. In addition, some of our properties may be near or adjacent to other properties that have contained or currently contain storage tanks containing petroleum products or conducted or currently conduct operations which utilize other hazardous or toxic substances. Releases from these adjacent or surrounding properties could impact our properties and we may be liable for any associated cleanup.

Independent environmental consultants conducted Phase I environmental site assessments on all of our properties prior to acquisition and we intend to conduct Phase I environmental site assessments on properties we acquire in the future. Phase I site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed properties and surrounding properties. These assessments do not generally include soil sampling, subsurface investigations, comprehensive asbestos surveys or mold investigations. In some cases, the Phase I environmental site assessments were conducted by another entity (i.e., a lender) and we may not have the authority to rely on such reports. Except for our Bloomington, Minnesota hotels, and our Cambria Suites hotel located in San Antonio, Texas, none of the Phase I environmental site assessments of the hotel properties in our initial portfolio revealed any past or present environmental condition that we believe could have a material adverse effect on our business, assets or results of operations. Soil and groundwater contamination at the site of our Bloomington, Minnesota hotels was voluntarily remediated by our predecessor to the satisfaction of the Minnesota Pollution Control Agency. A material liability could arise in the future if the contamination at the site of the Bloomington, Minnesota hotels impacted third parties or an adjacent property if the Minnesota agency requires further clean-up or if our predecessor's clean-up does not satisfy the U.S. Environmental Protection Agency. Soil and groundwater contamination was also identified in an undeveloped portion of our property adjacent to our Cambria Suites hotel located in San Antonio, Texas. The property was sampled on two occasions, after which our environmental consultant recommended no further action unless the contaminated soil was disturbed. A material liability could arise in the future if the contamination impacts an adjacent property or if we are required to remediate it. In addition, the Phase I environmental site assessments may also have failed to reveal all environmental conditions, liabilities or compliance concerns. The Phase I environmental site assessments were completed at various times within the past seven and one-half years and material environmental conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future; and future laws, ordinances or regulations may impose material additional environmental liability.

In addition, our hotels (including our real property, operations and equipment) are subject to various federal, state and local environmental, health and safety regulatory requirements that address a wide variety of issues, including, but not limited to, the registration, maintenance and operation of our boilers and storage tanks, the supply of potable water to our guests, air emissions from emergency generators, storm water and wastewater discharges, protection of natural resources, asbestos, lead-based paint, mold and mildew, and waste management. Some of our hotels also routinely handle and use hazardous or regulated substances and wastes as part of their operations, which are subject to regulation (for example, swimming pool chemicals or biological waste). Our hotels incur costs to comply with these environmental, health and safety laws and regulations and if these regulatory requirements are not met or unforeseen events result in the discharge of dangerous or toxic substances at our hotels, we could be subject to fines and penalties for non-compliance with applicable laws and material liability from third parties for harm to the environment, damage to real property or personal injury and death. We are aware of no past or present environmental liability for non-compliance with environmental, health and safety laws and regulations that we believe would have a material adverse effect on our business, assets or results of operations.

Certain hotels we currently own or those we acquire in the future contain, may contain, or may have contained, ACM. Environmental, health and safety laws require that ACM be properly managed and maintained, and include requirements to undertake special precautions, such as removal or abatement, if ACM would be disturbed during maintenance, renovation, or demolition of a building. These laws regarding ACM may impose fines and penalties on building owners, employers and operators for failure to comply with these requirements or expose us to third-party liability.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. For example, a large-scale remediation took place at the Amerisuites Las Colinas/Hidden Ranch hotel in 2002 and we expended roughly $500,000 to complete the renovation. In addition, the presence of significant mold or other airborne contaminants could expose us to material liability from third parties if property damage or personal injury occurs. We are not presently aware of any indoor air quality issues at our properties that would result in a material adverse effect on our business, assets or results of operations.

Tax Status

Upon filing our federal income tax return for our short taxable year ending December 31, 2011, we will elect to be taxed as a REIT for federal income tax purposes under the Code. Our qualification as a REIT depends upon our ability to meet, on a continuing basis, through actual investment and operating results, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares of beneficial interest. We believe that we were organized in conformity with the requirements for qualification as a REIT under the Code and that our current and intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT for federal income tax purposes commencing with our short taxable year ending December 31, 2011 and continuing thereafter.

In order for the income from our hotel operations to constitute “rents from real property” for purposes of the gross income tests required for REIT qualification, we cannot directly operate any of our hotel properties. Instead, we must lease our hotel properties. Accordingly, we lease each of our hotel properties to one of our TRS lessees, which are wholly owned by our operating partnership. Our TRS lessees pay rent to us that will qualify as “rents from real property,” provided that the TRS lessees engage “eligible independent contractors” to manage our hotels. A TRS is a corporate subsidiary of a REIT that jointly elects with the REIT to be treated as a TRS of the REIT and that pays federal income tax at regular corporate rates on its taxable income. All of the hotels in our portfolio are leased to one of our TRS lessees, which pays us rent out of the revenue of the hotels. Our TRS lessees have engaged Interstate to manage the hotels in our initial portfolio. We believe Interstate qualifies as an eligible independent contractor.

As a REIT, we generally will not be subject to federal income tax on our REIT taxable income that we distribute currently to our shareholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute each year at least 90% of their taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. If we fail to qualify for taxation as a REIT in any taxable year and do not qualify for certain statutory relief provisions, our income for that year will be taxed at regular corporate rates, and we will be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. Even if we qualify as a REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and assets and to federal income and excise taxes on our undistributed income. Additionally, any income earned by our TRS Lessees will be fully subject to federal, state and local corporate income tax.

Employees

We currently employ 18 full-time employees. None of our employees is a member of any union; however, some employees of our hotel managers at several of our hotels are currently represented by labor unions and are subject to collective bargaining agreements.

Available Information

Our Internet website is located at www.shpreit.com. Copies of the charters of the committees of our board of directors, our code of business conduct and ethics and our corporate governance guidelines are available on our website. All reports that we have filed with the Securities and Exchange Commission ("SEC") including this Annual Report on Form 10-K and our current reports on Form 8-K, can be obtained free of charge from the SEC's website at www.sec.gov or through our website. In addition, all reports filed with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549-1090. Further information regarding the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors.

The following risk factors address the material risks concerning our business. If any of the risks discussed in this report were to occur, our business, prospects, financial condition, results of operation and our ability to service our debt and make distributions to our stockholders could be materially and adversely affected and the market price per share of our common stock could decline significantly. Some statements in this report, including statements in the following risk factors constitute forward-looking statements. Please refer to the section entitled "Cautionary Statement Regarding Forward-Looking Statements."

Risks Related to Our Business

Our business strategy depends significantly on achieving revenue and net income growth from anticipated increases in demand for hotel rooms—any delay or a weaker than anticipated economic recovery will adversely affect our future results of operations and our growth prospects.

Our hotel properties experienced declining operating performance across various U.S. markets during the recent economic recession. Our business strategy depends significantly on achieving revenue and net income growth from anticipated improvement in demand for hotel rooms as part of a future economic recovery. We, however, cannot provide any assurances that demand for hotel rooms will increase from current levels, or the time or extent of any demand growth that we do experience. If demand does not increase in the near future, or if demand weakens further, our operating results and growth prospects could be adversely affected. In particular, we already have reduced our operating expenses significantly in response to the recent economic recession and our ability to reduce operating expenses further to improve our operating performance is limited. As a result, any delay or a weaker than anticipated economic recovery will adversely affect our future results of operations and our growth prospects.

Our unseasoned hotels have limited, if any, operating history and may not achieve the operating performance we anticipate, and as a result, our overall returns may not improve as we expect or may decline.

Our unseasoned hotels have experienced extended stabilization periods as a result of the significant decline in general economic conditions. Consequently, many of these hotels continue to generate negative cash flow beyond our original expectations for them. Significant increases in anticipated hotel room supply or decreases in hotel room demand in the markets where any one or more of our unseasoned hotels are located could cause the operating performance of those hotels to be below our original plans for them. If macroeconomic conditions or conditions specific to their markets do not improve significantly or our anticipated improved results for these hotels do not otherwise materialize, our overall returns may not improve as we expect or may decline.

We have no operating history as a publicly traded REIT and may not be successful in operating as a publicly traded REIT, which may adversely affect our ability to make distributions to our stockholders.

We have no operating history as a publicly traded REIT. The REIT rules and regulations are highly technical and complex. We cannot assure you that our management team's past experience will be sufficient to successfully operate our company as a publicly traded REIT, implement appropriate operating and investment policies and comply with Code or Treasury Regulations that are applicable to us. Failure to comply with the income, asset, and other requirements imposed by the REIT rules and regulations could prevent us from qualifying as a REIT, and could force us to pay unexpected taxes and penalties which may adversely affect our ability to make distributions to our stockholders.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts and expertise of our management team to manage our day-to-day operations and strategic business direction. The loss of services from any of the members of our management team, particularly our Executive Chairman, Mr. Boekelheide, and our President and Chief Executive Officer, Daniel P. Hansen, and our inability to find suitable replacements on a timely basis could have an adverse effect on our operations.

We may be unable to complete acquisitions that would grow our business.

Our growth strategy includes the disciplined acquisition of hotels as opportunities arise. Our ability to acquire hotels on satisfactory terms or at all is subject to the following significant risks:

- we may be unable to acquire or may be forced to acquire at significantly higher prices desired hotels because of competition from other real estate investors with more capital, including other real estate operating companies, REITs and investment funds;
- we may be unable to obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; and
- agreements for the acquisition of hotels are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and we may spend significant time and money on potential acquisitions that we do not consummate.

If we cannot complete hotel acquisitions on favorable terms or at all, our business, financial condition, results of operations and cash flow, the market price per share of our common stock and our ability to satisfy our debt service obligations and make distributions to our stockholders could be materially and adversely affected.

The purchase of the hotels we have under contract may not be consummated in a timely manner or at all.

We have entered into three agreements to purchase four hotels: one for a 216-room hotel located in downtown Minneapolis, Minnesota; one for a 143-room hotel located in Duluth, Georgia and a 121-room hotel located in Glendale (Denver), Colorado; and one for a 91-room hotel located in Ridgeland, Mississippi.

The closings of the purchases of these hotels are subject to satisfaction of customary closing requirements and conditions and there is no assurance that they will be consummated in a timely manner or at all. These transactions, whether or not successful, require substantial time and attention from management. Furthermore, these potential acquisitions requires significant expense, including expenses for due diligence, legal fees and related overhead. To the extent we do not acquire these hotels, these expenses will not be offset by revenue from these hotel properties. If we do not consummate these acquisitions in a timely manner or at all, our financial results would be adversely affected.

We may fail to successfully integrate and operate newly acquired hotels.

Our ability to successfully integrate and operate newly acquired hotels is subject to the following risks:

- we may not possess the same level of familiarity with the dynamics and market conditions of any new markets that we may enter, which could result in us paying too much for hotels in new markets;
- market conditions may result in lower than expected occupancy and room rates;
- we may acquire hotels without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by tenants, vendors or other persons against the former owners of the hotels and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the hotels;
- we may need to spend more than budgeted amounts to make necessary improvements or renovations to our newly acquired hotels; and

- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of hotels, into our existing operations.

If we cannot operate acquired hotels to meet our goals or expectations, our business, financial condition, results of operations and cash flow, the market price per share of our common stock and our ability to satisfy our debt service obligations and make distributions to our stockholders could be materially and adversely affected.

We may not succeed in managing our growth, in which case our financial results could be adversely affected.

Our ability to grow our business depends upon our management team's business contacts and their ability to successfully hire, train, supervise and manage additional personnel. We may not be able to hire and train sufficient personnel or develop management, information and operating systems suitable for our expected growth. If we are unable to manage any future growth effectively, our operations and financial results could be adversely affected.

The management of all of the hotels in our portfolio will be concentrated in one hotel management company.

All of the hotels in our portfolio are operated by Interstate. This significant concentration of credit and operational risk in one hotel management company makes us more vulnerable economically than if we entered into hotel management agreements with several hotel management companies. Any adverse developments in Interstate's business and affairs, financial strength or ability to operate our hotels efficiently and effectively could have a material adverse effect on our results of operations. We cannot assure you that Interstate will have sufficient assets, income and access to financing and insurance coverage to enable it to satisfy its obligations to us or effectively and efficiently operate our hotel properties. The failure or inability of Interstate to satisfy its obligations to us or effectively and efficiently operate our hotel properties would materially reduce our revenue and net income, which could in turn reduce the amount of our distributable cash and cause the market price per share of our common stock to decline.

Termination of our hotel management agreement with Interstate may cause us to pay substantial termination fees or to experience significant disruptions at the affected hotels.

If we replace Interstate as the hotel manager of any of our hotels, we may be required to pay a substantial termination fee and we may experience significant disruptions at the affected hotel. If we experience disruptions at the affected hotel, our financial condition, results of operations and our ability to service debt and make distributions to our stockholders could be materially and adversely affected.

Restrictive covenants and other provisions in hotel management and franchise agreements could preclude us from taking actions with respect to the sale, refinancing or rebranding of a hotel that would otherwise be in our best interest.

Hotel management and franchise agreements typically contain restrictive covenants and other provisions that do not provide us with flexibility to sell, refinance or rebrand a hotel without the consent of a manager or franchisor. For example, the terms of some of these agreements may restrict our ability to sell a hotel unless the purchaser is not a competitor of the hotel management company or franchisor, assumes the related agreement and meets specified other conditions. In addition, our franchise agreements restrict our ability to rebrand particular hotels without the consent of the franchisor, which could result in significant operational disruptions or possibly litigation if we do not obtain the consent. We could be forced to pay consent or possibly termination fees to hotel managers or franchisors under these agreements as a condition to changing management or franchise brands of our hotels, and these fees could deter us from taking actions that would otherwise be in our best interest or could cause us to incur substantial expense.

InterContinental Hotel Group ("IHG") is not obligated to refer acquisition opportunities to us and we may fail to realize any benefits from our sourcing agreement with IHG.

We consider IHG's potential willingness to refer potential acquisition opportunities to us, in IHG's sole discretion, to be an important component of the sourcing relationship we established with IHG. Under the terms of the agreement entered into with IHG in connection with the concurrent private placement to it, however, IHG will not be obligated to refer any of these opportunities to us and there can be no assurance that the sourcing agreement will result in the completion of any transactions between us and IHG. As a result, we may not realize the benefits of this agreement in full or at all.

We may not be able to cause Interstate or other hotel management companies to operate any of our hotels in a manner satisfactory to us, which could adversely affect our financial condition, results of operations and our ability to service debt and make distributions to our stockholders.

To qualify as a REIT, we cannot operate our hotels. We lease our hotels to our TRS lessees, which have entered into a hotel management agreement with Interstate, an "eligible independent contractor" to operate our hotels. As a result, our financial condition, results of operations and our ability to service debt and make distributions to stockholders are dependent on the ability of Interstate and any other hotel management companies that we may retain in the future to operate our hotels successfully. Any failure by Interstate or other hotel management companies to provide quality services and amenities or maintain a quality brand name and reputation could have a negative impact on their ability to operate our hotels and could have a material and adverse affect our financial condition, results of operations and our ability to service debt and make distributions to our stockholders.

We cannot and will not control the hotel management companies that operate and are responsible for maintenance and other day-to-day management of our hotels, including, but not limited to, the implementation of significant operating decisions. We cannot assure you that our hotel management companies will manage our properties in a manner that is consistent with their obligations under the management agreement or our obligations under our hotel franchise agreements, that our hotel management companies will not be negligent in their performance or engage in other criminal or fraudulent activity, or that they will not otherwise default on their management obligations to us. If any of the foregoing occurs, our relationships with the franchisors may be damaged and we may then be in breach of the franchise agreements, and we could incur liabilities resulting from loss or injury to our property or to persons at our properties, any of which could have a material adverse effect on our operating results and financial condition, as well as our ability to pay dividends to stockholders.

Even if we believe a hotel is being operated inefficiently or in a manner that does not result in satisfactory operating results, we will have limited ability to require the hotel management company to change its method of operation. We generally will attempt to resolve issues with our hotel management companies through discussions and negotiations. However, if we are unable to reach satisfactory results through discussions and negotiations, we may choose to litigate the dispute or submit the matter to third-party dispute resolution or arbitration. We would only be able to seek redress if a hotel management company violates the terms of the applicable hotel management agreement, and then only to the extent of the remedies provided for under the terms of the hotel management agreement. Our hotel managers or their affiliates manage, and in some cases own, have invested in, or provided credit support or operating guarantees to hotels that compete with our hotels, all of which may result in conflicts of interest. As a result, our hotel managers may in the future make decisions regarding competing lodging facilities that are not or would not be in our best interest.

Funds spent to maintain franchisor operating standards, the loss of a franchise license or a decline in the value of a franchise brand may have a material adverse effect on our business and financial results.

Our hotels operate under franchise agreements, and the maintenance of franchise licenses for our hotels is subject to our franchisors' operating standards and other terms and conditions. We expect that franchisors will periodically inspect our hotels to ensure that we, our TRS lessees and our hotel management companies maintain our franchisors' standards. Failure by us, our TRS lessees or any of our hotel management companies to maintain these standards or other terms and conditions could result in a franchise license being canceled. If a franchise license terminates due to our failure to make required improvements or to otherwise comply with its terms, we could also be liable to the franchisor for a termination payment, which varies by franchisor and by hotel. As a condition of our continued holding of a franchise license, a franchisor could also require us to make capital improvements to our hotels, even if we do not believe the improvements are necessary or desirable or would result in an acceptable return on our investment. Nonetheless, we may risk losing a franchise license if we do not make franchisor-required capital improvements.

If a franchisor terminated a franchise license, we could try either to obtain a suitable replacement franchise or to operate the hotel without a franchise license. The loss of a franchise license could materially and adversely affect the operations or the underlying value of the hotel because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchisor. A loss of a franchise license for one or more hotels, particularly if our hotels become concentrated in a limited number of franchise brands in the future, could materially and adversely affect our revenue. This loss of revenue could, therefore, also adversely affect our financial condition, results of operations and ability to service debt and make distributions to our stockholders.

Negative publicity related to one of the franchise brands or the general decline of a brand also may adversely affect the underlying value of our hotels or result in a reduction in business.

We will rely on external sources of capital to fund future capital needs, and if we encounter difficulty in obtaining such capital, we may not be able to make future acquisitions necessary to grow our business or meet maturing obligations.

In order to qualify as a REIT under the Code, we will be required, among other things, to distribute each year to our stockholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. Because of this distribution requirement, we may not be able to fund, from cash retained from operations, all of our future capital needs, including capital needed to make investments and to satisfy or refinance maturing obligations.

We expect to rely on external sources of capital, including debt and equity financing, to fund future capital needs. Part of our strategy involves the use of additional debt financing to supplement our equity capital. Our ability to effectively implement and accomplish our business strategy will be affected by our ability to obtain and utilize additional leverage in sufficient amounts and on favorable terms. However, the recent U.S. and global economic slowdown has resulted in a capital environment characterized by limited availability of both debt and equity financing, increasing costs, stringent credit terms and significant volatility. If we are unable to obtain needed capital on satisfactory terms or at all, we may not be able to make the investments needed to expand our business, or to meet our obligations and commitments as they mature. Our access to capital will depend upon a number of factors over which we have little or no control, including general market conditions, the market's perception of our current and potential future earnings and cash distributions and the market price of the shares of our common stock. We may not be in a position to take advantage of attractive investment opportunities for growth if we are unable to access the capital markets on a timely basis on favorable terms.

We may not be able to obtain a senior secured revolving credit facility on the indicative terms described in this report or at all.

As described under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Anticipated Senior Secured Revolving Credit Facility," we intend to enter into a $100.0 million senior secured revolving credit facility during the second quarter of 2011. We have negotiated indicative terms for the facility with the administrative agent and have obtained commitments for the full amount of the anticipated credit facility. However, our ability to obtain the credit facility remains subject to satisfaction of the lenders' due diligence and other conditions. These efforts are on-going, but we may not succeed in obtaining a senior secured revolving credit facility on the indicated terms or at all. Our failure to obtain this credit facility could adversely affect our ability to grow our business and meet our obligations as they come due.

We have a significant amount of debt, and our organizational documents have no limitation on the amount of additional indebtedness that we may incur in the future. As a result, we may become highly leveraged in the future, which could adversely affect our financial condition.

As of December 31, 2010, our predecessor had total outstanding indebtedness of approximately $420.4 million, all of which was secured. Following our IPO, as of March 30, 2011, we had total outstanding indebtedness of approximately $197.1 million, all of which is secured indebtedness. We anticipate entering into a $100.0 million senior secured revolving credit facility and, in the future, we may incur additional indebtedness to finance future hotel acquisitions and development activities and other corporate purposes. In addition, there are no restrictions in our charter or bylaws that limit the amount or percentage of indebtedness that we may incur or restrict the form in which our indebtedness will be incurred (including recourse or non-recourse debt or cross-collateralized debt).

A substantial level of indebtedness could have adverse consequences for our business, results of operations and financial condition because it could, among other things:

- require us to dedicate a substantial portion of our cash flow from operations to make principal and interest payments on our indebtedness, thereby reducing our cash flow available to fund working capital, capital expenditures and other general corporate purposes, including to pay dividends on our common stock as currently contemplated or necessary to satisfy the requirements for qualification as a REIT;
- increase our vulnerability to general adverse economic and industry conditions and limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- limit our ability to borrow additional funds or refinance indebtedness on favorable terms or at all to expand our business or ease liquidity constraints; and
- place us at a competitive disadvantage relative to competitors that have less indebtedness.

The agreements governing our indebtedness place restrictions on us and our subsidiaries, reducing operational flexibility and creating default risks.

The agreements governing our anticipated $100.0 million secured revolving credit facility and other indebtedness contain covenants that place restrictions on us and our subsidiaries. These covenants may restrict, among other activities, our and our subsidiaries' ability to:

- merge, consolidate or transfer all or substantially all of our or our subsidiaries' assets;
- sell, transfer, pledge or encumber our stock or the ownership interests of our subsidiaries;
- incur additional debt or issue preferred stock;
- enter into, terminate or modify leases for our hotels and hotel management and franchise agreements;
- make certain expenditures, including capital expenditures;
- pay dividends on or repurchase our capital stock; and
- enter into certain transactions with affiliates.

These covenants could impair our ability to grow our business, take advantage of attractive business opportunities or successfully compete. Our ability to comply with financial and other covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. A breach of any of these covenants or covenants under any other agreements governing our indebtedness could result in an event of default. Cross-default provisions in our debt agreements could cause an event of default under one debt agreement to trigger an event of default under our other debt agreements. Upon the occurrence of an event of default under any of our debt agreements, the lenders could elect to declare all outstanding debt under such agreements to be immediately due and payable. If we were unable to repay or refinance the accelerated debt, the lenders could proceed against any assets pledged to secure that debt, including foreclosing on or requiring the sale of our hotels, and the proceeds from the sale of these hotels may not be sufficient to repay such debt in full.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in any hotel subject to mortgage debt.

Borrowings under our anticipated $100.0 million senior secured revolving credit facility will be, and approximately $197.1 million of our other debt is, secured by mortgages on our hotel properties and related assets. Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on secured indebtedness may result in foreclosure actions initiated by lenders and ultimately our loss of the hotels securing any loans for which we are in default. If we are in default under a cross-defaulted mortgage loan, we could lose multiple hotels to foreclosure. For tax purposes, a foreclosure of any of our hotels would be treated as a sale of the hotel for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the hotel, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. As we execute our business plan, we may assume or incur new mortgage indebtedness on the hotels in our portfolio or hotels that we acquire in the future. Any default under any one of our mortgage debt obligations may increase the risk of our default on our other indebtedness.

An increase in interest rates would increase our interest costs on our variable rate debt and could adversely impact our ability to refinance existing debt or sell assets.

Approximately $93.2 million of the approximately $197.1 million of outstanding indebtedness as of March 30, 2011 bears interest at variable rates, as will all future borrowings under our anticipated $100.0 million senior secured revolving credit facility. An increase in interest rates would increase our interest payments and reduce our cash flow available for other corporate purposes, including capital improvements to our hotels or acquisitions of additional hotels. In addition, rising interest rates could limit our ability to refinance existing debt when it matures and increase interest costs on any debt that is refinanced. Further, an increase in interest rates could increase the cost of financing, thereby decreasing the amount third parties are willing to pay for our hotels, which would limit our ability to dispose of hotels when necessary or desired.

Although we have not entered into any hedging arrangements, we may, from time to time, enter into agreements such as interest rate swaps, caps, floors and other interest rate hedging contracts. However, these agreements reduce, but do not eliminate, the impact of rising interest rates, and they also expose us to the risk that other parties to the agreements will not perform or that the agreements will be unenforceable.

Joint venture investments could be adversely affected by a lack of sole decision-making authority with respect to such investments.

In the future we may enter into strategic joint ventures with unaffiliated investors to acquire, develop, improve or dispose of hotels, thereby reducing the amount of capital required by us to make investments and diversifying our capital sources for growth. We may not have sole decision-making authority with respect to these investments, which may:

- prevent us from taking actions that are opposed by our joint venture partners;
- create impasses on major decisions, such as acquisitions or sales;
- prevent us from selling our interests in the joint venture without the consent of our joint venture partners; or
- subject us to liability for the actions of our joint venture partners.

Joint venture investments could subject us to risks related to the financial condition of joint venture partners.

If a joint venture partner becomes bankrupt or otherwise defaults on its obligations under a joint venture agreement, we and any other remaining joint venture partners would generally remain liable for the joint venture liabilities. Furthermore, if a joint venture partner becomes bankrupt or otherwise defaults on its obligations under a joint venture agreement, we may be unable to continue the joint venture other than by purchasing such joint venture partner’s interests or the underlying assets at a premium to the market price. If any of the above risks are realized, it could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

We may have disputes with joint venture partners.

Disputes between us and our joint venture partners may result in litigation or arbitration which could increase our expenses and prevent our officers and directors from focusing their time and effort on our business and could result in subjecting the hotels owned by the applicable joint venture to additional risks.

Our tax protection agreements may require our operating partnership to maintain certain debt levels that otherwise would not be required to operate our business, which may impair our ability to generate cash available for distribution and otherwise not be in our stockholders' best interests.

Under the tax protection agreements entered into by our operating partnership and certain of its limited partners, including The Summit Group, in connection with our formation transactions, our operating partnership has agreed to provide those limited partners with the opportunity to guarantee debt or enter into a deficit restoration obligation, both of which are intended to cause a special allocation of liabilities to those limited partners to prevent them from recognizing a taxable deemed cash distribution. If our operating partnership fails to make those opportunities available, our operating partnership will be required to deliver to each such limited partner a cash payment intended to approximate that limited partner's tax liability resulting from our operating partnership's failure to make such opportunities available to them. Our operating partnership agreed to these provisions in order to assist those limited partners in avoiding a taxable deemed cash distribution that may have otherwise occurred in connection with the formation transactions. These obligations may require our operating partnership to maintain more or different indebtedness than would otherwise have been required for our business, which could result in higher interest expense than we would prefer to incur, reducing cash available for distribution to stockholders.

Risks Related to the Lodging Industry

Recent economic conditions may continue to adversely affect the lodging industry.

The performance of the lodging industry has historically been closely linked to the performance of the general economy and, specifically, growth in U.S. gross domestic product ("GDP"). The lodging industry is also sensitive to business and personal discretionary spending levels. Declines in corporate budgets and consumer demand due to adverse general economic conditions, risks affecting or reducing travel patterns, lower consumer confidence or adverse political conditions can lower the revenue and profitability of our assets and therefore the net operating profits of our investments. The recent economic downturn has led to a significant decline in demand for products and services provided by the lodging industry. We anticipate that any recovery of demand for lodging services will lag an improvement in economic conditions. A further extended period of economic weakness could have an adverse impact on our revenue and negatively affect our profitability.

Competition from other upscale and midscale without food and beverage hotels in the markets in which we operate could have a material adverse effect on our results of operations.

The lodging industry is highly competitive. Our hotels compete with other hotels for guests in each market in which our hotels operate based on a number of factors, including location, convenience, brand affiliation, room rates, range of services and guest amenities or accommodations offered and quality of customer service. Competition will often be specific to the individual markets in which our hotels are located and includes competition from existing and new hotels. Our competitors may have an operating model that enables them to offer rooms at lower rates than we can, which, particularly in the current economic recession, could result in our competitors increasing their occupancy at our expense. Competition could adversely affect our occupancy, ADR and RevPAR, and may require us to provide additional amenities or make capital improvements that we otherwise would not have to make, which could reduce our profitability and could materially and adversely affect our results of operations.

Our investment opportunities and growth prospects may be affected by competition for investment opportunities.

We compete for investment opportunities with other entities, some of which have substantially greater financial resources than we do. This competition may generally limit the number of suitable investment opportunities offered to us, which may limit our ability to grow. This competition may also increase the bargaining power of the owners of assets seeking to sell to us, making it more difficult for us to acquire new hotels on attractive terms or at all.

Our operating results and ability to make distributions to our stockholders may be adversely affected by the markets in which we operate.

Our hotels will be subject to various operating risks within the markets in which we operate. These risks include:

- over-building of hotels in our markets, which could adversely affect occupancy and revenue at the hotels we acquire;
- adverse effects of international, national, regional and local economic and market conditions; and
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances.

Our operating results and ability to make distributions to our stockholders may be adversely affected by the risks inherent to the ownership of hotels.

Hotels have different economic characteristics than many other real estate assets. A typical office property owner, for example, has long-term leases with third-party tenants, which provide a relatively stable long-term stream of revenue. By contrast, our hotels are subject to various operating risks common to the lodging industry, many of which are beyond our control, including the following:

- dependence on business and commercial travelers and tourism;
- increases in energy costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists;
- increases in operating costs due to inflation and other factors that may not be offset by increased room rates;
- events beyond our control, such as terrorist attacks, travel related health concerns including pandemics and epidemics such as H1N1 influenza (swine flu), avian bird flu and severe acute respiratory syndrome ("SARS"), imposition of taxes or surcharges by regulatory authorities, travel-related accidents and unusual weather patterns, including natural disasters such as hurricanes and environmental disasters such as the oil spill in the Gulf of Mexico;
- potential increases in labor costs at our hotels, including as a result of unionization of the labor force; and
- adverse effects of a downturn in the lodging industry.

We have significant ongoing needs to make capital expenditures in our hotels, which require us to devote funds to these purposes and could pose related risks that might impair our ability to make distributions to our stockholders.

Our hotels have an ongoing need for renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures and equipment. Our franchisors also require periodic capital improvements as a condition of keeping the franchise licenses. In addition, lenders may require that we set aside annual amounts for capital improvements to our assets. These capital improvements and replacements may give rise to the following risks:

- possible environmental problems;
- construction cost overruns and delays;

- a possible shortage of available cash to fund capital improvements and replacements and, the related possibility that financing for these capital improvements may not be available to us on affordable terms;
- these capital improvements and replacements may not prove to be accretive to funds from operations ("FFO"); and
- uncertainties as to market demand or a loss of market demand after capital improvements and replacements have begun.

If any of the above risks were to be realized, it could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Hotel development is subject to timing, budgeting and other risks. To the extent we develop hotels or acquire hotels that are under development, these risks may adversely affect our operating results and liquidity position.

We may develop hotels or acquire hotels that are under development from time to time as suitable opportunities arise, taking into consideration general economic conditions. Hotel development involves a number of risks, including the following:

- possible environmental problems;
- construction delays or cost overruns that may increase project costs;
- receipt of zoning, occupancy and other required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- inability to raise capital; and
- governmental restrictions on the nature or size of a project.

To the extent we develop hotels or acquire hotels under development, we cannot assure you that any development project will be completed on time or within budget. Our inability to complete a project on time or within budget may adversely affect our projected operating results and our liquidity position.

The increasing use of Internet travel intermediaries by consumers may adversely affect our profitability.

Our hotel rooms are likely to be booked through Internet travel intermediaries, including, but not limited to, Travelocity.com, Expedia.com and Priceline.com. As these Internet bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from us and our management companies. Moreover, some of these Internet travel intermediaries are attempting to offer hotel rooms as a commodity, by increasing the importance of price and general indicators of quality (such as "three-star downtown hotel") at the expense of brand identification. These agencies hope that consumers will eventually develop brand loyalties to their reservations system rather than to the brands under which our hotels are franchised. If the amount of sales made through Internet intermediaries increases significantly, room revenue may flatten or decrease and our profitability may be adversely affected.

Uninsured and underinsured losses could adversely affect our operating results.

We intend to maintain comprehensive insurance on our hotels, including liability, fire and extended coverage, of the type and amount we believe are customarily obtained for or by owners of hotels similar to our hotels. Various types of catastrophic losses, like earthquakes and floods, may not be insurable or may not be economically insurable. In the event of a substantial loss, our insurance coverage may not be sufficient to cover the full current market value or replacement cost of our lost investment. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a hotel, as well as the anticipated future revenue from the hotel. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the asset. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate an asset after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed hotels.

Risks Related to the Real Estate Industry and Real Estate-Related Investments

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of hotels in which we may invest or to adjust our portfolio in response to changes in economic and other conditions, and, therefore, may harm our financial condition.

In the future, we may decide to sell hotels. Real estate investments are relatively illiquid. Our ability to promptly sell one or more hotels in our portfolio in response to changing economic, financial and investment conditions may be limited. We cannot predict whether we will be able to sell any hotels for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of an asset. The real estate market is affected by many factors that are beyond our control, including:

- adverse changes in international, national, regional and local economic and market conditions;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- the ongoing need for capital improvements, particularly in older structures, that may require us to expend funds to correct defects or to make improvements before an asset can be sold;
- changes in operating expenses; and
- civil unrest, acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses, and acts of war or terrorism, including the consequences of the terrorist acts such as those that occurred on September 11, 2001.

Increases in our property taxes would adversely affect our operating results and our ability to make distributions to our stockholders.

Our hotels are subject to real and personal property taxes. These taxes may increase as tax rates change and as our hotels are assessed or reassessed by taxing authorities. If property taxes increase, our operating results and our ability to make distributions to our stockholders could be adversely affected.

We could incur significant costs related to government regulation and litigation over environmental, health and safety matters.

Our hotels and development parcels are subject to various federal, state and local environmental laws that impose liability for contamination. Under these laws, governmental entities have the authority to require us, as the current owner of the property, to perform or pay for the clean up of contamination (including hazardous substances, waste or petroleum products) at, on, under or emanating from the property and to pay for natural resource damages arising from contamination. These laws often impose liability without regard to whether the owner or operator or other responsible party knew of, or caused the contamination, and the liability may be joint and several. Because these laws also impose liability on persons who owned a property at the time it became contaminated, we could incur cleanup costs or other environmental liabilities even after we sell properties. Contamination at, on, under or emanating from our properties also may expose us to liability to private parties for costs of remediation, personal injury and death and/or property damage. In addition, environmental liens may be created on contaminated sites in favor of the government for damages and costs it incurs to address contamination. If contamination is discovered on our properties, environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Moreover, environmental contamination can affect the value of a property and, therefore, an owner’s ability to borrow funds using the property as collateral or to sell the property on favorable terms or at all. Furthermore, persons who sent waste to a waste disposal facility, such as a landfill or an incinerator, may be liable for costs associated with cleanup of that facility.

In addition, our hotels (including our real property, operations and equipment) are subject to various federal, state and local environmental, health and safety regulatory requirements that address a wide variety of issues, including, but not limited to, the registration, maintenance and operation of our boilers and storage tanks, the supply of potable water to our guests, air emissions from emergency generators, storm water and wastewater discharges, protection of natural resources, asbestos, lead-based paint, mold and mildew, and waste management. Some of our hotels also routinely handle and use hazardous or regulated substances and wastes as part of their operations, which are subject to regulation (for example, swimming pool chemicals or biological waste). Our hotels incur costs to comply with these environmental, health and safety laws and regulations and if these regulatory requirements are not met or unforeseen events result in the discharge of dangerous or toxic substances at our hotels, we could be subject to fines and penalties for non-compliance with applicable laws and material liability from third parties for harm to the environment, damage to real property or personal injury and death. We are aware of no past or present environmental liability for non-compliance with environmental, health and safety laws and regulations that we believe would have a material adverse effect on our business, assets or results of operations.

Certain hotels we currently own or those we acquire in the future contain, may contain, or may have contained, asbestos-containing material ("ACM"). Environmental, health and safety laws require that ACM be properly managed and maintained, and include requirements to undertake special precautions, such as removal or abatement, if ACM would be disturbed during maintenance, renovation, or demolition of a building. These laws regarding ACM may impose fines and penalties on building owners, employers and operators for failure to comply with these requirements or expose us to third-party liability.

Our properties may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to material liability from third parties if property damage or personal injury occurs.

Compliance with the laws, regulations and covenants that apply to our hotels, including permit, license and zoning requirements, may adversely affect our ability to make future acquisitions or renovations, result in significant costs or delays and adversely affect our growth strategy.

Our hotels are subject to various covenants and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our hotels and may require us to obtain approval from local officials or community standards organizations at any time with respect to our hotels, including prior to acquiring a hotel or when undertaking any renovations of any of our hotels. Among other things, these restrictions may relate to fire and safety, seismic, asbestos-cleanup or hazardous material abatement requirements. We cannot assure you that existing regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that would increase such delays or result in additional costs. Our growth strategy may be materially and adversely affected by our ability to obtain permits, licenses and zoning approvals. Our failure to obtain such permits, licenses and zoning approvals could have a material adverse effect on our business, financial condition and results of operations.

In addition, federal and state laws and regulations, including laws such as the Americans with Disabilities Act of 1990 (the "ADA"), impose further restrictions on our operations. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our hotels may currently be in noncompliance with the ADA. If one or more of the hotels in our portfolio is not in compliance with the ADA or any other regulatory requirements, we may be required to incur additional costs to bring the hotel into compliance and we might incur damages or governmental fines. In addition, existing requirements may change and future requirements may require us to make significant unanticipated expenditures that would adversely impact our business, financial condition, results of operations and cash flow, the market price per share of our common stock and our ability to satisfy our debt service obligations and to make distributions to our stockholders.

We assumed liabilities in connection with the formation transactions, including unknown liabilities, which, if significant, could adversely affect our business.

As part of the formation transactions, we assumed existing liabilities of our predecessor and its affiliates, including, but not limited to, liabilities in connection with our hotels, some of which may be unknown or unquantifiable. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims of hotel guests, vendors or other persons dealing with our predecessor, The Summit Group, and their affiliates, tax liabilities, employment-related issues and accrued but unpaid liabilities whether incurred in the ordinary course of business or otherwise. In addition, the aggregate value of Common Units issued in the formation transactions was less than the value assumed in the fairness opinion, our predecessor and we will not benefit from the fairness opinion rendered to our predecessor. This could increase our exposure to claims, if brought, that the Merger was not fair to our predecessor's members. If the magnitude of such unknown liabilities is high, they could adversely affect our business, financial condition, results of operations and cash flow, the market price per share of our common stock and our ability to satisfy our debt service obligations and to make distributions.

Tax consequences to holders of Common Units upon a sale or refinancing of our hotels may cause the interests of holders of Common Units, including certain of our executive officers and directors, to differ from the interests of our other stockholders.

As a result of the unrealized built-in gain that may be attributable to one or more of our hotels, holders of Common Units, including certain of our executive officers and directors, may experience more onerous tax consequences than holders of our common stock upon the sale or refinancing of these hotels, including disproportionately greater allocations of items of taxable income and gain upon the occurrence of such an event. The tax protection agreements that we entered into with certain former members of our predecessor, including The Summit Group, which is wholly owned by our Executive Chairman, Mr. Boekelheide, will not provide protection from those more onerous tax consequences. A holder of Common Units that receives a disproportionately greater allocation of taxable income and gain will not receive a correspondingly greater distribution of cash proceeds with which to pay the income taxes on such income. Accordingly, they may have different objectives regarding the appropriate pricing, timing and other material terms of any sale or refinancing of such hotels and could exercise their influence over our affairs by attempting to delay, defer or prevent a transaction that might otherwise be in the best interests of our stockholders.

Our fiduciary duties as the general partner of our operating partnership could create conflicts of interest.

We, through our wholly owned subsidiary that serves as the sole general partner of our operating partnership, have fiduciary duties to our operating partnership's limited partners, the discharge of which may conflict with the interests of our stockholders. The limited partners of our operating partnership have agreed for so long as we own a controlling interest in our operating partnership that, in the event of a conflict between the duties owed by our directors to our company and the duties that we owe, in our capacity as the sole general partner of our operating partnership, to the limited partners, our directors are under no obligation to give priority to the interests of the limited partners. In addition, those persons holding Common Units have the right to vote on certain amendments to the limited partnership agreement (which require approval by a majority in interest of the limited partners, including us) and individually to approve certain amendments that would adversely affect their rights, as well as the right to vote on mergers and consolidations of the general partner or us in certain limited circumstances. These voting rights may be exercised in a manner that conflicts with the interests of our stockholders. For example, we cannot adversely affect the limited partners' rights to receive distributions, as set forth in the limited partnership agreement, without their consent, even though modifying such rights might be in the best interest of our stockholders generally.

Certain key members of our senior management team will continue to be involved in other businesses, which may interfere with their ability to devote time and attention to our business and affairs.

We will rely on our senior management team, including Mr. Boekelheide, for the day-to-day operations of our business. Mr. Boekelheide and other key members of our senior management team, including Messrs. Hansen and Aniszewski, serve as executive officers and directors of The Summit Group. The Summit Group will continue to manage one hotel that is not owned by us, a Comfort Suites located in Tucson, Arizona. Our employment agreement with Mr. Boekelheide requires him to devote a substantial portion of his business time and attention to our business and our employment agreements with our other executive officers require our executives to devote substantially all of their business time and attention to our business. In addition, Mr. Boekelheide, as well as our Executive Vice President and Chief Financial Officer, Stuart J. Becker, and our Vice President of Acquisitions, Ryan A. Bertucci, will continue to serve as officers of Summit Green Tiger Investments, LLC ("Summit Green Tiger"). Summit Green Tiger co-manages two private investment funds, which own a total of six multi-family properties. We will not compete with these funds for investment opportunities. These outside business interests may reduce the amount of time that Messrs. Boekelheide, Hansen, Aniszewski, Becker and Bertucci are able to devote to our business.

Risks Related to Our Organization and Structure

Provisions of our charter may limit the ability of a third party to acquire control of us by authorizing our board of directors to issue additional securities.

Our board of directors may, without stockholder approval, amend our charter to increase or decrease the aggregate number of our shares or the number of shares of any class or series that we have the authority to issue and to classify or reclassify any unissued shares of common stock or preferred stock, and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board of directors may authorize the issuance of additional shares or establish a series of common or preferred stock that may have the effect of delaying or preventing a change in control of our company, including transactions at a premium over the market price of our shares, even if stockholders believe that a change in control is in their interest. These provisions, along with the restrictions on ownership and transfer contained in our charter and certain provisions of Maryland law described below, could discourage unsolicited acquisition proposals or make it more difficult for a third party to gain control of us, which could adversely affect the market price of our securities.

Provisions of Maryland law may limit the ability of a third party to acquire control of us by requiring our board of directors or stockholders to approve proposals to acquire our company or effect a change in control.

Certain provisions of the Maryland General Corporation Law (the "MGCL") applicable to Maryland corporations may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock or an affiliate or associate of us who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding stock) or an affiliate of any interested stockholder for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes two supermajority stockholder voting requirements on these combinations, unless, among other conditions, our common stockholders receive a minimum price, as defined in the MGCL, for their stock and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares; and
- "control share" provisions that provide that our "control shares" (defined as voting shares of stock which, when aggregated with all other shares of stock controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding shares owned by the acquirer, by our officers or by our employees who are also directors of our company.

By resolution of our board of directors, we have opted out of the business combination provisions of the MGCL and provided that any business combination between us and any other person is exempt from the business combination provisions of the MGCL, provided that the business combination is first approved by our board of directors (including a majority of directors who are not affiliates or associates of such persons). In addition, pursuant to a provision in our bylaws, we have opted out of the control share provisions of the MGCL. However, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit our stockholders' recourse in the event of actions not in our stockholders' best interests.

Under Maryland law, generally, a director will not be liable if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment as being material to the cause of action adjudicated.

Our charter authorizes us to indemnify our directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each director and officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. In addition, we may be obligated to advance the defense costs incurred by our directors and officers. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist absent the current provisions in our charter and bylaws or that might exist with other companies.

Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management.

Our charter provides that a director may be removed only for cause (as defined in our charter) and then only by the affirmative vote of holders of shares entitled to cast at least two-thirds of all the votes entitled to be cast generally in the election of directors. Our charter also provides that vacancies on our board of directors may be filled only by a majority of the remaining directors in office, even if less than a quorum. These requirements prevent stockholders from removing directors except for cause and with a substantial affirmative vote and from replacing directors with their own nominees and may prevent a change in control of our company that is in the best interests of our stockholders.

The ability of our board of directors to change our major policies without the consent of stockholders may not be in our stockholders' interest.

Our board of directors determines our major policies, including policies and guidelines relating to our acquisitions, leverage, financing, growth, operations and distributions to stockholders. Our board of directors may amend or revise these and other policies and guidelines from time to time without the vote or consent of our stockholders. Accordingly, our stockholders will have limited control over changes in our policies and those changes could adversely affect our financial condition, results of operations, the market price of our common stock and our ability to make distributions to our stockholders.

The ability of our board of directors to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on the total return to our stockholders.

We are a holding company with no direct operations. As a result, we rely on funds received from our operating partnership to pay liabilities and dividends, our stockholders' claims will be structurally subordinated to all liabilities of our operating partnership and our stockholders will not have any voting rights with respect to our operating partnership activities, including the issuance of additional Common Units.

We are a holding company and conduct all of our operations through our operating partnership. We do not have, apart from our ownership of our operating partnership, any independent operations. As a result, we rely on distributions from our operating partnership to pay any dividends we might declare on shares of our common stock. We also rely on distributions from our operating partnership to meet any of our obligations, including tax liability on taxable income allocated to us from our operating partnership (which might make distributions to us that do not equal to the tax on such allocated taxable income).

In addition, because we are a holding company, stockholders' claims will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, claims of our stockholders will be satisfied only after all of our and our operating partnership's and its subsidiaries' liabilities and obligations have been paid in full.

We own an approximate 73.0% partnership interest in our operating partnership, including general and limited partnership interests. Any future issuances by our operating partnership of additional Common Units could reduce our ownership percentage in our operating partnership. Because our common stockholders will not directly own any Common Units, they will not have any voting rights with respect to any such issuances or other partnership-level activities of our operating partnership.

Risks Related to Ownership of Our Common Stock

The New York Stock Exchange ("NYSE") or another nationally recognized exchange may not continue to list our securities, which could limit stockholders' ability to make transactions in our securities and subject us to additional trading restrictions.

Our common stock trades on the NYSE under the symbol "INN." In order to remain listed we are required to meet the continued listing requirements of the NYSE or, in the alternative, any other nationally recognized exchange to which we apply. We may be unable to satisfy those listing requirements, and there is no guarantee our securities will remain listed on a nationally recognized exchange. If our securities are delisted from the NYSE or another nationally recognized exchange, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our common stock is "penny stock," which will require brokers trading in our common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for the common stock;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Failure of the hotel industry to continue to improve may adversely affect our ability to execute our business strategies, which, in turn, would adversely affect our ability to make distributions to our stockholders.

Our estimated annual distribution is based on continued improvements in hotel industry fundamentals generally and our operating results specifically. We cannot assure you that hotel industry fundamentals or operating results will continue to improve. Economic slowdown and world events outside our control, such as terrorism, have adversely affected the hotel industry in the recent past and if these events reoccur, may adversely affect the industry in the future. In the event conditions in the hotel industry do not continue to improve as we expect, our ability to execute our business strategies will be adversely affected, which, in turn, would adversely affect our ability to make distributions to our stockholders.

The cash available for distribution may not be sufficient to make distributions at expected levels, and we cannot assure you of our ability to make distributions in the future. We may use borrowed funds or funds from other sources to make distributions, which may adversely impact our operations.

We intend to make distributions to our common stockholders and holders of Common Units. Distributions declared by us will be authorized by our board of directors in its sole discretion out of funds legally available for distribution and will depend upon a number of factors, including restrictions under applicable law and the capital requirements of our company. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, the requirements for qualification as a REIT, restrictions under applicable law and other factors as our board of directors may deem relevant from time to time. We may be required to fund distributions from working capital, borrowings under the secured revolving credit facility we anticipate obtaining, proceeds of our IPO or a sale of assets to the extent distributions exceed earnings or cash flows from operations. Funding distributions from working capital would restrict our operations. If we borrow from the secured revolving credit facility we anticipate obtaining in order to pay distributions, we would be more limited in our ability to execute our strategy of using that secured revolving credit facility to fund acquisitions. Finally, selling assets may require us to dispose of assets at a time or in a manner that is not consistent with our disposition strategy. If we borrow to fund distributions, our leverage ratios and future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been. We may not be able to make distributions in the future. In addition, some of our distributions may be considered a return of capital for income tax purposes. If we decide to make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for federal income tax purposes to the extent of the holder's adjusted tax basis in their shares. A return of capital is not taxable, but it has the effect of reducing the holder's adjusted tax basis in its investment. If distributions exceed the adjusted tax basis of a holder's shares, they will be treated as gain from the sale or exchange of such stock.

We may change the distribution policy for our common stock in the future.

The decision to declare and make distributions on our common stock in the future, as well as the timing, amount and composition of any such future distributions, will be at the sole discretion of our board of directors and will depend on our earnings, funds from operations, liquidity, financial condition, capital requirements or contractual prohibitions, the annual distribution requirements under the REIT provisions of the Code, state law and such other factors as our board of directors deems relevant. The actual distribution payable will be determined by our board of directors based upon the circumstances at the time of declaration and the actual distribution payable may vary from expected amounts. Any change in our distribution policy could have a material adverse effect on the market price of our common stock.

The market price of our common stock may be volatile due to numerous circumstances beyond our control.

The trading prices of equity securities issued by REITs and other real estate companies historically have been affected by changes in market interest rates. One of the factors that may influence the price of our common stock is the annual yield from distributions on our common stock as compared to yields on other financial instruments. An increase in market interest rates, or a decrease in our distributions to stockholders, may lead prospective purchasers of our common stock to demand a higher annual yield, which could reduce the market price of our common stock.

Other factors that could affect the market price of our common stock include the following:

- actual or anticipated variations in our quarterly results of operations;
- changes in market valuations of companies in the lodging industry;
- changes in expectations of future financial performance or changes in estimates of securities analysts;
- fluctuations in stock market prices and volumes;
- our issuances of common stock or other securities in the future;
- the inclusion of our common stock in equity indices, which could induce additional purchases;
- the addition or departure of key personnel;
- announcements by us or our competitors of acquisitions, investments or strategic alliances; and
- unforeseen events beyond our control, such as terrorist attacks, travel related health concerns including pandemics and epidemics such as H1N1 influenza (swine flu), avian bird flu and SARS, political instability, regional hostilities, increases in fuel prices, imposition of taxes or surcharges by regulatory authorities and travel-related accidents and unusual weather patterns, including natural disasters such as hurricanes.

The market's perception of our growth potential and our current and potential future cash distributions, whether from operations, sales or refinancings, as well as the real estate market value of the underlying assets, may cause our common stock to trade at prices that differ from our net asset value per share. If we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Our failure to meet the market's expectations with regard to future earnings and distributions likely would adversely affect the market price of our common stock.

The trading market for our common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, if one or more of the analysts who do cover us downgrades our stock or our industry, or the stock of any of our competitors, the price of our common stock could decline. If one or more of these analysts ceases coverage of our company, we could lose attention in the market, which in turn could cause the price of our common stock to decline.

The number of shares of our common stock available for future sale could adversely affect the market price per share of our common stock, and future sales by us of shares of our common stock or issuances by our operating partnership of Common Units may be dilutive to existing stockholders.

Sales of substantial amounts of shares of our common stock in the public market, or upon exchange of Common Units or exercise of any equity awards, or the perception that such sales might occur could adversely affect the market price per share of our common stock. The exchange of Common Units for common stock, the vesting of any equity-based awards granted to certain directors, executive officers and other employees under the 2011 Equity Incentive Plan, the issuance of our common stock or Common Units in connection with hotel, portfolio or business acquisitions and other issuances of our common stock or Common Units could have an adverse effect on the market price of the shares of our common stock.

Holders of Common Units, which are redeemable for cash or, at our operating partnership's option, shares of our common stock on a one-for-one basis, and the affiliate of IHG purchasing shares of our common stock in the concurrent private placement, have registration rights with respect to a substantial amount of our common stock. These registration rights, which require us to prepare, file and have declared effective a resale registration statement permitting the public resale of any shares issued upon redemption of the 10,100,000 Common Units issued in the formation transactions and shares purchased in the concurrent private placement, could result in a significant amount of sales of our common stock in a short period of time or the perception that a substantial amount of sales may occur, either or both of which could depress the market price per share of our common stock. The existence of these Common Units, as well as additional Common Units that may be issued in the future, and shares of our common stock reserved for issuance under the 2011 Equity Incentive Plan and any related re-sales may adversely affect the market price per share of our common stock and the terms upon which we may be able to obtain additional capital through the sale of equity securities. In addition, future sales by us of shares of our common stock may be dilutive to existing stockholders.

Future offerings of debt securities, which would be senior to our common stock upon liquidation, and/or issuances of equity securities (including Common Units), which may be dilutive to our existing stockholders and be senior to our common stock for purposes of dividend distributions or upon liquidation, may materially and adversely affect the market price of our common stock.

In the future we may offer debt securities and/or issue equity securities, including Common Units or preferred shares, that may be senior to our common stock for purposes of dividend distributions or upon liquidation. Upon liquidation, holders of our debt securities and our preferred shares will receive distributions of our available assets prior to the holders of our common stock. Holders of our common stock are not entitled to pre-emptive rights or other protections against us offering senior debt or equity securities. Therefore, additional common share issuances, directly or through convertible or exchangeable securities (including Common Units), warrants or options, will dilute the holdings of our existing common stockholders and such issuances or the perception of such issuances may reduce the market price of our common stock. In addition, our preferred shares, if issued, could have a preference on liquidating distributions and a preference on dividend payments that could limit our ability to pay a dividend or make another distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their interest in us.

The consolidated financial statements of our predecessor may not be indicative of our future results or an investment in our common stock.

The consolidated financial statements of our predecessor that are included in this report do not necessarily reflect what our results of operations, financial position or cash flows would have been had we been an independent entity during the periods presented. Furthermore, this financial information is not necessarily indicative of what our results of operations, financial position or cash flows will be in the future. It is impossible for us to accurately estimate all adjustments reflecting all the significant changes that will occur in our cost structure, funding and operations as a result of our being a publicly traded REIT. For additional information, see “Selected Financial Data” and the consolidated financial statements of our predecessor, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Risks Related to Our Status as a REIT

Failure to qualify as a REIT, or failure to remain qualified as a REIT, would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our stockholders.

We believe that our organization and proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT commencing with our short taxable year ending December 31, 2011. However, we cannot assure you that we will qualify and remain qualified as a REIT.

If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distributions to our stockholders because:

- we would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under certain federal income tax laws, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our common stock.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flows.

Even if we qualify for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, our TRSs will be subject to regular corporate federal, state and local taxes. Any of these taxes would decrease cash available for distributions to stockholders.

Failure to make required distributions would subject us to federal corporate income tax.

We intend to operate in a manner so as to qualify as a REIT for federal income tax purposes. In order to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, each year to our stockholders. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% non-deductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under the Code.

REIT distribution requirements could adversely affect our liquidity and may force us to borrow funds or sell assets during unfavorable market conditions.

In order to satisfy our qualification as a REIT and to meet the REIT distribution requirements, we may need to borrow funds on a short-term basis or sell assets, even if the then-prevailing market conditions are not favorable for these borrowings or sales. Our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt service or amortization payments. For example, we may be required to accrue income from mortgage loans and other types of debt instruments that we may acquire before we receive any payments of interest or principal on such assets. We may also acquire distressed debt investments that are subsequently modified or foreclosed upon, which could result in significant taxable income without any corresponding cash payment. The insufficiency of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short- and long-term debt or sell equity securities in order to fund distributions required to maintain our qualification as a REIT. Also, although the Internal Revenue Service ("IRS") has issued Revenue Procedure 2010-12 sanctioning certain issuances of taxable stock dividends by REITs under certain circumstances for taxable years ending on or before December 31, 2011, no assurance can be given that the IRS will extend this treatment or that we will otherwise be able to pay taxable stock dividends to meet our REIT distribution requirements.

The formation of Summit TRS and our TRS lessees increases our overall tax liability.

Summit TRS and any other of our domestic TRSs are subject to federal, state and local income tax on their taxable income, which consists of the revenue from the hotels leased by our TRS lessees, net of the operating expenses for such hotels and rent payments to us. Accordingly, although our ownership of our TRS lessees allows us to participate in the operating income from our hotels in addition to receiving rent, that operating income will be fully subject to income tax. The after-tax net income of our TRS lessees is available for distribution to us. If we have any non-U.S. TRSs, then they may be subject to tax in jurisdictions where they operate.

Our TRS lessee structure subjects us to the risk of increased hotel operating expenses that could adversely affect our operating results and our ability to make distributions to stockholders.

Our leases with our TRS lessees require our TRS lessees to pay us rent based in part on revenue from our hotels. Our operating risks include decreases in hotel revenue and increases in hotel operating expenses, including but not limited to the increases in wage and benefit costs, repair and maintenance expenses, energy costs, property taxes, insurance costs and other operating expenses, which would adversely affect our TRS lessees' ability to pay us rent due under the leases. Increases in these operating expenses can have a significant adverse impact on our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our stockholders.

Our ownership of our TRSs is subject to limitations and our transactions with our TRSs cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm's-length terms.

Overall, no more than 25% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the Code limits the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. The 100% tax would apply, for example, to the extent that we were found to have charged our TRS lessees rent in excess of an arm's-length rent. We monitor the value of our respective investments in our TRSs for the purpose of ensuring compliance with TRS ownership limitations and structure our transactions with our TRSs on terms that we believe are arm's length to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% TRS limitation or to avoid application of the 100% excise tax.

If the leases of our hotels to our TRS lessees are not respected as true leases for federal income tax purposes, we will fail to qualify as a REIT.

To qualify as a REIT, we must annually satisfy two gross income tests, under which specified percentages of our gross income must be derived from certain sources, such as "rents from real property." Rents paid to our operating partnership by our TRS lessees pursuant to the leases of our hotels constitute substantially all of our gross income. In order for such rent to qualify as "rents from real property" for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and not be treated as service contracts, financing arrangements, joint ventures or some other type of arrangement. If our leases are not respected as true leases for federal income tax purposes, we will fail to qualify as a REIT.

If our operating partnership is treated as a publicly traded partnership taxable as a corporation for federal income tax purposes, we will cease to qualify as a REIT.

Although we believe that our operating partnership will be treated as a partnership for federal income tax purposes, no assurance can be given that the IRS will not successfully challenge that position. If the IRS were to successfully contend that our operating partnership should be treated as a publicly traded partnership taxable as a corporation, we would fail to meet the 75% gross income test and certain of the asset tests applicable to REITs and, unless we qualified for certain statutory relief provisions, we would cease to qualify as a REIT. Also, our operating partnership would become subject to federal, state and local income tax, which would reduce significantly the amount of cash available for debt service and for distribution to us.

If Interstate or any other hotel management companies that we may engage in the future do not qualify as "eligible independent contractors," or if our hotels are not "qualified lodging facilities," we will fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. An exception is provided, however, for leases of "qualified lodging facilities" to a TRS so long as the hotels are managed by an "eligible independent contractor" and certain other requirements are satisfied. We have leased all or substantially all of our hotels to our TRS lessees and engaged Interstate and, in the future, may engage other hotel management companies that are expected to qualify as "eligible independent contractors." Among other requirements, in order to qualify as an eligible independent contractor, the hotel manager must not own, directly or through its stockholders, more than 35% of our outstanding shares, and no person or group of persons can own more than 35% of our outstanding shares and the shares (or ownership interest) of the hotel manager, taking into account certain ownership attribution rules. The ownership attribution rules that apply for purposes of these 35% thresholds are complex, and monitoring actual and constructive ownership of our shares by our hotel managers and their owners may not be practical. Accordingly, there can be no assurance that these ownership levels will not be exceeded.

In addition, for a hotel management company to qualify as an eligible independent contractor, such company or a related person must be actively engaged in the trade or business of operating "qualified lodging facilities" (as defined below) for one or more persons not related to the REIT or its TRSs at each time that such company enters into a hotel management contract with a TRS or its TRS lessee. As of the date hereof, we believe Interstate operates qualified lodging facilities for certain persons who are not related to us or our TRSs. However, no assurances can be provided that Interstate or any other hotel managers that we may engage in the future will in fact comply with this requirement. Failure to comply with this requirement would require us to find other managers for future contracts, and, if we hired a management company without knowledge of the failure, it could jeopardize our status as a REIT.

Finally, each property with respect to which our TRS lessees pay rent must be a "qualified lodging facility." A "qualified lodging facility" is a hotel, motel or other establishment more than one-half of the dwelling units in which are used on a transient basis, including customary amenities and facilities, provided that no wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility. As of the date hereof, we believe that the properties that are leased to our TRS lessees are qualified lodging facilities. Although we intend to monitor future acquisitions and improvements of properties, REIT provisions of the Code provide only limited guidance for making determinations under the requirements for qualified lodging facilities, and there can be no assurance that these requirements will be satisfied.

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

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new federal income tax law, regulation, or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

You may be restricted from acquiring or transferring certain amounts of our common stock.

The stock ownership restrictions of the Code for REITs and the 9.8% stock ownership limit in our charter may inhibit market activity in our capital stock and restrict our business combination opportunities.

In order to qualify as a REIT for each taxable year after 2011, five or fewer individuals, as defined in the Code, may not own, beneficially or constructively, more than 50% in value of our issued and outstanding stock at any time during the last half of a taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our capital stock under this requirement. Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of a taxable year for each taxable year after 2011. To help insure that we meet these tests, our charter restricts the acquisition and ownership of shares of our capital stock.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of directors, our charter prohibits any person from beneficially or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock. Our board of directors may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of 9.8% of the value of our outstanding shares would result in our failing to qualify as a REIT. These restrictions on transferability and ownership will not apply, however, if our board of directors determines that it is no longer in our best interest to continue to qualify as a REIT.

Under recently issued IRS guidance, we may pay taxable dividends of our common stock and cash, in which case stockholders may sell shares of our common stock to pay tax on such dividends, placing downward pressure on the market price of our common stock.

Under recently issued IRS guidance, we may distribute taxable dividends that are payable in cash and common stock at the election of each stockholder. Under Revenue Procedure 2010-12, up to 90% of any such taxable dividend paid with respect to our 2011 taxable year could be payable in shares of our common stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits, as determined for federal income tax purposes. As a result, stockholders may be required to pay income tax with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the common stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock. If we utilize Revenue Procedure 2010-12 and a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock. We do not currently intend to utilize Revenue Procedure 2010-12.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our Portfolio

A list of our hotel properties owned as of December 31, 2010 and operating information for those hotels is included in the table below. Except as indicated in the following table for four hotels, which are ground leased, we own our hotels in fee simple. Forty-two of our hotels are categorized as mid-scale without food and beverage hotels and 23 of our hotels are categorized as upscale hotels. As of December 31, 2010, all of our hotels were encumbered by a total of $420.4 million of mortgage debt, approximately $223.6 million of which was repaid in the first quarter of 2011 with net proceeds from our IPO and the concurrent private placement. All financial and room information is for the year ended December 31, 2010.

			Year Ended December 31, 2010				
Franchise/Brand	**Location**	**Year of Opening/ Conversion**	**# Rooms**	**Occupancy [1]**	**ADR [2]**	**RevPAR [3]**	**Segment**
Marriott							
Courtyard by Marriott* [4][5]	Flagstaff, AZ	2009	164	63.70%	$ 89.61	$ 57.08	Upscale
Courtyard by Marriott [4][6]	Germantown, TN	2005	93	65.00	92.40	60.06	Upscale
Courtyard by Marriott [4][6]	Jackson, MS	2005	117	67.15	92.71	62.25	Upscale
Courtyard by Marriott [4][7]	Memphis, TN	2005	96	64.56	73.99	47.77	Upscale
Courtyard by Marriott [4][8]	Missoula, MT	2005	92	64.20	102.24	65.64	Upscale
Courtyard by Marriott [4][9]	Scottsdale, AZ	2003	153	57.24	105.86	60.59	Upscale
Fairfield Inn by Marriott	Baton Rouge, LA	2004	79	55.93	81.17	45.39	Midscale w/o F&B
Fairfield Inn by Marriott	Bellevue, WA	1997	144	60.63	106.31	64.46	Midscale w/o F&B
Fairfield Inn by Marriott	Boise, ID	1995	63	63.61	68.96	43.86	Midscale w/o F&B
Fairfield Inn by Marriott	Denver, CO	1997	161	69.62	83.99	58.47	Midscale w/o F&B
Fairfield Inn by Marriott	Emporia, KS	1994	57	61.04	75.51	46.10	Midscale w/o F&B
Fairfield Inn by Marriott	Lakewood, CO	1995	63	64.61	86.17	55.67	Midscale w/o F&B
Fairfield Inn by Marriott [4][8]	Lewisville, TX	2000	71	53.27	73.43	39.12	Midscale w/o F&B
Fairfield Inn by Marriott	Salina, KS	1994	63	70.78	72.32	51.19	Midscale w/o F&B
Fairfield Inn by Marriott	Spokane, WA	1995	86	66.64	106.40	70.90	Midscale w/o F&B
Fairfield Inn & Suites by Marriott [4][7]	Germantown, TN	2005	80	54.30	75.64	41.07	Midscale w/o F&B
Residence Inn by Marriott	Fort Wayne, IN	2006	109	66.20	93.82	62.11	Upscale
Residence Inn by Marriott [4][7]	Germantown, TN	2005	78	64.51	97.34	62.80	Upscale
Residence Inn by Marriott* [4][10][11]	Portland, OR	2009	124	74.10	97.74	72.42	Upscale
Residence Inn by Marriott* [4][12]	Ridgeland, MS	2007	100	79.33	99.97	79.31	Upscale
SpringHill Suites by Marriott	Baton Rouge, LA	2004	78	59.53	86.67	51.59	Upscale
SpringHill Suites by Marriott* [4][13]	Denver, CO	2007	124	63.31	96.22	60.91	Upscale
SpringHill Suites by Marriott*	Flagstaff, AZ	2008	112	67.01	89.86	60.22	Upscale
SpringHill Suites by Marriott [4][14]	Lithia Springs, GA	2004	78	47.44	74.79	35.48	Upscale
SpringHill Suites by Marriott	Little Rock, AR	2004	78	60.24	87.34	52.62	Upscale
SpringHill Suites by Marriott	Nashville, TN	2004	78	68.45	98.68	67.54	Upscale
SpringHill Suites by Marriott [4][9]	Scottsdale, AZ	2003	123	55.41	95.97	53.17	Upscale
TownePlace Suites by Marriott	Baton Rouge, LA	2004	90	69.21	74.82	51.78	Midscale w/o F&B
Subtotal/Weighted Average			**2,754**	**63.60%**	**$ 89.64**	**$ 57.15**	
Hilton							
Hampton Inn [4][8]	Denver, CO	2003	149	46.01%	$ 80.37	$ 36.98	Midscale w/o F&B
Hampton Inn	Fort Collins, CO	1996	75	60.53	83.17	50.34	Midscale w/o F&B
Hampton Inn [4][7][10]	Fort Smith, AR	2005	178	60.79	95.39	57.99	Midscale w/o F&B

Hampton Inn [4][8]	Fort Wayne, IN	2006	119	60.55	91.31	55.28	Midscale w/o F&B
Hampton Inn	Medford, OR	2001	75	70.57	101.02	71.29	Midscale w/o F&B
Hampton Inn	Twin Falls, ID	2004	75	66.11	81.27	53.73	Midscale w/o F&B
Hampton Inn	Provo, UT	1996	87	72.17	86.94	62.74	Midscale w/o F&B
Hampton Inn	Boise, ID	1995	63	70.17	86.24	60.52	Midscale w/o F&B
Hampton Inn & Suites*	Bloomington, MN	2007	146	71.81	114.89	82.50	Midscale w/o F&B
Hampton Inn & Suites [4][7]	El Paso, TX	2005	139	80.95	110.60	89.53	Midscale w/o F&B
Hampton Inn & Suites* [4][15]	Fort Worth, TX	2007	105	67.05	110.83	74.31	Midscale w/o F&B
Hilton Garden Inn* [4][16]	Fort Collins, CO	2007	120	58.40	88.45	51.66	Upscale
Subtotal/Weighted Average			**1,331**	**64.70%**	**$ 95.50**	**$ 62.53**	
IHG							
Holiday Inn Express [4][7]	Boise, ID	2005	63	73.03%	$ 77.46	$ 56.57	Midscale w/o F&B
Holiday Inn Express* [4][8]	Vernon Hills, IL	2008	119	56.35	79.75	44.94	Midscale w/o F&B
Holiday Inn Express & Suites	Emporia, KS	2000	58	75.71	87.48	66.23	Midscale w/o F&B
Holiday Inn Express & Suites*	Las Colinas, TX	2007	128	41.76	79.44	33.18	Midscale w/o F&B
Holiday Inn Express & Suites [4][8]	Sandy, UT	1998	88	73.60	88.60	65.21	Midscale w/o F&B
Holiday Inn Express & Suites* [4][17]	Twin Falls, ID	2009	91	59.34	87.13	51.70	Midscale w/o F&B
Staybridge Suites	Jackson, MS	2007	92	64.35	86.89	55.91	Midscale w/o F&B
Subtotal/Weighted Average			**639**	**59.20%**	$ 83.48	**$ 49.75**	
Hyatt							
Hyatt Place [4][6]	Atlanta, GA	2006	150	79.04%	$ 75.24	$ 59.47	Upscale
Hyatt Place*	Fort Myers, FL	2009	148	34.95	76.51	26.74	Upscale
Hyatt Place*	Las Colinas, TX	2007	122	59.35	87.55	51.96	Upscale
Hyatt Place* [4][10][18]	Portland, OR	2009	136	69.78	79.01	55.13	Upscale
Subtotal/Weighted Average			**556**	**58.00%**	**$ 79.08**	**$ 45.66**	
Choice							
Cambria Suites* [4][19]	Baton Rouge, LA	2008	127	70.55%	$ 82.86	$ 58.46	Upscale
Cambria Suites*	Bloomington, MN	2007	113	74.92	75.40	56.49	Upscale
Cambria Suites* [4][14]	Boise, ID	2007	119	64.83	72.54	47.03	Upscale
Cambria Suites* [4][20]	San Antonio, TX	2008	126	64.37	78.26	50.38	Upscale
Comfort Inn [4][8][10]	Fort Smith, AR	1995	89	52.80	70.54	37.24	Midscale w/o F&B
Comfort Inn [4][8]	Missoula, MT	1996	52	64.26	86.50	55.59	Midscale w/o F&B
Comfort Inn	Salina, KS	1992	60	68.10	70.83	48.23	Midscale w/o F&B
Comfort Inn & Suites	Twin Falls, ID	1992	111	66.51	69.58	46.27	Midscale w/o F&B
Comfort Suites	Charleston, WV	2001	67	74.06	94.25	69.80	Midscale w/o F&B
Comfort Suites	Fort Worth, TX	1999	70	52.43	82.48	43.24	Midscale w/o F&B
Comfort	Lakewood,						

Suites	CO	1995	62	65.11	82.77	53.89	Midscale w/o F&B
Subtotal/Weighted Average			**996**	**63.80%**	**$ 78.40**	**$ 50.12**	
Starwood							
Aloft*	Jacksonville. FL	2009	136	64.72	62.33	40.34	Upscale
Carlson							
Country Inn & Suites By Carlson	Charleston, WV	2001	64	75.29	96.76	72.85	Midscale w/o F&B
Independent							
Aspen Hotel & Suites [4][22]	Fort Smith, AR	2003	57	49.70	64.66	32.13	Midscale w/o F&B
Total/Weighted Average			**6,533**	**62.80%**	**$ 86.91**	**$ 54.98**	
Total/Weighted Average — Seasoned Portfolio			**4,173**	**64.20%**	**$ 87.09**	**$ 56.17**	
Total/Weighted Average — Unseasoned Portfolio			**2,360**	**60.30%**	**$ 86.61**	**$ 52.88**	

* Unseasoned hotel.

(1) Occupancy represents the percentage of available rooms that were sold during a specified period of time and is calculated by dividing the number of rooms sold by the total number of rooms available, expressed as a percentage.
(2) ADR represents the average daily rate paid for rooms sold, calculated by dividing room revenue (i.e., excluding food and beverage revenue or other hotel operations revenue such as telephone, parking and other guest services) by rooms sold.
(3) RevPAR is the product of ADR and occupancy. RevPAR does not include food and beverage revenue or other hotel operations revenue such as telephone, parking and other guest services.
(4) This hotel is subject to mortgage debt at December 31, 2010. For additional information concerning our debt and lenders, please see Item 7. "Management's Discussion and Analysis of Financial Information and Results of Operations—Indebtedness" and Item 8. "Financial Statements and Supplementary Data—Note 11" to Consolidated Financial Statements.
(5) At 12/31/10, subject to approximately $16.5 million in mortgage debt maturing 5/17/18 loaned by Compass Bank.
(6) At 12/31/10, subject to approximately $24.2 million in mortgage debt maturing 7/01/13 loaned by First National Bank of Omaha.
(7) At 12/31/10, subject to approximately $28.9 million in mortgage debt maturing 7/01/25 loaned by ING Investment Management.
(8) At 12/31/10, subject to approximately $29.3 million in mortgage debt maturing 7/01/12 loaned by ING Investment Management.
(9) At 12/31/10, subject to approximately $13.6 million in mortgage debt maturing 1/01/15 loaned by National Western Life Insurance.
(10) This hotel is subject to a ground lease. See "—Our Hotel Operating Agreements—Ground Leases" below.
(11) At 12/31/10, subject to approximately $12.6 million in mortgage debt maturing 9/30/11 loaned by Bank of the Cascades.
(12) At 12/31/10, subject to approximately $6.2 million in mortgage debt maturing 11/01/28 loaned by ING Investment Management.
(13) At 12/31/10, subject to approximately $8.7 million in mortgage debt maturing 4/01/18 loaned by General Electric Capital Corp.
(14) At 12/31/10, subject to approximately $7.3 million in mortgage debt maturing 3/01/12 loaned by MetaBank.
(15) At 12/31/10, subject to approximately $5.7 million in mortgage debt maturing 11/01/13 loaned by BNC National Bank.
(16) At 12/31/10, subject to approximately $7.9 million in mortgage debt maturing 7/01/12 loaned by ING Investment Management.
(17) At 12/31/10, subject to approximately $5.8 million in mortgage debt maturing 4/01/16 loaned by BNC National Bank.
(18) At 12/31/10, subject to approximately $6.4 million in mortgage debt maturing 6/29/12 loaned by Bank of the Ozarks.
(19) At 12/31/10, subject to approximately $11.0 million in mortgage debt maturing 3/01/19 loaned by General Electric Capital Corp.
(20) At 12/31/10, subject to approximately $11.2 million in mortgage debt maturing 1/01/15 loaned by General Electric Capital Corp.
(21) At 12/31/10, subject to approximately $1.6 million in mortgage debt maturing 6/24/12 loaned by Chambers Bank.

We have also entered into three agreements to purchase four additional hotels for an aggregate purchase price of approximately $34.8 million, although the closings of the purchases of these hotels are subject to satisfaction of customary closing requirements and conditions and there is no assurance that any will be consummated in a timely manner or at all. We have entered into an agreement to purchase a 216-room hotel located in downtown Minneapolis, Minnesota, an agreement to purchase a 143-room hotel located in Duluth, Georgia and a 121-room hotel located in Glendale (Denver), Colorado and an agreement to purchase a 91-room hotel located in Ridgeland, Mississippi. See also "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources"

In addition to our hotel portfolio, we own 14 parcels of vacant land that we believe are suitable for the development of new hotels, the possible expansion of existing hotels or the development of restaurants in proximity to certain of our hotels.

We currently do not intend to develop new hotels or restaurants or expand any of our existing hotels at these parcels. We may in the future sell these parcels when market conditions warrant. To reduce the risk of incurring a prohibited transaction tax on any sales, we may transfer some or all of those parcels of undeveloped land to Summit TRS or another TRS.

Our Hotel Operating Agreements

Ground Leases

Four of our hotels are subject to ground lease agreements that cover all of the land underlying the respective hotel property.

- The Comfort Inn located in Fort Smith, Arkansas is subject to a ground lease with an initial lease termination date of August 31, 2022. The initial lease term may be extended for an additional 30 years. Annual ground rent currently is $44,088 per year. Annual ground rent is adjusted every fifth year with adjustments based on the Consumer Price Index for All Urban Consumers. The next scheduled ground rent adjustment is January 1, 2015.

- The Hampton Inn located in Fort Smith, Arkansas is subject to a ground lease with an initial lease termination date of May 31, 2030 with 11, five-year renewal options. Annual ground rent currently is $145,987 per year. Annual ground rent is adjusted on June 1 of each year, with adjustments based on increases in RevPAR calculated in accordance with the terms of the ground lease.

- The Residence Inn by Marriott located in Portland, Oregon is subject to a ground lease with an initial lease termination date of June 30, 2084 with one option to extend for an additional 14 years. Ground rent for the initial lease term was prepaid in full at the time we acquired the leasehold interest. If the option to extend is exercised, monthly ground rent will be charged based on a formula established in the ground lease.

- The Hyatt Place located in Portland, Oregon is subject to a ground lease with a lease termination date of June 30, 2084 with one option to extend for an additional 14 years. Ground rent for the initial lease term was prepaid in full at the time we acquired the leasehold interest. If the option to extend is exercised, monthly ground rent will be charged based on a formula established in the ground lease.

These ground leases generally require us to make rental payments and payments for our share of charges, costs, expenses, assessments and liabilities, including real property taxes and utilities. Furthermore, these ground leases generally require us to obtain and maintain insurance covering the subject property.

Franchise Agreements

All of our hotels, except for our one independent hotel, currently operate under franchise agreements with Marriott, Hilton, IHG, Hyatt, Choice, Starwood and Country Inns & Suites By Carlson, Inc. We believe that the public's perception of the quality associated with a brand-name hotel is an important feature in its attractiveness to guests. Franchisors provide a variety of benefits to franchisees, including centralized reservation systems, national advertising, marketing programs and publicity designed to increase brand awareness, training of personnel and maintenance of operational quality at hotels across the brand system.

The franchise agreements require our TRS lessees, as franchisees, to pay franchise fees ranging between 2% and 6% of each hotel's gross revenue. In addition, some of our franchise agreements will require our TRS lessees to pay marketing fees of up to 4% of each hotel's gross revenue. These agreements generally specify management, operational, record-keeping, accounting, reporting and marketing standards and procedures with which our TRS lessees, as the franchisees, must comply. The franchise agreements will obligate our TRS lessees to comply with the franchisors' standards and requirements, including training of operational personnel, safety, maintaining specified insurance, the types of services and products ancillary to guest room services that may be provided by the TRS lessee, display of signage and the type, quality and age of furniture, fixtures and equipment included in guest rooms, lobbies and other common areas. Some of the agreements require that we deposit a set percentage, generally not more than 5% of the gross revenue of the hotels, into a reserve fund for capital expenditures.

We have agreed with certain of our franchisors to complete property improvement plans, with completion dates ranging from March 2011 to August 2015. We expect to spend approximately $20.0 million before June 30, 2012 for capital improvements pursuant to these plans. We intend to fund the cost of completing these plans with a portion of the proceeds from our IPO and concurrent private placement and other potential sources of capital, including future offerings of our securities and borrowings under our anticipated $100.0 million senior secured revolving credit facility.

We will be required to obtain the written consent of a hotel's franchisor to sell a hotel or we may be required to pay franchise termination fees. The franchise agreements generally will also provide for termination at the applicable franchisor's option upon the occurrence of certain events, including failure to pay royalties and fees or to perform other obligations under the franchise license, bankruptcy and abandonment of the franchise or a change in control or proposed sale of a franchised property. The TRS lessee that is the franchisee will be responsible for making all payments under the applicable franchise agreement to the franchisor.

Hotel Management Agreement

In order to qualify as a REIT, we cannot directly or indirectly operate any of our hotels. Our operating partnership and subsidiaries of our operating partnership lease our hotels to our TRS lessees, which engage property managers to manage our hotels. In connection with the completion of our IPO and the formation transactions in February 2011, our TRS lessees entered into a hotel management agreement for the 65 hotels in our portfolio with Interstate, as our hotel manager. We may, but we are not required to, enter into hotel management agreements with Interstate for any additional hotels that we may acquire.

Pursuant to the hotel management agreement with Interstate, our TRS lessees are required to fund working capital needs, fixed asset supplies, capital expenditures and operating expenses of the hotels. Interstate, subject to certain limited owner approval rights, has control of all operational aspects of the hotels in our portfolio, including employee-related matters. Interstate is required to maintain each hotel in good repair and condition and make such routine maintenance and repairs as are reasonably necessary or appropriate consistent with the business plan we approve.

The hotel management agreement became effective on February 14, 2011 and is for a term of ten years, unless earlier terminated as described below.

We will pay Interstate a base management fee and, if certain financial thresholds are met or exceeded, an incentive management fee.

Base Management Fee. The base management fee is 3% of total revenue for all of the hotels covered by the hotel management agreement. Total revenue is all income, revenue and proceeds resulting directly or indirectly from the operation of the hotels and all of their facilities (net of refunds and credits to guests and other allowances) before subtracting expenses.

Incentive Fee. The incentive fee is 10% of the amount by which actual aggregate EBITDA for all hotels covered by the hotel management agreement exceeds $65 million. “EBITDA” is defined as the amount by which gross operating profit (the amount by which total revenue exceed operating expenses) exceeds fixed charges. The incentive fee for any fiscal year is capped at 1.5% of the total revenue for all of the hotels covered by the hotel management agreement for that fiscal year.

In addition, Interstate will receive, on a monthly basis, a fee for the use of its centralized accounting services in an amount equal to $1,500 per hotel per month for hotels with 90 or more rooms and $1,375 per hotel per month for hotels with less than 90 rooms, subject to annual increases of the lesser of (i) the percentage change in the Consumer Price Index for the previous fiscal year and (ii) 3%.

The hotel management agreement may be terminated entirely or with respect to individual hotels, as applicable, for cause, without cause, due to damage or condemnation of a hotel, on Interstate’s failure to comply with certain REIT-related provisions of the Code, upon a hotel’s underperformance, due to Interstate entering into competition with one of our hotels and upon the sale of a hotel.

Early Termination for Cause. Subject to certain qualifications, the hotel management agreement is generally terminable by either party upon the occurrence of certain events of default that continue uncured after written notice by the non-defaulting party, which generally include: non-payment by either party of any amount required by the agreement; defaults that are reasonably likely to result in a threat to the health and safety of a hotel’s employees or guests; other material defaults of obligations under the agreement; our failure to fund repairs, alterations and replacements necessary to protect against innkeeper liability exposure or comply with applicable regulation, statute or ordinance; and additional defaults, typical in similar agreements.

If an event of default occurs, the non-defaulting party generally has, among other remedies, the option of terminating the applicable hotel management agreement. If the agreement is terminated by Interstate due to our default, we will be required to pay a termination fee which would provide Interstate with a 30% Internal Rate of Return with respect to such hotel, however, solely for the first five terminations, if the effective date of such termination occurs on or before the end of the eighteenth month following the effective date of the agreement, the Internal Rate of Return shall be 20% instead of 30% (“Termination Fee”).

Early Termination—Without Cause. We may terminate the agreement with respect to up to five hotels during any fiscal year with or without cause by delivering written notice at least 60 days prior to termination, after having paid in full all amounts otherwise due to Interstate under the agreement and paying Interstate the Termination Fee with respect to such hotels.

Termination Due to Damage or Condemnation. Subject to payment of the Termination Fee with respect to such hotels, if a hotel is damaged by fire or other casualty, both we and Interstate may terminate the management agreement with respect to such hotel upon 30 days’ written notice if (i) we elect to close such hotel or determine not to proceed with the restoration of such hotel, or (ii) if 20% or more of the rooms of such hotel are unavailable for rental for a period of 60 days or more as a result of such casualty. Both we and Interstate may terminate the management agreement with respect to a hotel all or substantially all of which is taken through condemnation or, if less than all or substantially all of a hotel is taken, it is determined that the hotel, once restored, could not be operated profitably in a manner that existed immediately prior to such condemnation.

Termination on Failure of Interstate to Comply with REIT Provisions. Under the hotel management agreement, if, at any time, Interstate does not qualify as an “eligible independent contractor” for federal income tax purposes or if wagering activities are being conducted at or in connection with a hotel by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such hotel, we may, in our sole discretion, elect to terminate the management agreement immediately and without payment of any termination fee or penalty.

Performance Termination. The hotel management agreement also provides that we may terminate the management agreement with respect to a hotel upon 60 days' written notice if, as of the end of any fiscal year, such hotel fails to achieve (i) actual gross operating profit of at least 87.5% of the budgeted gross operating profit for such hotel for such fiscal year, and (ii) 87.5% of such hotel's RevPAR Benchmark (as defined in the agreement); provided, that such notice of termination shall be stayed and will become null and void if such hotel achieves as of the end of the following fiscal year (i) actual gross operating profit of at least 87.5% of the budget gross operating profit for such hotel or (ii) 87.5% of such hotel's RevPAR Benchmark. Additionally, Interstate shall have the right, exercisable no more than two times per hotel, to cure a performance termination by making a payment to us equal to the amount by which 87.5% of the budgeted gross operating profit for such hotel exceeds actual gross operating profit for such hotel for such fiscal year.

Termination Due to Competitive Business. If, without our express permission, Interstate elects to own, operate, lease or otherwise have an interest in, directly or indirectly, one or more hotels in a competitive set of one of our hotels, upon 30 days' written notice we may terminate the agreement solely with respect to that hotel without payment of any termination fee.

Sale of a Hotel. If we sell a hotel to an unaffiliated third party, we may terminate the agreement with respect to such hotel so long as we pay the Termination Fee.

Assignment . The hotel management agreement provides that neither Interstate nor we may assign its or our interest in the agreement without the other party's prior written consent provided that Interstate may assign its rights and obligations to its affiliates (as defined in the management agreement). However, we may assign our interest without Interstate's consent to any person acquiring the hotel and agreeing to be bound by the terms of the hotel management agreement.

Item 3. Legal Proceedings.

We are involved from time to time in litigation arising in the ordinary course of business, however, we are not currently aware of any actions against us that we believe would materially adversely affect our business, financial condition or results of operations.

Item 4. Removed and Reserved.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The common stock of Summit REIT began trading on the NYSE on February 9, 2011 under the symbol "INN." Prior to that time, there was no public trading market for the common stock of Summit REIT. The high and low per-share sale prices for the common stock of Summit REIT as reported by the NYSE for the period from February 9, 2011 to March 25, 2011 were $10.40 and $9.26. The last reported sale price for the Company's common stock as reported on the NYSE on March 25, 2011 was $9.99 per share.

There is currently no established public trading market for the Common Units of Summit OP. No public trading market for the Common Units is expected to develop. Common Units are redeemable at the option of the holder, beginning February 14, 2012, for cash, or at our option shares of Summit REIT common stock on a one-for-one basis. We have granted all of the holders of the Common Units registration rights with respect to the shares of common stock that may be issued to them in connection with the exercise of the redemption rights under the partnership agreement of our operating partnership.

As of March 25, 2011, the common stock of Summit REIT was held of record by three holders and there were 27,278,000 shares of common stock outstanding. As of March 25, 2011, the Common Units of Summit OP were held by 983 holders of record and there were 37,378,000 Common Units of Summit OP outstanding, including Common Units held by the General Partner and Summit REIT.

Distribution Information

Since the date of inception of Summit REIT and Summit OP, no distributions have been declared or paid on the common stock of Summit REIT or the Common Units of Summit OP. To qualify as a REIT, Summit REIT must distribute annually to its stockholders an amount at least equal to 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain. As a REIT, Summit REIT will be subject to income tax on its taxable income that is not distributed and to an excise tax to the extent that certain percentages of its taxable income are not distributed by specified dates. Income as computed for purposes of the foregoing tax rules will not necessarily correspond to Summit REIT's income as determined for financial reporting purposes. Summit REIT's cash available for distribution may be less than the amount required to meet the distribution requirements for REITs under the Code, and Summit REIT may be required to borrow money, sell assets or issue capital stock to satisfy the distribution requirements.

The timing and frequency of distributions will be authorized by the Summit REIT board of directors, in its sole discretion, and declared by Summit REIT based upon a variety of factors deemed relevant by its directors, including restrictions under applicable law and loan agreements, capital requirements and the REIT requirements of the Code. Distributions to stockholders generally will be taxable to stockholders as ordinary income, although a portion of such distributions may be designated as long-term capital gain or may constitute a return of capital. Summit REIT will furnish annually to each of its stockholders a statement setting forth distributions paid during the preceding year and their federal income tax status.

Summit OP intends to make quarterly distributions to holder of Common Units of Summit OP in a per-unit amount that is equal to the per-share amount paid by Summit REIT to the holders of Summit REIT common stock.

Securities Sold

Sales of Unregistered Securities

Concurrently with the closing of our IPO on February 14, 2011, Summit REIT sold in a separate private placement to Six Continents Limited, an affiliate of IHG, 1,274,000 shares of common stock at a price of $9.0675 per share for aggregate cash proceeds of approximately $11.6 million. IHG and its affiliates have substantive, pre-existing relationships with the LLC, and the issuance of the shares in the concurrent private placement was effected by Summit REIT in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act.

In connection with the Merger, The Summit Group contributed its 36% Class B membership interest in Summit of Scottsdale, which owns two hotels in Scottsdale, Arizona, to Summit OP in exchange for 74,829 Common Units and an unaffiliated third-party investor contributed its 15% Class C membership interest in Summit of Scottsdale to Summit OP in exchange for 31,179 Common Units. The Summit Group and the unaffiliated third-party investor have substantive, pre-existing relationships with Summit OP, and the issuance of the Common Units in connection with the exchanges was effected in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act.

Use of Proceeds—Initial Public Offering and Concurrent Private Placement

On February 14, 2011, Summit REIT closed the IPO, pursuant to which it sold 26,000,000 shares of common stock at a public offering price of $9.75 per share. Summit REIT raised approximately $253.5 million in gross IPO proceeds, resulting in net proceeds to Summit REIT from the IPO and the concurrent private placement referred to above of approximately $238.4 million, after deducting approximately $17.7 million in underwriting discounts related to shares of common stock sold in the IPO and approximately $8.9 million in other expenses relating to the IPO, the concurrent private placement and the formation transactions. In connection with the IPO, the concurrent private placement and the formation transactions, affiliates of Summit REIT and Summit OP incurred legal, accounting and related costs, which were reimbursed by Summit REIT upon completion of the IPO. These costs were deducted from the gross proceeds of the IPO.

All of the 26,000,000 shares of common stock sold in the IPO were sold pursuant to Summit REIT's Registration Statement on Form S-11 (File No. 333-168686), which was declared effective by the SEC on February 8, 2011. Summit REIT's IPO pursuant to that registration statement is now complete and has been terminated.

Deutsche Bank Securities, Inc., Robert W. Baird & Co. Incorporated and RBC Capital Markets, LLC served as joint book-running managers of Summit REIT's IPO.

Summit REIT contributed the net proceeds of the IPO and the concurrent private placement to Summit OP in exchange for Common Units. As of March 25, 2011, Summit OP had used an aggregate of approximately $232.5 million of the net proceeds of the IPO and the concurrent private placement as follows:

- approximately $227.2 million to reduce outstanding mortgage indebtedness and pay associated costs, as follows:

  — approximately $89.3 million to repay in full a loan from Fortress Credit Corp., including approximately $2.1 million of exit fees, interest and legal fees;

  — approximately $78.2 million to repay in full a loan originally made by Lehman Brothers Bank, including approximately $1.4 million to pay an extinguishment premium and other transaction costs;

  — approximately $21.4 million to repay in full two loans with Marshall & Isley Bank; and

  — approximately $38. 3 million to repay in full two loans with First National Bank of Omaha; and

- approximately $5.3 million to fund a capital expenditure reserve account under the hotel management agreement with Interstate.

There has been no material change in the planned use of proceeds from the IPO as described in the final prospectus filed by Summit REIT with the SEC pursuant to Rule 424(b).

We have not repurchased any of Summit REIT's common stock or Summit OP's Common Units.

Item 6. Selected Financial Data.

The following financial and operating information should be read in conjunction with the information set forth under "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and our consolidated financial statements and related notes thereto appearing elsewhere in this report and incorporated herein by reference.

Historical Summit Hotel Properties, LLC (our predecessor)

Statement of Operations Data (in thousands)	**Year Ended December 31,**				
	2010	**2009**	**2008**	**2007**	**2006**
REVENUE					
Room revenue	$ 133,069	$ 118,960	$ 132,797	$ 112,044	$ 99,009
Other hotel operations revenue	2,566	2,240	2,310	1,845	1,653
Total Revenue	**135,635**	**121,200**	**135,107**	**113,889**	**100,662**
COSTS AND EXPENSES					
Direct hotel operations	47,210	42,071	42,381	35,021	31,036
Other hotel operating expenses	18,961	16,987	15,186	11,980	10,589
General, selling and administrative	25,380	24,017	25,993	22,009	18,038
Repairs and maintenance	4,718	6,152	8,009	10,405	8,157
Depreciation and amortization	27,251	23,971	22,307	16,136	13,649
Loss on impairment of assets	6,476	7,506	—	—	—
Total Expenses	**129,996**	**120,704**	**113,876**	**95,551**	**81,469**
INCOME FROM OPERATIONS	**5,639**	**496**	**21,231**	**18,338**	**19,193**
OTHER INCOME (EXPENSE)					
Interest income	47	50	195	446	605
Interest expense	(26,362)	(18,321)	(17,025)	(14,214)	(11,135)
Loss on disposal of assets	(42)	(4)	(390)	(652)	(749)
Total Other Expense	**(26,357)**	**(18,275)**	**(17,220)**	**(14,420)**	**(11,279)**
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(20,718)**	**(17,779)**	**4,011**	**3,918**	**7,914**
INCOME FROM DISCONTINUED OPERATIONS	—	**1,465**	**10,278**	**11,587**	**2,728**
NET INCOME (LOSS) BEFORE INCOME TAXES	**(20,718)**	**(16,314)**	**14,289**	**15,505**	**10,642**
STATE INCOME TAX EXPENSE	(202)	—	(826)	(715)	(539)
NET INCOME (LOSS)	**(20,920)**	**(16,314)**	**13,463**	**14,790**	**10,103**
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTEREST	—	—	384	778	661
NET INCOME (LOSS) ATTRIBUTABLE TO SUMMIT HOTEL PROPERTIES, LLC	**$ (20,920)**	**$ (16,314)**	**$ 13,079**	**$ 14,012**	**$ 9,442**
Funds from Operations [(1)]:					
Net income (loss)	$ (20,920)	$ (16,314)	$ 13,463	$ 14,790	$ 10,103
Depreciation and amortization	27,251	24,125	23,028	18,887	16,648
Gain on disposition of assets	—	(1,297)	(8,605)	(10,380)	(1,240)
Funds from Operations	**$ 6,331**	**$ 6,514**	**$ 27,886**	**$ 23,297**	**$ 25,511**
EBITDA [(2)]:					
Net income (loss)	$ (20,920)	$ (16,314)	$ 13,463	$ 14,790	$ 10,103
Depreciation and amortization	27,251	24,125	23,028	18,887	16,648
Interest Expense	26,362	18,321	17,025	14,214	11,135
Interest Income	(47)	(50)	(195)	(446)	(605)

Income taxes	202	—	826	715	539
EBITDA	**$ 32,848**	**$ 26,082**	**$ 54,147**	**$ 48,160**	**$ 37,820**

Balance Sheet Data (in millions)	Year Ended December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Total Assets	$ 493.0	$ 518.2	$ 494.8	$ 448.0	$ 356.0
Long Term Obligations	$ 253.2	$ 270.4	$ 350.8	$ 261.5	$ 210.1

(1) As defined by the National Association of Real Estate Investment Trusts ("NAREIT"), funds from operations ("FFO") represents net income or loss (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus real estate depreciation and amortization (excluding amortization of deferred financing costs). We present FFO because we consider it an important supplemental measure of our operational performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy, room rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income. We compute FFO in accordance with standards established by the Board of Governors of NAREIT in its March 1995 White Paper (as amended in November 1999 and April 2002), which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Further, FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. FFO should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions.

Amounts presented in accordance with our definition of FFO may not be comparable to similar measures disclosed by other companies, since not all companies calculate this non-GAAP measure in the same manner. FFO should not be considered as an alternative measure of our net income (loss) or operating performance. FFO may include funds that may not be available for our discretionary use due to functional requirements to conserve funds for capital expenditures and property acquisitions and other commitments and uncertainties. Although we believe that FFO can enhance our stockholders' understanding of our financial condition and results of operations, this non-GAAP financial measure is not necessarily a better indicator of any trend as compared to a comparable GAAP measure such as net income (loss).

(2) EBITDA represents net income or loss, excluding: (i) interest, (ii) income tax expense and (iii) depreciation and amortization. We believe EBITDA is useful to an investor in evaluating our operating performance because it provides investors with an indication of our ability to incur and service debt, to satisfy general operating expenses, to make capital expenditures and to fund other cash needs or reinvest cash into our business. We also believe it helps investors meaningfully evaluate and compare the results of our operations from period to period by removing the impact of our asset base (primarily depreciation and amortization) from our operating results. Our management also uses EBITDA as one measure in determining the value of acquisitions and dispositions.

Amounts presented in accordance with our definitions of EBITDA may not be comparable to similar measures disclosed by other companies, since not all companies calculate this non-GAAP measure in the same manner. EBITDA should not be considered as an alternative measure of our net income (loss) or operating performance. EBITDA may include funds that may not be available for our discretionary use due to functional requirements to conserve funds for capital expenditures and property acquisitions and other commitments and uncertainties. Although we believe that EBITDA can enhance our stockholders' understanding of our financial condition and results of operations, this non-GAAP financial measure is not necessarily a better indicator of any trend as compared to a comparable GAAP measure such as net income (loss).

Our predecessor's equity interests consisted of four different classes of limited liability company membership interests that were not publicly traded, thus, a discussion of its selected earnings data would not be meaningful.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the "Selected Financial Data," our predecessor's audited consolidated financial statements as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008, and related notes thereto, appearing elsewhere in this report.

Overview

We are a self-managed hotel investment company that was recently organized to continue and expand the existing hotel investment business of our predecessor, Summit Hotel Properties, LLC, a leading U.S. hotel owner. We focus exclusively on acquiring and owning premium-branded limited-service and select-service hotels in the upscale and midscale without food and beverage segments of the U.S. lodging industry. We completed our IPO, concurrent private placement and the formation transactions on February 14, 2011, netting approximately $240.0 million from the IPO and concurrent private placement, after underwriting discounts and offering-related costs. We had no business activities prior to completion of the IPO and the formation transactions.

Substantially all of our assets are held by, and all of our operations are conducted through, our operating partnership, Summit Hotel OP, LP. Our operating partnership is a recently formed Delaware limited partnership. Through a wholly owned subsidiary, we are the sole general partner of our operating partnership. Through the Merger, our operating partnership succeeded to the business and assets of our predecessor. Although our operating partnership is the surviving entity in the Merger, our predecessor is considered the acquiror for accounting purposes and its financial statements became our financial statements upon completion of the Merger. The following discussion is based on our accounting predecessor's historical operating results. Following completion of the formation transactions, our IPO and the concurrent private placement, Summit REIT owns an approximate 73.0% partnership interest in our operating partnership, including general and limited partnership interests. The other limited partners of our operating partnership, the former members of our predecessor and The Summit Group, the former Class B member of Summit of Scottsdale and the former Class C member of Summit of Scottsdale, own the remaining approximate 27.0% limited partnership interest in our operating partnership. Pursuant to the partnership agreement of our operating partnership, we have full, exclusive and complete responsibility and discretion in the management and control of our operating partnership, including the ability to cause our operating partnership to enter into certain major transactions including acquisitions, dispositions and refinancings, make distributions to partners and to cause changes in our operating partnership's business activities.

We intend to elect to be taxed as a REIT for federal income tax purposes beginning with our short taxable year ending December 31, 2011. To qualify as a REIT, we cannot operate or manage our hotels. Instead, we lease our hotels to our TRS lessees, which are wholly owned, directly or indirectly, by our operating partnership. Our TRS lessees will engage one or more third-party hotel management companies to operate and manage our hotels pursuant to hotel management agreements. In connection with our IPO, our TRS lessees entered into a hotel management agreement with Interstate, pursuant to which our initial hotels are operated by Interstate. Our TRS lessees may also employ other hotel managers in the future. We believe Interstate qualifies as an "eligible independent contractor" for federal income tax purposes. We have no, and will have no, ownership or economic interest in any of the hotel management companies engaged by our TRS lessees. Our TRS lessees will be disregarded as separate from our TRSs for federal income tax purposes and their operations will be consolidated into our financial statements for accounting purposes. Any TRS of ours will be taxed as a separate "C" corporation, and, unlike our predecessor's income, our TRS lessees' income will be subject to federal, state and local income tax, which will reduce our funds from operations and the cash otherwise available for distribution to our stockholders.

As of December 31, 2010, our hotel portfolio consisted of 65 hotels with a total of 6,533 guestrooms located in 19 states. Except for four hotels, which are ground leased, we own our hotels in fee simple. Forty-two of our hotels are categorized as mid-scale without food and beverage hotels and 23 of our hotels are categorized as upscale hotels. As of December 31, 2010, 65 of our hotels were encumbered by a total of $420.4 million of mortgage debt, approximately $223.6 million of which was repaid in the first quarter of 2011 following our IPO. Our initial hotels, with the exception of one independent hotel, are operated under nationally recognized brands, including the brands owned by Marriott, Hilton, IHG and Hyatt families of brands, among others.

As we disclosed in the prospectus for our IPO, our current portfolio consists of what we consider "seasoned" and "unseasoned" hotels. At the time of our IPO, we classified 46 of our hotels as seasoned based on their construction or acquisition date and we classified 19 of our hotels as unseasoned, those hotels that were either built after January 1, 2007 or experienced a brand conversion since January 1, 2008. We will continue to report results using this classification for these 65 hotels only through December 31, 2011, beyond which time the categories will have become less meaningful.

All of our hotels are located in markets in which we have extensive experience and that exhibit multiple demand generators, such as business and corporate headquarters, retail centers, airports and tourist attractions. Based on total number of rooms, 48% of our portfolio is positioned in the top 50 MSAs and 68% is located within the top 100 MSAs.

Our revenue is derived from hotel operations and consists of room revenue and other hotel operations revenue. As a result of our focus on limited-service and select-service hotels in the upscale and midscale without food and beverage segments of the U.S. lodging industry, substantially all of our revenue is room revenue generated from sales of hotel rooms. We also generate other hotel operations revenue, which consists of ancillary revenue related to meeting rooms, entertainment and other guest services provided at our hotels.

Our hotel operating expenses consist primarily of expenses incurred in the day-to-day operation of our hotels. Many of our expenses are fixed, such as essential hotel staff, real estate taxes, insurance, depreciation and certain types of franchise fees, and these expenses do not decrease even if the revenue at our hotels decrease. Our hotel operating expenses consist of room expenses, other direct expenses, other indirect expenses and other expenses. Room expenses include wages, cleaning and guestroom supplies and complimentary breakfast. Other direct expenses include office supplies, utilities, telephone, advertising and bad debts. Other indirect expenses include real and personal property taxes, insurance, travel agent and credit card commissions, management expenses and franchise fees. Other expenses include ground rent and other items of miscellaneous expense.

The historical management fees paid by our predecessor are not indicative of the management fees we expect to incur under our management agreement with Interstate.

Industry Trends and Outlook

In mid-2008, U.S. lodging demand started to decline as a result of the economic recession which caused industry-wide RevPAR to decline for the year, as reported by Smith Travel Research. Throughout 2009, the decrease in lodging demand accelerated, with RevPAR down 16.7% for the year according to Smith Travel Research. Beginning in the first quarter of 2010, we saw trends of improved fundamentals in the U.S. lodging industry with demand for rooms showing signs of stabilization, and even growth in many of the major markets, as general economic indicators began to experience positive improvement. With supply of available rooms expected to rise at a significantly slower pace over the next several years than during 2006 through 2008 and demand for rooms expected to increase as the U.S. economy rebounds, we expect meaningful growth in industry-wide RevPAR to continue in 2011 and for several years thereafter.

While we believe the trends in room demand and supply growth will result in improvement in lodging industry fundamentals, we can provide no assurances that the U.S. economy will strengthen at projected levels and within the expected time periods. If the economy does not improve or if any improvements do not continue for any number of reasons, including, among others, an economic slowdown and other events outside of our control, such as terrorism, lodging industry fundamentals may not improve as expected. In the past, similar events have adversely affected the lodging industry and if these events recur, they may adversely affect the lodging industry in the future.

Operating Performance Metrics

We use a variety of operating and other information to evaluate the financial condition and operating performance of our business. These key indicators include financial information that is prepared in accordance with generally accepted accounting principles ("GAAP"), as well as other financial information that is not prepared in accordance with GAAP. In addition, we use other information that may not be financial in nature, including statistical information and comparative data. We use this information to measure the performance of individual hotels, groups of hotels and/or our business as a whole. We periodically compare historical information to our internal budgets as well as industry-wide information. These key indicators include:

- Occupancy;
- ADR; and
- RevPAR.

Occupancy, ADR and RevPAR are commonly used measures within the hotel industry to evaluate operating performance. RevPAR, which is calculated as the product of ADR and occupancy, is an important statistic for monitoring operating performance at the individual hotel level and across our business as a whole. We evaluate individual hotel RevPAR performance on an absolute basis with comparisons to budget and prior periods, as well as on a company-wide and regional basis. ADR and RevPAR include only room revenue. Room revenue depends on demand, as measured by occupancy, pricing, as measured by ADR, and our available supply of hotel rooms. Our ADR, occupancy and RevPAR performance may be impacted by macroeconomic factors such as regional and local employment growth, personal income and corporate earnings, office vacancy rates and business relocation decisions, airport and other business and leisure travel, new hotel construction and the pricing strategies of competitors. In addition, our ADR, occupancy and RevPAR performance is dependent on the continued success of our franchisors and their brands.

In addition to occupancy, ADR and RevPAR, we use FFO and EBITDA, non-GAAP financial measures, to assess our financial condition and operating performance. These measures should not be considered in isolation or as a substitute for measures of performance in accordance with GAAP. FFO and EBITDA are supplemental financial measures and are not defined by GAAP. FFO and EBITDA, as calculated by us, may not be comparable to FFO and EBITDA reported by other companies that do not define FFO and EBITDA exactly as we define those terms. FFO and EBITDA do not represent cash generated from operating activities determined in accordance with GAAP and should not be considered as alternatives to operating income or net income determined in accordance with GAAP, as indicators of performance or as alternatives to cash flows from operating activities as indicators of liquidity.

Our Portfolio

Our portfolio consists of 65 upscale and midscale without food and beverage hotels with a total of 6,533 guestrooms located in 19 states. Our hotels, with the exception of one independent hotel, are operated under nationally recognized brands as shown below:

Franchisor/Brand	No. of Hotels	No. of Rooms
Marriott		
Courtyard by Marriott	6	715
Residence Inn by Marriott	4	411
Fairfield Inn by Marriott	9	787
Fairfield Inn & Suites by Marriott	1	80
SpringHill Suites by Marriott	7	671
TownePlace Suites by Marriott	1	90
	28	**2,754**
Hilton		
Hampton Inn	8	821
Hampton Inn & Suites	3	390
Hilton Garden Inn	1	120
	12	**1,331**
IHG		
Holiday Inn Express	2	182
Holiday Inn Express & Suites	4	365
Staybridge Suites	1	92
	7	**639**
Hyatt		
Hyatt Place	4	556
Choice [(1)]		
Cambria Suites	4	485
Comfort Inn	3	201
Comfort Inn & Suites	1	111
Comfort Suites	3	199
	11	**996**
Starwood		
Aloft	1	136
Carlson		
Country Inn & Suites By Carlson	1	64
Independent		
Aspen Hotel & Suites	1	57
Total	**65**	**6,533**

(1) Effective as of March 23, 2011, the franchise agreements with Choice were terminated.

Our portfolio consists of what we consider “seasoned” and “unseasoned” hotels. At the time of our IPO, we classified 46 of our hotels as seasoned based on their construction or acquisition date and we classified 19 of our hotels as unseasoned, those hotels that were either built after January 1, 2007 or experienced a brand conversion since January 1, 2008. We will continue to report results using this classification for these 65 hotels only through December 31, 2011, beyond which time the categories will have become less meaningful. We believe our unseasoned hotels are in the early stages of stabilizing since their construction or brand conversion occurred during a dramatic economic slowdown. Most of our unseasoned hotels are newer, larger and are located in larger markets than those of our seasoned hotels and operate under premium franchise brands. As a result, we believe our unseasoned hotels are particularly well-positioned to generate RevPAR growth for our portfolio as economic conditions improve.

The following table sets forth various statistical and operating information related to our seasoned hotel portfolio (dollars in thousands, except ADR and RevPAR):

	Year Ended December 31,			
	2010	2009	2008	2007
Number of hotels at end of period	46	46	46	45
Average number of rooms	4,173	4,173	4,173	4,093
Undepreciated (gross) book value at end of period	$ 295,612	$ 283,985	$ 276,148	$ 268,974
Revenue	$ 86,812	$ 87,542	$ 105,542	$ 103,871
Occupancy	64.1%	64.8%	69.5%	70.0%
ADR	$ 87.75	$ 87.42	$ 100.29	$ 99.78
RevPAR	$ 56.22	$ 56.63	$ 69.70	$ 69.80

The following table sets forth various statistical and operating information related to our unseasoned hotel portfolio (dollars in thousands, except ADR and RevPAR):

	Year Ended December 31,			
	2010	2009	2008	2007
Number of hotels at end of period	19	19	14	11
Average number of rooms	2,360	2,360	1,324	625
Undepreciated (gross) book value at end of period	$ 266,268	$ 265,333	$ 163,232	$ 125,529
Revenue	$ 48,824	$ 33,658	$ 29,565	$ 10,018
Occupancy	63.1%	55.3%	55.3%	49.2%
ADR	$ 87.29	$ 87.58	$ 107.37	$ 87.58
RevPAR	$ 55.06	$ 48.47	$ 59.33	$ 43.09

Results of Operations of Summit Hotel Properties, Inc. and Summit Hotel OP, LP

We have not presented historical financial information for Summit REIT or Summit OP. Neither Summit REIT nor Summit OP had any operations prior to February 14, 2011 other than the issuance of 1,000 shares of common stock of Summit REIT to our Executive Chairman in connection with Summit REIT's formation and initial capitalization and activity in connection with our IPO and the formation transactions and, as a result, we believe that a discussion of our results for the period ended December 31, 2010 would not be meaningful. We have set forth below a discussion of the consolidated historical results of operations and financial position of our predecessor, Summit Hotel Properties, LLC.

Results of Operations of Our Predecessor

Comparison of the Year Ended December 31, 2010 to the Year Ended December 31, 2009

Income from Operations. Income from operations increased by approximately $5.1 million to approximately $5.6 million for the year ended December 31, 2010 from approximately $500,000 for the year ended December 31, 2009. This increase was primarily the result of a $14.4 million increase in revenue for the year ended December 31, 2010.

Revenue. The following tables sets forth key operating metrics for our total portfolio, our seasoned portfolio, our unseasoned portfolio and our same-store portfolio for the year ended December 31, 2010 and the year ended December 31, 2009 (dollars in thousands, except ADR and RevPAR):

	Year Ended December 31, 2010				
	Total Revenue	Total Expenses	Occupancy	ADR	RevPAR
Total (65 hotels)	$ 135,635	$ 129,996	63.7%	$ 87.59	$ 55.80
Seasoned (46 hotels) [1]	$ 86.812	$ 71,196	64.1%	$ 87.75	$ 56.22
Unseasoned (19 hotels)	$ 48,823	$ 58,800	63.1%	$ 87.29	$ 55.06
Same-store (60 hotels) [2]	$ 122,344	$ 106,855	64.1%	$ 88.25	$ 56.53

(1) Excludes hotels that were reclassified to discontinued operations during 2009.
(2) Includes seasoned and unseasoned hotels that were owned during all of 2010 and 2009, but excludes hotels that were reclassified to discontinued operations during 2009.

	Year Ended December 31, 2009				
	Total Revenue	Total Expenses	Occupancy	ADR	RevPAR
Total (65 hotels)	$ 121,200	$ 120,704	61.9%	$ 87.40	$ 54.12
Seasoned (46 hotels) [1]	$ 87,542	$ 73,553	64.8%	$ 87.42	$ 56.63
Unseasoned (19 hotels)	$ 33,658	$ 47,151	55.3%	$ 87.58	$ 48.47
Same-store (60 hotels) [2]	$ 118,791	$ 102,590	62.8%	$ 87.59	$ 54.97

(1) Excludes hotels that were reclassified to discontinued operations during 2009.
(2) Includes seasoned and unseasoned hotels that were owned during all of 2010 and 2009, but excludes hotels that were reclassified to discontinued operations during 2009.

Total revenue increased by $14.4 million, or 11.9%, to $135.6 million for the year ended December 31, 2010 from $121.2 million for the year ended December 31, 2009. The increase was primarily due to improving economic conditions affecting our markets and leading to continued stabilization of revenue at our unseasoned hotels.

Seasoned hotel revenue decreased by $0.7 million, or 0.8%, to $86.8 million for the year ended December 31, 2010 from $87.5 million for the year ended December 31, 2009. The decrease in seasoned hotel revenue was primarily caused by a 0.7% decrease in seasoned hotel RevPAR resulting from a slight decline in occupancy which more than offset the slight increase in ADR. Seasoned hotel RevPAR decreased to $56.22 for the year ended December 31, 2010 from $56.63 for the prior year as a result of declining occupancy resulting from the uncertain economic conditions.

Unseasoned hotel revenue increased by $15.1 million, or 44.8%, to $48.8 million for the year ended December 31, 2010 from $33.7 million for the year ended December 31, 2009. The increase in unseasoned hotel revenue was primarily due to increased occupancy from 55.3% to 63.1% at the unseasoned hotels as they continue to stabilize within their markets which more than offset the slight decrease in ADR, resulting in a 13.6% increase in unseasoned hotel RevPAR. Unseasoned hotel RevPAR increased to $55.06 for the year ended December 31, 2010 from $48.47 for the prior period as a result of improving economic conditions, which caused higher occupancy at our unseasoned hotels.

On a same-store basis, revenue increased by $3.5 million, or 2.9%, to $122.3 million for the year ended December 31, 2010 from $118.8 million for the year ended December 31, 2009. The increase in same-store revenue resulted from an increase in both occupancy and ADR, resulting in a 2.8% increase in same-store RevPAR. Same-store RevPAR increased to $56.53 for the year ended December 31, 2010 from $54.97 for the prior period as a result of improving economic conditions, which caused higher occupancy at our hotels and resulted in a 1.3 percentage point increase and a 0.8% increase in ADR for the same-store hotel portfolio.

Operating Expenses . Total operating expenses from continuing operations, excluding depreciation and amortization and impairment losses, increased $7.1 million, or 8.0%, to $96.3 million for the year ended December 31, 2010 from $89.2 million for the year ended December 31, 2009. Of this increase, $1.1 million included expenses that were incurred in preparation for the Merger and the formation transactions and included additional audit fees, insurance, bonuses to hotel managers and bad debt expense. The balance of the increase was directly related to the $14.4 million increase in sales revenue. Repairs and maintenance expenses decreased $1.5 million, or 24.2%, to $4.7 million for the year ended December 31, 2010 from $6.2 million for the year ended December 31, 2009. The decrease was primarily due to fewer renovations being performed during 2010 than in 2009 at our hotels.

Depreciation and Amortization. On a total portfolio basis, depreciation and amortization expense from continuing operations increased by $3.3 million, or 13.7%, to $27.3 million for the year ended December 31, 2010 from $24.0 million for the year ended December 31, 2009. The increase was primarily due to the five hotels opened in 2009 and costs incurred related to the maturity date extension of our loan with Fortress Credit Corp.

Impairment Losses. During the year ended December 31, 2010, our predecessor determined that four parcels of undeveloped land were impaired due to the termination of sales contracts for the sale of the land parcels and management's resulting determination that their carrying amounts were no longer realizable. As a result, our predecessor recorded a $6.5 million non-cash impairment charge in the fourth quarter of 2010. Our predecessor determined that the fair market value of these land parcels was $20.3 million as of December 31, 2010. During the year ended December 31, 2009, our predecessor determined that six parcels of undeveloped land were impaired due to the fact that their aggregate historical carrying value exceeded their aggregate fair value. This impairment was the result of our predecessor's decision to stop development projects and attempt to sell the land. As a result, our predecessor recorded at $6.3 million non-cash impairment charge in the fourth quarter of 2009. Our predecessor also determined that the Courtyard by Marriott located in Memphis, Tennessee was impaired due to the fact that its historical carrying value was higher than the hotel's fair value. This determination was made based on economic distress on this particular hotel and market. Accordingly, our predecessor recorded a $1.2 million noncash impairment charge in 2009.

The following table details our hotel expenses for our seasoned portfolio, our unseasoned portfolio and our same-store portfolio for the years ended December 31, 2010 and December 31, 2009 (dollars in thousands):

	Year Ended December 31, 2010	Year Ended December 31, 2009
Seasoned Hotel Expenses (46 hotels):		
Direct hotel operations	$ 29,717	$ 29,272
Other hotel operating expenses	11,204	11,205
General, selling and administrative	15,994	15,870
Repairs and maintenance	3,137	4,083
Depreciation and amortization	11,144	11,950
Loss on impairment of assets	—	1,173
Total Expenses	**$ 71,196**	**$ 73,553**
Unseasoned Hotel Expenses (19 hotels):		
Direct hotel operations	$ 17,493	$ 12,799
Other hotel operating expenses	7,757	5,782
General, selling and administrative	9,386	8,147
Repairs and maintenance	1,581	2,069
Depreciation and amortization	16,107	12,021
Loss on impairment of assets	6,476	6,333
Total Expenses	**$ 58,800**	**$ 47,151**
Same-Store Portfolio Expenses (60 hotels):		
Direct hotel operations	$ 42,302	$ 41,015
Other hotel operating expenses	16,835	16,646
General, selling and administrative	22,762	22,081
Repairs and maintenance	4,374	6,054
Depreciation and amortization	20,582	15,621
Loss on impairment of assets	—	1,173
Total Expenses	**$ 106,855**	**$ 102,590**

Comparison of the Year Ended December 31, 2009 to the Year Ended December 31, 2008

Income from Operations. Income from operations decreased by $20.7 million, or 98%, to $0.5 million for the year ended December 31, 2009 from $21.2 million for the year ended December 31, 2008. This decrease was primarily the result of a $13.9 million decrease in revenue as well as an impairment loss of $7.5 million recognized for the year ended December 31, 2009.

Revenue. The following tables set forth key operating metrics for our total portfolio, our seasoned portfolio, our unseasoned portfolio and our same-store portfolio for the year ended December 31, 2009 and the year ended December 31, 2008 (dollars in thousands, except ADR and RevPAR):

	Year Ended December 31, 2009				
	Total Revenue	Total Expenses	Occupancy	ADR	RevPAR
Total (65 hotels)	$ 121,200	$ 120,704	61.9%	$ 87.40	$ 54.12
Seasoned (46 hotels) [1]	$ 87,542	$ 73,553	64.8%	$ 87.42	$ 56.63
Unseasoned (19 hotels)	$ 33,658	$ 47,151	55.3%	$ 87.58	$ 48.47
Same-store (57 hotels) [2]	$ 112,129	$ 99,020	63.7%	$ 88.13	$ 56.13

(1) Excludes hotels that were reclassified to discontinued operations during 2009.

(2) Includes seasoned and unseasoned hotels that were owned during all of 2009 and 2008, but excludes hotels that were reclassified to discontinued operations during 2009.

	Year Ended December 31, 2008				
	Total Revenue	Total Expenses	Occupancy	ADR	RevPAR
Total (62 hotels)	$ 135,107	$ 113,876	66.2%	$ 100.95	$ 66.78
Seasoned (46 hotels) [1]	$ 105,542	$ 79,540	69.5%	$ 100.29	$ 69.70
Unseasoned (19 hotels)	$ 29,565	$ 34,336	55.3%	$ 107.37	$ 59.33
Same-store (57 hotels) [2]	$ 134,934	$ 110,898	66.3%	$ 101.82	$ 67.47

(1) Excludes hotels that were reclassified to discontinued operations during 2009 and 2008.

(2) Includes seasoned and unseasoned hotels that were owned during all of 2009 and 2008, but excludes hotels that were reclassified to discontinued operations during 2009 and 2008.

Total revenue decreased by $13.9 million, or 10.3%, to $121.2 million for the year ended December 31, 2009 from $135.1 million for the year ended December 31, 2008. The decrease was primarily due to continuing unfavorable economic conditions affecting our markets and included a $5.7 million decrease in revenue as a result of the sale of seven hotels (discontinued operations) during 2008 and 2009 offset by increases in revenue from nine new hotels opened during 2008 and 2009.

Seasoned hotel revenue decreased by $18.0 million, or 17.1%, to $87.5 million for the year ended December 31, 2009 from $105.5 million for the year ended December 31, 2008. The decrease in seasoned hotel revenue was primarily caused by an 18.8% decrease in seasoned hotel RevPAR. Seasoned hotel RevPAR decreased to $56.63 for the year ended December 31, 2009 from $69.70 for the prior year as a result of adverse economic conditions, which caused lower occupancy and also caused us to lower room rates at our hotels in order to remain competitive in our markets.

Unseasoned hotel revenue increased by $4.1 million, or 13.9%, to $33.7 million for the year ended December 31, 2009 from $29.6 million for the year ended December 31, 2008. The increase in unseasoned hotel revenue was primarily due to revenue from nine new hotels opened during 2008 and 2009.

On a same-store basis, revenue decreased by $22.8 million, or 16.9%, to $112.1 million for the year ended December 31, 2009 from $134.9 million for the year ended December 31, 2008. The decrease in same-store revenue was primarily caused by a 16.8% decrease in same-store RevPAR. Same-store RevPAR decreased to $56.13 for the year ended December 31, 2009 from $67.47 for the prior period as a result of adverse economic conditions, which caused lower occupancy and also caused us to lower room rates at our hotels in order to remain competitive in our markets.

Operating Expenses. Total operating expenses from continuing operations, excluding depreciation and amortization and impairment losses, decreased $2.4 million, or 2.6%, to $89.2 million for the year ended December 31, 2009 from $91.6 million for the year ended December 31, 2008. Repairs and maintenance expenses decreased $1.8 million, or 22.5%, to $6.2 million for the year ended December 31, 2009 from $8.0 million for the year ended December 31, 2008. The decrease was primarily due to fewer renovations being performed during 2009 than in 2008 at our hotels. The decrease in total expenses of 2.6% was not as significant as the decrease in total revenue of 10.3% due to the increased operating expenses related to opening of new hotels. Typically, operating profit margin is not as significant for newly opened hotels until they become established in the market.

Depreciation and Amortization. On a total portfolio basis, depreciation and amortization expense from continuing operations increased by $1.7 million, or 7.6%, to $24.0 million for the year ended December 31, 2009 from $22.3 million for the year ended December 31, 2008. The increase was primarily due to the nine hotels opened in 2008 and 2009.

Impairment Losses. During the year ended December 31, 2009, our predecessor determined that six parcels of undeveloped land were impaired due to the fact that their aggregate historical carrying value exceeded their aggregate fair value. As a result, our predecessor recorded a $6.3 million non-cash impairment charge in the fourth quarter of 2009. This impairment was the result of our predecessor's decision to stop development projects and attempt to sell the land. Our predecessor also determined that the Courtyard by Marriott located in Memphis, Tennessee was impaired due to the fact that its historical carrying value was higher than the hotel's fair value. This determination was made based on recent economic distress on this particular hotel and market. Accordingly, our predecessor recorded a $1.2 million noncash impairment charge in the fourth quarter of 2009. Our predecessor did not record any impairment charges during the year ended December 31, 2008.

The following table details our hotel expenses for our seasoned portfolio, our unseasoned portfolio and our same-store portfolio for years ended December 31, 2009 and December 31, 2008 (dollars in thousands):

	Year Ended December 31, 2009	Year Ended December 31, 2008
Seasoned Hotel Expenses (46 and 45 hotels, respectively):		
Direct hotel operations	$ 29,272	$ 32,182
Other hotel operating expenses	11,205	11,002
General, selling and administrative	15,870	19,091
Repairs and maintenance	4,083	4,342
Depreciation and amortization	11,950	12,923
Loss on impairment of assets	1,173	—
Total Expenses	**$ 73,553**	**$ 79,540**
Unseasoned Hotel Expenses (19 and 14 hotels, respectively):		
Direct hotel operations	$ 12,799	$ 10,199
Other hotel operating expenses	5,782	4,184
General, selling and administrative	8,147	6,902
Repairs and maintenance	2,069	3,667
Depreciation and amortization	12,021	9,384
Loss on impairment of assets	6,333	—
Total Expenses	**$ 47,151**	**$ 34,336**
Same-Store Portfolio Expenses (57 hotels):		
Direct hotel operations	$ 37,867	$ 42,136
Other hotel operating expenses	15,359	15,132
General, selling and administrative	20,414	24,328
Repairs and maintenance	4,849	7,970
Depreciation and amortization	19,358	21,332
Loss on impairment of assets	1,173	—
Total Expenses	**$ 99,020**	**$ 110,898**

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of operating expenses and other expenditures directly associated with our hotel properties, including recurring maintenance and capital expenditures necessary to maintain our hotel properties in accordance with brand standards, capital expenditures to improve our hotel properties, interest expense and scheduled principal payments on outstanding indebtedness and distributions to our stockholders. In connection with the formation transactions, during February 2011, our predecessor paid accrued and unpaid priority returns on its Class A and Class A-1 membership interests in the amount of approximately $8.3 million. Our predecessor paid $535,261 of priority returns during the first quarter of 2010. Effective with the closing of the Merger, no additional payments on priority returns will be made.

We have entered into three agreements to purchase four hotels for purchase prices aggregating approximately $34.8 million:

- a 216-room hotel located in downtown Minneapolis, Minnesota for a purchase price of $10.5 million, or approximately $48,600 per key. If we complete this acquisition, we expect to convert the brand of the hotel after completing significant capital improvements of approximately $12.0 million, or approximately $56,000 per key, for a combined aggregate purchase price and renovation cost of approximately $22.6 million, or approximately $105,000 per key; and

- a 143-room hotel located in Duluth, Georgia and a 121-room hotel located in Glendale (Denver), Colorado for a combined purchase price of $17.0 million. If we complete the acquisitions of these hotels, we expect to perform standard renovations of approximately $2.5 million in the aggregate, for a combined aggregate purchase price and renovation cost of approximately $72,000 per key; and

- a 91-room hotel located in Ridgeland, Mississippi for a purchase price of $7.3 million, or approximately $80,219 per key. If we complete the acquisition of this hotel, we expect to perform a standard renovation of approximately $820,000, for a combined aggregate purchase price and renovation cost of approximately $89,000 per key.

We expect to complete each of these purchases in the second quarter of 2011, but we may not be satisfied with the results of our due diligence or other conditions to closing may not be satisfied, and thus, we cannot assure you that we will acquire any of these properties.

We expect to satisfy our short-term liquidity requirements with working capital, cash provided by operations, short-term borrowings under an anticipated $30.0 million unsecured revolving credit facility that we intend to enter into during the second quarter of 2011 and an anticipated $100.0 million senior secured revolving credit facility that we intend to enter into during the second quarter of 2011, and with remaining proceeds of our IPO and concurrent private placement. We expect that when we enter into the anticipated $100.0 million senior secured revolving credit facility we will transfer to it any then-outstanding principal balance on the anticipated $30.0 million unsecured revolving credit facility. We believe that our working capital and cash provided by operations will be sufficient to meet our ongoing short-term liquidity requirements for at least the next 12 months.

Our long-term liquidity requirements consist primarily of the costs of acquiring additional hotel properties, renovations and other non-recurring capital expenditures that need to be made periodically with respect to our hotel properties and scheduled debt payments, including approximately $20.0 million in capital expenditures pursuant to property improvement plans we expect to complete before June 30, 2012. We will seek to satisfy these long-term liquidity requirements through various sources of capital, including working capital, cash provided by operations, long-term hotel mortgage indebtedness and other borrowings, including borrowings under our credit facilities. In addition, we may seek to raise capital through public or private offerings of our equity or debt securities. However, certain factors may have a material adverse effect on our ability to access these capital sources, including our degree of leverage, the value of our unencumbered hotel properties and borrowing restrictions imposed by lenders. We will continue to analyze which source of capital is most advantageous to us at any particular point in time, but financing may not be consistently available to us on terms that are attractive, or at all.

To satisfy the requirements for qualification as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute annually at least 90% of our REIT taxable income to our stockholders, determined without regard to the deduction for dividends paid and excluding any net capital gain. Therefore, once the total net proceeds of IPO and the concurrent private placement have been invested, we will need to raise additional capital in order to grow our business and invest in additional hotel properties. However, there is no assurance that we will be able to borrow funds or raise additional equity capital on terms acceptable to us, if at all. We anticipate that any debt we incur in the future will include restrictions (including lockbox and cash management provisions) that under certain circumstances will limit or prohibit our operating partnership and its subsidiaries from making distributions or paying dividends, repaying loans or transferring assets.

Our Anticipated Senior Secured Revolving Credit Facility

Our operating partnership has obtained commitments for a $100.0 million, three-year (with an option to extend for one additional year if we meet certain requirements) senior secured revolving credit facility, or credit facility, with Deutsche Bank AG New York Branch, as administrative agent, Deutsche Bank Securities Inc., as lead arranger, and a syndicate of lenders including Deutsche Bank AG New York Branch, Royal Bank of Canada, KeyBank National Association and Regions Bank. Our operating partnership will be the borrower under the credit facility. The credit facility will be guaranteed by Summit REIT and all of our existing and future subsidiaries that own or lease a "borrowing base property." The credit facility will be secured primarily by a first priority mortgage lien on each borrowing base property and a first priority pledge of our equity interests in the subsidiaries that hold the borrowing base properties, and a TRS we will form in connection with the credit facility, which will wholly own the TRS lessees that will lease each of the borrowing base properties.

We may not succeed in obtaining a credit facility on favorable terms or at all and we cannot predict the size or terms of the secured revolving credit facility if we are able to obtain it. Our failure to obtain a credit facility could adversely affect our ability to grow our business and meet our obligations as they come due.

The following is a summary of the indicative terms and conditions for our anticipated $100.0 million credit facility. We intend to negotiate, execute and deliver definitive documentation for the credit facility during the second quarter of 2011, and the credit facility will not become effective unless we comply with all of the conditions to effectiveness, including the lenders' satisfactory completion of financial, accounting and business due diligence, the receipt of satisfactory appraisals on the borrowing base properties and our satisfaction of other conditions. We also have agreed to actively assist the administrative agent in syndicating the credit facility. There can be no assurance as to if or when the definitive documentation will be executed and delivered or the conditions to effectiveness will be satisfied, and the size and other terms of the credit facility reflected in the definitive documentation may differ from those outlined below.

Outstanding borrowings on the senior secured revolving credit facility are expected to be limited to the least of (1) $100.0 million, (2) 55% of the aggregate appraised value of the borrowing base properties and (3) the aggregate adjusted net operating income of the borrowing base properties securing the facility divided by 150% of the monthly factor shown on a standard level constant payment table for a fully amortizing 25-year loan based on an assumed interest rate equal to the greatest of (x) the ten-year U.S. Treasury rate plus 3.5%, (y) 7.00% and (z) the weighted-average interest rate then applicable to advances outstanding under the secured revolving credit facility. The initial availability of the credit facility is also subject to a borrowing base having no fewer than 15 properties. Prior to the second anniversary of the credit facility's closing date we also may elect to increase the amount of the credit facility by up to an additional $100.0 million, increasing the maximum aggregate amount of the credit facility to $200.0 million, subject to the identification of a lender or lenders willing to make available the additional amounts, including new lenders acceptable to us and the administrative agent.

Payment Terms. We expect that we will be obligated to pay interest at the end of each selected interest period, but not less than quarterly, with all outstanding principal and accrued but unpaid interest due at maturity. We have the right to repay all or any portion of the outstanding borrowings from time to time without penalty or premium, other than customary early payment fees if we repay a LIBOR loan before the end of the contract period. In addition, we will be required to make earlier principal reduction payments in the event of certain changes in the borrowing base availability.

We expect that we will pay interest on the periodic advances under the senior secured revolving credit facility at varying rates, based upon, at our option, either (i) 1-, 2-, 3- or 6-month LIBOR, subject to a floor of 0.50%, plus the applicable LIBOR margin or (ii) the applicable base rate, which is the greatest of the administrative agent's prime rate, 0.50% plus the federal funds effective rate, and 1-month LIBOR (incorporating the floor of 0.50%) plus 1.00%, plus the applicable margin for base rate loans. The applicable LIBOR and base rate margin is expected to depend upon the ratio of our outstanding consolidated total indebtedness to EBITDA, as follows:

Total Debt to EBITDA Ratio	LIBOR Margin	Base Rate Margin
<3.50x	2.50%	1.50%
≥3.50x and <5.00x	3.00%	2.00%
≥5.00x	3.50%	2.50%

On a quarterly basis, we will be required to pay a fee on the unused portion of the senior secured revolving credit facility equal to the unused amount multiplied by an annual rate of either (i) 0.50%, if the unused amount is equal to or greater than 50% of the maximum aggregate amount of the credit facility, or (ii) 0.375%, if the unused amount is less than 50% of the maximum aggregate amount of the credit facility. We will also be required to pay other fees, including customary arrangement, administrative and fronting fees.

Financial and Other Covenants. In addition, we expect to be required to comply with a series of financial and other covenants in order to borrow under the senior secured revolving credit facility. The material financial covenants, tested quarterly, remain subject to negotiation but are expected to include the following:

- a maximum ratio of consolidated indebtedness (as defined in the loan documentation) to consolidated EBITDA (as defined in the loan documentation);
- a minimum ratio of adjusted consolidated EBITDA (as defined in the loan documentation) to consolidated fixed charges (as defined in the loan documentation);
- a minimum consolidated tangible net worth (as defined in the loan documentation) of not less than 80% of our consolidated tangible net worth as of the facility's closing date plus 80% of the net proceeds of subsequent common equity issuances; and
- a maximum dividend payout ratio of 95% of FFO (as defined in the loan documentation) or an amount necessary to maintain REIT tax status and avoid corporate income and excise taxes.

We also expect that we will be subject to other customary covenants, including restrictions on investments, limitations on liens and maintenance of properties. The credit facility will also contain customary events of default, including, among others, the failure to make payments when due under any of the credit facility documentation, breach of any covenant continuing beyond any cure period and bankruptcy or insolvency.

Indebtedness

As of December 31, 2010, we had approximately $420.4 million in outstanding indebtedness and no hotels unencumbered by mortgage debt. As of March 30, 2011, we have approximately $197.1 million in outstanding indebtedness and 33 hotels unencumbered by mortgage debt, including 25 hotels with 2,330 rooms operating under brands owned by Marriott, Hilton, IHG or Hyatt, available as collateral for potential future loans. We intend to enter into a $100.0 million senior secured revolving credit facility to fund future acquisitions, as well as for property redevelopments and working capital requirements, that we expect will be secured by a significant number of these properties. We may not succeed in obtaining a credit facility on favorable terms or at all and we cannot predict the size or terms of the secured revolving credit facility if we are able to obtain it. Our failure to obtain a credit facility could adversely affect our ability to grow our business and meet our obligations as they come due.

The following table sets forth our mortgage debt obligations that were outstanding as of December 31, 2010:

Lender	Collateral	Outstanding Principal Balance as of December 31, 2010	Interest Rate as of December 31, 2010 (1)	Amortization (years)	Maturity Date
Bank of the Cascades	Residence Inn by Marriott, Portland, OR	$ 12,623,347	Prime rate, subject to a floor of 6.00%	25	09/30/11
ING Investment Management(2)(15)	Fairfield Inn & Suites by Marriott, Germantown, TN Residence Inn by Marriott, Germantown, TN Holiday Inn Express, Boise, ID Courtyard by Marriott, Memphis, TN Hampton Inn & Suites, El Paso, TX Hampton Inn, Ft. Smith, AR	28,901,411	5.60%	20	07/01/25
MetaBank	Cambria Suites, Boise, ID SpringHill Suites by Marriott, Lithia Springs, GA	7,286,887	Prime rate, subject to a floor of 5.00%	20	03/01/12
Chambers Bank	Aspen Hotel & Suites, Ft. Smith, AR	1,594,177	6.50%	20	06/24/12
Bank of the Ozarks(3)	Hyatt Place, Portland, OR	6,435,774	90-day LIBOR + 4.00%, subject to a floor of 6.75%	25	06/29/12

Lender	Collateral	Outstanding Principal Balance as of December 31, 2010	Interest Rate as of December 31, 2010 (1)	Amortization (years)	Maturity Date
ING Investment Management(4)(10) (15)	Hilton Garden Inn, Ft. Collins, CO	7,896,366	6.34%	20	07/01/12
ING Investment Management(4)(11) (15)	Comfort Inn, Ft. Smith, AR Holiday Inn Express, Sandy, UT Fairfield Inn by Marriott, Lewisville, TX Hampton Inn, Denver, CO Holiday Inn Express, Vernon Hills, IL Hampton Inn, Fort Wayne, IN Courtyard by Marriott, Missoula, MT Comfort Inn, Missoula, MT	29,321,614	6.10%	20	07/01/12
BNC National Bank(13)	Hampton Inn & Suites, Ft. Worth, TX	5,719,872	5.01%	20	11/01/13
First National Bank of Omaha(5)	Courtyard by Marriott, Germantown, TN Courtyard by Marriott, Jackson, MS Hyatt Place, Atlanta, GA	24,234,933	90-day LIBOR + 4.00%, subject to a floor of 5.25%	20	07/01/13
ING Investment Management(6)(12) (15)	Residence Inn by Marriott, Ridgeland, MS	6,235,813	6.61%	20	11/01/28
General Electric Capital Corp.(7)(14)	Cambria Suites, San Antonio, TX	11,182,794	90-day LIBOR + 2.55%	25	04/01/14
National Western Life Insurance(8)	Courtyard by Marriott, Scottsdale, AZ SpringHill Suites by Marriott, Scottsdale, AZ	13,631,222	8.00%	17	01/01/15
BNC National Bank(13)	Holiday Inn Express & Suites, Twin Falls, ID	5,814,136	Prime rate - 0.25%	20	04/01/16
Compass Bank	Courtyard by Marriott, Flagstaff, AZ	16,492,293	Prime rate - 0.25%, subject to a floor of 4.50%	20	05/17/18
General Electric Capital Corp.(14)	SpringHill Suites by Marriott, Denver, CO	8,685,517	90-day LIBOR + 1.75%	20	04/01/18
General Electric Capital Corp.(9)(14)	Cambria Suites, Baton Rouge, LA	11,033,293	90-day LIBOR + 1.80%	25	03/01/19
Subtotal		**$197,089,449**			
Loans outstanding at December 31, 2010 that were repaid with proceeds of IPO and concurrent private placement					
Fortress Credit Corp.(16)	Land parcels	86,722,869	30-day LIBOR + 8.75%		03/05/11
Lehman Brothers Bank(16)	27 hotels	76,829,078	5.4205%		01/11/12
Marshall & Ilsley Bank(16)	Hampton Inn & Suites, Bloomington, MN	11,524,451	30-day LIBOR + 3.90%		03/31/11
Marshall & Ilsley Bank(16)	Cambria Suites, Bloomington,	9,895,727	30-day LIBOR +		06/30/11

	MN		3.90%	
First National Bank of Omaha(16)	Hyatt Place, Las Colinas, TX Holiday Inn Express & Suites, Las Colinas, TX StayBridge Suites, Jackson, MS	18,774,418	90-day LIBOR + 4.00%	07/31/11
First National Bank of Omaha(16)	SpringHill Suites by Marriott, Flagstaff, AZ Aloft, Jacksonville, FL	19,601,215	90-day LIBOR + 4.00%	07/31/11
Subtotal		**$223,347,758**		
Total(17)		**$420,437,207**		

(1) As of December 31, 2010, the Prime rate was 3.25% and the 90-day LIBOR rate was 0.30%.

(2) The lender has the right to call the loan, which is secured by multiple hotel properties, at January 1, 2012, January 1, 2017 and January 1, 2022. At January 1, 2012, the loan begins to amortize according to a 19.5 year amortization schedule. If this loan is repaid prior to maturity, there is a prepayment penalty equal to the greater of (i) 1% of the principal being repaid and (ii) the yield maintenance premium. There is no prepayment penalty if the loan is prepaid 60 days prior to any call date.

(3) The maturity date may be extended to June 20, 2014 based on the exercise of two, one-year extension options, subject to the satisfaction of certain conditions. If this loan is repaid prior to June 29, 2011, there is a prepayment penalty equal to 1% of the principal being repaid.

(4) If this loan is repaid prior to maturity, there is a prepayment penalty equal to the greater of (i) 1% of the principal being repaid and (ii) the yield maintenance premium.

(5) Evidenced by three promissory notes, the loan secured by the Hyatt Place located in Atlanta, Georgia has a maturity date of February 1, 2014. The three promissory notes are cross-defaulted and cross-collateralized.

(6) The lender has the right to call the loan at November 1, 2013, 2018 and 2023. If this loan is repaid prior to maturity, there is a prepayment penalty equal to the greater of (i) 1% of the principal being repaid and (ii) the yield maintenance premium. There is no prepayment penalty if the loan is prepaid 60 days prior to any call date.

(7) If this loan is repaid prior to April 1, 2011, there is a prepayment penalty equal to 0.75% of the principal being repaid. After this date, there is no prepayment penalty. A portion of the loan can be prepaid without penalty at any time to bring the loan-to-value ratio to no less than 65%.

(8) On December 8, 2009, we entered into two cross-collateralized and cross-defaulted mortgage loans with National Western Life Insurance in the amounts of $8,650,000 and $5,350,000 to refinance the JP Morgan debt on the two Scottsdale, AZ hotels. Prior to February 1, 2011, these loans cannot be prepaid. If these loans are prepaid, there is a prepayment penalty ranging from 1% to 5% of the principal being prepaid. A one-time, ten-year extension of the maturity date is permitted, subject to the satisfaction of certain conditions.

(9) If this loan is repaid prior to February 27, 2011, there is a prepayment penalty equal to 0.75% of the principal being repaid. After this date, and until July 1, 2011, there is no prepayment penalty. A portion of the loan can be prepaid without penalty at any time to bring the loan-to-value ratio to no less than 65%.

(10) This loan is cross-collateralized with the ING Investment Management loan secured by the following hotel properties: Comfort Inn, Ft. Smith, AR; Holiday Inn Express, Sandy, UT; Fairfield Inn by Marriott, Lewisville, TX; Hampton Inn, Denver, CO; Holiday Inn Express, Vernon Hills, IL; Hampton Inn, Fort Wayne, IN; Courtyard by Marriott, Missoula, MT; Comfort Inn, Missoula, MT.

(11) This loan is secured by multiple hotel properties.

(12) This loan is cross-collateralized with the ING Investment Management loan secured by the following hotel properties: Fairfield Inn & Suites by Marriott, Germantown, TN; Residence Inn by Marriott, Germantown, TN; Holiday Inn Express, Boise, ID; Courtyard by Marriott, Memphis, TN; Hampton Inn & Suites, El Paso, TX; Hampton Inn, Ft. Smith, AR.

(13) The two BNC loans are cross-defaulted.

(14) The three General Electric Capital Corp. loans are cross-defaulted. Effective July 1, 2011, the interest rate on all three loans will increase to 90-day LIBOR + 4.00%. Effective August 1, 2011, all three loans will be subject to a prepayment penalty equal to 2% of the principal repaid prior to August 1, 2012, 1% of the principal repaid prior to August 1, 2013, and 0% of the principal repaid thereafter.

(15) The yield maintenance premium under each of the ING Investment Management loans is calculated as follows: (A) if the entire amount of the loan is being prepaid, the yield maintenance premium is equal to the sum of (i) the present value of the scheduled monthly installments from the date of prepayment to the maturity date, and (ii) the present value of the amount of principal and interest due on the maturity date (assuming all scheduled monthly installments due prior to the maturity date were made when due), less (iii) the outstanding principal balance as of the date of prepayment; and (B) if only a portion of the loan is being prepaid, the yield maintenance premium is equal to the sum of (i) the present value of the scheduled monthly installments on the pro rata portion of the loan being prepaid, or the release price, from the date of prepayment to the maturity date, and (ii) the present value of the pro rata amount of principal and interest due on the release price due on the maturity date (assuming all scheduled monthly installments due prior to the maturity date were made when due), less (iii) the outstanding amortized principal allocation, as defined in the loan agreement, as of the date of prepayment.

(16) Loan paid in full in using proceeds of our IPO and the concurrent private placement. See also Item 5 of this report.
(17) Total amount includes approximately $223.3 million of indebtedness that was repaid using proceeds of our IPO and the concurrent private placement. See also Item 5 of this report.

We believe that we will have adequate liquidity to meet requirements for scheduled maturities. However, we can provide no assurances that we will be able to refinance our indebtedness as it becomes due and, if refinanced, whether such refinancing will be available on favorable terms.

Capital Expenditures

We intend to spend approximately $20.0 million before June 30, 2012 for capital improvements to be made to the hotels in our portfolio, including capital improvements that we may be required to make pursuant to property improvement plans with respect to certain hotels in our portfolio. We intend to use approximately $10.0 million of the net proceeds of our IPO and the concurrent private placement to fund these capital improvements. We expect to fund the balance of these capital improvements with borrowings and other potential sources of capital.

Upon completion of our IPO, the hotel management agreement with Interstate required us to deposit approximately $5.3 million of the net proceeds of our IPO and the concurrent private placement into an account to be used to replace or refurbish furniture, fixtures and equipment at the hotels in our portfolio. We will not be required to deposit additional funds into this account but we may elect to do so at our discretion as part of our capital budgeting process.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Contractual Obligations

The following table outlines the timing of payment requirements related to our long-term debt obligations and other contractual obligations as of December 31, 2010 (dollars in millions).

	Payments Due By Period				
	Total	**Less than One Year**	**One to Three Years**	**Four to Five Years**	**More than Five Years**
Long-term debt obligations [1]	$ 417.5	$ 157.6	$ 185.8	$ 33.1	$ 41.0
Operating Lease obligations	$ 7.7	$ 0.2	$ 0.5	$ 0.5	$ 6.5
Total	**$ 425.2**	**$ 157.8**	**$ 186.3**	**$ 33.6**	**$ 47.5**

(1) The amounts shown include amortization of principal on our fixed-rate and variable-rate obligations, debt maturities on our fixed-rate and variable-rate obligations and estimated interest payments of our fixed-rate obligations. Interest payments have been included based on the weighted-average interest rate. Amounts include approximately $223.6 million of long-term debt obligations that were repaid in the first quarter of 2011 with net proceeds from our IPO and the concurrent private placement.

The following table outlines the timing of payment requirements related to our long-term debt obligations and other contractual obligations as of December 31, 2010 on a pro forma basis, after application of the net proceeds from our IPO and the concurrent private placement as described under Item 5 of this report (dollars in millions).

	Payments Due By Period				
	Total	Less than One Year	One to Three Years	Four to Five Years	More than Five Years
Long-term debt obligations [1]	$ 201.2	$ 18.1	$ 109.0	$ 33.1	$ 41.0
Operating Lease obligations	$ 7.7	$ 0.2	$ 0.5	$ 0.5	$ 6.5
Total	**$ 208.9**	**$ 18.3**	**$ 109.5**	**$ 33.6**	**$ 47.5**

(1) The amounts shown include amortization of principal on our fixed-rate and variable-rate obligations, debt maturities on our fixed-rate and variable-rate obligations and estimated interest payments of our fixed-rate obligations. Interest payments have been included based on the weighted-average interest rate.

Inflation

Operators of hotels, in general, possess the ability to adjust room rates daily to reflect the effects of inflation. However, competitive pressures may limit the ability of our management companies to raise room rates.

Seasonality

Due to our portfolio's geographic diversification, our revenue has not experienced significant seasonality. For the year ended December 31, 2010, our predecessor received 23.1% of its total revenue in the first quarter, 26.4% in the second quarter, 27.7% in the third quarter and 22.7% in the fourth quarter. For the year ended December 31, 2009, our predecessor received 24.2% of its total revenue in the first quarter, 25.8% in the second quarter, 26.6% in the third quarter and 23.4% in the fourth quarter.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. While we do not believe the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ materially from these estimates. We evaluate our estimates and judgments, including those related to the impairment of long-lived assets, on an ongoing basis. We base our estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances. All of our predecessor's significant accounting policies are disclosed in the notes to its consolidated financial statements. The following represent certain critical accounting policies that will require our management to exercise their business judgment or make significant estimates:

Principles of Consolidation and Basis of Presentation. Our consolidated financial statements include our accounts, the accounts of our wholly owned subsidiaries or subsidiaries for which we have a controlling interest, the accounts of variable interest entities in which we are the primary beneficiary, and the accounts of other subsidiaries over which we have a controlling interest. All material inter-company transactions, balances and profits will be eliminated in consolidation. The determination of whether we are the primary beneficiary is based on a combination of qualitative and quantitative factors which require management in some cases to estimate future cash flows or likely courses of action.

Hotels—Acquisitions. Upon acquisition, we allocate the purchase price based on the fair value of the acquired land, building, furniture, fixtures and equipment, goodwill, other assets and assumed liabilities. We determine the acquisition-date fair values of all assets and assumed liabilities using methods similar to those used by independent appraisers, for example, using a discounted cash flow analysis, and that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. Acquisition costs are expensed as incurred. Changes in estimates and judgments related to the allocation of the purchase price could result in adjustments to real estate or intangible assets, which can impact depreciation and/or amortization expense and our results of operations.

Depreciation and Amortization of Hotels. Hotels are carried at cost and depreciated using the straight-line method over an estimated useful life of 27 to 40 years for buildings and two to 15 years for furniture, fixtures and equipment. We are required to make subjective assessments as to the useful lives and classification of our properties for purposes of determining the amount of depreciation expense to reflect each year with respect to the assets. While management believes its estimates are reasonable, a change in the estimated useful lives could affect the results of operations.

Impairment of Hotels. We monitor events and changes in circumstances for indicators that the carrying value of a hotel and related assets may be impaired. Factors that could trigger an impairment analysis include, among others: (1) significant underperformance relative to historical or projected operating results, (2) significant changes in the manner of use of a hotel or the strategy of our overall business, (3) a significant increase in competition, (4) a significant adverse change in legal factors or regulations or (5) significant negative industry or economic trends. When such factors are identified, we will prepare an estimate of the undiscounted future cash flows, without interest charges, of the specific hotel and determine if the investment in such hotel is recoverable based on the undiscounted future cash flows. If impairment is indicated, an adjustment is made to the carrying value of the hotel to reflect the hotel at fair value. These assessments may impact the results of our operations.

Revenue Recognition. Revenue is recognized when rooms are occupied and services have been rendered. These revenue sources are affected by conditions impacting the travel and hospitality industry as well as competition from other hotels and businesses in similar markets.

Stock-Based Compensation. We have adopted the 2011 Equity Incentive Plan, which provides for the grants of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights and other stock-based awards, or any combination of the foregoing. Equity-based compensation will be recognized as an expense in the financial statements over the vesting period and measured at the fair value of the award on the date of grant. The amount of the expense may be subject to adjustment in future periods depending on the specific characteristics of the equity-based award and the application of accounting guidance.

Income Taxes. We intend to elect to be taxed as a REIT under the Code and intend to operate as such beginning with our short taxable year ending December 31, 2011. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute annually to our stockholders at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, which does not necessarily equal net income as calculated in accordance with GAAP. As a REIT, we generally will not be subject to federal income tax (other than taxes paid by our TRSs) to the extent we currently distribute 100% of our REIT taxable income to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for the four taxable years following the year during which qualification is lost unless we satisfy certain relief provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. However, we intend to be organized and operate in such a manner as to qualify for treatment as a REIT.

Deferred Tax Assets and Liabilities. We will account for federal and state income taxes with respect to our TRSs using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statements' carrying amounts of existing assets and liabilities and respective tax bases and operating losses and tax-credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In the event that these assumptions change, the deferred taxes may change.

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued an update (ASU No. 2010-06) to Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* , to improve disclosure requirements regarding transfers, classes of assets and liabilities, and inputs and valuation techniques. This update is effective for interim and annual reporting periods beginning after December 15, 2009. Our predecessor adopted this ASC update on January 1, 2010, and it had no material impact on our predecessor's consolidated financial statements.

Certain provisions of ASU No. 2010-06 to ASC 820, *Fair Value Measurements and Disclosures* , related to separate line items for all purchases, sales, issuances and settlements of financial instruments valued using Level 3 are effective for fiscal years beginning after December 15, 2010. We do not believe that this adoption will have a material impact on our consolidated financial statements or disclosures.

Recent Developments

On February 14, 2011, we closed our IPO of 26,000,000 shares of common stock and the concurrent private placement to an affiliate of IHG of 1,274,000 shares of common stock. Summit REIT, our operating partnership and certain of our subsidiaries entered into several agreements in connection with the completion of our IPO, the concurrent private placement and the formation transactions described in the prospectus ("Prospectus"), dated February 8, 2011, we filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended.

Effective February 14, 2011, our operating partnership and our predecessor completed the Merger with our operating partnership surviving the Merger and succeeding to the business and assets of our predecessor. At the effective time of the Merger, the outstanding membership interests in our predecessor were converted into, and cancelled in exchange for, a total of 9,993,992 Common Units and the members of our predecessor were admitted as limited partners of our operating partnership. Also effective February 14, 2011, The Summit Group contributed its 36% Class B membership interest in Summit of Scottsdale, which owns two hotels in Scottsdale, Arizona, to our operating partnership in exchange for 74,829 Common Units and an unaffiliated third-party investor contributed its 15% Class C membership interest in Summit of Scottsdale to our operating partnership in exchange for 31,179 Common Units. As a result of these reorganization transactions, we acquired, through our operating partnership and its subsidiaries, sole ownership of the 65 hotels in its portfolio. In addition, we, through our operating partnership and its subsidiaries, assumed the indebtedness of our predecessor and its subsidiaries.

In the first quarter of 2011, we applied approximately $227.2 million of the proceeds of our IPO and the concurrent private placement to reduce outstanding mortgage indebtedness and pay associated costs, as follows:

- approximately $89.3 million to repay in full a loan with Fortress Credit Corp., including approximately $2.1 million of exit fees, interest and legal fees;
- approximately $78.2 million to repay in full a loan originally made by Lehman Brothers Bank, including approximately $1.4 million to pay an extinguishment premium and other transaction costs;
- approximately $21.4 million to repay in full two loans with Marshall & Isley Bank; and
- approximately $38.3 million to repay in full two loans with First National Bank of Omaha.

In March 2011, we entered into three agreements to purchase four hotels for purchase prices aggregating approximately $34.8 million:

- a 216-room hotel located in downtown Minneapolis, Minnesota for a purchase price of $10.5 million, or approximately $48,600 per key;
- the 121-room Staybridge Suites Denver-Cherry Creek in Denver, Colorado for approximately $10.0 million, or approximately $82,645 per key;
- the 143-room Holiday Inn Atlanta-Gwinnett Place Area in Atlanta, Georgia for approximately $7.0 million, or approximately $48,950 per key; and

- the 91-room Homewood Suites by Hilton Jackson-Ridgeland in Ridgeland, Mississippi from an unaffiliated third party for an aggregate purchase price of approximately $7.3 million, or approximately $80,220 per key.

We expect to complete the purchases of the named hotels above in late April 2011, but we may not be satisfied with the results of our due diligence or other conditions to closing may not be satisfied, and thus we cannot assure you that we will acquire any of these properties. We expect to complete the purchase of the 216-room hotel located in downtown Minneapolis, Minnesota during the second quarter of 2011, but we may not be satisfied with the results of our due diligence or other conditions to closing may not be satisfied, and thus we cannot assure you that we will acquire this property.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Market Risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market-sensitive instruments. In pursuing our business strategies, the primary market risk to which we are currently exposed, and to which we expect to be exposed in the future, is interest rate risk. Our primary interest rate exposures are to the 30-day LIBOR rate, the 90-day LIBOR rate and the Prime rate. We primarily use fixed interest rate financing to manage our exposure to fluctuations in interest rates. We do not use any hedge or other instruments to manage interest rate risk.

As of December 31, 2010, approximately 40.5%, or approximately $170.1 million, of the LLC's debt bore fixed interest rates and approximately 59.5%, or approximately $250.3 million bore variable interest rates. As of December 31, 2010, on a pro forma basis, after application of a portion of the net proceeds from our IPO and the concurrent private placement, approximately 47.3%, or approximately $93.3 million, of our pro forma debt carried fixed interest rates and approximately 52.7%, or approximately $103.8 million, carried variable interest rates. Assuming no increase in the amount of our variable rate pro forma debt, if the interest rates on our variable rate pro forma debt were to increase by 1.0%, our cash flow would decrease by approximately $1.0 million per year.

As our debts mature, the financing arrangements that carry fixed interest rates will become subject to interest rate risk. In addition, as variable rate loans mature, lenders may impose floor interest rates because of the low interest rates experienced during the past few years. Approximately $18.1 million of our long-term debt will mature during 2011, which amount includes amortizing principal paid in regular monthly payments, of which approximately $3.9 million bears fixed interest rates and $14.2 million bears variable interest rates.

Item 8. Financial Statements and Supplementary Data.

See Index to the Financial Statements on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A . Controls and Procedures.

Controls and Procedures—Summit REIT

Disclosure Controls and Procedures

Under the supervision and with the participation of Summit REIT's management, including its Chief Executive Officer and Chief Financial Officer, Summit REIT has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, Summit REIT's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Summit REIT's management to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

This report does not include a report of Summit REIT's management's assessment regarding internal control over financial reporting or an attestation report of Summit REIT's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control

There have been no changes in Summit REIT's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, Summit REIT's internal control over financial reporting.

Controls and Procedures—Summit OP

Disclosure Controls and Procedures

Under the supervision and with the participation of Summit OP's management, including the Chief Executive Officer and Chief Financial Officer of the sole member of Summit OP's general partner, Summit OP has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer of the sole member of its general partner have concluded that, as of the end of the period covered by this report, these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Summit OP's management, including the Chief Executive Officer and Chief Financial Officer of the sole member of Summit OP's general partner, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

This report does not include a report of Summit OP's management's assessment regarding internal control over financial reporting or an attestation report of Summit OP's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control

There have been no changes in Summit OP's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, Summit OP's internal control over financial reporting.

Item 9B . Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Summit REIT's board of directors consists of six members, a majority of whom are independent within the meaning of the NYSE listing standards. Each of the directors will serve until the next annual meeting of stockholders and until his successor is duly elected and qualifies. The next annual meeting of stockholders of Summit REIT will be held in 2012, as its annual meeting for 2011 occurred prior to completion of the IPO and the concurrent private placement. Subject to rights pursuant to their employment or severance agreements, Summit REIT's executive officers serve at the pleasure of its board of directors.

The following table provides certain information regarding Summit REIT's directors and executive officers:

Name	Age	Position
Kerry W. Boekelheide	56	Executive Chairman of the Board and Director
Daniel P. Hansen	41	President and Chief Executive Officer and Director
Craig J. Aniszewski	47	Executive Vice President and Chief Operating Officer
Stuart J. Becker	49	Executive Vice President, Chief Financial Officer and Treasurer
Ryan A. Bertucci	38	Vice President of Acquisitions
Christopher R. Eng	39	Vice President, General Counsel and Secretary
JoLynn M. Sorum	52	Vice President, Controller and Chief Accounting Officer
Bjorn R. L. Hanson	59	Independent Director
David S. Kay	44	Independent Director
Thomas W. Storey	54	Independent Director
Wayne W. Wielgus	56	Independent Director

Biographies of Summit REIT's Directors and Executive Officers

Directors

Kerry W. Boekelheide, Executive Chairman of the Board and Director

Mr. Boekelheide serves as Summit REIT's Executive Chairman of the Board and has been a member of its board of directors since June 2010. He has served as the Chief Executive Officer and as a member of the board of managers of the LLC since its formation in 2004. Mr. Boekelheide has served as the Chairman and sole director of The Summit Group since 1991. The Summit Group, with its affiliates, developed and acquired 54 hotels from 1991 through 2004. Prior to forming The Summit Group, Mr. Boekelheide was President and a shareholder of Super 8 Management, Inc., which was responsible for the management of over 100 Super 8 Motels located across the United States and Canada, and held numerous other positions in various companies that developed, owned and operated Super 8 Motels in the United States and Canada. Mr. Boekelheide graduated with a B.S. degree in business from Northern State University.

Mr. Boekelheide brings leadership experience and extensive experience and knowledge of Summit REIT and its industry to Summit REIT's board of directors. As the founder and president of our predecessor, Mr. Boekelheide has the most long-term and valuable hands-on knowledge of the issues, opportunities and challenges facing Summit REIT and its business. In addition, Mr. Boekelheide brings his broad strategic vision for our company to Summit REIT's board of directors.

Daniel P. Hansen, President, Chief Executive Officer and Director

Mr. Hansen has served as Summit REIT's President and Chief Executive Officer since June 2010 and has been member of its board of directors since June 2010. Mr. Hansen joined The Summit Group in October of 2003 as Vice President of Investor Relations. His responsibilities included leading the capital raising efforts for our predecessor's private placements of its equity securities and assisting in acquisition due diligence. In 2005, he was appointed to our predecessor's board of managers and was promoted to Executive Vice President, in which capacity he was part of the team that acquired over $140 million of hotel properties and led the development of over $240 million of hotel assets. He was appointed President of The Summit Group and Chief Financial Officer of our predecessor in 2008. His primary responsibilities included the development and execution of growth strategies for our predecessor, raising equity capital and hotel development and acquisition. Prior to joining The Summit Group, Mr. Hansen spent 11 years with Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") in various leadership positions, culminating as a Vice President and Regional Sales Manager for Merrill Lynch in the Texas Mid-South Region, which included Texas, Louisiana, Arkansas and Oklahoma. Mr. Hansen graduated from South Dakota State University with a B.A. in economics.

Mr. Hansen's service as Summit REIT's President and Chief Executive Officer provides a critical link between management and Summit REIT's board of directors, enabling the board of directors to perform its oversight function with the benefits of management's perspectives on the business. Mr. Hansen also provides us with extensive experience in the hospitality industry as well as a capital markets background that will assist Summit REIT's board of directors in analyzing capital raising opportunities and issues.

Dr. Bjorn R. L. Hanson, Independent Director

Dr. Hanson has been a member of Summit REIT's board of directors since February 2011. Dr. Hanson has worked in the hospitality industry for more than 35 years and has been involved in consulting, research and investment banking in the lodging sector. He joined the New York University School of Continuing Professional Studies in June 2008 as a clinical professor teaching in the school's graduate and undergraduate hospitality and tourism programs and directing applied research projects. In 2010, he was appointed as the divisional dean of that school's Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management. Before joining the Tisch Center, Dr. Hanson was a partner with PricewaterhouseCoopers LLP and its predecessor, Coopers & Lybrand LLP, which he joined in 1989. Dr. Hanson founded the hospitality, sports, convention and leisure practice and held various positions at PricewaterhouseCoopers and Coopers & Lybrand, including National Industry Chairman for the Hospitality Industries, National Service Line Director for Hospitality Consulting, National Industry Chairman for Real Estate, Real Estate Service Line Director and National Director of Appraisal Services. Additionally, he served on the U.S. leadership committee and global financial advisory services management committee of PricewaterhouseCoopers. Dr. Hanson was also managing director with two Wall Street firms, Kidder, Peabody & Co. and PaineWebber Inc., for which he led banking and research departments for lodging and gaming. Dr. Hanson received a B.S. from Cornell University School of Hotel Administration, an M.B.A. from Fordham University and a Ph.D. from New York University.

Dr. Hanson serves as a member of Summit REIT's audit committee and Summit REIT's nominating and corporate governance committee.

Dr. Hanson brings a wide range of experience in consulting, research and investment banking in the lodging sector to Summit REIT's board of directors. Further, he brings an academic perspective on the hospitality and tourism industries, which enhances the ability of Summit REIT's board of directors to analyze macroeconomic issues and trends relevant to Summit REIT's business. Finally, Dr. Hanson's leadership roles in market trend analysis, economic analysis and financial analysis specific to Summit REIT's industry provide Summit REIT's board of directors with additional depth in analyzing financial reporting issues faced by companies similar to ours.

David S. Kay, Independent Director

Mr. Kay has been a member of Summit REIT's board of directors since February 2011. Mr. Kay has worked in finance, accounting and business planning and strategy for more than 20 years and has been involved with REITs for over 13 years, which we believe qualifies him to serve as a member of Summit REIT's board of directors. He is the Executive Vice President, Chief Financial Officer and Treasurer of Capital Automotive Real Estate Services, Inc., whose predecessor, Capital Automotive REIT, he co-founded in 1997 and took public in 1998. Mr. Kay served as Senior Vice President, Chief Financial Officer and Treasurer for Capital Automotive until it was taken private in a nearly $4 billion privatization transaction in 2005. Prior to founding Capital Automotive, Mr. Kay worked at the public accounting firm of Arthur Andersen LLP in Washington, D.C. for approximately ten years. While at Arthur Andersen, Mr. Kay provided consulting services to clients regarding mergers and acquisitions, business planning and strategy and equity financing. He has experience with capital formation projects, roll-up transactions and IPOs for companies in various industries. Mr. Kay is a member of James Madison University's College of Business Executive Advisory Council and is a certified public accountant. Mr. Kay received a B.B.A., with a concentration in accounting, from James Madison University.

Mr. Kay is the chairman of Summit REIT's audit committee and is its financial expert. Mr. Kay also serves as a member of Summit REIT's compensation committee.

Mr. Kay was chosen to join Summit REIT's board of directors specifically to serve Summit REIT's audit committee as its audit committee financial expert. Summit REIT targeted a director with financial and auditing experience specific to the REIT industry. Mr. Kay worked in auditing for Arthur Andersen for ten years and is the Executive Vice President, Chief Financial Officer and Treasurer of Capital Automotive Real Estate Services, Inc., whose predecessor, Capital Automotive REIT, was a publicly traded REIT. Mr. Kay also gained experienced with the issues facing new, publicly traded REITs at Capital Automotive. These experiences position Mr. Kay to serve on Summit REIT's board of directors and its audit committee.

Thomas W. Storey, Independent Director

Mr. Storey has been a member of Summit REIT's board of directors since February 2011. Mr. Storey has worked in the hospitality industry for more than 25 years. He is the Executive Vice President Business Strategy for Fairmont Raffles Hotels International (FRHI), a leading global hotel company with over 100 hotels worldwide under the Fairmont, Raffles and Swissôtel brands, that Mr. Storey joined in 1999. Having helped launch FRHI as a publicly traded company and its subsequent privatization, Mr. Storey is responsible for strategic planning and helping to identify new opportunities for FRHI that capitalize on improving business fundamentals. Mr. Storey has held a series of progressive leadership positions with FRHI, including Executive Vice President, Development and Executive Vice President Business Development & Strategy, as well as President of Fairmont Hotels and Resorts. Mr. Storey has been a member of various hospitality industry organizations, including the American Hotel & Lodging Association, the Travel Industry Association of America, and Professional Conference and Meeting Planners. Mr. Storey received a B.A. in economics from Bates College and an M.B.A. from the Johnson School at Cornell University.

Mr. Storey serves as the chair of Summit REIT's nominating and corporate governance committee, and also serves on Summit REIT's compensation committee.

Mr. Storey provides Summit REIT's board of directors with strategic vision to position Summit REIT as lodging industry fundamentals begin to strengthen after the economic recession. As Executive Vice President Business Strategy of Fairmont Raffles Hotels International, Mr. Storey has been instrumental in helping lead that company through various lodging cycles. We expect Mr. Storey's experience in analyzing and reacting to changing conditions in the hospitality industry will serve Summit REIT's board of directors as Summit REIT grows. We also expect Mr. Storey's operations experience as President of Fairmont Hotels and Resorts to help him provide valuable insights to Summit REIT's board of directors. Mr. Storey also possesses particular expertise in business travel, an important aspect of our business.

Wayne W. Wielgus, Independent Director

Mr. Wielgus has been a member of Summit REIT's board of directors since February 2011. Mr. Wielgus has worked in the hospitality industry for more than 30 years. In August 2009, Mr. Wielgus founded International Advisor Group LLC, which advises several companies in the hospitality industry. Before founding International Advisor Group, he served as Senior Vice President of Marketing of Celebrity and Azamara Cruises, two of Royal Caribbean Cruises Ltd.'s brands, from March 2008 until August 2009, where he was responsible for the two brands' overall marketing efforts, including brand strategy and development, advertising, web marketing and research. Mr. Wielgus served as Executive Vice President and Chief Marketing Officer of Choice Hotels International, Inc. from September 2004 until July 2007, after serving as that company's Senior Vice President, Marketing from September 2000 to September 2004. Prior to joining Choice Hotels, Mr. Wielgus held various positions with Best Western International, Inc., Trusthouse Forte PLC, InterContinental Hotels Corporation and Ramada Worldwide Inc. Mr. Wielgus received a B.S. in Marketing from Fairfield University and an M.B.A. from Memphis University.

Mr. Wielgus serves as chair of Summit REIT's compensation committee and also serves on Summit REIT's audit committee and Summit REIT's nominating and corporate governance committee.

Mr. Wielgus contributes significant leadership experience in marketing, brand strategy and promotions to Summit REIT's board of directors. His service as Senior Vice President of Marketing of Celebrity and Azamara Cruises provides valuable business, leadership and management experience, including expertise leading marketing strategy and initiatives for a company in the tourism industry, which is a significant part of our business. Mr. Wielgus also gained similar experience specific to the hospitality industry in his role as Executive Vice President and Chief Marketing Officer of Choice Hotels International, Inc., one of the primary franchisors of our hotels. Thus, Mr. Wielgus also brings to Summit REIT's board of directors insights from the perspective of hotel franchisors, which we expect to enhance our ability to maximize our brand strategy and franchisor relationships. He currently acts as an outside consultant to companies in the hospitality industry, which gives him a keen understanding of some of the issues our company will face.

Executive Officers

In addition to Mr. Hansen, our Chief Executive Officer, whose biographical information is described above, our executive officers include the following:

Craig J. Aniszewski, Executive Vice President and Chief Operating Officer

Mr. Aniszewski has served as Summit REIT's Executive Vice President and Chief Operating Officer since June 2010. Mr. Aniszewski joined The Summit Group in January 1997 as Vice President of Operations and Development. He became the Executive Vice President and Chief Operating Officer of The Summit Group in 2007 and has been a member of the board of managers of our predecessor since 2004. Mr. Aniszewski currently serves as an officer of The Summit Group. Mr. Aniszewski joined The Summit Group following 13 years with Marriott International, Inc., where he held sales and operations positions in full-service convention and resort hotels. During his career with Marriott, he also worked in the select-service sector, holding positions including the Director of Sales and General Manager for Residence Inn by Marriott and Courtyard by Marriott-branded hotels located in Florida, New York, Connecticut, Pennsylvania, Maryland and North Carolina. Mr. Aniszewski graduated from the University of Dayton with a B.S. degree in criminal justice and minors in business and psychology.

Stuart J. Becker, Executive Vice President, Chief Financial Officer and Treasurer

Mr. Becker has served as Summit REIT's Executive Vice President, Chief Financial Officer and Treasurer since June 2010. Mr. Becker joined Summit Green Tiger, an affiliate of The Summit Group, in 2007 as an Executive Vice President and Secretary where he focused on acquisitions, capital allocation, debt placement and strategic analysis. Prior to joining Summit Green Tiger, Mr. Becker served as a principal of McCarthy Group, Inc. and its subsidiary, McCarthy Capital, Inc. from 2005 to 2007. McCarthy Group is a private equity company headquartered in Omaha, Nebraska, which focuses on diversified investments in growth companies. Mr. Becker was responsible for managing deal flow, acquisitions, underwriting and investment oversight. From 1984 until 2005, Mr. Becker was involved in finance and corporate banking for several regional and national banking firms, including First Interstate, First Bank (predecessor to US Bank) and most recently, First National Bank of Omaha, from 1997 to 2005, where he was Vice President for corporate banking, regional credit and syndications. Mr. Becker earned a B.S. degree in business management from the University of South Dakota and an M.B.A. from the University of Nebraska at Omaha.

Ryan A. Bertucci, Vice President of Acquisitions

Mr. Bertucci has served as Summit REIT's Vice President of Acquisitions since June 2010. Mr. Bertucci joined Summit Green Tiger, an affiliate of The Summit Group, in 2007 as an Executive Vice President and Treasurer. In addition, Mr. Bertucci led the capital-raising efforts for Summit Capital Partners, LLC ("Summit Capital"), an SEC registered securities broker dealer affiliated with The Summit Group. Prior to joining Summit Green Tiger and Summit Capital, Mr. Bertucci worked for First National Nebraska, Inc. From 2004 to 2007, he served as Vice President with First National Investment Banking ("FNIB"), an affiliate of First National Nebraska, Inc. While with FNIB, Mr. Bertucci was responsible for starting and building the firm's alternative investment platform. Prior to his service at FNIB, Mr. Bertucci spent three years with First National Bank of Omaha as a corporate loan officer. Mr. Bertucci earned a B.S. degree in business administration with an emphasis in both finance and marketing from the University of Nebraska at Kearney.

Christopher R. Eng, Vice President, General Counsel and Secretary

Mr. Eng has served as Summit REIT's Vice President, General Counsel and Secretary since June 2010. Mr. Eng was appointed Vice President, General Counsel and Secretary of The Summit Group and our predecessor in 2004. Mr. Eng was responsible for The Summit Group's legal affairs and for guiding its corporate compliance, focusing on real estate acquisitions and dispositions, franchise licensing, corporate insurance coverage, corporate governance and securities industry regulatory compliance. Prior to joining The Summit Group, Mr. Eng was an Assistant Vice President and Trust Officer for The First National Bank in Sioux Falls. Mr. Eng earned his B.A. degree from Augustana College and his J.D. degree from the University of Denver College of Law.

JoLynn M. Sorum, Vice President, Controller and Chief Accounting Officer

Ms. Sorum has served as Summit REIT's Vice President, Controller and Chief Accounting Officer since June 2010. Ms. Sorum has been the Controller for The Summit Group since 1998 and for our predecessor since its inception in 2004. Ms. Sorum is responsible for accounting, SEC reporting and internal control practices for The Summit Group and our predecessor. Prior to joining The Summit Group, she worked for First Premier Bank as a Finance Officer for three years and for Western Bank as an Internal Auditor for seven years. Ms. Sorum is a Certified Public Accountant and currently serves on the board of directors of the South Dakota CPA Society. Ms. Sorum earned a B.S. degree in accounting from Huron University.

Other Key Employees

David W. Heinen, Vice President of Asset Management – Western United States

Mr. Heinen, age 50, has served as Summit REIT's Vice President of Asset Management – Western United States since completion of our IPO. Mr. Heinen joined The Summit Group in 2000 and was promoted to Director of Operations for the Western United States in 2005. Prior to joining The Summit Group, from 1985 to 2000, Mr. Heinen held direct hotel management positions with Red Lion Hotels and Radisson Hotels. Mr. Heinen has over 20 years of direct hotel experience that includes all facets of full-service and select-service hotels. Mr. Heinen graduated from Spokane Falls College/Eastern Washington University with a B.S. degree in business.

Trent A. Peterson, Vice President of Asset Management – Eastern United States

Mr. Peterson, age 43, has served as Summit REIT's Vice President of Asset Management – Eastern United States since completion of our IPO. Mr. Peterson joined The Summit Group in 1999 as a Regional Manager and was promoted to Director of Operations for the Eastern United States in 2005. Prior to joining The Summit Group, from 1991 to 1999, he held direct hotel management positions with Fairfield Inn by Marriott-, Residence Inn by Marriott- and Best Western-branded hotels. Mr. Peterson is a graduate of Moorhead State University with a B.S. degree in hotel and restaurant management.

Section 16(a) Beneficial Ownership Reporting Compliance

Neither Summit REIT nor Summit OP had a class of registered equity securities until February 2011, thus executive officers and directors of Summit REIT and persons who own more than ten percent of a registered class of equity securities of Summit REIT or Summit OP had no Section 16(a) filing requirements during the year ended December 31, 2010.

Code of Business Conduct and Ethics

Summit REIT's board of directors has established a code of business conduct and ethics that applies to Summit REIT's officers, directors and employees. Among other matters, Summit REIT's code of business conduct and ethics is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the code to appropriate persons identified in the code; and
- accountability for adherence to the code.

Any waiver of the code of business conduct and ethics for Summit REIT's executive officers or directors must be approved by Summit REIT's board of directors or a committee of Summit REIT's board of directors, and any such waiver shall be promptly disclosed as required by law or NYSE regulations.

A copy of Summit REIT's code of business conduct and ethics can be found in the Investor Relations section of our website at www.shpreit.com .

Board Governance and Committees

Director Qualifications and Skills

Summit REIT's directors were chosen based on their experience, qualifications and skills. We first identified nominees for the board through professional contacts and other resources. We then assessed each nominee's integrity and accountability, judgment, maturity, willingness to commit the time and energy needed to satisfy the requirements of board and committee membership, balance with other commitments, financial literacy and independence from us. We relied on information provided by the nominees in their biographies and responses to questionnaires, as well as independent third-party sources.

Board Leadership Structure, Corporate Governance and Risk Oversight

We place a high premium on good corporate governance. Summit REIT has a non-staggered, majority-independent board of directors whose members will be elected annually. We do not have a stockholder rights plan. In addition, Summit REIT has opted out of certain state anti-takeover provisions. Summit REIT's board of directors has the primary responsibility for overseeing risk management of our company, and our management intends to provide it with a regular report highlighting risk assessments and recommendations. Summit REIT's audit committee will focus on oversight of financial risks relating to us; Summit REIT's compensation committee will focus primarily on risks relating to remuneration of our officers and employees; and Summit REIT's nominating and corporate governance committee will focus on reputational and corporate governance risks relating to our company. In addition, the audit committee and board of directors intend to regularly hold discussions with Summit REIT's executive and other officers regarding the risks that may affect our company.

Committees

The standing committees of Summit REIT's board of directors are the audit committee, the compensation committee and the nominating and corporate governance committee. Each of these committees has a written charter approved by Summit REIT's board of directors. A copy of each charter can be found in the Investor Relations section of our website at www.shpreit.com . The independent directors who serve on each committee, and a description of the principal responsibilities of each committee follows:

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Bjorn R. L. Hanson	√		√
David S. Kay	√ (Chair)	√	
Thomas W. Storey		√	√ (Chair)
Wayne W. Wielgus	√	√ (Chair)	√

Compensation Committee . The compensation committee is responsible for the review and approval of the compensation and benefits of our executive officers, administration and recommendations to Summit REIT's board of directors regarding our compensation and long-term incentive plans and production of an annual report on executive compensation for inclusion in our proxy statement. In connection with those responsibilities, the compensation committee has the sole authority to retain and terminate compensation consultants employed by it to help evaluate the our compensation programs. The compensation committee also has authority to grant awards under the 2011 Equity Incentive Plan. Each member of Summit REIT's compensation committee qualifies as an "outside director" as such term is defined under Section 162(m) of the Code and is independent pursuant to the listing standards of the NYSE. In addition, each member of Summit REIT's compensation committee is an independent director as set forth in Rule 16b-3 of the Exchange Act. Mr. Wielgus is the chair of Summit REIT's compensation committee and Mr. Kay and Mr. Storey also serve as members of this committee.

Audit Committee. The audit committee assists to ensure the integrity of our financial statements, the qualifications and independence of our independent auditors and the performance of our internal audit function and independent auditors. The audit committee also selects, assists and meets with the independent auditors, oversees each annual audit and quarterly review, establishes and maintains our internal audit controls and prepares the audit committee report required by the federal securities laws to be included in our annual proxy statement. Each member of Summit REIT's audit committee is independent pursuant to the listing standards of the NYSE. In addition, each member of Summit REIT's audit committee is "financially literate" as required by the NYSE, and at least one member of Summit REIT's audit committee qualifies as an "audit committee financial expert" as required by the SEC. Mr. Kay is the chair of Summit REIT's audit committee and he has been designated as its audit committee financial expert, as that term is defined by the SEC, and Mr. Wielgus and Dr. Hanson also serve as members of this committee.

Nominating and Corporate Governance Committee . The nominating and corporate governance committee is responsible for:

- monitoring our compliance with corporate governance requirements of state and federal law and the rules and regulations of the NYSE;
- development and recommendation to Summit REIT's board of directors of criteria for prospective members of Summit REIT's board of directors;
- conducting board of director candidate searches and interviews;
- oversight and evaluation of Summit REIT's board of directors and management, and monitoring compliance with our code of business conduct and ethics and policies with respect to conflicts of interest;
- periodic evaluation of the appropriate size and composition of Summit REIT's board of directors, recommendations, as appropriate, of increases, decreases and changes in the composition of Summit REIT's board of directors; and
- formally propose the slate of nominees for election as directors at each annual meeting of our stockholders.

Our stockholders will elect Summit REIT's entire board of directors annually beginning with the 2012 annual meeting of stockholders. Each member of Summit REIT's nominating and corporate governance committee is independent pursuant to the listing standards of the NYSE. Mr. Storey is the chair of Summit REIT's nominating and corporate governance committee and Dr. Hanson and Mr. Wielgus also serve as members of this committee.

Nomination of Directors

Before each annual meeting of stockholders, the nominating and corporate governance committee will consider the nomination of all directors whose terms expire at the next annual meeting of stockholders and will also consider new candidates whenever there is a vacancy on Summit REIT's board of directors or whenever a vacancy is anticipated due to a change in the size or composition of Summit REIT's board of directors, a retirement of a director or for any other reasons. In addition to considering incumbent directors, the nominating and corporate governance committee will identify director candidates based on recommendations from the directors, stockholders, management and others. The nominating and corporate governance committee may in the future engage the services of third-party search firms to assist in identifying or evaluating director candidates.

Summit REIT's nominating and corporate governance committee charter provides that the nominating and corporate governance committee will consider nominations for board membership by stockholders. The rules that must be followed to submit nominations are contained in Summit REIT's bylaws and include the following: (i) the nomination must be received by the nominating and corporate governance committee at least 120 days, but not more than 150 days, before the first anniversary of the mailing date for proxy materials applicable to the annual meeting prior to the annual meeting for which such nomination is proposed for submission; and (ii) the nominating stockholder must submit certain information regarding the director nominee, including the nominee's written consent.

The nominating and corporate governance committee will evaluate annually the effectiveness of Summit REIT's board of directors as a whole and of each individual director and will identify any areas in which Summit REIT's board of directors would be better served by adding new members with different skills, backgrounds or areas of experience. The Board of Directors considers director candidates, including those nominated by stockholders, based on a number of factors including: whether the candidate will be "independent," as such term is defined by the NYSE listing standards; whether the candidate possesses the highest personal and professional ethics, integrity and values; whether the candidate contributes to the overall diversity of Summit REIT's board of directors; and whether the candidate has an inquisitive and objective perspective, practical wisdom and mature judgment. Candidates are also evaluated on their understanding of our business, experience and willingness to devote adequate time to carrying out their duties. The nominating and corporate governance committee also monitors the mix of skills, experience and background to assure that Summit REIT's board of directors has the necessary composition to effectively perform its oversight function.

Summit REIT does not have a formal policy about diversity of Board membership, but the nominating and corporate governance committee will consider a broad range of factors when nominating director candidates to Summit REIT's board of directors, including differences of viewpoint, professional experience, education, skill, other personal qualities and attributes, race, gender and national origin. The nominating and corporate governance committee will neither include nor exclude any candidate from consideration solely based on the candidate's diversity traits.

The nominating and corporate governance committee will consider appropriate nominees for directors whose names are submitted in writing by a stockholder of the Company. Director candidates submitted by our stockholders will be evaluated by the nominating and corporate governance committee on the same basis as any other director candidates.

Nominations must be addressed to Summit Hotel Properties, Inc., 2701 South Minnesota Avenue, Suite 6, Sioux Falls, South Dakota 57105, Attn: Christopher R. Eng, Corporate Secretary, indicating the nominee's qualifications and other relevant biographical information and providing confirmation of the nominee's consent to serve as director if elected. In order to be considered for the next annual election of directors, any such written request must comply with the requirements set forth in the bylaws of the Company and below under "Other Matters—Stockholder Proposals."

Item 11. Executive Compensation.

Overview

We began operations on February 14, 2011 upon completion of the IPO, concurrent private placement and formation transactions. Accordingly, we did not begin paying compensation to our named executive officers until February 14, 2011. Prior to that time, our named executive officers were officers and employees of The Summit Group and its affiliates. The Summit Group controlled our predecessor and served as our predecessor's company manager and hotel manager. Our predecessor did not pay any cash or non-cash equity compensation to our named executive officers in 2010 or in any prior years. Instead, executive compensation decisions were made by The Summit Group. The fees paid by our predecessor to The Summit Group pursuant to hotel management agreements was the primary source of funds used by The Summit Group to compensate the individuals currently serving as our executive officers.

The following describes the 2011 executive compensation program for Summit REIT's named executive officers, which include Mr. Boekelheide and Mr. Hansen, as well as Craig Aniszewski, Summit REIT's Executive Vice President and Chief Operating Officer, Stuart J. Becker, Summit REIT's Executive Vice President and Chief Financial Officer, and Ryan Bertucci, Summit REIT's Vice President of Acquisitions. Substantially all of the decisions relating to compensation for 2011 were determined before the closing of the IPO and, therefore, before the appointment of Summit REIT's independent board members and the establishment of its independent compensation committee. Accordingly, decisions regarding executive compensation made to date have been made by Summit REIT's board of directors, which at the time such decisions were made consisted solely of Kerry Boekelheide, Summit REIT's Executive Chairman, and Daniel Hansen, Summit REIT's President and Chief Executive Officer, in consultation with others, including the underwriters of Summit REIT's IPO. With respect to future decisions, under its charter, the compensation committee will determine all performance goals and compensation decisions for Summit REIT's senior management team, including its Executive Chairman and its President and Chief Executive Officer, including decisions regarding non-equity compensation and equity awards. In doing so, the compensation committee is expected to consult with Summit REIT's Executive Chairman and its President and Chief Executive Officer as appropriate.

Compensation of Directors

We did not pay any compensation to our directors during the year ended December 31, 2010. Our board of directors has established a compensation program for our independent directors beginning with the year 2011. Pursuant to this compensation program, we will pay or have paid, as applicable, the following fees to our independent directors:

- an annual cash retainer of $50,000;
- we granted 1,000 shares of our common stock to each of our independent directors on February 14, 2011;
- effective on the date of each annual meeting of stockholders, beginning with the 2012 annual meeting of stockholders, each independent director who will continue to serve on our board of directors will receive an annual grant of shares of our common stock having an aggregate value of $15,000 (based upon the volume-weighted average closing market price of our common stock on the NYSE for the ten trading days preceding the date of grant);
- an additional annual cash retainer of $12,500 to the chair of our audit committee;
- an additional annual cash retainer of $10,000 to the chair of our compensation committee; and
- an additional annual cash retainer of $7,500 to the chair of our nominating and corporate governance committee.

We will also reimburse our independent directors for reasonable out-of-pocket expenses incurred in connection with performance of their duties as directors, including, without limitation, travel expenses in connection with their attendance at in-person board and committee meetings. Directors who are our employees will not receive compensation for their services as directors.

Executive Compensation Discussion and Analysis

We began payment of base salaries and made grants of awards under the 2011 Equity Incentive Plan to certain of our executive officers upon completion of our IPO, in accordance with their employment agreements. Awards under our equity incentive plan were granted to recognize such individuals' efforts on our behalf in connection with the formation transactions and our IPO and to provide a retention and incentive element to their compensation.

Our compensation committee expects that it will form a compensation plan during 2011 for our senior management team for 2012. We expect that the plan will be designed to align the interests of our senior management team with those of our stockholders in a way that also allows us to attract and retain executive talent. In addition, we anticipate that the compensation program will reward, among other things, favorable stockholder returns, the company's competitive position within its segment of the real estate industry and each member of our senior management team's long-term career contributions to the company. Compensation incentives designed to further these goals may take the form of annual cash compensation and equity awards, as well as long-term cash and equity incentives measured by performance targets to be established by our compensation committee. The compensation committee, pursuant to its charter, may retain a compensation consultant to assist the committee in implementing and maintaining compensation plans.

Summary Compensation Table

The following table sets forth the annualized base salary and other compensation that will be paid in 2011 to our Executive Chairman, our President and Chief Executive Officer, our Chief Financial Officer and the two other most highly compensated members of our senior management team, whom we refer to collectively as our "named executive officers," had these employment agreements been in effect for all of 2011. The employment agreements provide for salary, bonus and other benefits, including severance upon a termination of employment under certain circumstances. See "—Employment Agreements." Because we were recently organized, meaningful individual compensation information is not available for prior periods. The anticipated 2011 compensation for each of our named executive officers listed in the table below was determined through negotiation of their individual employment agreements. These employment agreements were not approved by our compensation committee or any of our independent directors. We expect to disclose actual 2011 compensation for our named executive officers in 2011, to the extent required by applicable SEC disclosure rules.

Name and Principal Position	Year	Base Salary [1]	Bonus [2]	Option Awards [3]	Total
Kerry W. Boekelheide Executive Chairman of the Board	2011	$ 380,000	—	$ 1,395,142	$ 1,775,142
Daniel P. Hansen President and Chief Executive Officer	2011	350,000	—	871,964	1,221,964
Craig J. Aniszewski Executive Vice President and Chief Operating Officer	2011	300,000	—	871,964	1,171,964
Stuart J. Becker Executive Vice President, Chief Financial Officer and Treasurer	2011	250,000	—	174,393	424,393
Ryan A. Bertucci Vice President of Acquisitions	2011	220,000	—	174,393	394,393

(1) Full-year amount. Each executive will receive a pro rata portion of his base salary for the period beginning February 14, 2011 through December 31, 2011.

(2) Under their employment agreements, Messrs. Boekelheide, Hansen and Aniszewski will receive annual bonuses for 2011 equal to $380,000, $350,000 and $225,000, respectively, if the 2011 hotel-level earnings before interest, taxes, depreciation and amortization for the 65 properties in our initial portfolio is at least $52.5 million. Beginning in 2012, Messrs. Boekelheide, Hansen and Aniszewski will be eligible to earn an annual cash bonus to the extent that individual and corporate goals to be established by our compensation committee are achieved. Our compensation committee will determine the actual amount of the cash bonus payable in 2012 and subsequent years. For 2012 and subsequent years, each of Messrs. Boekelheide and Hansen has the opportunity to earn an annual cash bonus of up to 100% of his annual base salary and Mr. Aniszewski has the opportunity to earn an annual cash bonus of up to 75% of his annual base salary. Under their employment agreements, Messrs. Becker and Bertucci will be eligible to earn an annual cash bonus for 2011 and subsequent years to the extent that individual and corporate goals to be established by our compensation committee are achieved. Our compensation committee will determine the actual amount of the cash bonus payable in 2011 and subsequent years. Each of Messrs. Becker and Bertucci has the opportunity to earn an annual cash bonus of up to 50% of his annual base salary for 2011 and subsequent years.

(3) Reflects option awards made to Mr. Boekelheide (376,000 shares), Mr. Hansen (235,000 shares), Mr. Aniszewski (235,000 shares), Mr. Becker (47,000 shares) and Mr. Bertucci (47,000 shares). These options were granted pursuant to the 2011 Equity Incentive Plan upon completion of our IPO, have an exercise price equal to the per-share IPO price, which is $9.75 per share, and will vest ratably on the first five anniversaries of the date of grant unless otherwise accelerated under certain circumstances. The compensation committee of our board of directors may make additional equity awards to our named executive officers in the future.

Our executive compensation policies and practices, pursuant to which the compensation set forth in the Summary Compensation Table and the Grants of Plan-Based Awards Table is expected to be paid or awarded, are described above under "—Executive Compensation Discussion and Analysis." The terms of employment agreements that we have entered into with our executive officers are described below under "—Employment Agreements."

IPO Grants of Plan-Based Awards

Upon completion of our IPO, we granted to our named executive officers, pursuant to the 2011 Equity Incentive Plan, options to purchase an aggregate of 940,000 shares of our common stock, as shown in the following table:

Name	Date of Grant	All Other Option Awards; Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/share)	Grant Date Fair Value of Option Awards
Kerry W. Boekelheide	February 14, 2011	376,000(1)	$ 9.75(2)	$ 1,395,142(3)
Daniel P. Hansen	February 14, 2011	235,000(1)	9.75(2)	871,964(3)
Craig J. Aniszewski	February 14, 2011	235,000(1)	9.75(2)	871,964(3)
Stuart J. Becker	February 14, 2011	47,000(1)	9.75(2)	174,393(3)
Ryan A. Bertucci	February 14, 2011	47,000(1)	9.75(2)	174,393(3)

(1) The awarded options will vest ratably on the first five anniversaries of the date of grant.
(2) The exercise price of each option equals the per-share IPO price of the shares.
(3) The amount is computed in accordance with FASB ASC Topic 718 and assumes exercise of the options within a five-year period.

None of our other employees have received equity awards.

Employment Agreements

Kerry W. Boekelheide and Daniel P. Hansen . On February 14, 2011, we entered into employment agreements with Mr. Boekelheide and Mr. Hansen, each of which has an initial term of three years and will renew for one-year terms thereafter unless terminated by written notice delivered at least 30 days before the end of the then-current term. The employment agreements provide for an annual base salary to Mr. Boekelheide of $380,000 and to Mr. Hansen of $350,000, subject to increase in the discretion of our board of directors or its compensation committee.

Under their employment agreements, Mr. Boekelheide and Mr. Hansen are eligible to earn an annual cash bonus for 2011 and subsequent years. For 2011, Mr. Boekelheide will receive an annual bonus of $380,000 and Mr. Hansen will receive an annual bonus of $350,000 if the 2011 hotel-level earnings before interest, taxes, depreciation and amortization for the 65 properties in our initial portfolio is at least $52.5 million. Assuming no purchases of additional hotels, or sales of hotels in our initial portfolio, we will calculate this measure by subtracting total hotel operating expenses from total revenue, each as reported in accordance with GAAP. For the year ended December 31, 2009, total revenue was $121.2 million and total hotel operating expenses were $89.2 million. For the year ended December 31, 2010, total revenue was $135.6 million and total hotel operating expenses were $130.0 million. In determining whether the $52.5 million target is met for 2011, we will exclude revenue or operating expenses of hotels acquired following completion of our IPO and prior to December 31, 2011. If we sell one or more of the 65 hotels in our portfolio before December 31, 2011, we will reduce the $52.5 million target number in a manner that our compensation committee determines is equitable and appropriate to reflect the absence of the sold hotel or hotels for all, or the remaining portion, of 2011, as applicable, in assessing whether the hotels in our portfolio generated hotel-level earnings before interest, taxes, depreciation and amortization that met the target. Beginning in 2012, Mr. Boekelheide and Mr. Hansen will be eligible to earn an annual cash bonus of up to 100% of annual base salary, to the extent that individual and corporate goals established by the compensation committee are achieved.

The employment agreements entitle Mr. Boekelheide and Mr. Hansen to customary fringe benefits, including vacation and health benefits, and the right to participate in any other benefits or plans in which other executive-level employees participate. Each employment agreement also provides that if Mr. Boekelheide or Mr. Hansen loses the supplemental health benefit provided to him by The Summit Group, we will establish, if permitted by applicable law, a medical reimbursement plan providing the same level of supplemental health benefits.

Each employment agreement provides for certain payments in the event that the employment of Mr. Boekelheide or Mr. Hansen ends upon termination by us for "cause," a resignation without "good reason" (as defined below), death or disability or any reason other than a termination by us without "cause" or resignation with "good reason." Each agreement defines "cause" as (1) a failure to perform a material duty or a material breach of an obligation set forth in the employment agreement or a breach of a material and written policy other than by reason of mental or physical illness or injury, (2) a breach of the executive's fiduciary duties, (3) conduct that demonstrably and materially injures us monetarily or otherwise or (4) a conviction of, or plea of *nolo contendere* to, a felony or crime involving moral turpitude or fraud or dishonesty involving our assets, and that in each case is not cured, to our board of directors' reasonable satisfaction, within 30 days after written notice. In any such event, the employment agreements provide for the payment to Mr. Boekelheide and Mr. Hansen of any earned but unpaid compensation up to the date of termination and any benefits due under the terms of any of our employee benefit plans.

Each employment agreement provides for certain severance payments in the event that the employment of Mr. Boekelheide or Mr. Hansen is terminated by us without "cause" or the executive resigns for "good reason." Each agreement defines "good reason" as (1) our material breach of the terms of the employment agreement or a direction from our board of directors that the executive act or refrain from acting in a manner that is unlawful or contrary to a material and written policy, (2) a material diminution in the executive's duties, functions and responsibilities without his consent or our preventing him from fulfilling or exercising his material duties, functions and responsibilities without his consent, (3) a material reduction in the executive's base salary or annual bonus opportunity or (4) a requirement that the executive relocate more than 50 miles from the current location of his principal office without his consent, in each case provided that Mr. Boekelheide or Mr. Hansen has given written notice to our board of directors within 30 days after he knows of the circumstances constituting "good reason," the circumstances constituting "good reason" are not cured within 30 days of such notice and the executive resigns within 30 days after the expiration of the cure period. In any such event, the executive is entitled to receive any earned but unpaid compensation up to the date of termination and any benefits due under the terms of our employee benefit plans and, if the executive executes a general release of claims, any outstanding options, restricted shares and other equity awards shall be vested and exercisable as of the date of termination and outstanding options shall remain exercisable thereafter until their stated expiration date as if the executive's employment had not terminated. Mr. Boekelheide and Mr. Hansen shall also be entitled to receive, subject to the execution of a general release of claims, an amount equal to three times his base salary in effect at the time of termination, an amount equal to three times the greater of (i) the highest annual bonus paid to him for the three fiscal years ended immediately before the date of termination and (ii) the executive's annual base salary, a prorated bonus for the then-current fiscal year based on his annual bonus for the fiscal year ended prior to his termination, an amount equal to three times the annual premium or cost paid by us for health, dental and vision insurance coverage for the executive and his eligible dependents in effect on the termination date and an amount equal to three times the annual premium or cost paid by us for disability and life insurance coverage for the executive in effect on the termination date.

Each employment agreement includes covenants that prohibit Mr. Boekelheide and Mr. Hansen from disclosing confidential information about us except in connection with our business and affairs. Each employment agreement also provides that, during employment and for the one-year period following termination of employment, Mr. Boekelheide and Mr. Hansen, subject to certain exceptions, will not compete with us by working with, or making a material investment in, an entity that owns or proposes to own 25 or more hotels in the upscale or midscale without food and beverage hotel segments, solicit any of our employees to leave employment or interfere with our relationship with any of our customers or clients. The restrictive covenants that prohibit or restrict Mr. Boekelheide or Mr. Hansen from being employed by, or providing services to, a competitor of our company following the termination of employment with us do not apply after a termination without cause or after the executive resigns with good reason as defined in the agreement.

Craig J. Aniszewski and Stuart J. Becker . On February 14, 2011, we entered into employment agreements with Mr. Aniszewski and Mr. Becker, each of which has an initial term of three years and will renew for one year terms thereafter unless terminated by written notice delivered at least 30 days before the end of the then-current term. The employment agreements provide for annual base salaries to each of Mr. Aniszewski and Mr. Becker of $300,000 and $250,000, respectively, subject to increase in the discretion of our board of directors or its compensation committee. The employment agreements entitle each of Mr. Aniszewski and Mr. Becker to fringe benefits substantially similar to those afforded to Mr. Boekelheide and Mr. Hansen, as described above (except that the employment agreement with Mr. Becker does not provide for the establishment of a medical reimbursement plan that provides supplemental health benefits).

Under their employment agreements, Mr. Aniszewski and Mr. Becker are eligible to earn an annual cash bonus for 2011 and subsequent years. Mr. Aniszewski will receive an annual bonus of $225,000 for 2011 if the same 2011 performance objective described above for Messrs. Boekelheide and Hansen is achieved. For 2012 and subsequent years Mr. Aniszewski will be eligible to earn an annual cash bonus of up to 75% of annual base salary, to the extent that individual and corporate goals established by the compensation committee are achieved. For 2011 and subsequent years, Mr. Becker will be eligible to earn an annual cash bonus, of up to 50% of annual base salary, to the extent that individual and corporate goals established by the compensation committee are achieved.

Each employment agreement provides for certain payments in the event the employment of Mr. Aniszewski or Mr. Becker ends upon termination by us for “cause,” a resignation without “good reason,” death or disability or any reason other than a termination by us without “cause” or resignation with “good reason.” The definitions of “cause” and “good reason” in the employment agreements with Mr. Aniszewski and Mr. Becker are the same as those in the employment agreements with Mr. Boekelheide and Mr. Hansen, as described above (except that a requirement that Mr. Becker relocate to Sioux Falls, South Dakota will not constitute “good reason”). In any such event, the employment agreements with Mr. Aniszewski and Mr. Becker provide for the payment of any earned but unpaid compensation up to the date of termination and any benefits due under the terms of any of our employee benefit plans.

Each employment agreement provides for certain severance payments in the event the employment of Mr. Aniszewski or Mr. Becker is terminated by us without “cause” or the executive resigns for “good reason.” In any such event, the executive would be entitled to receive any earned but unpaid compensation up to the date of termination and any benefits due under the terms of our employee benefit plans and, if the executive executes a general release of claims, any outstanding options, restricted shares and other equity awards shall be vested and exercisable as of the date of termination and outstanding options shall remain exercisable thereafter until their stated expiration date as if employment had not terminated. Each of Mr. Aniszewski and Mr. Becker shall also be entitled to receive, subject to the execution of a general release of claims, an amount equal to one and one-half times his base salary at the time of termination, an amount equal to one and one-half times the greater of (i) the highest annual bonus paid to him for the three fiscal years ended immediately before the date of termination or (ii) 75% of annual base salary (in the case of Mr. Aniszewski) or 50% of annual base salary (in the case of Mr. Becker), a pro-rated bonus for the then-current fiscal year based on his annual bonus for the fiscal year ended prior to his termination, an amount equal to one and one-half times the annual premium or cost paid by us for health, dental and vision insurance coverage for the executive and his eligible dependents in effect on the termination date and an amount equal to one and one-half times the annual premium or cost paid by us for disability and life insurance coverage for the executive in effect on the termination date.

The employment agreements with Mr. Aniszewski and Mr. Becker provide for higher severance payments in the event of termination by us without "cause" no more than ninety days before a change in control or on or after a change in control or upon resignation for "good reason" on or after a change in control. The definition of "change in control" under the employment agreements with Mr. Aniszewski and Mr. Becker is the same as the definition of "change in control" under the 2011 Equity Incentive Plan. In any such event, each of Mr. Aniszewski and Mr. Becker is entitled to receive any earned but unpaid compensation up to the date of termination and any benefits due under the terms of our employee benefit plans and, if the executive executes a general release of claims, all outstanding options, restricted shares and other equity awards shall be vested and exercisable as of the date of termination and outstanding options shall remain exercisable thereafter until their stated expiration date as if the executive's employment had not terminated. Each executive shall also be entitled to receive, subject to the execution of a general release of claims, an amount equal to two times his base salary at the time of termination, an amount equal to two times the greater of (i) the highest annual bonus paid to him for the three fiscal years ended immediately before the date of termination or (ii) 75% of annual base salary (in the case of Mr. Aniszewski) or 50% of annual base salary (in the case of Mr. Becker), a pro-rated bonus for the then-current fiscal year based on his annual bonus for the fiscal year ended prior to his termination, an amount equal to two times the annual premium or cost paid by us for health, dental and vision insurance coverage for the executive and his eligible dependents in effect on the termination date and an amount equal to two times the annual premium or cost paid by us for disability and life insurance coverage for the executive in effect on the termination date.

Each employment agreement includes covenants that prohibit Mr. Aniszewski and Mr. Becker from disclosing confidential information about us except in connection with our business and affairs. Each employment agreement also provides that, during employment and for the one-year period following termination of employment, Mr. Aniszewski and Mr. Becker will not compete with us by working with, or making a material investment in, an entity that owns or proposes to own 25 or more hotels in the upscale or midscale without food and beverage hotel segments, solicit any of our employees to leave employment or interfere with our relationship with any of our customers or clients. The restrictive covenants that prohibit or restrict Mr. Aniszewski or Mr. Becker from being employed by, or providing services to, a competitor of our company following the termination of employment with us do not apply after a termination without cause or after the executive resigns with good reason as defined in the agreement.

Ryan A. Bertucci . On February 14, 2011, we entered into an employment agreement with Mr. Bertucci which has an initial term of one year and will renew for one-year terms thereafter unless terminated by written notice delivered at least 30 days before the end of the then-current term. Mr. Bertucci's employment agreement provides for an annual base salary of $220,000, subject to increase in the discretion of our board of directors or its compensation committee. The employment agreement entitles Mr. Bertucci to fringe benefits substantially similar to those afforded to the other executives, as described above (except that the employment agreement with Mr. Bertucci does not provide for the establishment of a medical reimbursement plan that provides supplemental health benefits).

Under his employment agreement, Mr. Bertucci is eligible to earn annual cash bonuses to the extent that prescribed individual and corporate goals established by the Committee are achieved. The individual and corporate goals established by the Committee will provide Mr. Bertucci the opportunity to earn an annual cash bonus of up to 50% of annual base salary, to the extent such goals are achieved.

Mr. Bertucci's employment agreement provides for certain payments in the event his employment ends upon termination by us for "cause," a resignation without "good reason," death or disability or any reason other than a termination by us without "cause" or resignation with "good reason." The definitions of "cause" and "good reason" in the employment agreement with Mr. Bertucci are the same as those in the employment agreements with the other executives, as described above. In any such event, the employment agreement with Mr. Bertucci provides for the payment of any earned but unpaid compensation up to the date of termination and any benefits due under the terms of any of our employee benefit plans.

Mr. Bertucci's employment agreement provides for certain severance payments in the event his employment is terminated by us without "cause" or he resigns for "good reason." In any such event, he would be entitled to receive any earned but unpaid compensation up to the date of termination and any benefits due under the terms of our employee benefit plans and, if he executes a general release of claims, any outstanding options, restricted shares and other equity awards shall be vested and exercisable as of the date of termination and outstanding options shall remain exercisable thereafter until their stated expiration date as if employment had not terminated. Mr. Bertucci shall also be entitled to receive, subject to the execution of a general release of claims, an amount equal to one times his base salary at the time of termination, an amount equal to one times the greater of (i) the highest annual bonus paid to him for the three fiscal years ended immediately before the date of termination or (ii) 50% of his annual base salary, a pro-rated bonus for the then-current fiscal year based on his annual bonus for the fiscal year ended prior to his termination, an amount equal to one times the annual premium or cost paid by us for health, dental and vision insurance coverage for the executive and his eligible dependents in effect on the termination date and an amount equal to one times the annual premium or cost paid by us for disability and life insurance coverage for the executive in effect on the termination date.

The employment agreement with Mr. Bertucci provides for higher severance payments in the event of termination by us without "cause" no more than ninety days before a change in control or on or after a change in control or upon resignation for "good reason" on or after a change in control. The definition of "change in control" under the employment agreement with Mr. Bertucci is the same as the definition of "change in control" under the 2011 Equity Incentive Plan. In any such event, Mr. Bertucci is entitled to receive any earned but unpaid compensation up to the date of termination and any benefits due under the terms of our employee benefit plans and, if he executes a general release of claims, all outstanding options, restricted shares and other equity awards shall be vested and exercisable as of the date of termination and outstanding options shall remain exercisable thereafter until their stated expiration date as if the executive's employment had not terminated. Mr. Bertucci shall also be entitled to receive, subject to the execution of a general release of claims, an amount equal to two times his base salary at the time of termination, an amount equal to two times the greater of (i) the highest annual bonus paid to him for the three fiscal years ended immediately before the date of termination or (ii) 50% of his annual base salary, a pro-rated bonus for the then-current fiscal year based on his annual bonus for the fiscal year ended prior to his termination, an amount equal to two times the annual premium or cost paid by us for health, dental and vision insurance coverage for the executive and his eligible dependents in effect on the termination date and an amount equal to two times the annual premium or cost paid by us for disability and life insurance coverage for the executive in effect on the termination date.

Mr. Bertucci's employment agreement includes covenants that prohibit him from disclosing confidential information about us except in connection with our business and affairs. The employment agreement with Mr. Bertucci also provides that, during his employment and for the one-year period following the termination of his employment, he will not compete with us by working with or making a material investment in an entity that owns or proposes to own 25 or more hotels in the upscale or midscale without food and beverage hotel segments, solicit any of our employees to leave employment or interfere with our relationship with any of our customers or clients. The restrictive covenants that prohibit or restrict him from being employed by, or providing services to, a competitor of our company following the termination of his employment with us do not apply after a termination without cause or after the executive resigns with good reason as defined in the agreement.

Potential Payments upon Termination of Change in Control

The following table and accompanying footnotes reflect the estimated potential amounts payable to Messrs. Boekelheide, Hansen, Aniszewski, Becker and Bertucci under their employment agreements and our compensation and benefit plans and arrangements in the event the executive's employment is terminated under various scenarios, including involuntary termination without cause, voluntary termination, involuntary termination with cause, voluntary resignation with good reason, involuntary or good reason termination in connection with a change in control and termination due to death and disability. Because we had not entered into employment agreements as of December 31, 2010, the amounts shown below are estimates of the amounts that would have been paid to Messrs. Boekelheide, Hansen, Aniszewski, Becker and Bertucci upon termination of their employment assuming that such termination was effective as of February 14, 2011, the date of completion of our IPO. Actual amounts payable will depend upon compensation levels at the time of termination, the amount of future equity awards and other factors, and will likely be greater than amounts shown in this table.

	Cash Severance Payment	Payment in Lieu of Medical/Welfare Benefits (present value) [4]	Acceleration and Continuation of Equity Awards [5]	Excise Tax Gross-up [6]	Total Termination Benefits
Kerry W. Boekelheide [1][2]					
Involuntary termination without cause [3]	$ 2,280,000	$ 79,200	$ 1,395,142	—	$ 3,754,342
Voluntary termination or involuntary termination with cause	—	—	—	—	—
Change in control (no termination)	—	—	$ 1,395,142	—	$ 1,395,142
Involuntary or good reason termination in connection with change in control [3]	$ 2,280,000	$ 79,200	$ 1,395,142	—	$ 3,754,342
Death or disability	—	—	$ 1,395,142	—	$ 1,395,142
Daniel P. Hansen [1][2]					
Involuntary termination without cause [3]	$ 2,100,000	$ 79,200	$ 871,964	—	$ 3,051,164
Voluntary termination or involuntary termination with cause	—	—	—	—	—
Change in control (no termination)	—	—	$ 871,964	—	$ 871,964
Involuntary or good reason termination in connection with change in control [3]	$ 2,100,000	$ 79,200	$ 871,964	—	$ 3,051,164
Death or disability	—	—	$ 871,964	—	$ 871,964
Craig J. Aniszewski [1][2]					
Involuntary termination without cause [3]	$ 787,500	$ 39,600	$ 871,964	—	$ 1,699,064
Voluntary termination or involuntary termination with cause	—	—	—	—	—
Change in control (no termination)	—	—	$ 871,964	—	$ 871,964
Involuntary or good reason termination in connection with change in control [3]	$ 1,050,000	$ 52,800	$ 871,964	—	$ 1,974,764
Death or disability	—	—	$ 871,964	—	$ 871,964
Stuart J. Becker [1][2]					
Involuntary termination without cause [3]	$ 562,500	$ 9,000	$ 174,393	—	$ 745,893
Voluntary termination or involuntary termination with cause	—	—	—	—	—
Change in control (no termination)	—	—	$ 174,393	—	$ 174,393
Involuntary or good reason termination in connection with change in control [3]	$ 750,000	$ 12,000	$ 174,393	—	$ 936,393
Death or disability	—	—	$ 174,393	—	$ 174,393
Ryan A. Bertucci [1][2]					
Involuntary termination without cause [3]	$ 330,000	$ 26,400	$ 174,393	—	$ 530,793
Voluntary termination or involuntary termination with cause	—	—	—	—	—
Change in control (no termination)	—	—	$ 174,393	—	$ 174,393
Involuntary or good reason termination in connection with change in control [3]	$ 660,000	$ 52,800	$ 174,393	—	$ 887,193
Death or disability	—	—	$ 174,393	—	$ 174,393

(1) The amounts shown in the table do not include accrued salary, earned but unpaid bonuses, accrued but unused vacation pay or the distribution of benefits from any tax-qualified retirement or 401(k) plan. Those amounts are payable to this executive officer upon any termination of his employment, including an involuntary termination with cause and a resignation without good reason.

(2) A termination of this executive officer's employment due to death or disability entitles this executive officer to benefits under our life insurance and disability insurance plans. In addition, outstanding options immediately vest upon this executive officer's termination of employment due to death or disability.
(3) Amounts in this row are calculated in accordance with provisions of the applicable employment agreement as disclosed in "—Employment Agreements."
(4) The amounts shown in this column are estimates of the cash payments to be made under the applicable employment agreement based on the annual premiums to be paid by us for health care, life and disability insurance and other benefits expected to be provided to each executive officer.
(5) The amounts shown in this column represent the value, on the date of grants of the options, on February 14, 2011. The values were computed in accordance with FASB ASC Topic 718 and assume exercise of the options within a five-year period. Amounts reflecting accelerated vesting of equity awards in the rows "Change in control (no termination)" and "Involuntary or good reason termination in connection with change in control" will be paid upon only one of the specified triggering events (not both) and will not be duplicated in the event that the executive incurs a qualifying termination following a change in control event that has previously resulted in acceleration.
(6) The employment agreements with our executive officers do not provide an indemnification or gross-up payment for the parachute payment excise tax under Sections 280G and 4999 of the Code. The employment agreements instead provide that the severance and any other payments or benefits that are treated as parachute payments under the Code will be reduced to the maximum amount that can be paid without an excise tax liability. The parachute payments will not be reduced, however, if the executive will receive greater after-tax benefits by receiving the total or unreduced benefits (after taking into account any excise tax liability payable by the executive). The amounts shown in the table assume that the executive officer will receive the total or unreduced benefits.

Compensation Committee Interlocks and Insider Participation

We did not have a compensation committee during the year ended December 31, 2010. On February 14, 2011, we established a compensation committee, and its members are Wayne W. Wielgus (chair), Thomas W. Storey and David S. Kay. No member of the compensation committee is a current or former officer or employee of our company or any of our subsidiaries, or of our predecessor, and none have a relationship that is required to be reported pursuant to Item 404 of Regulation S-K. None of our executive officers serves as a member of the board of directors or compensation committee of any company that has one or more of its executive officers serving as a member of our board of directors. None of the executive officers of our predecessor served as a member of the board of directors or compensation committee of any company that has one or more of its executive officers serving as a member of our board of directors or of our predecessor's board of managers.

Mr. Boekelheide, our Executive Chairman, and Mr. Hansen, our President and Chief Executive Officer, who comprised our board of directors from our inception in June 2010 until completion of our IPO on February 14, 2011, participated in deliberations concerning the compensation our executive officers will receive in 2011.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Executive Compensation Discussion and Analysis ("CD&A") contained in this report with management. Based on the Compensation Committee's review of the CD&A and the Compensation Committee's discussions of the CD&A with management, the Compensation Committee recommended to the Board of Directors (and the Board has approved) that the CD&A be included in this report.

Submitted by the Compensation Committee of the Board of Directors

Thomas W. Storey (Chairperson)
Bjorn R. L. Hanson
Wayne W. Wielgus

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of March 30, 2011 with respect to our securities, and the securities of our operating partnership, that may be issued under existing equity compensation plans:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans [1]
Equity Compensation Plans Approved by Stockholders [2]	940,000	$ 9.75	1,374,290
Equity Compensation Plans Not Approved by Stockholders	—	—	—
Total	940,000	$ 9.75	1,374,290

(1) Excludes securities reflected in the column entitled "Number of Securities to be Issued Upon Exercise of Outstanding Options." Our operating partnership has not adopted any equity compensation plans; however, long-term incentive plan units ("LTIP Units"), a special class of partnership units in our operating partnership, may be issued by our operating partnership pursuant to the company's 2011 Equity Incentive Plan. Neither the company nor our operating partnership has any current plans to issue LTIP Units pursuant to the company's 2011 Equity Incentive Plan.

(2) Consists of the company's 2011 Equity Incentive Plan, which was approved by the company's board of directors and the company's sole stockholder prior to completion of our IPO.

Security Ownership of Certain Beneficial Owners

As of March 25, 2011 we do not know of any person who is the beneficial owner of more than 5% of Summit REIT's common stock.

As of March 25, 2011 we do not know of any person who is the beneficial owner of more than 5% of the Common Units of Summit OP other then Summit REIT, which owns 73.0% of the Common Units.

Security Ownership of Management

The following table sets forth the beneficial ownership of shares of our common stock and shares of common stock issuable upon redemption of Common Units (without giving effect to the 12-month restriction on redemption applicable to Common Units) by (1) each of our named executive officers, (2) each of our directors, (3) all of our executive officers and directors as a group and (4) each person who is expected to be the beneficial owner of five percent or more of our shares of common stock. The SEC has defined "beneficial ownership" of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. In computing the number of shares and Common Units beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or other rights held by that person that are exercisable or will become exercisable by April 15, 2011 are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person. Each person named in the table has sole voting and investment power with respect to all of the shares of common stock and Common Units shown as beneficially owned by such person, except as otherwise set forth in the notes to the table.

Unless otherwise indicated, the address of each named person is c/o Summit Hotel Properties, Inc., 2701 South Minnesota Avenue, Suite 6, Sioux Falls, South Dakota 57105.

Name of Beneficial Owner	Number of Shares and Common Units Beneficially Owned	Percentage of All Shares [1]	Percentage of All Shares and Common Units Beneficially Owned [2]
Kerry W. Boekelheide	1,517,879[3]	5.3%	4.1%
Daniel P. Hansen	15,000[4]	*	*
Craig J. Aniszewski	4,105[5]	*	*
Stuart J. Becker	2,500[4]	*	*
Ryan A. Bertucci	—[4]	—	—
Bjorn R. L. Hanson	1,500[6]	*	*
David S. Kay	1,000[6]	*	*
Thomas W. Storey	5,100[6]	*	*
Wayne W. Wielgus	6,000[6]	*	*
All directors and executive officers as a group (11 persons)	1,554,284	5.3%	4.2%

* Represents less than 1%

(1) Assumes that all Common Units held by the person are redeemed for shares of our common stock, and amounts for all executive officers and directors as a group assume all Common Units held by them are exchanged for shares of our common stock. The total number of shares of common stock outstanding used in calculating this percentage assumes that none of the Common Units held by other persons are exchanged for shares of our common stock.

(2) Assumes a total of 37,378,000 shares of our common stock and Common Units, which Common Units may redeemed for cash or, at our election, shares of our common stock on a one-for-one basis, are outstanding.

(3) Represents (i) 17,000 Common Units issued to a revocable trust, the trustee and sole beneficiary of which is Mr. Boekelheide, in exchange for the trust's membership interests in our predecessor; (ii) 1,109,164 Common Units issued to The Summit Group in the Merger in exchange for its membership interests in our predecessor; (iii) 74,829 Common Units issued to The Summit Group in exchange for its Class B membership interest in Summit of Scottsdale; and (iv) an aggregate of 316,886 Common Units issued to entities affiliated with Mr. Boekelheide other than The Summit Group, over which Mr. Boekelheide shares voting and investment power with individuals who are not affiliated with us. Excludes options to purchase 376,000 shares of our common stock at the per-share IPO price of $9.75, none of which has vested.

(4) Excludes options granted to Messrs. Hansen, Becker and Bertucci to purchase 235,000, 47,000, and 47,000 shares, respectively, of our common stock at the per-share IPO price of $9.75, none of which has vested.

(5) Represents 4,105 Common Units issued to Mr. Aniszewski in exchange for his Class B membership interests in our predecessor. Excludes options to purchase 235,000 shares of our common stock at the per-share IPO price of $9.75, none of which has vested.

(6) Includes 1,000 shares of common stock granted to this independent director upon completion of our IPO.

Item 13 . Certain Relationships and Related Transactions, and Trustee Independence.

Summit Hotel Properties, Inc. and Summit Hotel OP, LP

Formation Transactions

On July 12, 2010, in connection with the initial capitalization of our company, we issued 1,000 shares of common stock to our Executive Chairman, Mr. Boekelheide, for total cash consideration of $1,000. The shares were issued in reliance on the exemption set forth in Section 4(2) of the Securities Act. Upon completion of our IPO on February 14, 2011, these shares were repurchased from Mr. Boekelheide for $1,000.

Some of our executive officers and directors have material interests in the formation transactions. Prior to completion of the formation transactions, these executive officers and directors have ownership interests in our predecessor. In addition, prior to February 14, 2011, Mr. Boekelheide, through The Summit Group (in which he holds a 100% interest), held a 36% Class B membership interest in Summit of Scottsdale. As part of the formation transactions, we acquired these ownership interests by issuing Common Units to the former members of those companies, including some of our executive officers and directors. The aggregate number and value of the Common Units issued to our executive officers and directors on February 14, 2011 in connection with the formation transactions were as follows:

- Mr. Boekelheide and The Summit Group received an aggregate of 1,200,993 Common Units, including: (1) 17,000 Common Units issued to a revocable trust, the trustee and sole beneficiary of which is Mr. Boekelheide, in exchange for the trust's Class A membership interests in our predecessor pursuant to the Merger; (2) 1,109,164 Common Units issued to The Summit Group pursuant to the Merger; and (3) 74,829 Common Units issued to The Summit Group in exchange for its 36% Class B membership interest in Summit of Scottsdale. These Common Units represent approximately 3.2% of our combined outstanding common stock and Common Units and have an aggregate value of $11.7 million based on our IPO price of $9.75 per share.

- Entities affiliated with Mr. Boekelheide, other than The Summit Group, received an aggregate of 316,886 Common Units. Mr. Boekelheide shares voting and investment power over these Common Units with individuals who are not affiliated with us. These Common Units represent approximately 0.9% of our combined outstanding common stock and Common Units and have an aggregate value of $3.1 million based on our IPO price of $9.75 per share.

On February 14, 2011, Mr. Boekelheide and his affiliates other than The Summit Group received an aggregate cash payment from our predecessor in the amount of approximately $147,000 as a result of our predecessor's payment of accrued and unpaid priority returns to the Class A and A-1 members of our predecessor through August 31, 2010 in accordance with the terms of the agreement of the Merger.

In addition to the Common Units received in connection with the formation transactions, our executive officers also benefitted from the following:

- employment agreements that provide for salary, bonus and other benefits, including severance benefits in the event of a termination of employment in certain circumstances;
- options to purchase an aggregate of 940,000 shares of our common stock granted to our named executive officers upon completion of the IPO pursuant to the 2011 Equity Incentive Plan;
- agreements providing for indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against them as an officer and/or director of our company; and
- redemption and registration rights under our operating partnership's partnership agreement with respect to Common Units to be issued in the formation transactions.

Furthermore, in connection with the formation transactions, our operating partnership entered into tax protection agreements with a limited number of the members of our predecessor, including The Summit Group. The Summit Group guarantees approximately $13.8 million of our operating partnership's mortgage liabilities. If we fail to meet our obligations under the tax protection agreements, we may be required to reimburse The Summit Group for the amount of the tax liabilities it incurs. Although our liability under the tax protection agreements will depend on certain factors, including without limitation the applicable maximum federal, state and local tax rates, we anticipate that the maximum amount we may have to indemnify The Summit Group under the tax protection agreements is approximately $6.9 million.

Cash Payment by Interstate to The Summit Group

In consideration for assigning to them the existing hotel management agreements with our predecessor, The Summit Group received a total cash payment from Interstate in the amount of $12.75 million, $11.0 million of which was paid upon completion of our IPO and $1.75 million of which will be paid on February 14, 2014.

Transition Services Agreement

On February 14, 2011, our operating partnership entered into a transition services agreement with The Summit Group, which is controlled by Mr. Boekelheide, pursuant to which The Summit Group provides or cause its affiliates to provide us with such services related to our business as we shall reasonably request. We reimburse The Summit Group for its cost of providing services to us, including a pro rata portion of its overhead expenses, and for any other actual and reasonable out of pocket expenses incurred in connection with providing such services. We estimate that the amount we will pay pursuant to this agreement will be approximately $150,000 each year. Either party may terminate this agreement upon 30-days' written notice. We will not pay any fees to The Summit Group or its affiliates pursuant to the transition services agreement.

Outside Business Interests

Mr. Boekelheide and other key members of our senior management team, including Messrs. Hansen and Aniszewski, also serve as executive officers of The Summit Group. We reimburse The Summit Group for payments it makes on behalf of each of Messrs. Boekelheide, Hansen and Aniszewski for health care benefits provided under the Exec-U-Care program. The Summit Group manages one hotel that is not owned by us, a Comfort Suites located in Tucson, Arizona. Our employment agreement with Mr. Boekelheide requires him to devote a substantial portion of his business time and attention to our business and our employment agreements with our other executive officers require our executives to devote substantially all of their business time and attention to our business. Our employment agreements with our other executives do not include a prohibition on competing with our company. In addition, Mr. Boekelheide, as well as our Executive Vice President and Chief Financial Officer, Mr. Becker, and our Vice President of Acquisitions, Mr. Bertucci, serve as officers of Summit Green Tiger. Summit Green Tiger co-manages two private investment funds, which own a total of six multi-family properties. We will not compete with these funds for investment opportunities. These outside business interests may reduce the amount of time that Messrs. Boekelheide, Hansen, Aniszewski, Becker and Bertucci are able to devote to our business. We expect these officers will devote a limited amount of time to these funds as they are closed and the co-manager oversees the day-to-day operations and investments of these funds.

Review, Approval or Ratification of Transactions with Related Persons

We have adopted a written policy for the review and approval of related person transactions requiring disclosure under Item 404(a) of Regulation S-K. This policy provides that our nominating and corporate governance committee are responsible for reviewing and approving or disapproving all interested transactions, meaning any transaction, arrangement or relationship in which (1) the amount involved may be expected to exceed $120,000 in any fiscal year, (2) our company or one of our subsidiaries will be a participant and (3) a related person has a direct or indirect material interest. A related person is defined as an executive officer, director or nominee for election as director, or a greater than 5% beneficial owner of our common stock, or an immediate family member of the foregoing. The policy may deem certain interested transactions to be pre-approved.

Item 14. Principal Accountant Fees and Services.

Fee Disclosure

Eide Bailly served as our predecessor's independent registered public accounting firm from November 1, 2008 through June 28, 2010. KPMG served as our predecessor's independent registered public accounting firm for the period beginning June 28, 2010 through December 31, 2010. At the request of our predecessor, Eide Bailly continued to provide professional services to our predecessor for the period June 28, 2010 through December 31, 2010 in connection with the formation transactions, merger and preparations for our IPO.

The following is a summary of the fees for professional services rendered billed to the Company by Eide Bailly for the years ended December 31, 2009 and 2010 and by KPMG for the period from June 28, 2010 through December 31, 2010:

	Eide Bailly LLP		KPMG LLP
	Year Ended December 31, 2009	Year Ended December 31, 2010	June 28, 2010 through December 31, 2010
Audit Fees	$ 106,974	$ 85,877	$ 711,430
Audit-Related Fees	28,412	2,650	—
Tax Fees	52,423	53,828	448,550
All Other Fees	9,275	145,841	—
Total	$ 197,084	$ 288,196	$ 1,159,980

Audit Fees

"Audit Fees" consist of fees and expenses billed for professional services rendered for the audit of financial statements, effectiveness of internal control over financial reporting, review of interim consolidated financial statements, review of registration statements and preparation of comfort letters and services that are normally provided by Eide Bailly and KPMG in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

"Audit-Related Fees" consist of fees and expenses for assurance and related services that are reasonably related to the performance of the audit or review of financial statements that are not "Audit Fees."

Tax Fees

"Tax Fees" consist of fees and related expenses billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal and state tax compliance and tax planning and structuring.

All Other Fees

"All Other Fees" consist of fees and expenses for products and services that are not "Audit Fees," "Audit-Related Fees" or "Tax Fees."

Pre-Approval Policy

Our predecessor's board of managers adopted an audit committee charter for our predecessor which included a policy concerning the pre-approval of audit and non-audit services to be provided by our independent accountants. The policy required that all services provided by our predecessor's independent accountants, including audit services, audit-related services, and other services, must have been pre-approved by its audit committee. The policy did not require our predecessor's audit committee to pre-approve engagement of our predecessor's independent accountants for *de minimis* non-audit related services so long as the services were rendered in accordance with the Exchange Act.

Our predecessor's audit committee approved all audit, tax and non-audit fees provided to our predecessor by Eide Bailly and KPMG during the 2009 and 2010 fiscal years.

We expect that our audit committee will adopt a policy concerning the pre-approval of audit and non-audit services to be provided by our independent accountants. We expect that the policy will require that all audit, tax and other services provided to us will be reviewed and pre-approved by our audit committee.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements

   Included herein at pages F-1 through F-35

2. Financial Statement Schedules

   The following financial statement schedule is included herein at pages F-29 and F-30.

   Schedule III — Real Estate and Accumulated Depreciation

   All schedules for which provision is made in Regulation S-X are either not required to be included herein pursuant to the related instructions or are inapplicable or the related information is included in the footnotes to the applicable financial statement.

3. Exhibits

   The following exhibits are filed as part of this report:

Exhibit Number	Description of Exhibit
3.1 †	Articles of Amendment and Restatement of Summit Hotel Properties, Inc.
3.2	Certificate of Limited Partnership of Summit Hotel OP, LP, as amended (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to Registration Statement on Form 8-A filed by Summit Hotel OP, LP on February 11, 2011)
3.3	Amended and Restated Bylaws of Summit Hotel Properties, Inc. (incorporated by reference to Exhibit 3.2 to Amendment No. 2 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on November 1, 2010)
3.4	First Amended and Restated Agreement of Limited Partnership of Summit Hotel OP, LP, dated February 14, 2011 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)
4.1	Specimen certificate of common stock of Summit Hotel Properties, Inc. (incorporated by reference to Exhibit 4.1 to Amendment No. 5 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on February 7, 2011)
10.1	Form of Transition Services Agreement between The Summit Group, Inc. and Summit Hotel OP, LP (incorporated by reference to Exhibit 10.27 to Amendment No. 4 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on January 28, 2011)*
10.2	Tax Protection Agreement, dated February 10, 2011, between Summit Hotel OP, LP and The Summit Group, Inc. (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.3	Transition Services Agreement, dated February 14, 2011, between Summit Hotel OP, LP and The Summit Group, Inc. (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)
10.4	Amended and Restated Hotel Management Agreement, dated February 14, 2011, among Interstate Management Company, LLC and the subsidiaries of Summit Hotel Properties, Inc. party thereto (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)
10.5	Loan Modification Agreement, dated February 14, 2011, among Summit Hotel Properties, LLC, Summit Hotel OP, LP and GE Commercial Capital of Utah LLC (loan in the original principal amount of $11.4 million) (incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)

10.6	Loan Modification Agreement, dated February 14, 2011, among Summit Hotel Properties, LLC, Summit Hotel OP, LP and GE Commercial Capital of Utah LLC (loan in the original principal amount of $9.5 million) (incorporated by reference to Exhibit 10.6 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)
10.7	Loan Modification Agreement, dated February 14, 2011, among Summit Hotel Properties, LLC, Summit Hotel OP, LP and GE Commercial Capital of Utah LLC (loan in the original principal amount of $11.3 million) (incorporated by reference to Exhibit 10.7 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)
10.8	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Kerry W. Boekelheide (incorporated by reference to Exhibit 10.8 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.9	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Daniel P. Hansen (incorporated by reference to Exhibit 10.9 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.10	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Craig J. Aniszewski (incorporated by reference to Exhibit 10.10 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.11	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Stuart J. Becker (incorporated by reference to Exhibit 10.11 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.12	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Ryan A. Bertucci (incorporated by reference to Exhibit 10.12 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.13	Summit Hotel Properties, Inc. 2011 Equity Incentive Plan (incorporated by reference to Exhibit 10.13 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.14	Form of Indemnification Agreement between Summit Hotel Properties, Inc. and each of its Executive Officers and Directors (incorporated by reference to Exhibit 10.14 to Amendment No. 2 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on November 1, 2010)
10.15	Loan Agreement between Summit Hotel Properties, LLC and ING Life Insurance and Annuity Company dated December 23, 2005 (incorporated by reference to Exhibit 10.15 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)
10.16	Loan Agreement between Summit Hotel Properties, LLC and ING Life Insurance and Annuity Company, dated June 15, 2006 (incorporated by reference to Exhibit 10.16 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)
10.17	First Modification of Loan Agreement between Summit Hotel Properties, LLC and ING Life Insurance and Annuity Company, dated April 24, 2007 (incorporated by reference to Exhibit 10.17 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)
10.18	Modification of Promissory Note and Loan Agreement between Summit Hotel Properties, LLC and ING Life Insurance and Annuity Company, dated November 28, 2007 (incorporated by reference to Exhibit 10.18 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)
10.19	Construction Loan Agreement between Summit Hotel Properties, LLC and Compass Bank, dated September 17, 2008 (loan in the original principal amount of $19.25 million) (incorporated by reference to Exhibit 10.23 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)
10.20 †	Second Amended and Restated Loan Agreement (Credit Pool) between Summit Hotel Properties, LLC and First National Bank of Omaha entered into August 19, 2010
10.22	Form of Option Award Agreement (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)*

10.23	Form of Lease Agreement between Summit Hotel OP, LP and TRS Lessee (incorporated by reference to Exhibit 10.4 to Amendment No. 2 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on November 1, 2010)
10.24	Sourcing Agreement between Six Continents Hotel, Inc., d/b/a InterContinental Hotels Group, and Summit Hotel Properties, Inc. (incorporated by reference to Exhibit 10.26 to Amendment No. 3 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on December 3, 2010)
10.25	Form of Severance Agreement between Summit Hotel Properties, Inc. and Christopher R. Eng (incorporated by reference to Exhibit 10.12 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010) *
10.26	Form of Severance Agreement between Summit Hotel Properties, Inc. and JoLynn M. Sorum (incorporated by reference to Exhibit 10.13 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010) *
21.1	List of Subsidiaries of Summit Hotel Properties, Inc. (incorporated by reference to Exhibit 21.1 to Amendment No. 4 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on January 28, 2011)
21.2	List of Subsidiaries of Summit Hotel OP, LP (incorporated by reference to Exhibit 21.1 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel OP, LP on September 23, 2010)
23.1 †	Consent of KPMG LLP
23.2 †	Consent of Eide Bailly LLP
31.1 †	Certification of Chief Executive Officer of Summit Hotel Properties, Inc. pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 †	Certification of Chief Financial Officer Summit Hotel Properties, Inc. pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3 †	Certification of Chief Executive Officer of Summit Hotel OP, LP pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4 †	Certification of Chief Financial Officer Summit Hotel OP, LP pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 †	Certification of Chief Executive Officer Summit Hotel Properties, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2 †	Certification of Chief Financial Officer Summit Hotel Properties, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3 †	Certification of Chief Executive Officer Summit Hotel OP, LP pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.4 †	Certification of Chief Financial Officer Summit Hotel OP, LP pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Management contract or compensatory plan or arrangement.
† Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUMMIT HOTEL PROPERTIES, INC. (registrant)

Date: March 31, 2011

By: /s/ Kerry W. Boekelheide
Kerry W. Boekelheide
Executive Chairman of the Board

SUMMIT HOTEL OP, LP (registrant)

By: Summit Hotel GP, LLC, its general partner

By: Summit Hotel Properties, Inc., its sole member

Date: March 31, 2011

By: /s/ Kerry W. Boekelheide
Kerry W. Boekelheide
Executive Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrants and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Kerry W. Boekelheide Kerry W. Boekelheide	Executive Chairman of the Board	March 31, 2011
/s/ Daniel P. Hansen Daniel P. Hansen	President, Chief Executive Officer and Director (principal executive officer)	March 31, 2011
/s/ Stuart J. Becker Stuart J. Becker	Executive Vice President and Chief Financial Officer (principal financial officer)	March 31, 2011
/s/ JoLynn M. Sorum JoLynn M. Sorum	Vice President, Controller and Chief Accounting Officer (principal accounting officer)	March 31, 2011
/s/ Bjorn R. L. Hanson Bjorn R. L. Hanson	Director	March 31, 2011
/s/ David S. Kay David S. Kay	Director	March 31, 2011
/s/ Thomas W. Storey Thomas W. Storey	Director	March 31, 2011
/s/ Wayne W. Wielgus Wayne W. Wielgus	Director	March 31, 2011

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

Report of Independent Registered Public Accounting Firm

The Board of Managers
Summit Hotel Properties, LLC:

We have audited the accompanying consolidated balance sheet of Summit Hotel Properties, LLC and subsidiaries as of December 31, 2010, and the related consolidated statements of operations, changes in members' equity, and cash flows for the year ended December 31, 2010. In connection with our audit of the consolidated financial statements, we also have audited the financial statement schedule III. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Summit Hotel Properties, LLC and subsidiaries as of December 31, 2010, and the results of their operations and their cash flows for the year ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule III, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/ s / KPMG LLP

Omaha, Nebraska
March 31, 2011

Report of Independent Registered Public Accounting Firm

The Board of Managers
Summit Hotel Properties, LLC
Sioux Falls, South Dakota

We have audited the accompanying consolidated balance sheet of Summit Hotel Properties, LLC (the "Company") as of December 31, 2009 and the related consolidated statements of operations, changes in members' equity and cash flows for each of the years in the two-year period ended December 31, 2009. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Summit Hotel Properties, LLC as of December 31, 2009 and the consolidated results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Summit Hotel Properties, LLC's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 31, 2010, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Eide Bailly LLP

Greenwood Village, Colorado
March 31, 2010

Report of Independent Registered Public Accounting Firm

The Board of Managers
Summit Hotel Properties, LLC
Sioux Falls, South Dakota

We have audited Summit Hotel Properties, LLC (the "Company") internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Summit Hotel Properties, LLC management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Summit Hotel Properties, LLC maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Summit Hotel Properties, LLC as of December 31, 2009 and the related consolidated statements of operations, members' equity, and cash flows for each of the years in the two-year period ended December 31, 2009, and our report dated March 31, 2010, expressed an unqualified opinion on those financial statements.

/s/ Eide Bailly LLP

Greenwood Village, Colorado
March 31, 2010

SUMMIT HOTEL PROPERTIES, LLC
CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 7,977,418**	$ 8,239,225
Restricted cash	**1,192,131**	1,755,053
Trade receivables	**2,665,076**	2,608,198
Receivable due from affiliate	**4,620,059**	-
Prepaid expenses and other	**1,738,645**	1,416,480
Total current assets	**18,193,329**	14,018,956
PROPERTY AND EQUIPMENT, NET	**466,010,777**	482,767,601
OTHER ASSETS		
Deferred charges and other assets, net	**4,051,295**	4,828,185
Land held for sale	**-**	12,226,320
Other noncurrent assets	**4,011,992**	4,074,179
Restricted cash	**741,137**	331,190
Total other assets	**8,804,424**	21,459,874
TOTAL ASSETS	**$ 493,008,530**	$ 518,246,431
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	**$ 147,612,930**	$ 134,370,900
Lines of credit	**19,601,215**	21,457,943
Accounts payable	**864,560**	1,088,265
Related party accounts payable	**771,066**	494,248
Accrued expenses	**11,092,131**	9,182,013
Total current liabilities	**179,941,902**	166,593,369
LONG-TERM DEBT, NET OF CURRENT PORTION	**253,223,062**	270,353,750
COMMITMENTS AND CONTINGENCIES (NOTE 16)		
MEMBERS' EQUITY		
Class A, 1,166.62 units issued and outstanding	**50,838,540**	59,961,958
Class A-1, 437.83 units issued and outstanding	**32,554,188**	34,244,056
Class B, 81.36 units issued and outstanding	**262,669**	1,804,718
Class C, 173.60 units issued and outstanding	**(22,187,368)**	(13,086,957)
Total Summit Hotel Properties, LLC members' equity	**61,468,029**	82,923,775
Noncontrolling interest	**(1,624,463)**	(1,624,463)
Total equity	**59,843,566**	81,299,312
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 493,008,530**	$ 518,246,431

The accompanying notes are an integral part of these consolidated financial statements.

SUMMIT HOTEL PROPERTIES, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

	2010	2009	2008
REVENUES			
Room revenues	**$ 133,069,346**	$ 118,959,822	$ 132,796,698
Other hotel operations revenues	**2,565,723**	2,239,914	2,310,764
	135,635,069	121,199,736	135,107,462
COSTS AND EXPENSES			
Direct hotel operations	**47,210,056**	42,070,893	42,380,950
Other hotel operating expenses	**18,960,775**	16,986,818	15,186,138
General, selling and administrative	**25,379,942**	24,017,471	25,993,091
Repairs and maintenance	**4,718,561**	6,151,474	8,008,854
Depreciation and amortization	**27,250,778**	23,971,118	22,307,426
Loss on impairment of assets	**6,475,684**	7,505,836	-
	129,995,796	120,703,610	113,876,459
INCOME FROM OPERATIONS	**5,639,273**	496,126	21,231,003
OTHER INCOME (EXPENSE)			
Interest income	**47,483**	49,805	194,687
Interest (expense)	**(26,362,265)**	(18,320,736)	(17,025,180)
Gain (loss) on disposal of assets	**(42,813)**	(4,335)	(389,820)
	(26,357,595)	(18,275,266)	(17,220,313)
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(20,718,322)**	(17,779,140)	4,010,690
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**-**	1,464,808	10,278,595
NET INCOME (LOSS) BEFORE INCOME TAXES	**(20,718,322)**	(16,314,332)	14,289,285
STATE INCOME TAX (EXPENSE)	**(202,163)**	-	(826,300)
NET INCOME (LOSS)	**(20,920,485)**	(16,314,332)	13,462,985
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTEREST	**-**	-	384,269
NET INCOME (LOSS) ATTRIBUTABLE TO SUMMIT HOTEL PROPERTIES, LLC	**$ (20,920,485)**	$ (16,314,332)	$ 13,078,716
BASIC AND DILUTED EARNINGS PER $100,000 CAPITAL UNIT	**$ (11,251)**	$ (9,392)	$ 8,412
WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING FOR CALCULATION OF BASIC AND DILUTED EARNINGS PER CAPITAL UNIT (based on $100,000 investment)	**1,859**	1,737	1,555

The accompanying notes are an integral part of these consolidated financial statements.

SUMMIT HOTEL PROPERTIES, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

	# of Capital Units	Class A	Class A-1	Class B	Class C	Total	Equity Attributable to Noncontrolling Interest
BALANCES, JANUARY 1, 2008	1,554.83	$ 82,892,941	$10,672,761	$ 4,108,213	$ (279,026)	$ 97,394,889	$ (1,702,732)
Class A-1 units issued in private placement	63.25	-	5,614,466	-	-	$ 5,614,466	-
Net Income (Loss)	-	10,785,507	1,136,502	184,178	972,529	13,078,716	384,269
Distributions to members	-	(17,166,006)	(1,567,973)	(1,285,144)	(6,683,725)	(26,702,848)	(306,000)
BALANCES, DECEMBER 31, 2008	**1,618.08**	**$ 76,512,442**	**$15,855,756**	**$ 3,007,247**	**$ (5,990,222)**	**$ 89,385,223**	**$ (1,624,463)**
Class A-1 units issued in private placement	241.33	-	22,123,951	-	-	$ 22,123,951	-
Net Income (Loss)	-	(6,807,644)	(1,207,424)	(1,202,529)	(7,096,735)	(16,314,332)	-
Distributions to members	-	(9,742,840)	(2,528,227)	-	-	(12,271,067)	-
BALANCES, DECEMBER 31, 2009	**1,859.41**	**$ 59,961,958**	**$34,244,056**	**$ 1,804,718**	**$(13,086,957)**	**$ 82,923,775**	**$ (1,624,463)**
Net Income (Loss)	-	(8,729,700)	(1,548,325)	(1,542,049)	(9,100,411)	(20,920,485)	-
Distributions to members	-	(393,718)	(141,543)	-	-	(535,261)	-
BALANCES, DECEMBER 31, 2010	**1,859.41**	**$ 50,838,540**	**$32,554,188**	**$ 262,669**	**$(22,187,368)**	**$ 61,468,029**	**$ (1,624,463)**

The accompanying notes are an integral part of these consolidated financial statements.

SUMMIT HOTEL PROPERTIES, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

	2010	2009	2008
OPERATING ACTIVITIES			
Net income (loss)	**$ (20,920,485)**	$ (16,314,332)	$ 13,078,716
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**27,250,778**	24,125,066	23,027,566
Amortization of prepaid lease	**47,400**	118,501	-
Unsuccessful project costs	**-**	1,262,219	-
Noncontrolling interests in operations of consolidated LLC	**-**	-	384,269
(Gain) loss on disposal of assets	**42,813**	(1,297,488)	(8,604,779)
Loss on impairment of assets	**6,475,684**	7,505,836	-
Changes in assets and liabilities:			
Trade receivables	**(56,878)**	13,966	570,544
Prepaid expenses and other assets	**(4,942,224)**	315,891	(307,109)
Accounts payable and related party accounts payable	**53,113**	(5,847,835)	(1,656,286)
Accrued expenses	**1,910,118**	(774,359)	316,909
Restricted cash released (funded)	**562,922**	(76,026)	783,920
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**10,423,241**	9,031,439	27,593,750
INVESTING ACTIVITIES			
Land and hotel acquisitions and construction in progress	**(1,413,183)**	(14,810,896)	(12,904,466)
Purchases of other property and equipment	**(1,356,696)**	(6,613,397)	(6,628,779)
Proceeds from asset dispositions, net of closing costs	**14,787**	207,814	23,584,638
Restricted cash released (funded)	**(409,947)**	2,239,184	(1,369,191)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(3,165,039)**	(18,977,295)	2,682,202
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	**4,919,026**	223,518	4,837,000
Principal payments on long-term debt	**(8,807,684)**	(6,890,949)	(20,909,992)
Financing fees on long-term debt	**(1,239,362)**	(945,442)	(942,405)
Proceeds from issuance of notes payable and line of credit	**-**	4,860,000	18,510,867
Principal payments on notes payable and line of credit	**(1,856,728)**	(19,865)	-
Proceeds from equity contributions, net of commissions	**-**	15,075,451	5,614,466
Distributions to members	**(535,261)**	(12,271,067)	(26,702,848)
Distributions to noncontrolling interest	**-**	-	(306,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(7,520,009)**	31,646	(19,898,912)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(261,807)**	(9,914,210)	10,377,040
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**8,239,225**	18,153,435	7,776,395
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 7,977,418**	$ 8,239,225	$ 18,153,435

The accompanying notes are an integral part of these consolidated financial statements.

SUMMIT HOTEL PROPERTIES, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS – PAGE 2
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

	2010	2009	2008
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash payments for interest, net of the amounts capitalized below	**$ 25,866,571**	$ 17,810,544	$ 17,833,598
Interest capitalized	**$ -**	$ 2,977,101	$ 3,829,267
Cash payments (refunds) for state income taxes	**$ (21,807)**	$ 728,514	$ 781,081
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCIAL INFORMATION:			
Acquisitions of hotel properties and land through issuance of debt	**$ -**	$ -	$ 16,447,237
Construction in progress financed through accounts payable	**$ -**	$ 244,126	$ -
Construction in progress financed through related party accounts payable	**$ -**	$ 242,135	$ 2,600,260
Construction in progress financed through issuance of debt	**$ -**	$ 51,098,872	$ 38,765,692
Conversion of construction in progress to other assets	**$ -**	$ 4,149,379	$ -
Issuance of long-term debt for short-term debt	**$ -**	$ 7,450,000	$ 12,772,819
Issuance of long-term debt to refinance existing long-term debt	**$ -**	$ 22,215,852	$ 11,073,070
Equity contributions used to pay down debt	**$ -**	$ 7,048,500	$ -
Financing costs funded through construction draws	**$ -**	$ -	$ 1,651,886
Sale proceeds used to pay down long-term debt	**$ -**	$ 6,134,285	$ 4,215,362

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Summit Hotel Properties, LLC, Predecessor, a South Dakota limited liability company (the "Predecessor"), was organized January 8, 2004, and is engaged in the business of developing, owning and operating hotel properties.

The Predecessor has agreements for the use of various trade names, trademarks and service marks which include Carlson Hospitality, Choice Hotels International, Hilton Hotel Corporation, Intercontinental Hotels Group, Hyatt Hotel Corporation and Marriott International. The Predecessor also owns and operates one independent non-franchised hotel. As of December 31, 2010 and 2009, the Predecessor owned and managed 65 hotels, representing approximately 6,533 rooms located in 19 states. The Predecessor's hotel properties are located throughout various regions of the United States. Hotels operating in any given region are potentially susceptible to adverse economic and competitive conditions as well as unique trends associated with that particular region. The potential adverse affect of such conditions on the Predecessor's business, financial position, and results of its operations is mitigated due to the diversified locations of the Predecessor's properties. The Predecessor has only one operating segment.

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of the Predecessor, Summit Hospitality I, LLC and Summit Hospitality V, LLC, as well as Summit Group of Scottsdale, Arizona, LLC ("Scottsdale"), a variable interest entity ("VIE") for which the Predecessor is the primary beneficiary. All significant intercompany balances and transactions have been eliminated.

The Predecessor has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, *Consolidation* . Beginning January 1, 2010, Topic 810 requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE for consolidation purposes. The primary beneficiary of a VIE is the enterprise that has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and also has the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive benefits of the VIE that could potentially be significant to the VIE. Prior to January 1, 2010, the Predecessor accounted for its ownership of Scottsdale under FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities an Interpretation of ARB No. 51* , codified under Topic 810. Variable interest entities ("VIEs") were required to be consolidated by their primary beneficiaries if they do not effectively disperse risks among the parties involved. The primary beneficiary of a VIE was the party that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both, as a result of holding variable interests. In applying Topic 810, management has utilized available information and reasonable assumptions and estimates in evaluating whether an entity is a VIE and which party is the primary beneficiary. These assumptions and estimates are subjective and the use of different assumptions could result in different conclusions.

As of December 31, 2010, the Predecessor is a 49% owner and the primary beneficiary of Summit Group of Scottsdale, AZ, LLC ("Scottsdale"), which qualifies as a variable interest entity. Accordingly, the financial position and results of operations and cash flows of Scottsdale have been included in the accompanying consolidated financial statements. The entity was formed for the purpose of purchasing two hotel properties in Scottsdale, AZ and its activities primarily relate to owning and operating those two hotel properties. As of December 31, 2010 and for the year then ended, Scottsdale had assets of $19,838,493, liabilities of $14,122,157, revenues of $5,925,184, and expenses of $5,686,493. As of December 31, 2009 and for the year then ended, Scottsdale had assets of $19,771,907, liabilities of $14,251,068, revenues of $5,848,427, and expenses of $5,825,455. As of December 31, 2008 and for the year then ended, Scottsdale had assets of $21,291,843, liabilities of $14,725,106, revenues of $8,871,475 and expenses of $7,049,137. Included in the consolidated assets are assets as of December 31, 2010 totaling $18,057,859 which represent collateral for obligations of Scottsdale. The Predecessor's maximum exposure to loss is $5,716,336. Apart from that amount, creditors and the beneficial holders of Scottsdale have no recourse to the assets or general credit of the Predecessor. The Predecessor is a Class A Member of Scottsdale and receives a 10% priority distribution on its capital contribution before distributions to the Class B and Class C Members of Scottsdale. The Predecessor, as the Class A Member of Scottsdale, may also receive additional operating distributions based on its Sharing Ratio. These additional distributions are determined by the managing member and are based on excess cash from operations after normal operating expenses, loan payments, priority distributions, and reserves. Any income generated by Scottsdale is first allocated to its Class A member up to the 10% priority return.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Cash and Cash Equivalents

The Predecessor considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash on deposit may exceed the federally insured limit. The Predecessor maintains its cash with high credit quality financial institutions. Due to the financial institution crisis and economic downturn that began in the second half of 2008, management has assessed the risks of each of the financial institutions where the Predecessor has deposits in excess of insured limits and believes the risk of loss to be minimal.

Receivables and Credit Policies

Trade receivables are uncollateralized customer obligations resulting from the rental of hotel rooms and the sales of food, beverage, catering and banquet services due under normal trade terms requiring payment upon receipt of the invoice. Trade receivables are stated at the amount billed to the customer and do not accrue interest. Customer account balances with invoices dated over 60 days old are considered delinquent. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The Predecessor reviews the collectability of the receivables monthly. A provision for losses on receivables is determined on the basis of previous loss experience and current economic conditions. There were no material uncollectible receivables and no allowance for doubtful accounts recorded as of December 31, 2010 and 2009. The Predecessor incurred bad debt expense of $190,107, $88,125 and $172,481 for 2010, 2009 and 2008, respectively.

Property and Equipment

Buildings and major improvements are recorded at cost and depreciated using the straight-line method over 27 to 40 years, the estimated useful lives of the assets. Hotel equipment, furniture and fixtures are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets of 2 to 15 years. The Predecessor periodically re-evaluates fixed asset lives based on current assessments of remaining utilization that may result in changes in estimated useful lives. Such changes are accounted for prospectively and will increase or decrease depreciation expense. Depreciation expense from continuing operations for the year ended December 31, 2010, 2009 and 2008 totaled $25,234,526, $21,748,782 and $20,085,238, respectively. Expenditures that materially extend a property's life are capitalized. These costs may include hotel refurbishment, renovation and remodeling expenditures. Normal maintenance and repair costs are expensed as incurred. When depreciable property is retired or disposed of, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is reflected in current operations.

Capitalized Development and Interest Costs

The Predecessor capitalizes all hotel development costs and other direct overhead costs related to the purchase and construction of hotels. Additionally, the Predecessor capitalizes the interest costs associated with constructing new hotels. Capitalized development, direct overhead and interest are depreciated over the estimated lives of the respective assets. Organization and start-up costs are expensed as incurred. For the years ended December 31, 2010, 2009 and 2008, the Predecessor capitalized interest of $0, $2,977,101 and $3,829,267, respectively.

Assets Held for Sale

Assets held for sale are carried at the lower of cost or fair value, less costs to sell, and consist of land only at December 31, 2009. Properties are classified as assets held for sale when they are under contract for sale, or otherwise probable that they will be sold within the next twelve months. There are no assets that fit this classification at December 31, 2010.

Long-Lived Assets and Impairment

The Predecessor applies the provisions of FASB ASC 360, *Property Plant and Equipment* , which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. FASB ASC 360 requires a long-lived asset to be disposed of to be classified as "held for sale" in the period in which certain criteria are met, including that the sale of the asset within one year is probable. FASB ASC 360 also requires that the results of operations of a component of an entity that either has been disposed of or is classified as held for sale be reported in discontinued operations if the operations and cash flows of the component have been or will be eliminated from the Predecessor's ongoing operations.

The Predecessor periodically reviews the carrying value of its long-term assets in relation to historical results, current business conditions and trends to identify potential situations in which the carrying value of assets may not be recoverable. If such reviews indicate that the carrying value of such assets may not be recoverable, the Predecessor would estimate the undiscounted sum of the expected cash flows of such assets to determine if such sum is less than the carrying value of such assets to ascertain if an impairment exists. If an impairment exists, the Predecessor would determine the fair value by using quoted market prices or appraisals, if available for such assets, or if quoted market prices or appraisals are not available, the Predecessor would discount the expected future cash flows of such assets and adjust the carrying amount to fair value.

During 2009, the Predecessor determined that four land parcels were impaired and wrote them down to their fair value. The carrying value of the assets exceeded fair value by $6,332,736, with fair value being determined by reference to the estimated quoted market prices of such assets (Level 3 Inputs) as further discussed in Note 4. This impairment was a result of the Predecessor's decision to stop development projects and attempt to sell the land. The Predecessor also determined that the Courtyard in Memphis, TN was impaired by $1,173,100 due to the fact that its historical carrying value was higher than the hotel's fair value due to recent economic distress on this particular hotel and market. A total impairment loss of $7,505,836 was charged to operations in 2009. During 2010, the Predecessor, in conjunction with the termination of a contract for sale of land parcels, determined that another four land parcels were impaired and wrote them down to their fair value. An impairment loss of $6,475,684 was charged to operations in 2010. The contracted sales price for each of these parcels was in excess of their carrying amounts. Subsequent to the termination of the sales contract management determined the carrying amounts were no longer realizable.

Deferred Charges

These assets are carried at cost and consist of deferred financing fees and initial franchise fees. Costs incurred in obtaining financing are capitalized and amortized on the straight-line method over the term of the related debt, which approximates the interest method. Initial franchise fees are capitalized and amortized over the term of the franchise agreement using the straight line method. Amortization expense from continuing operations for the year ended December 31, 2010, 2009 and 2008 totaled $2,016,252, $2,222,336 and $2,222,188, respectively.

Restricted Cash

Restricted cash consists of certain funds maintained in escrow for property taxes, insurance and certain capital expenditures. Funds may be disbursed from the account upon proof of expenditures and approval from the lenders. See also Note 9.

Income Taxes

The Predecessor is a limited liability company and, as such, all federal taxable income of the limited liability company flows through and is taxable to the members of the Predecessor. The Predecessor has adopted the provisions of FASB ASC 740, *Income Taxes* , on January 1, 2009. The implementation of this standard had no impact on the financial statements. As of December 31, 2010 and 2009, there were no unrecognized tax benefits.

The Predecessor will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Predecessor is no longer subject to Federal tax examinations by tax authorities for years before 2006.

The Predecessor has elected to pay state income taxes at the Predecessor level in all of the states in which it does business. The Predecessor's estimated state income tax expenses at current statutory rates were $202,163, $0 and $826,300, for the years ended December 31, 2010, 2009 and 2008, respectively.

Members' Capital Contributions and Profit and Loss Allocations

The Predecessor is organized as a limited liability company and can issue to its members Class A, Class A-1, Class B and Class C units.

Approximate Sharing Ratios, as defined, are as follows:

	2010	2009	2008
Class A	**42%**	42%	45%
Class A-1	**7**	7	4
Class B	**7**	7	8
Class C	**44**	44	43
	100%	100%	100%

The limited liability company operating agreement provides that net profits are allocated to cover a 10% priority return to Class A members, 8% priority return to Class A-1 members, then the balance is allocated based on Sharing Ratios. Net losses are allocated to members based on Sharing Ratios.

Only Class A and A-1 members contribute capital. These members receive an 8% or 10% priority return on their capital contributions before distributions to other classes. Class A and A-1 members may also receive additional operating distributions based on their Sharing Ratios. These additional distributions are determined by the managing member and are based on excess cash from operations after normal operating expenses, loan payments, priority distributions, and reserves. Class A and A-1 members have voting rights on creation of new classes of membership, amendments to the Articles of Organization, and dissolution of the Predecessor. Class A and A-1 memberships are sold in units of $100,000 each. Class B members do not have voting rights and receive distributions in accordance with their Sharing Ratios after Class A and A-1 members have received their priority return. The Class C member is The Summit Group, Inc. (SGI), a related party. SGI has limited voting rights, in addition to the right to appoint members to the Board. SGI, however, has significant authority to manage the hotel properties and acts as the Predecessor's Manager. SGI receives distributions in accordance with its Sharing Ratio after Class A and A-1 members have received their priority returns.

Costs paid for syndication are charged directly to equity against the proceeds raised. The Predecessor's operating agreement contains extensive restrictions on the transfer of membership interests. In addition, the transferability of membership interests is restricted by federal and state law. The membership interests may not be offered, sold, transferred, pledged, or hypothecated to any person without the consent of The Summit Group, Inc., a related party and 44% owner of the Predecessor through its holding of 100% of the outstanding Class C units.

The Predecessor will continue in existence until dissolved in accordance with the provisions of its operating agreement and has been funded through equity contributions of its owners. As a limited liability company, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligation of the Predecessor. The members are not obligated to restore capital deficits.

Earnings per Capital Unit

For purposes of calculating basic earnings per capital unit, capital units issued by the Predecessor are considered outstanding on the effective date of issue and are based on a $100,000 capital unit.

Noncontrolling Interests

Summit Group of Scottsdale, AZ, LLC has made distributions to noncontrolling members in excess of income allocations to those members. Their excess is reflected in the consolidated balance sheets.

Concentrations of Credit Risk

The Predecessor grants credit to qualified customers generally without collateral, in the form of accounts receivable. The Predecessor believes its risk of loss is minimal due to its periodic evaluations of the credit worthiness of the customers.

Advertising and Marketing Costs

The Predecessor expenses all advertising and marketing costs as they are incurred. Total costs for the years ended December 31, 2010, 2009 and 2008 were $9,706,658, $9,015,388 and $9,588,243, respectively. Of this total cost, $800,730, $880,534 and $846,971, represented general advertising expense for 2010, 2009 and 2008, respectively, and $8,905,928, $8,134,854 and $8,741,272, represented national media fees required by the hotel franchise agreements for 2010, 2009 and 2008, respectively. These costs are reported as components of general, selling and administrative costs in the accompanying consolidated statements of operations.

Sales Taxes

The Predecessor has customers in states and municipalities in which those governmental units impose a sales tax on certain sales. The Predecessor collects those sales taxes from its customers and remits the entire amount to the various governmental units. The Predecessor's accounting policy is to exclude the tax collected and remitted from revenues.

Revenue Recognition

The Predecessor's hotel revenues are derived from room rentals and other sources, such as charges to guests for long-distance telephone service, fax machine use, movie and vending commissions, meeting and banquet room revenue, restaurant and bar revenue, and parking and laundry services. The Predecessor recognizes hotel revenue on a daily basis based on an agreed upon daily rate after the guest has stayed at one of its hotels for a day, used its lodging facilities and received related lodging services and amenities. The Predecessor believes that the credit risk with respect to trade receivables is limited, because approximately 90% of the Predecessor's revenue is related to credit card transactions, which are typically reimbursed within 2-3 days. Reserves for any uncollectible accounts, if material, are established for accounts that age beyond a predetermined acceptable period. The Predecessor had not recorded any such reserves at December 31, 2010 and 2009.

Adoption of New Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* ("SFAS No. 167"), codified under Topic 810. Topic 810 requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE for consolidation purposes. The primary beneficiary of a VIE is the enterprise that has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and also has the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive benefits of the VIE that could potentially be significant to the VIE. The provisions of Topic 810 were effective January 1, 2010. The adoption of Topic 810 did not have a material impact on the consolidated financial statements.

In January 2010, the Financial Accounting Standards Board (FASB) issued an update (ASU No. 2010-06) to Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* , to improve disclosure requirements regarding transfers, classes of assets and liabilities, and inputs and valuation techniques. This update is effective for interim and annual reporting periods beginning after December 15, 2009. The Predecessor adopted this ASC update on January 1, 2010, and it had no material impact on the consolidated financial statements.

Future Adoption of Accounting Pronouncements

Certain provisions of ASU No. 2010-06 to ASC 820, *Fair Value Measurements and Disclosures* , related to separate line items for all purchases, sales, issuances, and settlements of financial instruments valued using Level 3 are effective for fiscal years beginning after December 15, 2010. The Predecessor does not believe that this adoption will have a material impact on the financial statements or disclosures.

Fair Value

FASB ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB ASC 820 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Topic 820 are described below:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the asset or the liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs reflecting the Predecessor's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonable available.

Our estimates of the fair value of financial instruments as of December 31, 2010 and 2009 were determined using available market information and appropriate valuation methods, including discounted cash flow analysis. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts.

The Predecessor's financial instruments consist primarily of cash and cash equivalents, trade receivables, accounts payable, and debt obligations. The fair values of cash and cash equivalents, trade receivables, and accounts payable approximate their carrying values due to the short-term nature of these instruments. At December 31, 2010 and 2009, the Predecessor's long-term debt obligations consisted of fixed and variable rate debt that had a carrying value of $400,835,992 and $404,724,650, respectively, and a fair value, based on current market interest rates of $401,195,948 and $383,431,716, respectively. The Predecessor has classified its long-term debt instruments as Level 2 in the hierarchy of FASB ASC 820 described above. The Predecessor estimates the fair value of its debt by discounting the future cash flows of each instrument at estimated market rates consistent with the maturity of a debt obligation with similar terms.

NOTE 2 - PREPAID EXPENSES AND OTHER

Prepaid expenses and other at December 31, 2010 and 2009, are comprised of the following:

	2010	2009
Prepaid insurance expense	**$ 511,169**	$ 781,144
Other prepaid expense	**1,227,476**	635,336
	$ 1,738,645	$ 1,416,480

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 and 2009 are comprised of the following:

	2010	2009
Land	**$ 89,887,265**	$ 75,272,012
Hotel buildings and improvements	**392,138,987**	390,909,814
Furniture, fixtures and equipment	**88,781,027**	87,642,374
Construction in progress	**-**	8,551,354
	570,807,279	562,375,554
Less accumulated depreciation	**104,796,502**	79,607,953
	$466,010,777	$482,767,601

The construction in progress asset account consisted of 5 hotels under development which the Predecessor had anticipated to be constructed in 2011 and 2012. However, the Predecessor has currently delayed all construction and is considering selling all extra parcels of land.

NOTE 4 - ASSETS HELD FOR SALE

As a part of regular policy, the Predecessor periodically reviews hotels based on established criteria such as age of hotel property, type of franchise associated with hotel property, and adverse economic and competitive conditions in the region surrounding the property.

During 2010, the Predecessor completed a comprehensive review of its investment strategy and of its existing hotel portfolio to identify properties which the Predecessor believes are either non-core or no longer complement the business as required by FASB ASC 360. As of December 31, 2010 and 2009, the Predecessor had no hotels that met the Predecessor's criteria of held for sale classification. The Predecessor had committed to sell six parcels of land that were originally purchased for development and thus those parcels of land were recorded as assets held for sale as of December 31, 2009. A contract for sale on these parcels was terminated during 2010 and due to lack of marketability at this time, the land has been reclassified from assets held for sale as a sale is not probable within the next 12 months.

Assets held for sale at December 31, 2010 and December 31, 2009 are comprised of the following:

	2010	2009
Land	**$ -**	$ 12,226,320

NOTE 5 - OTHER NONCURRENT ASSETS

Other noncurrent assets at December 31, 2010 and 2009, are comprised of the following:

	2010	2009
Prepaid land lease	**$ 3,588,195**	$ 3,635,595
Seller financed notes receivable	**423,797**	438,584
	$ 4,011,992	$ 4,074,179

NOTE 6 - DISCONTINUED OPERATIONS

The Predecessor has reclassified its consolidated financial statements of operations for the years ended December 31, 2009 and 2008, to reflect discontinued operations of five consolidated hotel properties sold or to be sold during these periods pursuant to the plan for hotel dispositions. This reclassification has no impact on the Predecessor's net income or the net income per share. During 2008, the Predecessor sold three hotel properties located in Lewiston, ID; Jackson, MS; and Overland Park, KS and two hotel properties located in Kennewick, WA for approximately $28,575,000 with net proceeds of $27,775,000. During 2009, the Predecessor sold two hotel properties located in Ellensburg, WA and St. Joesph, MO for approximately $6,810,000 with net proceeds of $6,342,000.

Condensed financial information of the results of operations for these hotel properties included in discontinued operations are as follows:

	2009	2008
REVENUES	$ 1,133,690	$ 6,825,908
COSTS AND EXPENSES		
Direct hotel operations	348,065	2,210,724
Other hotel operating expenses	135,122	813,490
General, selling and administrative	258,495	1,058,716
Repairs and maintenance	36,091	199,290
Depreciation and amortization	153,948	720,140
	931,721	5,002,360
INCOME FROM OPERATIONS	201,969	1,823,548
OTHER INCOME (EXPENSE)		
Interest income	116	16,790
Interest (expense)	(39,100)	(556,342)
Gain (loss) on disposal of assets	1,301,823	8,994,599
	1,262,839	8,455,047
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	$ 1,464,808	$ 10,278,595
BASIC AND DILUTED EARNINGS PER $100,000 CAPITAL UNIT	$ 843	$ 6,611

NOTE 7 - ACQUISITIONS

The Predecessor accounts for its acquisition of hotels as a business combination under the acquisition method of accounting. Acquisition costs are expensed as incurred. The Predecessor allocates the cost of the acquired property to the assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. To determine fair value of the various components acquired, the Predecessor engages independent valuation consultants and other third-party real-estate appraisals as necessary. The Predecessor allocates the purchase price of the acquired property based upon the relative fair values of the various components. The excess of the cost of the acquisition over the fair value will be assigned to intangible assets if the intangible asset is separable and if it arises from a contractual or other legal right. Any remaining excess of the cost of acquisition over fair values assigned to separable assets is recognized as goodwill.

The Predecessor's strategy is to pursue the acquisition of additional hotels under the investment parameters established in the Predecessor's Operating Agreement. The Predecessor has made no acquisitions during the years ended December 31, 2010 and 2009.

NOTE 8 - DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets at December 31, 2010 and 2009, are comprised of the following:

	2010	2009
Initial franchise fees	**$ 2,596,042**	$ 2,596,042
Deferred financing costs	**9,443,365**	8,204,003
	12,039,407	10,800,045
Less accumulated amortization	**7,988,112**	5,971,860
Total	**$ 4,051,295**	$ 4,828,185

Future amortization expense is expected to be approximately:

2011	$ 1,518,373
2012	595,532
2013	357,032
2014	285,249
2015	221,142
Thereafter	1,073,967
	$ 4,051,295

NOTE 9 - RESTRICTED CASH

Restricted cash as of December 31, 2010 and 2009 is comprised of the following:

Financing Lender	Property Taxes	Insurance	FF&E Reserves	**2010**	2009
National Western Life	$ -	$ -	$ -	**$ -**	$ 31,178
Wells Fargo (Lehman)	459,723	92,155	733,035	**1,284,913**	1,598,286
Bank of the Ozarks	11,000	2,800	8,102	**21,902**	-
Capmark (ING)	139,245	-	-	**139,245**	128,504
Capmark (ING)	235,576	-	-	**235,576**	145,061
Capmark (ING)	165,810	-	-	**165,810**	83,473
Capmark (ING)	85,822	-	-	**85,822**	99,741
	$ 1,097,176	$ 94,955	$ 741,137	**$ 1,933,268**	$ 2,086,243

The Predecessor has financing arrangements under which an agreed upon percentage of gross income is required to be deposited into a special reserve account for future replacements of furniture, fixtures and equipment. Some financing arrangements also include provisions that restricted cash must be maintained in escrow for property taxes and insurance. Funds may be disbursed from the account upon proof of expenditures and approval from the lender.

NOTE 10 - ACCRUED EXPENSES

Accrued expenses at December 31, 2010 and 2009 are comprised of the following:

	2010	2009
Accrued sales and other taxes	**$ 5,594,053**	$ 5,238,690
Accrued salaries and benefits	**1,834,861**	1,400,729
Accrued interest	**1,799,693**	1,303,999
Other accrued expenses	**1,863,524**	1,238,595
	$ 11,092,131	$ 9,182,013

NOTE 11 - DEBT OBLIGATIONS

The Predecessor's debt obligations at December 31, 2010 and 2009 are as follows:

Payee	Interest Rate	Maturity/ Earliest Call Date	2010	2009
Lehman Brothers Bank	a) Fixed (5.4025%)	1/11/2012	**$ 76,829,078**	$ 78,980,016
ING Investment Management	b) Fixed (5.60%)	1/1/2012	**28,901,411**	30,088,766
	c) Fixed (6.10%)	7/1/2012	**29,321,614**	30,416,427
	d) Fixed (6.61%)	11/1/2013	**6,235,813**	6,412,683
	e) Fixed (6.34%)	7/1/2012	**7,896,366**	8,122,717
			72,355,204	75,040,593
National Western Life Insurance	f) Fixed (8.0%)	1/1/2015	**13,631,222**	14,000,000
Chambers Bank	g) Fixed (6.5%)	6/24/2012	**1,594,177**	1,669,020
Bank of the Ozarks	h) Variable (6.75% at 12/31/10 and 6.75% at 12/31/09)	6/29/2012	**6,435,774**	5,794,427
MetaBank	i) Variable (5.0% at 12/31/10 and 5.0% at 12/31/09)	3/1/2012	**7,286,887**	7,450,000
BNC National Bank	j) Fixed (5.01%)	11/1/2013	**5,719,872**	5,910,962
	k) Variable (3.0% at 12/31/10 and 3.0% at 12/31/09)	4/1/2016	**5,814,136**	5,755,882
			11,534,008	11,666,844
Marshall & Ilsley Bank	l) Variable (5.0% at 12/31/10 and 4.13% at 12/31/09)	6/30/2011	**9,895,727**	9,895,727
		3/31/2011	**11,524,451**	11,524,451
			21,420,178	21,420,178
General Electric Capital Corp.	m) Variable (2.05% at 12/31/10 and 2.0% at 12/31/09)	4/1/2018	**8,685,517**	9,122,315
	n) Variable (2.1% at 12/31/10 and 2.05% at 12/31/09)	3/1/2019	**11,033,293**	11,300,000
	o) Variable (2.85% at 12/31/10 and 2.8% at 12/31/09)	4/1/2014	**11,182,794**	11,400,000
			30,901,604	31,822,315
Fortress Credit Corp.	p) Variable (10.75% at 12/31/10 and 5.98% at 12/31/09)	3/5/2011	**86,722,869**	83,524,828
First National Bank of Omaha	q) Variable (5.5% at 12/31/10 and 5.5% at 12/31/09)	7/31/2011	**18,774,418**	20,400,000
First National Bank of Omaha	q) Variable (5.25% at 12/31/10 and 5.25% at 12/31/09)	7/1/2013	**15,588,572**	16,081,630
First National Bank of Omaha	q) Variable (5.25% at 12/31/10 and 5.25% at 12/31/09)	2/1/2014	**8,646,361**	8,771,867
Bank of Cascades	r) Variable (6.0% at 12/31/10 and 6.0% at 12/31/09)	9/30/2011	**12,623,347**	12,445,888
Compass Bank	s) Variable (4.5% at 12/31/10 and 4.5% at 12/31/09)	5/17/2018	**16,492,293**	15,657,044

Total long-term debt	**400,835,992**	404,724,650
Less current portion	**(147,612,930)**	(134,370,900)
Total long-term debt, net of current portion	$ **253,223,062**	$ 270,353,750

a) In 2004, the Predecessor secured a permanent loan with Lehman Brothers Bank secured by 27 of our hotels in the amount of $88,000,000. The interest rate is fixed at 5.4% and the loan matures in January 2012. The monthly principal and interest payment is $535,285. This loan was repaid in full during the first quarter of 2011. See Note 18.

b) In 2005, the Predecessor obtained a permanent loan with ING Investment Management secured by six hotels in the amount of $34,150,000. This loan carries an interest rate of 5.6% and matures in July 1, 2025, with options for the lender to call the note beginning in 2012 upon six months prior notice. Proceeds were used to refinance other short and long-term debt related to the secured hotels. The monthly principal and interest payment is $236,843.

c) In 2006, the Predecessor obtained a permanent loan with ING Investment Management secured by nine hotels in the amount of $36,600,800. This loan carries an interest rate of 6.1% and matures in July 2012. Proceeds were used to refinance other short and long-term debt related to the secured hotels. The monthly principal and interest payment is $243,328.

d) On November 1, 2006, the Predecessor entered into a loan with ING Investment Management. The loan was for construction of the Residence Inn in Jackson, MS. The loan for $6,600,000 has a fixed rate of 6.61% and a maturity date of November 1, 2028, with a call option on November 1, 2013. The monthly principal and interest payment is $49,621.

e) On December 22, 2006, the Predecessor entered into a loan with ING Investment Management for the construction of the Hilton Garden Inn in Ft. Collins, CO. The loan was for $8,318,000 and has a fixed rate of 6.34% and matures on July 1, 2012. The monthly principal and interest is $61,236.

f) On December 8, 2009, the Predecessor entered into two loans with National Western Life Insurance Predecessor in the amounts of $8,650,000 and $5,350,000 to refinance the JP Morgan debt on the two Scottsdale, AZ hotels. The loans carry a fixed rate of 8.0% and mature on January 1, 2015. The monthly principal and interest payment is $125,756.

g) In 2003, the Predecessor entered into a loan with Chambers Bank in the amount of $2,100,000 to purchase the Aspen Hotel in Ft. Smith, AR. The loan carries a fixed rate of 6.5% and matures on June 24, 2012. The monthly principal and interest payment is $15,644.

h) On June 29, 2009, the Predecessor entered into a loan with Bank of the Ozarks in the amount of $10,816,000 to fund construction of the hotel located in Portland, OR. The loan carries a variable interest rate of 90 day LIBOR plus 400 basis points with a floor of 6.75% and matures on June 29, 2012. The loan requires interest only payments monthly until 2011. The monthly principal and interest payment thereafter is approximately $60,840.

i) On March 10, 2009, the Predecessor entered into a loan modification agreement with MetaBank in the amount of $7,450,000 with respect to the loan secured by the Boise, ID Cambria Suites. The loan modification extended the maturity date to March 1, 2012. The loan has a variable interest rate of Prime, with a floor of 5%. The monthly principal and interest is $30,811.

j) On May 10, 2006, the Predecessor entered into a loan with BNC National Bank in the amount of $7,120,000 to fund construction of the Hampton Inn in Ft. Worth, TX. The loan has a fixed rate of 5.01% and matures on November 1, 2013. The monthly principal and interest payment is $40,577.

k) On October 1, 2008, the Predecessor entered into a loan with BNC National Bank in the amount of $6,460,000 to fund the land acquisition and hotel construction of the Holiday Inn Express located in Twin Falls, ID. The loan carries a variable interest rate of Prime minus 25 basis points and matures April 1, 2016. The loan requires interest only payments monthly.

l) On July 25, 2006, the Predecessor secured two semi-permanent loans from M&I Bank to finance construction of the Cambria Suites and Hampton Inn in Bloomington, MN. The maximum principal available was $24,500,000. The variable interest rate loan is based on LIBOR plus 390 basis points. The loans were extended on December 31, 2010, with an interest rate floor of 5.0% and mature on March 31, 2011 and June 30, 2011. The loan requires interest only payments monthly. This loan was repaid in full during the first quarter of 2011. See Note 18.

m) On April 30, 2007, the Predecessor entered into a loan with General Electric Capital Corporation in the amount of $9,500,000 to fund the land acquisition on hotel construction located in Denver, CO. The loan carries a variable interest rate of LIBOR plus 175 basis points and matures April 1, 2018. The monthly principal and interest payment is $53,842.

n) On August 15, 2007, the Predecessor entered into a loan with General Electric Capital Corporation in the amount of $11,300,000 to fund construction of the Cambria Suites in Baton Rouge, LA. The loan carries a variable interest rate of LIBOR plus 180 basis points and matures in March 2019. The monthly principal and interest payment is $49,709.

o) On February 29, 2008, the Predecessor entered into a loan with General Electric Capital Corporation in the amount of $11,400,000 to fund the land acquisition and construction of the hotel located in San Antonio, TX. The loan carries a variable interest rate of 90 day LIBOR plus 255 basis points and matures in April, 2014. The monthly principal and interest payment is $54,639.

p) On March 5, 2007, the Predecessor closed on a loan with Fortress Credit Corporation to refinance the debt on several construction projects and provide equity for the acquisition, development and construction of additional real estate and hotel properties. The loan is in the amount of $99,700,000. The note carries a variable interest rate of 30-day LIBOR plus 875 basis points. The maturity date of the note is March 5, 2011. The recent extension was for a period of one year, with an option for an additional six month extension contingent on meeting certain requirements. The loan requires interest only payments monthly. This loan was repaid in full during the first quarter of 2011. See Note 18.

q) The Predecessor has a credit pool agreement with the First National Bank of Omaha providing the Predecessor with medium-term financing. The agreement allows for two-year interest only notes and five-year amortizing notes, for which the term of an individual note can extend beyond the term of the agreement. Interest on unpaid principal is payable monthly at a rate of LIBOR plus 4.0% and a floor of between 5.25% and 5.50%. Three notes totaling $18,774,418 mature on July 31, 2011 and require monthly principal and interest payments of $130,183. Two notes totaling $15,588,572 require monthly principal and interest payments of $105,865 and mature on July 1, 2013. The note for $8,646,361 requires a monthly principal and interest payment of $46,072 and matures on February 2, 2014. This loan was repaid in full during the first quarter of 2011. See Note 18.

r) On October 3, 2008, the Predecessor entered into a loan with Bank of the Cascades in the amount of $13,270,000 to fund the land acquisition and hotel construction of the Residence Inn located in Portland, OR. The loan carries a variable interest rate of Prime, with a floor of 6%, and matures September 30, 2011. The loan requires interest only payments monthly.

s) On September 17, 2008, the Predecessor entered into a loan with Compass Bank in the amount of $19,250,000 to fund the land acquisition and hotel construction of the Courtyard by Marriott located in Flagstaff, AZ. The loan carries a variable interest rate of Prime minus 25 basis points, with a floor of 4.5%, and matures May 17, 2018. The loan requires interest only payments monthly.

As of December 31, 2010, the Predecessor has approximately $147,612,930 in long-term notes due in the next twelve months, of which $139,540,812 represents maturing debt and $8,072,118 represents other scheduled principal payments. The Predecessor intends to pay scheduled principal payments with available cash flow from operations. In addition, $126,917,131 of the maturing debt was repaid with proceeds from the initial public offering described in Note 18. The Predecessor intends to extend the terms of the other note for $12,623,347 maturing in the next twelve months.

Maturities of long-term debt for each of the next five years are estimated as follows:

2011	$ 147,612,930
2012	154,587,497
2013	25,493,032
2014	18,998,648
2015	13,103,939
Thereafter	41,039,946
	$ 400,835,992

At December 31, 2010 and 2009, the Predecessor owned 65 and 64 properties, respectively, that were pledged as collateral on various credit agreements, as well as accounts receivable. Some of the credit agreements were also guaranteed by the affiliated members of the Predecessor and certain affiliated entities. Significant covenants in the credit agreements require the Predecessor to maintain minimum debt service coverage ratios. The weighted average interest rate for all borrowings was 5.70% and 5.40% at December 31, 2010 and 2009, respectively.

NOTE 12 - LINES OF CREDIT AND NOTES PAYABLE

The Predecessor has a line-of-credit agreement with the First National Bank of Omaha providing the Predecessor with short-term financing up to $28,200,000 on a revolving basis. Interest on unpaid principal is payable monthly at a rate equal to LIBOR plus 4.0%, with a floor of 5.5%. The amount of outstanding on this line-of-credit was $19,601,215 and $21,457,943 at December 31, 2010 and 2009, respectively, which also represents the maximum amount of borrowings during the year. This line-of-credit was repaid in full during the first quarter of 2011. See Note 18.

NOTE 13 - MEMBERS' EQUITY

The Predecessor was formed on January 8, 2004. As specified in the Predecessor's Operating Agreement, the Predecessor has four classes of membership capital units authorized: Class A, A-1, B and C.

On October 21, 2008, the Predecessor issued a "Confidential Private Placement Memorandum" (PPM) for the purpose of offering additional equity interests to investors. The PPM offered up to $100,000,000 of Class A-1 membership units. During the period ended December 31, 2008, the Predecessor issued 63.25 units in connection with this offering. The Predecessor received proceeds of the offering (net of expenses) of $5,614,466. For the period ended December 31, 2009, the Predecessor issued 241.33 units in connection with the offering. The Predecessor received proceeds of the offering (net of expenses) of $22,123,951. The offering closed on October 20, 2009.

NOTE 14 - FRANCHISE AGREEMENTS

The Predecessor operates hotels under franchise agreements with various hotel companies expiring through 2025. The franchise agreements are for 3-20 year terms. Under the franchise agreements, the Predecessor pays royalties of 2.5% to 5.0% of room revenues and national advertising and media fees of 3% to 4% of total room revenues.

For the years ended December 31, 2010, 2009 and 2008, the Predecessor incurred royalties of $6,081,357, $5,402,948 and $6,172,495, respectively, and advertising and national media fees of $8,905,928, $8,134,854 and $8,741,272, respectively.

The franchise agreements include restrictions on the transfer of the franchise licenses and the sale or lease of the hotel properties without prior written consent of the franchisor.

NOTE 15 - BENEFIT PLANS

The Predecessor has a qualified contributory retirement plan (the Plan), under Section 401(k) of the Internal Revenue Code which covers all full-time employees who meet certain eligibility requirements. Voluntary contributions may be made to the Plan by employees. Discretionary matching Predecessor contributions of $69,385 were made in the year ended December 31, 2008. The Plan was changed to a Safe Harbor Plan effective for the 2008 calendar year. This Plan requires a mandatory employer contribution. Therefore, the Predecessor accrued $137,135 for employer contributions for the 2008 calendar year. The plan was converted back to a discretionary match during the fourth quarter 2009. Therefore, the employer contributions expense for the years ended December 31, 2010 and 2009 was $0 and $116,020.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

The Predecessor leases land for two of its Ft. Smith properties under the terms of operating ground lease agreements expiring August 2022 and May 2030. The Predecessor has options to renew the leases for periods that range from 5-30 years. The Predecessor also has a prepaid land lease on the Portland hotels with a remaining balance of $3,588,195 on December 31, 2010. This lease expires in June 2084. Total rent expense for these three leases for the years ended December 31, 2010, 2009 and 2008 was $229,394, $321,916 and $235,549, respectively.

Approximate future minimum rental payments for noncancelable operating leases in excess of one year are as follows:

2011	$	233,351
2012		237,426
2013		241,624
2014		245,948
2015		250,401
Thereafter		6,475,348
	$	7,684,098

NOTE 17 - RELATED PARTY TRANSACTIONS

Pursuant to a management agreement, The Summit Group, Inc. (a related party through common ownership and management control) provides management and accounting services for the Predecessor. The agreement provides for the Predecessor to reimburse The Summit Group, Inc. for its actual overhead costs and expenses relating to the managing of the hotel properties. Pursuant to the management agreement, at no time will the reimbursed management expenses exceed 4.5% of annual gross revenues. For the periods ended December 31, 2010, 2009 and 2008, the Predecessor paid reimbursed management expenses of $3,348,065, $2,894,078 and $4,186,593, respectively, and reimbursed accounting services of $651,125, $589,012 and $626,685, respectively. The Predecessor also reimbursed for maintenance and purchasing services of $269,623, $530,457 and $641,526, for the periods ended December 31, 2010, 2009, and 2008, respectively. These expenses are reflected within general, selling and administrative expenses in the accompanying statements of operations. At December 31, 2010 and 2009, the Predecessor had accounts payable of $383,365 and $252,113, respectively, to The Summit Group, Inc. The Predecessor cannot remove The Summit Group, Inc. as its manager except for cause as specified in the agreement. The management agreement was assigned by The Summit Group, Inc. to a third-party hotel management company during the first quarter of 2011 in connection with the Reorganization Transaction discussed in Note 18 below.

As of December 31, 2010 and 2009, the Predecessor had accounts payable to The Summit Group, Inc. for $387,701 and $242,135 relating to reimbursement and development expenses, respectively. The Predecessor reimbursed The Summit Group, Inc. for development expenses in the amount of $0 and $1,300,000 for the years ended December 31, 2010 and 2009, respectively.

In 2008, the Predecessor issued a private placement memorandum (PPM) for the purpose of offering additional equity interests to investors. Summit Capital Partners, LLC (SCP), a related party through common ownership and management control, brokered securities related to the PPM for the company. For the year ended December 31, 2008, capital contributions of $6,325,000 (cash proceeds received net of expenses equaled $5,614,466) was raised with the assistance of SCP. Commission expense paid to SCP for the year ended December 31, 2008 was $206,625. For the year ended December 31, 2009, capital contributions of $24,133,000 (cash proceeds received net of expenses equaled $22,123,951) was raised with the assistance of SCP. Commission expense paid to SCP for the year ended December 31, 2009 was $570,600.

NOTE 18 - SUBSEQUENT EVENTS

On February 14, 2011, Summit Hotel Properties, Inc. (“SHP Inc.”) closed its initial public offering (the “IPO”) of 26,000,000 shares of common stock and its concurrent private placement to an affiliate of InterContinental Hotels Group (“IHG”) of 1,274,000 shares of common stock.

Effective February 14, 2011, SHP OP and the Predecessor completed the merger of the Predecessor with and into SHP OP (the “Merger”). At the effective time of the Merger, the outstanding Class A, Class A-1, Class B and Class C membership interests in the Predecessor were converted into, and cancelled in exchange for, a total of 9,993,992 common units of limited partnership interest in SHP OP (“Common Units”), and the members of the Predecessor were admitted as limited partners of SHP OP. Also effective February 14, 2011, The Summit Group, Inc. contributed its 36% Class B membership interest in Scottsdale to SHP OP in exchange for 74,829 Common Units and an unaffiliated third-party investor contributed its 15% Class C membership interest in Scottsdale to SHP OP in exchange for 31,179 Common Units.

For accounting and financial reporting purposes, the Predecessor is considered the acquiror in the Merger. As a result, the historical consolidated financial statements of the Predecessor will be presented as the historical consolidated financial statements of SHP Inc. and SHP OP after completion of the Merger and the contributions of the Class B and C membership interests in Scottsdale to SHP OP (collectively, the “Reorganization Transaction”).

As a result of the Reorganization Transaction, SHP Inc. acquired, through SHP OP and its subsidiaries, sole ownership of the 65 hotels in its initial portfolio. In addition, SHP Inc., through SHP OP and its subsidiaries, assumed the liabilities, including indebtedness, of the Predecessor and its subsidiaries.

Net proceeds received by SHP Inc. and SHP OP from the IPO and the concurrent private placement were $238,426,995, after deducting the underwriting discount related to the IPO of $17,745,000 and the payment of organization and offering expenses of approximately $8,880,000. SHP Inc. contributed the net proceeds of the IPO and the concurrent private placement to SHP OP in exchange for Common Units.

As of March 31, 2011, SHP, Inc. had used an aggregate of approximately $232.5 million of the net proceeds of the IPO and the concurrent private placement as follows:

- approximately $227.2 million to reduce outstanding mortgage indebtedness and pay associated costs, as follows:
  - approximately $89.3 million to repay in full a loan with Fortress Credit Corp., including approximately $2.1 million of exit fees, interest and legal fees;
  - approximately $78.2 million to repay in full a loan originally made by Lehman Brothers Bank, including approximately $1.4 million to pay an extinguishment premium and other transaction costs;
  - approximately $21.4 million to repay in full two loans with Marshall & Isley Bank; and
  - approximately $38.3 million to repay in full two loans with First National Bank of Omaha; and
- approximately $5.3 million to fund a capital expenditure reserve account under the hotel management agreement with Interstate.

NOTE 19 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected consolidated quarterly financial data (in thousands, except per unit amounts) for 2010, 2009 and 2008 is summarized below. The sum of the quarterly earnings (loss) per unit amounts may not equal the annual earnings per unit amounts due primarily to changes in the number of common units and common unit equivalents outstanding from quarter to quarter.

	Three Months Ended				Year Ended
	3/31	6/30	9/30	12/31	12/31
2010:					
Total revenue	**$ 31,363**	**$ 35,849**	**$ 37,601**	**$ 30,822**	**$ 135,635**
Net income (loss) from continuing operations	**(3,404)**	**(1,998)**	**(1,251)**	**(14,065)**	**(20,718)**
Net income (loss) before income taxes	**(3,404)**	**(1,998)**	**(1,251)**	**(14,065)**	**(20,718)**
State income tax (expense) benefit	**(152)**	**(76)**	**(45)**	**71**	**(202)**
Net income (loss) attributable to SHP LLC	**$ (3,556)**	**$ (2,074)**	**$ (1,296)**	**$ (13,994)**	**$ (20,920)**
Net income (loss) per unit:	**$ (1,913)**	**$ (1,115)**	**$ (697)**	**$ (7,526)**	**$ (11,251)**
2009:					
Total revenue	$ 29,301	$ 31,293	$ 32,211	$ 28,395	$ 121,200
Net income (loss) from continuing operations	(1,698)	(1,619)	(6,914)	(7,548)	(17,779)
Income (loss) from discontinued operations	104	1,697	(336)	-	1,465
Net income (loss) before income taxes	(1,594)	78	(7,250)	(7,548)	(16,314)
State income tax (expense) benefit	-	-	20	(20)	-
Net income (loss)	(1,594)	78	(7,230)	(7,568)	(16,314)
Net income (loss) attributable to noncontrolling interest	(123)	(63)	393	(207)	-
Net income (loss) attributable to SHP LLC	$ (1,471)	$ 141	$ (7,623)	$ (7,361)	$ (16,314)
Net income (loss) per unit:	$ (894)	$ 82	$ (4,422)	$ (4,158)	$ (9,392)
2008:					
Total revenue	$ 32,381	$ 35,556	$ 38,018	$ 29,152	$ 135,107
Net income (loss) from continuing operations	459	2,688	5,337	(4,473)	4,011
Income (loss) from discontinued operations	290	1,751	8,048	189	10,278
Net income (loss) before income taxes	749	4,439	13,385	(4,284)	14,289
State income tax (expense) benefit	-	(309)	(895)	378	(826)
Net income (loss)	749	4,130	12,490	(3,906)	13,463
Net income (loss) attributable to noncontrolling interest	244	73	(158)	225	384
Net income (loss) attributable to SHP LLC	$ 505	$ 4,057	$ 12,648	$ (4,131)	$ 13,079
Net income (loss) per unit:	$ 325	$ 2,609	$ 8,135	$ (2,657)	$ 8,412

SUMMIT HOTEL PROPERTIES, LLC
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
AS OF DECEMBER 31, 2010

(in thousands)

			Initial Cost			Total Cost					
Location	Franchise	Year Acquired/ Constructed	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building & Improvements	Total	Accumulated Depreciation	Total Cost Net of Accumulated Depreciation	Mortgage Debt Allocated
Atlanta, GA	Hyatt Place	2006	$ 1,154	$ 9,605	$ 2,938	$ 1,154	$ 12,543	$ 13,697	$ (3,074)	$ 10,623	$ 13,658
Baton Rouge, LA	Cambria Suites	2008	1,100	14,063	38	1,100	14,101	15,201	(1,826)	13,375	13,050
Baton Rouge, LA	Fairfield Inn by Marriott	2004	345	3,057	355	345	3,412	3,757	(1,122)	2,635	1,851
Baton Rouge, LA	SpringHill Suites by Marriott	2004	448	3,729	574	448	4,303	4,751	(1,382)	3,369	2,147
Baton Rouge, LA	TownePlace Suites	2004	259	3,743	587	259	4,330	4,589	(1,446)	3,143	2,746
Bellevue, WA	Fairfield Inn by Marriott	2004	2,705	12,944	417	2,705	13,361	16,066	(3,231)	12,835	9,350
Bloomington, MN	Cambria Suites	2007	1,658	14,071	15	1,658	14,086	15,744	(2,360)	13,384	10,466
Bloomington, MN	Hampton Inn	2007	1,658	14,596	43	1,658	14,639	16,297	(2,454)	13,843	13,179
Boise, ID	Fairfield Inn by Marriott	2004	564	2,874	143	564	3,017	3,581	(892)	2,689	2,685
Boise, ID	Hampton Inn	2004	597	3,295	1,344	1,335	3,901	5,236	(1,050)	4,186	2,924
Boise, ID	Holiday Inn Express	2005	1,038	2,422	4	780	2,684	3,464	(950)	2,514	2,457
Boise, ID	Cambria Suites	2007	1,934	10,968	(336)	1,299	11,267	12,566	(3,266)	9,300	11,700
Charleston, WV	Country Inn & Suites	2004	1,042	3,489	388	1,042	3,877	4,919	(1,113)	3,806	3,047
Charleston, WV	Comfort Suites	2004	907	2,903	357	907	3,260	4,167	(983)	3,184	2,685
Denver, CO	Fairfield Inn by Marriott	2004	1,566	6,783	263	1,566	7,046	8,612	(2,037)	6,575	5,802
Denver, CO	SpringHill Suites by Marriott	2007	1,076	11,079	31	1,076	11,110	12,186	(1,867)	10,319	10,367
Denver, CO	Hampton Inn	2004	1,125	3,678	699	1,125	4,377	5,502	(1,755)	3,747	5,062
El Paso, TX	Hampton Inn	2005	2,055	10,745	1,111	2,055	11,856	13,911	(3,671)	10,240	7,656
Emporia, KS	Fairfield Inn by Marriott	2004	320	2,436	100	320	2,536	2,856	(797)	2,059	1,314
Emporia, KS	Holiday Inn Express	2004	292	2,840	342	292	3,182	3,474	(915)	2,559	1,733
Flagstaff, AZ	Courtyard by Marriott	2009	3,353	20,785	-	3,353	20,785	24,138	(1,362)	22,776	22,171
Flagstaff, AZ	SpringHill Suites by Marriott	2008	1,398	9,352	4,847	1,398	14,199	15,597	(1,789)	13,808	8,576
Ft. Collins, CO	Hampton Inn	2004	738	4,363	189	738	4,552	5,290	(1,281)	4,009	2,567
Ft. Collins, CO	Hilton Garden Inn	2007	1,300	11,804	51	1,300	11,855	13,155	(2,659)	10,496	10,830
Ft. Myers, FL	Hyatt Place	2009	3,608	16,583	-	3,608	16,583	20,191	(1,418)	18,773	5,048
Ft. Smith, AR	Comfort Inn	2004	-	3,718	239	-	3,957	3,957	(1,105)	2,852	2,860
Ft. Smith, AR	Aspen Hotel	2004	223	3,189	496	223	3,685	3,908	(1,503)	2,405	1,594
Ft. Smith, AR	Hampton Inn	2005	-	12,401	780	-	13,181	13,181	(3,080)	10,101	8,675
Ft. Wayne, IN	Hampton Inn	2006	786	6,564	655	786	7,219	8,005	(1,758)	6,247	4,864
Ft. Wayne, IN	Residence Inn by Marriott	2006	914	6,736	604	914	7,340	8,254	(1,690)	6,564	6,534
Ft. Worth, TX	Hampton Inn	2007	1,500	8,184	35	1,500	8,219	9,719	(1,591)	8,128	8,163
Ft. Worth, TX	Comfort Suites	2004	553	2,698	424	553	3,122	3,675	(957)	2,718	1,135
Germantown, TN	Courtyard by Marriott	2005	1,860	5,448	801	1,860	6,249	8,109	(1,783)	6,326	6,756
Germantown, TN	Fairfield Inn by Marriott	2005	767	2,700	354	767	3,054	3,821	(898)	2,923	2,326
Germantown, TN	Residence Inn by Marriott	2005	1,083	5,200	560	1,083	5,760	6,843	(1,526)	5,317	3,557
Jackson, MS	Courtyard by Marriott	2005	1,301	7,322	812	1,301	8,134	9,435	(2,381)	7,054	8,832
Jackson, MS	Staybridge Suites	2007	698	8,454	99	698	8,553	9,251	(1,330)	7,921	10,025
Jacksonville, FL	Aloft	2009	1,700	15,775	-	1,700	15,775	17,475	(1,249)	16,226	16,704
Lakewood, CO	Fairfield Inn by Marriott	2004	521	2,433	155	521	2,588	3,109	(835)	2,274	1,052
Lakewood, CO	Comfort Suites	2004	547	2,416	110	547	2,526	3,073	(752)	2,321	1,065
Las Colinas, TX	Hyatt Place	2007	781	5,729	1,663	781	7,392	8,173	(2,101)	6,072	7,778
Las Colinas, TX	Holiday Inn Express	2007	912	6,689	1,587	898	8,290	9,188	(2,112)	7,076	11,138
Lewisville, TX	Fairfield Inn by Marriott	2004	465	2,954	400	465	3,354	3,819	(1,034)	2,785	2,241
Lithia Springs, GA	SpringHill Suites by Marriott	2004	480	3,572	423	480	3,995	4,475	(1,354)	3,121	-
Little Rock, AR	SpringHill Suites by Marriott	2004	879	3,431	378	879	3,809	4,688	(1,341)	3,347	2,746
Medford, OR	Hampton Inn	2004	1,230	4,788	458	1,230	5,246	6,476	(1,385)	5,091	4,030
Memphis, TN	Courtyard by Marriott	2005	686	5,814	(532)	546	5,422	5,968	(1,639)	4,329	4,231
Missoula, MT	Comfort Inn	2004	690	2,672	103	690	2,775	3,465	(751)	2,714	2,025
Missoula, MT	Courtyard by Marriott	2005	650	5,785	54	650	5,839	6,489	(1,922)	4,567	4,929
Nashville, TN	SpringHill Suites by Marriott	2004	777	3,576	434	777	4,010	4,787	(1,385)	3,402	2,449
Portland, OR	Hyatt Place	2009	-	16,713	-	-	16,713	16,713	(1,190)	15,523	11,889
Portland, OR	Residence Inn by Marriott	2009	-	16,409	-	-	16,409	16,409	(1,183)	15,226	15,664
Provo, UT	Hampton Inn	2004	909	2,862	339	909	3,201	4,110	(1,038)	3,072	1,903
Ridgeland, MS	Residence Inn by Marriott	2007	1,050	10,040	8	1,050	10,048	11,098	(2,104)	8,994	8,141
Salina, KS	Comfort Inn	2004	984	1,650	77	984	1,727	2,711	(543)	2,168	1,734
Salina, KS	Fairfield Inn by Marriott	2004	499	1,744	110	499	1,854	2,353	(641)	1,712	2,030
San Antonio, TX	Cambria Suites	2008	2,497	12,833	-	2,497	12,833	15,330	(1,711)	13,619	15,535
Sandy, UT	Holiday Inn Express	2004	720	1,768	951	720	2,719	3,439	(1,022)	2,417	2,499
Scottsdale, AZ	Courtyard by Marriott	2004	3,225	10,152	692	3,225	10,844	14,069	(3,445)	10,624	8,422
Scottsdale, AZ	SpringHill Suites by Marriott	2004	2,195	7,120	528	2,195	7,648	9,843	(2,408)	7,435	5,209
Spokane, WA	Fairfield Inn by Marriott	2004	1,637	3,669	275	1,637	3,944	5,581	(1,222)	4,359	3,292
Twin Falls, ID	Comfort Inn & Suites	2004	822	7,473	925	822	8,398	9,220	(2,231)	6,989	6,268
Twin Falls, ID	Holiday Inn Express	2009	1,212	7,464	4	1,212	7,468	8,680	(934)	7,746	8,195
Twin Falls, ID	Hampton Inn	2004	710	3,482	54	710	3,536	4,246	(1,261)	2,985	3,741

Vernon Hills, IL	Holiday Inn Express	2005	1,198	6,099	1,123	1,198	7,222	8,420	(1,701)	6,719	4,841
Land Parcels			19,911	-	384	20,295	-	20,295	-	20,295	22,294
			$ 89,812	$ 449,933	$ 31,062	$ 89,887	$ 480,920	$ 570,807	$ (104,796)	$ 466,011	$ 420,437

SUMMIT HOTEL PROPERTIES, LLC
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
AS OF DECEMBER 31, 2010

	ASSET BASIS	**Total**
(a)	**Balance at January 1, 2008**	$ 469,627,125
	Additions to land, buildings and improvements	74,999,095
	Disposition of land, buildings and improvements	(23,370,890)
	Impairment loss	-
	Balance at December 31, 2008	$ 521,255,330
	Additions to land, buildings and improvements	67,841,533
	Disposition of land, buildings and improvements	(6,989,153)
	Impairment loss	(7,505,836)
	Balance at December 31, 2009	$ 574,601,874
	Additions to land, buildings and improvements	2,769,879
	Disposition of land, buildings and improvements	(88,790)
	Impairment loss	(6,475,684)
	Balance at December 31, 2010	$ 570,807,279

	ACCUMULATED DEPRECIATION	**Total**
(b)	**Balance at January 1, 2008**	$ 43,132,920
	Depreciation for the period ended December 31, 2008	20,431,253
	Depreciation on assets sold or disposed	(4,203,113)
	Balance at December 31, 2008	$ 59,361,060
	Depreciation for the period ended December 31, 2009	21,902,729
	Depreciation on assets sold or disposed	(1,655,836)
	Balance at December 31, 2009	$ 79,607,953
	Depreciation for the period ended December 31, 2010	25,234,526
	Depreciation on assets sold or disposed	(45,977)
	Balance at December 31, 2010	$ 104,796,502

(c) The aggregrate cost of land, buildings, furniture and equipment for Federal income tax purposes is aproximately $557 million.

(d) Depreciation is computed based upon the following useful lives:

Buildings and improvements 27-40 years
Furniture and equipment 2-15 years

(e) The Company has mortgages payable on the properties as noted. Additional mortgage information can be found in Note 11 to the consoldiated financial statements.

Report of Independent Registered Public Accounting Firm

The Board of Directors
Summit Hotel Properties, Inc.:

We have audited the accompanying consolidated balance sheet of Summit Hotel Properties, Inc. as of December 31, 2010. This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated balance sheet is free of material misstatement. An audit of a balance sheet also includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the consolidated balance sheet provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of Summit Hotel Properties, Inc. as of December 31, 2010 in conformity with U.S. generally accepted accounting principles.

/ s / KPMG LLP

Omaha, Nebraska
March 31, 2011

Report of Independent Registered Public Accounting Firm

The Partners
Summit Hotel OP, LP:

We have audited the accompanying consolidated balance sheet of Summit Hotel OP, LP as of December 31, 2010. This consolidated financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this consolidated financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit of a balance sheet also includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of Summit Hotel OP, LP as of December 31, 2010 in conformity with U.S. generally accepted accounting principles.

/ s / KPMG LLP

Omaha, Nebraska
March 31, 2011

Summit Hotel Properties, Inc.
Consolidated Balance Sheet
December 31, 2010

Assets

Cash and total assets	$ 1,000
Liabilities and Stockholders' Equity	
Liabilities	$ —
Stockholders' Equity	
Common Stock, par value $0.01 per share; 1,000 shares authorized, issued and outstanding	10
Additional paid in capital	990
Retained Earnings	—
Total Stockholders' Equity	1,000
Total Liabilities and Stockholders' Equity	$ 1,000

The accompanying notes are an integral part of these consolidated financial statements.

Summit Hotel OP, LP
Consolidated Balance Sheet
December 31, 2010

Assets	
Cash and total assets	$ 100
Liabilities and Partners' Equity	
Liabilities	$ —
Partners' Equity	
General Partner's Equity	1
Limited Partners' Equity	99
Retained Earnings	—
Total Partners' Equity	100
Total Liabilities and Partners' Equity	$ 100

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 – Organization and Summary of Significant Accounting Policies

Summit Hotel Properties, Inc. (the "Company") is a self-advised hotel investment company that was organized on June 30, 2010 as a Maryland corporation to own, through both general and limited partner interests, Summit Hotel OP, LP (the "Operating Partnership"), a Delaware limited partnership also organized on June 30, 2010. On February 14, 2011, the Company closed on its initial public offering ("IPO") of 26,000,000 shares of common stock and a concurrent private placement of 1,234,000 shares of common stock. Effective February 14, 2011, Summit Hotel Properties, LLC (the "Predecessor") was merged with and into the Predecessor. At the effective time of the merger, the outstanding membership interests in the Operating Partnership were converted into, and cancelled in exchange for, a total of 9,993,992 common units of limited partnership interest in the Operating Partnership ("Common Units"). Also effective February 14, 2011, The Summit Group, the parent company of the Predecessor, contributed its 36% Class B membership interest in Summit of Scottsdale to the Operating Partnership in exchange for 74,829 Common Units, and an unaffiliated third-party investor contributed its 15% Class C membership interest in Summit of Scottsdale to the Operating Partnership in exchange for 31,179 Common Units. Net proceeds received from the offering were $247,306,995. These proceeds were used to pay IPO related expenses of approximately $8,880,000, debt of the Predecessor of approximately $223,559,215, and $3,692,550 of expenses related to the payoff/prepayment of the Predecessor's debt, with the remainder used for operating capital or necessary capital improvements. The Predecessor's real estate investment portfolio consists of 65 upscale and midscale without food and beverage hotels with a total of 6,533 guestrooms located in small, mid-sized and suburban markets throughout the United States in 19 states. The hotels will be leased to the Operating Partnership's wholly owned taxable REIT subsidiary, Summit Hotel TRS, Inc. ("TRS Lessee"), a Delaware corporation, and its wholly-owned subsidiaries.

The Company has had no operations since its organization.

Note 2 – Income Taxes

The Company intends to elect and qualify as a real estate investment trust, or REIT, under Sections 856 and 859 of the Internal Revenue Code, as amended, commencing with the taxable year ending December 31, 2011. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement to distribute at least 90% its taxable income. In general, a REIT meeting those requirements will not be subject to federal income tax to the extent of the income it distributes. The Company may still be subject to state and local taxes on its income, and to federal income tax on our undistributed income. Additionally, any income earned by our TRS Lessee, a taxable C-corporation, will be fully subject to federal, state and local corporate income tax. If the Company fails to qualify as a REIT, the Company will be subject to federal income tax on its taxable income at regular corporate rates.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1 †	Articles of Amendment and Restatement of Summit Hotel Properties, Inc.
3.2	Certificate of Limited Partnership of Summit Hotel OP, LP, as amended (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to Registration Statement on Form 8-A filed by Summit Hotel OP, LP on February 11, 2011)
3.3	Amended and Restated Bylaws of Summit Hotel Properties, Inc. (incorporated by reference to Exhibit 3.2 to Amendment No. 2 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on November 1, 2010)
3.4	First Amended and Restated Agreement of Limited Partnership of Summit Hotel OP, LP, dated February 14, 2011 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)
4.1	Specimen certificate of common stock of Summit Hotel Properties, Inc. (incorporated by reference to Exhibit 4.1 to Amendment No. 5 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on February 7, 2011)
10.1	Form of Transition Services Agreement between The Summit Group, Inc. and Summit Hotel OP, LP (incorporated by reference to Exhibit 10.27 to Amendment No. 4 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on January 28, 2011)*
10.2	Tax Protection Agreement, dated February 10, 2011, between Summit Hotel OP, LP and The Summit Group, Inc. (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.3	Transition Services Agreement, dated February 14, 2011, between Summit Hotel OP, LP and The Summit Group, Inc. (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)
10.4	Amended and Restated Hotel Management Agreement, dated February 14, 2011, among Interstate Management Company, LLC and the subsidiaries of Summit Hotel Properties, Inc. party thereto (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)
10.5	Loan Modification Agreement, dated February 14, 2011, among Summit Hotel Properties, LLC, Summit Hotel OP, LP and GE Commercial Capital of Utah LLC (loan in the original principal amount of $11.4 million) (incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)
10.6	Loan Modification Agreement, dated February 14, 2011, among Summit Hotel Properties, LLC, Summit Hotel OP, LP and GE Commercial Capital of Utah LLC (loan in the original principal amount of $9.5 million) (incorporated by reference to Exhibit 10.6 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)
10.7	Loan Modification Agreement, dated February 14, 2011, among Summit Hotel Properties, LLC, Summit Hotel OP, LP and GE Commercial Capital of Utah LLC (loan in the original principal amount of $11.3 million) (incorporated by reference to Exhibit 10.7 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)
10.8	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Kerry W. Boekelheide (incorporated by reference to Exhibit 10.8 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.9	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Daniel P. Hansen (incorporated by reference to Exhibit 10.9 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.10	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Craig J. Aniszewski (incorporated by reference to Exhibit 10.10 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.11	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Stuart J. Becker (incorporated by reference to Exhibit 10.11 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.12	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Ryan A. Bertucci (incorporated by reference to Exhibit 10.12 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*

10.13	Summit Hotel Properties, Inc. 2011 Equity Incentive Plan (incorporated by reference to Exhibit 10.13 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.14	Form of Indemnification Agreement between Summit Hotel Properties, Inc. and each of its Executive Officers and Directors (incorporated by reference to Exhibit 10.14 to Amendment No. 2 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on November 1, 2010)
10.15	Loan Agreement between Summit Hotel Properties, LLC and ING Life Insurance and Annuity Company dated December 23, 2005 (incorporated by reference to Exhibit 10.15 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)
10.16	Loan Agreement between Summit Hotel Properties, LLC and ING Life Insurance and Annuity Company, dated June 15, 2006 (incorporated by reference to Exhibit 10.16 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)
10.17	First Modification of Loan Agreement between Summit Hotel Properties, LLC and ING Life Insurance and Annuity Company, dated April 24, 2007 (incorporated by reference to Exhibit 10.17 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)
10.18	Modification of Promissory Note and Loan Agreement between Summit Hotel Properties, LLC and ING Life Insurance and Annuity Company, dated November 28, 2007 (incorporated by reference to Exhibit 10.18 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)
10.19	Construction Loan Agreement between Summit Hotel Properties, LLC and Compass Bank, dated September 17, 2008 (loan in the original principal amount of $19.25 million) (incorporated by reference to Exhibit 10.23 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)
10.20 †	Second Amended and Restated Loan Agreement (Credit Pool) between Summit Hotel Properties, LLC and First National Bank of Omaha entered into August 19, 2010
10.21	Form of Option Award Agreement (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)*
10.22	Form of Lease Agreement between Summit Hotel OP, LP and TRS Lessee (incorporated by reference to Exhibit 10.4 to Amendment No. 2 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on November 1, 2010)
10.23	Sourcing Agreement between Six Continents Hotel, Inc., d/b/a InterContinental Hotels Group, and Summit Hotel Properties, Inc. (incorporated by reference to Exhibit 10.26 to Amendment No. 3 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on December 3, 2010)
10.24	Form of Severance Agreement between Summit Hotel Properties, Inc. and Christopher R. Eng (incorporated by reference to Exhibit 10.12 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)*
10.25	Form of Severance Agreement between Summit Hotel Properties, Inc. and JoLynn M. Sorum (incorporated by reference to Exhibit 10.13 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on September 23, 2010)*
21.1	List of Subsidiaries of Summit Hotel Properties, Inc. (incorporated by reference to Exhibit 21.1 to Amendment No. 4 to Registration Statement on Form S-11 filed by Summit Hotel Properties, Inc. on January 28, 2011)
21.2	List of Subsidiaries of Summit Hotel OP, LP (incorporated by reference to Exhibit 21.1 to Amendment No. 1 to Registration Statement on Form S-11 filed by Summit Hotel OP, LP on September 23, 2010)
23.1 †	Consent of KPMG LLP
23.2 †	Consent of Eide Bailly LLP
31.1 †	Certification of Chief Executive Officer of Summit Hotel Properties, Inc. pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 †	Certification of Chief Financial Officer Summit Hotel Properties, Inc. pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3 †	Certification of Chief Executive Officer of Summit Hotel OP, LP pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4 †	Certification of Chief Financial Officer Summit Hotel OP, LP pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 †	Certification of Chief Executive Officer Summit Hotel Properties, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2 †	Certification of Chief Financial Officer Summit Hotel Properties, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3 †	Certification of Chief Executive Officer Summit Hotel OP, LP pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.4 †	Certification of Chief Financial Officer Summit Hotel OP, LP pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Management contract or compensatory plan or arrangement.
† Filed herewith.

SUMMIT HOTEL PROPERTIES, INC.

ARTICLES OF AMENDMENT AND RESTATEMENT

FIRST : Summit Hotel Properties, Inc., a Maryland corporation, desires to amend and restate its charter as currently in effect and as hereinafter amended.

SECOND : The provisions of the charter of Summit Hotel Properties, Inc., which are now in effect and as amended hereby in accordance with the Maryland General Corporation Law, are as follows:

ARTICLE I

INCORPORATION

Christopher R. Eng, whose address is c/o The Summit Group, Inc., 2701 South Minnesota Avenue, Suite 6, Sioux Falls, South Dakota 57105, being at least 18 years of age, formed a corporation under the general laws of the State of Maryland on June 30, 2010.

ARTICLE II

NAME

The name of the corporation is Summit Hotel Properties, Inc. (the "Corporation").

ARTICLE III

PURPOSE

The purposes for which the Corporation is formed are to engage in any lawful act or activity (including, without limitation or obligation, engaging in business as a REIT (as hereinafter defined) under the Internal Revenue Code of 1986, as amended, or any successor statute (the "Code")) for which corporations may be organized under the general laws of the State of Maryland as now or hereafter in force. For purposes of the charter of the Corporation (the "Charter"), "REIT" means a real estate investment trust under Sections 856 through 860 of the Code.

ARTICLE IV

PRINCIPAL OFFICE IN MARYLAND AND RESIDENT AGENT

The address of the principal office of the Corporation in the State of Maryland is c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201. The name and address of the resident agent of the Corporation in the State of Maryland are The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201. The resident agent is a Maryland corporation.

ARTICLE V

PROVISIONS FOR DEFINING, LIMITING AND REGULATING CERTAIN POWERS OF THE CORPORATION AND OF THE STOCKHOLDERS AND DIRECTORS

Section 5.1 Number of Directors . The business and affairs of the Corporation shall be managed under the direction of the board of directors of the Corporation (the "Board of Directors"). The number of directors of the Corporation initially shall be two, which number may be increased or decreased only by the Board of Directors pursuant to the Bylaws of the Corporation (the "Bylaws"), but shall never be less than the minimum number required by the Maryland General Corporation Law, or any successor statute (the "MGCL"). The names of the directors who shall serve until their successors are duly elected and qualify are:

Kerry W. Boekelheide

Daniel P. Hansen

The directors may increase the number of directors and may fill any vacancy, whether resulting from an increase in the number of directors or otherwise, on the Board of Directors in the manner provided in the Bylaws.

The Corporation elects, at such time as it becomes eligible to make the election provided for under Section 3-804(c) of the MGCL, that, except as may be provided by the Board of Directors in setting the terms of any class or series of Preferred Stock (as defined in Section 6.1), any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred and until his or her successor is duly elected and qualifies.

Section 5.2 Extraordinary Actions . Except as specifically provided in Section 5.8 (relating to removal of directors) and in the last sentence of Article VIII, notwithstanding any provision of law permitting or requiring any action to be taken or approved by the affirmative vote of the holders of shares entitled to cast a greater number of votes, any such action shall be effective and valid if declared advisable by the Board of Directors and taken or approved by the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter.

Section 5.3 Authorization by Board of Stock Issuance . The Board of Directors may authorize the issuance from time to time of shares of stock of the Corporation of any class or series, whether now or hereafter authorized, or securities or rights convertible into shares of its stock of any class or series, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable (or without consideration in the case of a stock split or stock dividend), subject to such restrictions or limitations, if any, as may be set forth in the Charter or the Bylaws.

Section 5.4 Preemptive Rights and Appraisal Rights . Except as may be provided by the Board of Directors in setting the terms of classified or reclassified shares of stock pursuant to Section 6.4 or as may otherwise be provided by a contract approved by the Board of Directors, no holder of shares of stock of the Corporation shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Corporation or any other security of the Corporation which it may issue or sell. Holders of shares of stock shall not be entitled to exercise any rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the MGCL.

Section 5.5 Indemnification . (a) The Corporation shall have the power, to the maximum extent permitted by Maryland law in effect from time to time, to obligate itself to indemnify, and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding without requiring a preliminary determination of the ultimate entitlement to indemnification to, (i) any individual who is a present or former director or officer of the Corporation or (ii) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, REIT, partnership, joint venture, trust, limited liability company, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in any of the foregoing capacities. The Corporation shall have the power, with the approval of the Board of Directors, to provide such indemnification and advancement of expenses to a person who served a predecessor of the Corporation in any of the capacities described in (i) or (ii) above and to any employee or agent of the Corporation or a predecessor of the Corporation.

(b) The Corporation may, to the fullest extent permitted by law, purchase and maintain insurance on behalf of any person described in the preceding paragraph against any liability which may be asserted against such person.

(c) The indemnification provided herein shall not be deemed to limit the right of the Corporation to indemnify any other person for any such expenses to the maximum extent permitted by law, nor shall it be deemed exclusive of any other rights to which any person seeking indemnification from the Corporation may be entitled under any agreement, vote of stockholders or disinterested directors, or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

Section 5.6 Determinations by Board . The determination as to any of the following matters, made in good faith by or pursuant to the direction of the Board of Directors consistent with the Charter, shall be final and conclusive and shall be binding upon the Corporation and every holder of shares of its stock: the amount of the net income of the Corporation for any period and the amount of assets at any time legally available for the payment of dividends, redemption of its stock or the payment of other distributions on its stock; the amount of paid-in surplus, net assets, other surplus, annual or other net profit, cash flow, funds from operations, net assets in excess of capital, undivided profits or excess of profits over losses on sales of assets; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of any class or series of stock of the Corporation; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Corporation or of any shares of stock of the Corporation; the number of shares of stock of any class or series of the Corporation; any matter relating to the acquisition, holding and disposition of any assets by the Corporation; or any other matter relating to the business and affairs of the Corporation or required or permitted by applicable law, the Charter or Bylaws or otherwise to be determined by the Board of Directors.

Section 5.7 REIT Qualification . The Board of Directors, without any action by the stockholders of the Corporation, shall have the authority to cause the Corporation to elect to qualify for federal income tax treatment as a REIT. Following such election, if the Board of Directors determines that it is no longer in the best interests of the Corporation to continue to be qualified as a REIT, the Board of Directors, without any action by the stockholders of the Corporation, may revoke or otherwise terminate the Corporation's REIT election pursuant to Section 856(g) of the Code. In addition, the Board of Directors, without any action by the stockholders of the Corporation, shall have and may exercise, on behalf of the Corporation, without limitation, the power to determine that compliance with any restriction or limitation on stock ownership and transfers set forth in Article VII of the Charter is no longer required in order for the Corporation to qualify as a REIT.

Section 5.8 Removal of Directors . Subject to the rights of holders of one or more classes or series of Preferred Stock to elect or remove one or more directors, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause, and then only by the affirmative vote of holders of shares entitled to cast at least two-thirds of all the votes entitled to be cast generally in the election of directors. For the purpose of this paragraph, "cause" shall mean, with respect to any particular director, conviction of a felony or a final judgment of a court of competent jurisdiction holding that such director caused demonstrable, material harm to the Corporation through bad faith or active and deliberate dishonesty.

Section 5.9 Advisor Agreements . The Board of Directors may authorize the execution and performance by the Corporation of one or more agreements with any person, corporation, association, company, trust, partnership (limited or general) or other organization whereby, subject to the supervision and control of the Board of Directors, any such other person, corporation, association, company, trust, partnership (limited or general) or other organization shall render or make available to the Corporation managerial, investment, advisory and/or related services, office space and other services and facilities (including, if deemed advisable by the Board of Directors, the management or supervision of the investments of the Corporation) upon such terms and conditions as may be provided in such agreement or agreements (including, if deemed fair and equitable by the Board of Directors, the compensation payable thereunder by the Corporation).

ARTICLE VI

STOCK

Section 6.1 Authorized Shares . The Corporation has authority to issue 600,000,000 shares of stock, consisting of 500,000,000 shares of Common Stock, $0.01 par value per share ("Common Stock"), and 100,000,000 shares of Preferred Stock, $0.01 par value per share ("Preferred Stock"). The aggregate par value of all authorized shares of stock having par value is $6,000,000. If shares of one class of stock are classified or reclassified into shares of another class of stock pursuant to Section 6.2, 6.3 or 6.4 of this Article VI, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified, so that the aggregate number of shares of stock of all classes that the Corporation has authority to issue shall not be more than the total number of shares of stock set forth in the first sentence of this paragraph. The Board of Directors, with the approval of a majority of the entire Board of Directors, and without any action by the stockholders of the Corporation, may amend the Charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Corporation has authority to issue.

Section 6.2 Common Stock . Subject to the provisions of Article VII and except as may otherwise be specified in the Charter, each share of Common Stock shall entitle the holder thereof to one vote. The Board of Directors may reclassify any unissued shares of Common Stock from time to time into one or more classes or series of stock.

Section 6.3 Preferred Stock . The Board of Directors may classify any unissued shares of Preferred Stock and reclassify any previously classified but unissued shares of Preferred Stock of any series from time to time, into one or more classes or series of stock.

Section 6.4 Classified or Reclassified Shares . Prior to issuance of classified or reclassified shares of any class or series, the Board of Directors by resolution shall: (a) designate that class or series to distinguish it from all other classes and series of stock of the Corporation; (b) specify the number of shares to be included in the class or series; (c) set or change, subject to the provisions of Article VII and subject to the express terms of any class or series of stock of the Corporation outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions (including, without limitation, restrictions on transferability), limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Corporation to file articles supplementary with the State Department of Assessments and Taxation of Maryland ("SDAT"). Any of the terms of any class or series of stock set or changed pursuant to clause (c) of this Section 6.4 may be made dependent upon facts or events ascertainable outside the Charter (including determinations by the Board of Directors or other facts or events within the control of the Corporation) and may vary among holders thereof, provided that the manner in which such facts, events or variations shall operate upon the terms of such class or series of stock is clearly and expressly set forth in the articles supplementary or other Charter document.

Section 6.5 Charter and Bylaws . The rights of all stockholders and the terms of all stock are subject to the provisions of the Charter and the Bylaws.

ARTICLE VII

RESTRICTION ON TRANSFER AND OWNERSHIP OF SHARES

Section 7.1 Definitions . For the purpose of this Article VII, the following terms shall have the following meanings:

Beneficial Ownership . The term "Beneficial Ownership" shall mean ownership of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 544 of the Code, as modified by Sections 856(h)(1)(B) and 856(h)(3)(A) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

Business Day . The term "Business Day" shall mean any day, other than a Saturday or a Sunday that is neither a legal holiday nor a day on which banking institutions in the State of New York are authorized or required by law, regulation or executive order to close.

Capital Stock . The term "Capital Stock" shall mean all classes or series of stock of the Corporation, including, without limitation, Common Stock and Preferred Stock.

Charitable Beneficiary . The term "Charitable Beneficiary" shall mean one or more beneficiaries of the Charitable Trust as determined pursuant to Section 7.3.6, provided that each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Charitable Trust . The term "Charitable Trust" shall mean any trust provided for in Section 7.3.1.

Constructive Ownership . The term "Constructive Ownership" shall mean ownership of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

Excepted Holder . The term "Excepted Holder" shall mean a Person for whom an Excepted Holder Limit is created by the Charter or by the Board of Directors pursuant to Section 7.2.7.

Excepted Holder Limit . The term "Excepted Holder Limit" shall mean, provided that the affected Excepted Holder agrees to comply with the requirements established by the Charter or by the Board of Directors pursuant to Section 7.2.7 and subject to adjustment pursuant to Section 7.2.8, the percentage limit established for an Excepted Holder by the Charter or by the Board of Directors pursuant to Section 7.2.7.

Initial Date . The term “Initial Date” shall mean the date of issuance of Common Stock pursuant to the initial underwritten public offering of Common Stock or such other date as determined by the Board of Directors in its sole and absolute discretion.

Market Price . The term “Market Price” on any date shall mean, with respect to any class or series of outstanding shares of Capital Stock, the Closing Price for such Capital Stock on such date. The “Closing Price” on any date shall mean the last reported sale price for such Capital Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such Capital Stock, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if such Capital Stock is not listed or admitted to trading on the NYSE, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such Capital Stock is listed or admitted to trading or, if such Capital Stock is not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system that may then be in use or, if such Capital Stock is not quoted by any such system, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such Capital Stock selected by the Board of Directors or, in the event that no trading price is available for such Capital Stock, the fair market value of the Capital Stock, as determined in good faith by the Board of Directors.

NYSE . The term “NYSE” shall mean the New York Stock Exchange.

Person . The term "Person" shall mean an individual, corporation, partnership, limited liability company, estate, trust (including a trust qualified under Sections 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a "group" as that term is used for purposes of Rule 13d-5(b) or Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, and a group to which an Excepted Holder Limit applies .

Prohibited Owner . The term "Prohibited Owner" shall mean, with respect to any purported Transfer (or other event), any Person who, but for the provisions of Section 7.2.1, would Beneficially Own or Constructively Own shares of Capital Stock in violation of the provisions of Section 7.2.1(a), and if appropriate in the context, shall also mean any Person who would have been the record owner of the shares of Capital Stock that the Prohibited Owner would have so owned.

Restriction Termination Date . The term "Restriction Termination Date" shall mean the first day after the Initial Date on which the Board of Directors determines pursuant to Section 5.7 of the Charter that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT or that compliance with the restrictions and limitations on Beneficial Ownership, Constructive Ownership and Transfers of shares of Capital Stock set forth herein is no longer required in order for the Corporation to qualify as a REIT.

Stock Ownership Limit . The term "Stock Ownership Limit" shall mean nine and eight-tenths percent (9.8%) in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of Capital Stock of the Corporation excluding any outstanding shares of Capital Stock not treated as outstanding for federal income tax purposes, or such other percentage determined by the Board of Directors in accordance with Section 7.2.8 of the Charter.

TRS . The term "TRS" shall mean a taxable REIT subsidiary (as defined in Section 856(l) of the Code) of the Corporation.

Transfer . The term "Transfer" shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event that causes any Person to acquire or change such Person's percentage of Beneficial Ownership or Constructive Ownership, or any agreement to take any such actions or cause any such events, of Capital Stock or the right to vote or receive dividends on Capital Stock, including (a) the granting or exercise of any option (or any disposition of any option), (b) any disposition of any securities or rights convertible into or exchangeable for Capital Stock or any interest in Capital Stock or any exercise of any such conversion or exchange right, and (c) Transfers of interests in other entities that result in changes in Beneficial or Constructive Ownership of Capital Stock; in each case, whether voluntary or involuntary, whether owned of record, Constructively Owned or Beneficially Owned and whether by operation of law or otherwise. The terms "Transferring" and "Transferred" shall have the correlative meanings.

Trustee . The term "Trustee" shall mean the Person unaffiliated with the Corporation and a Prohibited Owner, that is appointed by the Corporation to serve as trustee of the Charitable Trust.

Section 7.2 Capital Stock .

Section 7.2.1 Ownership Limitations . During the period commencing on the Initial Date and prior to the Restriction Termination Date or as otherwise set forth below, and subject to Section 7.4:

(a) Basic Restrictions .

(i) Except as provided in Section 7.2.7 hereof, no Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Stock Ownership Limit. No Excepted Holder shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Excepted Holder Limit for such Excepted Holder.

(ii) Except as provided in Section 7.2.7 hereof, no Person shall Beneficially Own shares of Capital Stock to the extent that such Beneficial Ownership of Capital Stock would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year).

(iii) Except as provided in Section 7.2.7 hereof, any Transfer of shares of Capital Stock that, if effective, would result in the Capital Stock being Beneficially Owned by less than one hundred (100) Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void ab initio , and the intended transferee shall acquire no rights in such Capital Stock.

(iv) Except as provided in Section 7.2.7 hereof, no Person shall Beneficially Own or Constructively Own shares of Capital Stock to the extent such Beneficial Ownership or Constructive Ownership would cause the Corporation to Constructively Own ten percent (10%) or more of the ownership interests in a tenant (other than a TRS) of the Corporation's real property within the meaning of Section 856(d)(2)(B) of the Code.

(v) No Person shall Beneficially Own or Constructively Own shares of Capital Stock to the extent that such Beneficial Ownership or Constructive Ownership would otherwise cause the Corporation to fail to qualify as a REIT under the Code, including, but not limited to, as a result of any "eligible independent contractor" (as defined in Section 856(d)(9)(A) of the Code) that operates a "qualified lodging facility" (as defined in Section 856(d)(9)(D)(i) of the Code) on behalf of a TRS failing to qualify as such.

(b) Transfer in Trust/Transfer Void Ab Initio . If any Transfer of shares of Capital Stock (or other event) occurs which, if effective, would result in any Person Beneficially Owning or Constructively Owning shares of Capital Stock in violation of Section 7.2.1(a)(i), (ii), (iv) or (v),

(i) then that number of shares of the Capital Stock the Beneficial or Constructive Ownership of which otherwise would cause such Person to violate Section 7.2.1(a)(i), (ii), (iv) or (v) (rounded up to the nearest whole share) shall be automatically transferred to a Charitable Trust for the benefit of a Charitable Beneficiary, as described in Section 7.3, effective as of the close of business on the Business Day prior to the date of such Transfer (or other event), and such Person shall acquire no rights in such shares of Capital Stock; or

(ii) if the transfer to the Charitable Trust described in clause (i) of this Section 7.2.1(b) would not be effective for any reason to prevent the violation of Section 7.2.1(a)(i), (ii), (iv) or (v), then the Transfer of that number of shares of Capital Stock that otherwise would cause any Person to violate Section 7.2.1(a)(i), (ii), (iv) or (v) shall be void ab initio , and the intended transferee shall acquire no rights in such shares of Capital Stock.

Section 7.2.2 Remedies for Breach . If the Board of Directors or any duly authorized committee thereof or other designees if permitted by the MGCL shall at any time determine in good faith that a Transfer or other event has taken place that results in a violation of Section 7.2.1 or that a Person intends to acquire or has attempted to acquire Beneficial or Constructive Ownership of any shares of Capital Stock in violation of Section 7.2.1 (whether or not such violation is intended), the Board of Directors or a committee thereof or other designees if permitted by the MGCL shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Corporation to redeem shares of Capital Stock, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; provided , however , that any Transfer or attempted Transfer or other event in violation of Section 7.2.1 shall automatically result in the transfer to the Charitable Trust described above, or, where applicable, such Transfer (or other event) shall be void ab initio as provided above irrespective of any action (or non-action) by the Board of Directors or a committee thereof.

Section 7.2.3 Notice of Restricted Transfer . Any Person who acquires or attempts or intends to acquire Beneficial Ownership or Constructive Ownership of shares of Capital Stock that will or may violate Section 7.2.1(a) or any Person who would have owned shares of Capital Stock that resulted in a transfer to the Charitable Trust pursuant to the provisions of Section 7.2.1(b) shall immediately give written notice to the Corporation of such event or, in the case of such a proposed or attempted transaction, give at least fifteen (15) days prior written notice, and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer on the Corporation's status as a REIT.

Section 7.2.4 Owners Required To Provide Information . From the Initial Date and prior to the Restriction Termination Date:

(a) Every owner of more than five percent (5%) (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) in number or value of the outstanding shares of Capital Stock, within thirty (30) days after the end of each taxable year, shall give written notice to the Corporation stating (i) the name and address of such owner, (ii) the number of shares of Capital Stock Beneficially Owned and (iii) a description of the manner in which such shares are held. Each such owner shall provide to the Corporation such additional information as the Corporation may request in order to determine the effect, if any, of such Beneficial Ownership on the Corporation's status as a REIT and to ensure compliance with the Stock Ownership Limit; and

(b) Each Person who is a Beneficial or Constructive Owner of Capital Stock and each Person (including the stockholder of record) who is holding Capital Stock for a Beneficial or Constructive Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance and to ensure compliance with the Stock Ownership Limit.

Section 7.2.5 Remedies Not Limited . Nothing contained in this Section 7.2 shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to, subject to Section 5.7 of the Charter, protect the Corporation and the interests of its stockholders in preserving the Corporation's status as a REIT.

Section 7.2.6 Ambiguity . In the case of an ambiguity in the application of any of the provisions of this Article VII, including any definition contained in Section 7.1 of this Article VII, the Board of Directors shall have the power to determine the application of the provisions of this Article VII with respect to any situation based on the facts known to it at such time. In the event Section 7.2 or 7.3 requires an action by the Board of Directors and the Charter fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 7.1, 7.2 or 7.3 . Absent a decision to the contrary by the Board of Directors (which the Board of Directors may make in its sole and absolute discretion), if a Person would have (but for the remedies set forth in Sections 7.2.1 and 7.2.2) acquired Beneficial or Constructive Ownership of Capital Stock in violation of Section 7.2.1, such remedies (as applicable) shall apply first to the shares of Capital Stock which, but for such remedies, would have been actually owned by such Person, and second to shares of Capital Stock which, but for such remedies, would have been Beneficially Owned or Constructively Owned (but not actually owned) by such Person, pro rata among the Persons who actually own such shares of Capital Stock based upon the relative number of the shares of Capital Stock held by each such Person.

Section 7.2.7 Exceptions .

(a) (i) The Board of Directors, in its sole discretion, may exempt (prospectively or retroactively) a Person from the restrictions contained in Section 7.2.1(a)(i), (ii), (iii) or (iv) as the case may be, and may establish or increase an Excepted Holder Limit for such Person if the Board of Directors obtains such representations, covenants and undertakings as the Board of Directors may deem appropriate in order to conclude that granting the exemption and/or establishing or increasing the Excepted Holder Limit, as the case may be, will not cause the Corporation to lose its status as a REIT.

(b) Prior to granting any exception pursuant to Section 7.2.7(a), the Board of Directors may require a ruling from the Internal Revenue Service or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors in its sole discretion, as it may deem necessary or advisable in order to determine that granting the exception will not cause the Corporation to lose its status as a REIT. Notwithstanding the receipt of any ruling or opinion, the Board of Directors may impose such conditions or restrictions as it deems appropriate in connection with granting such exception.

(c) Subject to Section 7.2.1(a)(ii), an underwriter, placement agent or initial purchaser that participates in a public offering, a private placement or other private offering of Capital Stock (or securities convertible into or exchangeable for Capital Stock) may Beneficially Own or Constructively Own shares of Capital Stock (or securities convertible into or exchangeable for Capital Stock) in excess of the Stock Ownership Limit, but only to the extent necessary to facilitate such public offering, private placement or immediate resale of such Capital Stock and provided that the restrictions contained in Section 7.2.1(a) will not be violated following the distribution by such underwriter, placement agent or initial purchaser of such shares of Capital Stock.

Section 7.2.8 Change in Stock Ownership Limit and Excepted Holder Limits . (a) The Board of Directors may from time to time increase or decrease the Stock Ownership Limit; provided , however , that a decreased Stock Ownership Limit will not be effective for any Person whose percentage ownership of Capital Stock is in excess of such decreased Stock Ownership Limit until such time as such Person's percentage of Capital Stock equals or falls below the decreased Stock Ownership Limit, but until such time as such Person's percentage of Capital Stock falls below such decreased Stock Ownership Limit, any further acquisition of Capital Stock will be in violation of the Stock Ownership Limit and, provided further, that the new Stock Ownership Limit would not allow five or fewer individuals (taking into account all Excepted Holders) to Beneficially Own more than 49.9% in value of the outstanding Capital Stock.

(b) The Board of Directors may only reduce the Excepted Holder Limit for an Excepted Holder: (1) with the written consent of such Excepted Holder at any time, or (2) pursuant to the terms and conditions of the agreements and undertakings entered into with such Excepted Holder in connection with the establishment of the Excepted Holder Limit for that Excepted Holder. No Excepted Holder Limit shall be reduced to a percentage that is less than the then Stock Ownership Limit.

Section 7.2.9 Legend . Each certificate, if any, for shares of Capital Stock shall bear a legend summarizing the restrictions on transfer and ownership contained herein. Instead of a legend, the certificate, if any, may state that the Corporation will furnish a full statement about certain restrictions on transferability to a stockholder on request and without charge.

Section 7.3 Transfer of Capital Stock in Trust .

Section 7.3.1 Ownership in Trust . Upon any purported Transfer or other event described in Section 7.2.1(b) that would result in a transfer of shares of Capital Stock to a Charitable Trust, such shares of Capital Stock shall be deemed to have been transferred to the Trustee as trustee for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the purported Transfer or other event that results in the transfer to the Charitable Trust pursuant to Section 7.2.1(b). The Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with the Corporation and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Corporation as provided in Section 7.3.6.

Section 7.3.2 Status of Shares Held by the Trustee . Shares of Capital Stock held by the Trustee shall continue to be issued and outstanding shares of Capital Stock of the Corporation. The Prohibited Owner shall have no rights in the Capital Stock held by the Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends or other distributions and shall not possess any rights to vote or other rights attributable to the shares held in the Charitable Trust. The Prohibited Owner shall have no claim, cause of action, or any other recourse whatsoever against the purported transferor of such Capital Stock.

Section 7.3.3 Dividend and Voting Rights . The Trustee shall have all voting rights and rights to dividends or other distributions with respect to shares of Capital Stock held in the Charitable Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid to a Prohibited Owner prior to the discovery by the Corporation that the shares of Capital Stock have been transferred to the Trustee shall be paid with respect to such shares of Capital Stock by the Prohibited Owner to the Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividends or other distributions so paid over to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares held in the Charitable Trust and, subject to Maryland law, effective as of the date that the shares of Capital Stock have been transferred to the Charitable Trust, the Trustee shall have the authority (at the Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Corporation that the shares of Capital Stock have been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary; provided , however , that if the Corporation has already taken irreversible corporate action, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding the provisions of this Article VII, until the Corporation has received notification that shares of Capital Stock have been transferred into a Charitable Trust, the Corporation shall be entitled to rely on its share transfer and other stockholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of stockholders.

Section 7.3.4 Sale of Shares by Trustee . Within twenty (20) days of receiving notice from the Corporation that shares of Capital Stock have been transferred to the Charitable Trust, the Trustee of the Charitable Trust shall sell the shares held in the Charitable Trust to a person, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in Section 7.2.1(a). Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 7.3.4. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Charitable Trust (*e.g.* , in the case of a gift, devise or other such transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Charitable Trust and (2) the price per share received by the Trustee (net of any commissions and other expenses of sale) from the sale or other disposition of the shares held in the Charitable Trust. The Trustee may reduce the amount payable to the Prohibited Owner by the amount of dividends and other distributions paid to the Prohibited Owner and owed by the Prohibited Owner to the Trustee pursuant to Section 7.3.3 of this Article VII. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Trustee, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Charitable Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 7.3.4, such excess shall be paid to the Trustee upon demand.

Section 7.3.5 Purchase Right in Stock Transferred to the Trustee . Shares of Capital Stock transferred to the Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Charitable Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation may reduce the amount payable to the Prohibited Owner by the amount of dividends and other distributions paid to the Prohibited Owner and owed by the Prohibited Owner to the Trustee pursuant to Section 7.3.3 of this Article VII. The Corporation may pay the amount of such reduction to the Trustee for the benefit of the Charitable Beneficiary. The Corporation shall have the right to accept such offer until the Trustee has sold the shares held in the Charitable Trust pursuant to Section 7.3.4. Upon such a sale to the Corporation, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and any dividends or other distributions held by the Trustee shall be paid to the Charitable Beneficiary.

Section 7.3.6 Designation of Charitable Beneficiaries . By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Charitable Trust such that (i) the shares of Capital Stock held in the Charitable Trust would not violate the restrictions set forth in Section 7.2.1(a) in the hands of such Charitable Beneficiary and (ii) each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under one of Sections 170(b)(1)(A), 2055 and 2522 of the Code. Neither the failure of the Corporation to make such designation nor the failure of the Corporation to appoint the Trustee before the automatic transfer provided for in Section 7.2.1(b)(i) shall make such transfer ineffective, provided that the Corporation thereafter makes such designation and appointment.

Section 7.4 NYSE Transactions . Nothing in this Article VII shall preclude the settlement of any transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction occurs shall not negate the effect of any other provision of this Article VII and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VII.

Section 7.5 Enforcement . The Corporation is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VII.

Section 7.6 Non-Waiver . No delay or failure on the part of the Corporation or the Board of Directors in exercising any right hereunder shall operate as a waiver of any right of the Corporation or the Board of Directors, as the case may be, except to the extent specifically waived in writing.

Section 7.7 Severability . If any provision of this Article VII or any application of any such provision is determined to be invalid by any federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provisions shall be affected only to the extent necessary to comply with the determination of such court.

ARTICLE VIII

AMENDMENTS

The Corporation reserves the right from time to time to make any amendment to the Charter, now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in the Charter, of any shares of outstanding stock. All rights and powers conferred by the Charter on stockholders, directors and officers are granted subject to this reservation. Except as otherwise provided in the Charter and except for those amendments permitted to be made without stockholder approval under Maryland law or by specific provision in the Charter, any amendment to the Charter shall be valid only if declared advisable by the Board of Directors and approved by the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter. However, any amendment to Section 5.8 and Article VII or to this sentence of the Charter shall be valid only if declared advisable by the Board of Directors and approved by the affirmative vote of holders of shares entitled to cast at least two-thirds of all the votes entitled to be cast on the matter.

ARTICLE IX

LIMITATION OF LIABILITY

To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of directors and officers of a corporation, no present or former director or officer of the Corporation shall be liable to the Corporation or its stockholders for money damages. Neither the amendment nor repeal of this Article IX, nor the adoption or amendment of any other provision of the Charter or Bylaws inconsistent with this Article IX, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

THIRD : The amendment to and restatement of the Charter as hereinabove set forth have been duly advised by the Board of Directors and approved by the sole stockholder of the Corporation as required by law.

FOURTH : The current address of the principal office of the Corporation is as set forth in Article IV of the foregoing amendment and restatement of the Charter.

FIFTH : The name and address of the Corporation's current resident agent are as set forth in Article IV of the foregoing amendment and restatement of the Charter.

SIXTH : The number of directors of the Corporation and the names of those currently in office are as set forth in Article V of the foregoing amendment and restatement of the Charter.

SEVENTH : The total number of shares of stock which the Corporation had authority to issue immediately prior to this amendment and restatement was 1,000 shares, consisting of 1,000 shares of Common Stock, $0.01 par value per share. The aggregate par value of all shares of stock having par value was $10.00.

EIGHTH : The total number of shares of stock which the Corporation has authority to issue pursuant to the foregoing amendment and restatement of the Charter is 600,000,000, consisting of 500,000,000 shares of Common Stock, $0.01 par value per share, and 100,000,000 shares of Preferred Stock, $0.01 par value per share. The aggregate par value of all authorized shares of stock having par value is $6,000,000.

NINTH : The undersigned Executive Chairman of the Board of Directors acknowledges these Articles of Amendment and Restatement to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned Executive Chairman of the Board of Directors acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment and Restatement to be signed in its name and on its behalf by its Chairman of the Board and attested to by its Secretary on this 3rd day of February, 2011.

ATTEST:

/s/ Christopher R. Eng
Christopher R. Eng
Vice President, General Counsel and Secretary

SUMMIT HOTEL PROPERTIES, INC.

By: /s/ Kerry W. Boekelheide (SEAL)
Kerry W. Boekelheide
Executive Chairman of the Board

Exhibit 10.20

SECOND AMENDED AND RESTATED LOAN AGREEMENT

THIS SECOND AMENDED AND RESTATED LOAN AGREEMENT ("Agreement") is entered into as of August 15, 2010 by and between FIRST NATIONAL BANK OF OMAHA, N.A., a national banking association ("First National") as a Lender, Administrative Agent and Collateral Agent for the Lenders, Bank Midwest, N.A., a national banking association (“Bank Midwest”) as a Lender, Crawford County Trust & Savings, a State banking association ("Crawford County") as a Lender, Quad City Bank & Trust Co., a State banking association ("Quad City") as a Lender, M & I Marshall & Ilsley Bank, a national banking association (“M & I”) as a Lender, Bankers Trust Company (“Bankers Trust”) as a Lender and the other Lenders a party hereto from time to time, and SUMMIT HOTEL PROPERTIES, LLC ("Summit Hotel"), a South Dakota limited liability company and SUMMIT HOSPITALITY V, LLC ("Summit Hospitality"), a South Dakota limited liability company. First National, Bank Midwest, Crawford County, Quad City, M & I, Bankers Trust and the other lenders a party hereto from time to time may be hereinafter collectively referred to as the “Lenders” and individually as a "Lender". Summit Hotel and Summit Hospitality may be collectively referred to hereinafter as the "Borrowers" and individually as a "Borrower". The Administrative Agent and the Collateral Agent for the Lenders may be hereinafter collectively referred to as the "Agent".

WHEREAS, the Borrowers, the Agent, and certain of the Lenders are parties to a Loan Agreement, dated as of June 24, 2005, as amended (as so amended and as in effect prior to the date of the Current Credit Agreement defined below, the "Original Credit Agreement"), pursuant to which the Lenders party thereto made loans available to the Borrowers;

WHEREAS, the Original Credit Agreement was amended and restated by that certain First Amended and Restated Loan Agreement dated August 31, 2009 among Borrowers, the Agent and the Lenders (as amended, including by that certain First Amendment to First Amended and Restated Loan Agreement dated May 14, 2010, and as in effect prior to the date hereof, the "Current Credit Agreement");

WHEREAS, the Borrowers have requested that the Current Credit Agreement be amended and restated on the terms and conditions set forth herein;

WHEREAS, it is intended that the indebtedness of the Borrowers under this Agreement be a continuation of the indebtedness of the Borrowers under the Original Credit Agreement as amended by the Current Credit Agreement; and

WHEREAS, under the terms and conditions of and subject to the limitations contained in this Agreement, Lenders have approved financial accommodations in the maximum principal amount of $43,334,527.22 consisting of the Pool One Term Loans and Pool Two Term Loans defined in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

ARTICLE I
Pool One Term Loans

1.1. Definitions . Certain capitalized terms not otherwise defined in the body of this Agreement shall have the meanings given to such terms in Exhibit A attached hereto and incorporated herein by reference.

1.2. Pool One Term Loans . Subject to the terms of this Agreement and the maximum amount available under the Pool One Loan Formula, Lenders severally agree to extend to Borrowers the following term loans (as they may be amended, modified, refinanced, replaced and/or restated from time to time, each a "Pool One Term Loan" and collectively the "Pool One Term Loans"):

(a). a term loan in the aggregate principal amount of $6,700,000.00 (the "Hyatt Place Pool One Term Loan");

(b). a term loan in the aggregate principal amount of $6,375,000.00 (the "Holiday Inn Express Pool One Term Loan"); and

(c). a term loan in the aggregate principal amount of $5,850,000.00 (the "Staybridge Suites Pool One Term Loan").

1.3. Pool One Term Notes . Each of the Pool One Term Loans will be evidenced by an Amended and Restated Pool One Term Note executed and delivered by Borrowers to Agent as follows (collectively, the "Pool One Term Notes"):

(a). The Hyatt Place Pool One Term Loan will be evidenced by an Amended and Restated Hyatt Place Pool One Term Note payable to the order of the Agent in the principal amount of $6,700,000.00 for the benefit of the Lenders in proportion of their respective Percentage in the Hyatt Place Pool One Term Loan.

(b). The Holiday Inn Express Pool One Term Loan will be evidenced by an Amended and Restated Holiday Inn Express Pool One Term Note payable to the order of the Agent in the principal amount of $6,375,000.00 for the benefit of the Lenders in proportion of their respective Percentage in the Holiday Inn Express Pool One Term Loan.

(c). The Staybridge Suites Pool One Term Loan will be evidenced by an Amended and Restated Staybridge Suites Pool One Term Note payable to the order of the Agent in the principal amount of $5,850,000.00 for the benefit of the Lenders in proportion of their respective Percentage in the Staybridge Suites Pool One Term Loan.

1.4. Pool One Loan Formula . In no event shall the aggregate outstanding principal amount of any Pool One Term Loan exceed 75% of the as is appraised value of the particular Hotel primarily securing such Pool One Term Loan. As a condition to the closing of this Agreement, Borrowers will jointly and severally pay and apply to the Pool One Note being refinanced by the Holiday Inn Express Pool One Term Loan the sum of not less than $1,125,000.00 and to the Pool One Note being refinanced by the Staybridge Suites Pool One Term Loan the sum of not less than $350,000.00 in order to bring such Pool One Term Loans within the Pool One Loan Formula for such Pool One Term Loans.

1.5. Interest . The interest rate on the Pool One Term Loans is subject to change from time to time based on changes in an independent index which is the London Interbank Offered Rate for U.S. Dollar deposits published in *The Wall Street Journal* as the Three (3) Month LIBOR Rate ("LIBOR Rate"). The LIBOR Rate will be adjusted and determined without notice to Borrowers as set forth herein, as of the date of the Pool One Term Notes and on the first (1st) day of each calendar month thereafter ("Interest Rate Change Date") to the Three (3) Month LIBOR Rate which is published in *The Wall Street Journal* as the reported rate for the date that is two London Banking Days prior to each Interest Rate Change Date. If the date of the Pool One Term Notes is any day other than the first London Banking Day of a month, the initial LIBOR Rate to be in effect until the beginning of the next succeeding month shall be that Three (3) Month LIBOR Rate in effect on the date that is two London Banking Days prior to the first day of the month in which the Pool One Term Notes are dated. "London Banking Day" means any day other than a Saturday or Sunday, on which commercial banking institutions in London, England are generally open for business. If for any reason the LIBOR Rate published by *The Wall Street Journal* is no longer available and/or Agent is unable to determine the LIBOR Rate for any Interest Rate Change Date, Agent may, in its sole discretion, select an alternate source to determine the LIBOR Rate and will provide notice to Borrowers and Lenders of the source selected. The LIBOR Rate determined as set forth above shall be referred to herein as (the "Index"). The Index is not necessarily the lowest rate charged by Lenders on their loans. If the Index becomes unavailable during the term of the Pool One Term Loans, Agent may designate a substitute index after notifying Borrowers and Lenders. Agent will tell Borrowers the current Index rate upon Borrowers' request. The interest rate change will not occur more often than each month on the first (1st) day of each month. Borrowers understand that Lenders may make loans based on other rates as well. The Index currently is .37625% per annum. The interest rate to be applied to the unpaid principal balance of the each Pool One Term Loan will be calculated using a rate of 4% over the Index, adjusted if necessary for any minimum and maximum rate limitations described below, resulting in an initial rate of 4.37625% per annum based on a year of 360 days. Interest on the Pool One Term Loans is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under the Pool One Term Loans is computed using this method. NOTICE: Under no circumstances will the interest rate on the Pool One Term Loans be less than 5.5% per annum or more than the maximum rate allowed by applicable law. The principal balance of the Pool One Term Loans will bear interest after maturity and after the occurrence and during the continuance of an Event of Default at a variable per annum rate equal to rate determined as above plus 4%, but not to exceed the maximum rate allowed by law. Borrowers will jointly and severally pay interest monthly, in arrears, on the same dates that principal installments are due. Accrued and unpaid interest must also be paid on the Pool One Term Loan Termination Date, whether by acceleration or otherwise.

1.6. Repayment; Maturity . The Pool One Term Loans will be paid as follows, with the monthly principal and interest installments, with principal installments calculated on a twenty (20) year amortization schedule:

(a). The Hyatt Place Pool One Term Loan will be payable in equal monthly installments of principal and interest in the amount of $46,088.45 plus accrued and unpaid interest commencing on September 1, 2010 and continuing on the first day of each month thereafter until July 31, 2011, when the outstanding principal balance, together with accrued and unpaid interest, will be due and payable in full.

(b). The Holiday Inn Express Pool One Term Loan will be payable in equal monthly installments of principal and interest in the amount of $43,853.82 plus accrued and unpaid interest commencing on September 1, 2010 and continuing on the first day of each month thereafter until July 31, 2011, when the outstanding principal balance, together with accrued and unpaid interest, will be due and payable in full.

(c). The Staybridge Suites Pool One Term Loan will be payable in equal monthly installments of principal and interest in the amount of $40,241.41 plus accrued and unpaid interest commencing on September 1, 2010 and continuing on the first day of each month thereafter until July 31, 2011, when the outstanding principal balance, together with accrued and unpaid interest, will be due and payable in full.

All payments due on the Pool One Term Loans under this Agreement and the other Loan Documents shall be made in immediately available funds to the Agent at its office described in the notice provision of this Agreement unless the Agent gives notice to the contrary. Payments so received at or before 1:00 p.m. Omaha, Nebraska time on any Business Day shall be deemed to have been received by the Agent on that Business Day. Payments received after 1:00 p.m. Omaha, Nebraska time on any Business Day shall be deemed to have been received on the next Business Day, and interest, if payable in respect of such payment, shall accrue thereon until such next Business Day. Agent will remit to each Lender its Percentage of all payments of principal and interest on the Pool One Term Loans received by Agent no later than the next Business Day after the Agent is deemed to have received such payment.

1.7. Prepayment . Borrowers may prepay all or any Pool One Term Loan in full or in part at any time without penalty or premium. Any partial prepayments will be applied by Agent to the monthly installments due on the partially prepaid Pool One Term Loan in the inverse order of their maturities.

1.8. Fees . In consideration for Lenders making the Loans available to Borrowers, Borrowers will jointly and severally pay to the Agent for the pro rata account of Lenders a commitment fee equal to $162,504.48 in full at the closing of this Agreement. Each Lender will be entitled to a portion of such fee as follows: (i) $32,500.90 payable to First National; (ii) $32,500.90 payable to M & I; (iii) $48,751.34 to Bank Midwest; (iv) $16,250.45 to Quad City; (v) $16,250.45 to Bankers Trust; and (vi) $16,250.45 to Crawford County. In addition, Borrowers will jointly and severally pay Agent for the account only of Agent an annual agency fee equal to $23,656.25 payable at the closing of this Agreement on each anniversary date of this Agreement.

ARTICLE II
Pool Two Term Loans

2.1. Pool Two Term Loans . Subject to the terms of this Agreement and the maximum amount available under the Pool Two Loan Formula, Lenders severally agree to extend to Borrowers the following term loans (as they may be amended, modified, refinanced, replaced and/or restated from time to time, each a "Pool Two Term Loan" and collectively the "Pool Two Term Loans"):

(a). a term loan in the aggregate principal amount of $8,914,616.75 (the "Jackson Courtyard Pool Two Term Loan");

(b). a term loan in the aggregate principal amount of $6,818,438.05 (the "Germantown Courtyard Pool Two Term Loan"); and

(c). a term loan in the aggregate principal amount of $8,676,472.42 (the "Hyatt Place Pool Two Term Loan").

2.2. Pool Two Term Notes . Each of the Pool Two Term Loans will be evidenced by an Amended and Restated Pool Two Term Note executed and delivered by Borrowers to Agent as follows (collectively, the "Pool Two Term Notes"):

(a). The Jackson Courtyard Pool Two Term Loan will be evidenced by an Amended and Restated Jackson Courtyard Pool Two Term Note payable to the order of the Agent in the principal amount of $8,914,616.75 for the benefit of the Lenders in proportion of their respective Percentage in the Jackson Courtyard Pool Two Term Loan.

(b). The Germantown Courtyard Pool Two Term Loan will be evidenced by an Amended and Restated Germantown Courtyard Pool Two Term Note payable to the order of the Agent in the principal amount of $6,818,438.05 for the benefit of the Lenders in proportion of their respective Percentage in the Germantown Courtyard Pool Two Term Loan.

(c). The Hyatt Place Pool Two Term Loan will be evidenced by an Amended and Restated Hyatt Place Pool Two Term Note payable to the order of the Agent in the principal amount of $8,676,472.42 for the benefit of the Lenders in proportion of their respective Percentage in the Hyatt Place Pool Two Term Loan.

2.3. Pool Two Loan Formula . In no event shall the aggregate outstanding principal amount of any Pool Two Term Loan exceed 65% of the as stabilized Appraised Value of the particular Hotel primarily securing such Pool Two Term Loan.

2.4. Interest . The interest rate on the Pool Two Term Loans is subject to change from time to time based on changes in an independent index which is the London Interbank Offered Rate for U.S. Dollar deposits published in *The Wall Street Journal* as the Three (3) Month LIBOR Rate ("LIBOR Rate"). The LIBOR Rate will be adjusted and determined without notice to Borrowers as set forth herein, as of the date of the Pool Two Term Notes and on the first (1st) day of each calendar month thereafter ("Interest Rate Change Date") to the Three (3) Month LIBOR Rate which is published in *The Wall Street Journal* as the reported rate for the date that is two London Banking Days prior to each Interest Rate Change Date. If the date of the Pool Two Term Notes is any day other than the first London Banking Day of a month, the initial LIBOR Rate to be in effect until the beginning of the next succeeding month shall be that Three (3) Month LIBOR Rate in effect on the date that is two London Banking Days prior to the first day of the month in which the Pool Two Term Notes are dated. If for any reason the LIBOR Rate published by *The Wall Street Journal* is no longer available and/or Agent is unable to determine the LIBOR Rate for any Interest Rate Change Date, Agent may, in its sole discretion, select an alternate source to determine the LIBOR Rate and will provide notice to Borrowers and Lenders of the source selected. The LIBOR Rate determined as set forth above shall be referred to herein as (the "Index"). The Index is not necessarily the lowest rate charged by Lenders on their loans. If the Index becomes unavailable during the term of the Pool Two Term Loans, Agent may designate a substitute index after notifying Borrowers and Lenders. Agent will tell Borrowers the current Index rate upon Borrowers' request. The interest rate change will not occur more often than each month on the first (1st) day of each month. Borrowers understand that Lenders may make loans based on other rates as well. The Index currently is .37625% per annum. The interest rate to be applied to the unpaid principal balance of the each Pool Two Term Loan will be calculated using a rate of 4% over the Index, adjusted if necessary for any minimum and maximum rate limitations described below, resulting in an initial rate of 4.37625% per annum based on a year of 360 days. Interest on the Pool Two Term Loans is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under the Pool Two Term Loans is computed using this method. NOTICE: Under no circumstances will the interest rate on the Pool Two Term Loans be less than 5.25% per annum or more than the maximum rate allowed by applicable law. The principal balance of the Pool Two Term Loans will bear interest after maturity and after the occurrence and during the continuance of an Event of Default at a variable per annum rate equal to rate determined as above plus 4%, but not to exceed the maximum rate allowed by law. Borrowers will jointly and severally pay interest monthly, in arrears, on the same dates that principal installments are due. Accrued and unpaid interest must also be paid on the maturity date of each Pool Two Term Loan, whether by acceleration or otherwise.

2.5. Repayment; Maturity . The Pool Two Term Loans will be paid as follows, with the monthly principal and interest installments with principal installments calculated on a twenty (20) year amortization schedule:

(a). The Jackson Courtyard Pool Two Term Loan will be payable in equal monthly installments of principal and interest in the amount of $60,052.00 plus accrued and unpaid interest commencing on September 1, 2010 and continuing on the first day of each month thereafter until July 1, 2013, when the outstanding principal balance, together with accrued and unpaid interest, will be due and payable in full.

(b). The Germantown Courtyard Pool Two Term Loan will be payable in equal monthly installments of principal and interest in the amount of $45,813.00 plus accrued and unpaid interest commencing on September 1, 2010 and continuing on the first day of each month thereafter until July 1, 2013, when the outstanding principal balance, together with accrued and unpaid interest, will be due and payable in full.

(c). The Hyatt Place Pool Two Term Loan will be payable in equal monthly installments of principal and interest in the amount of $46,072.00 plus accrued and unpaid interest commencing on September 1, 2010 and continuing on the first day of each month thereafter until February 1, 2014, when the outstanding principal balance, together with accrued and unpaid interest, will be due and payable in full.

All payments due on the Pool Two Term Loans under this Agreement and the other Loan Documents shall be made in immediately available funds to the Agent at its office described in the notice provision of this Agreement unless the Agent gives notice to the contrary. Payments so received at or before 1:00 p.m. Omaha, Nebraska time on any Business Day shall be deemed to have been received by the Agent on that Business Day. Payments received after 1:00 p.m. Omaha, Nebraska time on any Business Day shall be deemed to have been received on the next Business Day, and interest, if payable in respect of such payment, shall accrue thereon until such next Business Day. Agent will remit to each Lender its Percentage of all payments of principal and interest on the Pool Two Term Loans received by Agent no later than the next Business Day after the Agent is deemed to have received such payment.

2.6. Prepayment . Borrowers may prepay all or any Pool Two Term Loan in full or in part at any time without penalty or premium. Any partial prepayments will be applied by Agent to the monthly installments due on the partially prepaid Pool Two Term Loan in the inverse order of their maturities.

ARTICLE III
Collateral; Reserves

Payment of Borrowers' obligations hereunder, under the Pool One Term Loans, Pool Two Term Loans, under any deposit account relationship and overdrafts with Agent, and under the Loan Documents shall be secured and/or supported by the following (hereinafter collectively referred to as the “Collateral”) until all such obligations are fully and finally paid and performed in full:

3.1. Personal Property . The Loans made pursuant to this Agreement and all other indebtedness arising hereunder or in connection herewith shall be collateralized and supported by a security interest, and each Borrower hereby grants to the Agent, a security interest in all of each Borrower's respective assets associated with or located at a Hotel encumbered with a mortgage or deed of trust referenced in Section 3.2 below, including, but not limited to, each Borrower's goods, equipment and inventory, now owned as well as any and all thereof that may hereafter be acquired by such Borrower, and in and to all cash and non-cash proceeds (including, without limitation, insurance proceeds), accessions, accessories and products thereof, and all of such Borrower's accounts receivable, general intangibles, payment intangibles, software, chattel paper (whether tangible or electronic), deposit accounts, documents, investment property and instruments now owned or hereafter arising or acquired and all cash and non-cash proceeds thereof. Such security interest shall be further evidenced by those certain Second Amended and Restated Security Agreements (as amended, collectively, the "Security Agreement") executed and delivered by each Borrower to the Agent. Each Borrower further agrees to authenticate to the Agent and hereby authorizes the Agent to file in all filing offices the Agent deems necessary, appropriate or desirable such financing statements, continuations, assignments or other instruments as may be requested by the Agent at any time and from time to time in order for the Agent to perfect the security interest in the aforementioned Collateral.

3.2. Real Property . The Loans made pursuant to this Agreement and all other indebtedness arising hereunder or in connection herewith shall be collateralized and supported by the mortgages or deeds of trust, as the case may be, listed in Schedule 3.2 attached hereto and incorporated herein by reference encumbering the Hotels described therein (as amended, collectively, the "Mortgage"). Borrowers will execute such amendments and instruments to the Mortgage as is required by Agent in order to create, attach and perfect Lenders' mortgage on the Hotels encumbered by the Mortgage.

3.3. Other Documents . Borrowers agree to furnish such information and to execute such other documents or undertake any other acts as may be reasonably necessary to attach, perfect and maintain the security interests and assignments contemplated by this Agreement, or as otherwise reasonably requested by the Agent from time to time.

3.4. Maintenance and Capital Expenditure Reserve . For each Reserve Hotel, each month the applicable Borrower which owns such Hotel will deposit, in a deposit account maintained with the Agent, an amount not less than three percent (3%) of the gross revenues for such Hotel for the prior month to be maintained as a cash reserve for maintenance and capital expenditures (the "Maintenance and Capital Expenditure Reserve"). Borrowers hereby grant the Agent a security interest in the Maintenance and Capital Expenditure Reserve and will execute such documents required by the Agent to create, grant, attach and perfect the Agent's Lien on such Maintenance and Capital Expenditures Reserve. Borrowers will submit requests for reimbursement or invoices for payment of capital expenditures for Reserve Hotels, and the Agent will not unreasonably deny such requests. Borrowers will be reimbursed from Maintenance and Capital Expenditure Reserve funds within ten (10) days of request.

ARTICLE IV
Representations and Warranties

Each Borrower represents and warrants to Lenders (which representations and warranties will survive the delivery of the Pool One Term Notes and Pool Two Term Notes and shall continue so long as any sums remain outstanding under the Loans, this Agreement or any other Loan Document as follows:

4.1. Standing . Each Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the State of South Dakota. Each Borrower is duly qualified and is in good standing in every other jurisdiction where such qualification and good standing is required in order to conduct business in such jurisdiction. Each Borrower has the power and authority to own its property and to carry on its business.

4.2. Authority . Each Borrower has the full power and authority to execute and deliver this Agreement and the other Loan Documents, and the same constitute the binding and enforceable obligations of Borrowers in accordance with their terms. No consent or approval of the members or manager of either Borrower or any other Person, creditor, governmental department, agency or body are required as a condition to the effectiveness and validity of the Loan Documents. The execution of and performance by each Borrower of its obligations under the Loan Documents to which it is a party has been duly authorized by all appropriate and required limited liability company proceedings and action and will not violate, conflict with or contravene any provisions (i) of law or any regulation, order, writ, judgment, injunction, decree, permit, or license applicable to such Borrower or any of such Borrower's property, or (ii) of such Borrower's Articles of Organization, Operating Agreement or any members' agreement or other governing or organizational agreement of such Borrower or such Borrower's members.

4.3. Litigation . There are no actions, suits, arbitration proceedings or other proceedings of any nature pending or, to the knowledge of either Borrower, threatened, or any basis therefor, against or affecting either Borrower or any Collateral at law or in equity, in any court or before any governmental department or agency or arbitrator or arbitration panel, which may result in a Material Adverse Effect.

4.4. Conflicting Agreements . There are no provisions of any existing mortgage, indenture, deed of trust, trust deed, lease, contract or agreement of any nature binding on either Borrower or affecting the Collateral or either Borrower's other property, which would conflict with or in any way prevent the execution, delivery, or performance of the terms of this Agreement and/or the Loan Documents. Neither Borrower is in default in any respect in the performance, observance or fulfillment of any obligation, covenant or condition contained in any agreement or instrument to which it is a party.

4.5. Title and Liens . Each Borrower has good, valid and marketable title of record to its real, mixed and personal property (including, without limitation, the property constituting Collateral), all of which is owned free and clear of all mortgages, Liens, pledges, charges, attachments and other security interests and encumbrances of any nature, except for the Permitted Liens or as otherwise provided for in this Agreement or disclosed to and approved by Lenders in writing. In respect of leased property, the applicable Borrower has valid and enforceable leasehold interests therein.

4.6. Taxes . Each Borrower has filed all federal, state, local, and other tax and similar returns and has paid or provided for the payment of all taxes assessments and other governmental charges due thereunder through the date of this Agreement, including without limitation, all withholding, FICA and franchise taxes. No claims or Liens for unpaid taxes which are due have been asserted, claimed or threatened against either Borrower.

4.7. Financial Statements . Borrowers' audited financial statements dated as of December 31, 2009 and internally-prepared interim financial statement dated June 30, 2010, copies of which have been furnished to Lenders, are complete and correct and fairly and accurately present the financial condition of each Borrower as of such date and the results of operations for the period covered by such statements. Since June 30, 2010, there has been no Material Adverse Effect or change with respect to either Borrower. Neither Borrower has any material liabilities, direct or contingent, except those disclosed in the foregoing financial statements or as otherwise disclosed to Lenders in writing. No information, exhibit or report furnished by either Borrower to Lenders or the Agent in connection with the Loans, this Agreement or any other Loan Document contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statement contained therein incomplete or not materially misleading.

4.8. Other . All statements by either Borrower contained in any certificate, statement, document or other instrument or writing delivered by or on behalf of either Borrower at any time pursuant to this Agreement or the other Loan Documents shall constitute representations and warranties made by Borrowers hereunder. No representation or warranty of either Borrower contained in this Agreement or any other Loan Document, and no statement contained in any certificate, schedule, list, financial statement or other instrument furnished to Lenders or the Agent by or on behalf of Borrowers contains, or will contain, any untrue statement of a material fact, or omits, or will omit, to state a material fact necessary to make the statements contained herein or therein not misleading. To the best of each Borrower's knowledge, all information material to the transactions contemplated in this Agreement has been expressly disclosed to Lenders in writing.

4.9. Regulation U . No part of the proceeds of the Loans will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock or to reduce or retire any indebtedness incurred for any such purpose. If requested by the Agent, Borrowers will furnish to the Agent a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in Regulation U to the foregoing effect.

4.10. ERISA .

(a) Definitions . The following terms shall have the following definitions:

(1) "Consolidated Entity" shall mean any corporation or other entity which owns at least 50% of the voting or control rights or interest or other ownership interest in either Borrower directly or indirectly in any manner, or in which at least 50% of the voting stock or other ownership interest in such corporation or other entity is owned by either Borrower directly or indirectly in any manner. If Borrowers have no Consolidated Entities, the provisions of this Agreement relating to Consolidated Entities shall be inapplicable without affecting the applicability of such provisions to Borrowers alone.

(2) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

(3) "Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(4) "Pension Event" shall mean, with respect to any Pension Plan, the occurrence of: (i) any prohibited transaction described in Section 406 of ERISA or in Section 4975 of the Internal Revenue Code; (ii) any Reportable Event; (iii) any complete or partial withdrawal, or proposed complete or partial withdrawal, of Borrowers or any Consolidated Entity from such Pension Plan; (iv) any complete or partial termination, or proposed complete or partial termination, of such Pension Plan; or (v) any accumulated funding deficiency (whether or not waived), as defined in Section 302 of ERISA or in Section 412 of the Internal Revenue Code.

(5) "Pension Plan" shall mean any pension plan, as defined in Section 3(2) of ERISA, which is a multi-employer plan or a single employer plan, as defined in Section 4001 of ERISA, and subject to Title IV of ERISA and which is (i) a plan maintained by either Borrower or any Consolidated Entity for employees or former employees of either Borrower or of any Consolidated Entity, (ii) a plan to which either Borrower or any Consolidated Entity contributes or is required to contribute, (iii) a plan to which either Borrower or any Consolidated Entity was required to make contributions at any time during the five (5) calendar years preceding the date of this Agreement or (iv) any other plan with respect to which either Borrower or any Consolidated Entity has incurred or may incur liability, including, without limitation, contingent liability, under Title IV of ERISA either to such plan or to the Pension Benefit Guaranty Corporation. For purposes of the definitions of the terms "Pension Event" and "Pension Plan", each Borrower shall include any trade or business (whether or not incorporated) which, together with such Borrower or any Consolidated Entity, is deemed to be a single employer within the meaning of Section 4001(b)(1) of ERISA.

(6) "Reportable Event" shall mean any event described in Section 4043(b) of ERISA or in regulations issued thereunder with regard to a Pension Plan.

(b) ERISA Representations and Warranties . Each Borrower represents and warrants to Lenders that:

(1) No Pension Plan has been terminated, or partially terminated, or is insolvent, or in reorganization, nor have any proceedings been instituted to terminate or reorganize any Pension Plan;

(2) Neither Borrower nor any Consolidated Entity has withdrawn from any Pension Plan in a complete or partial withdrawal, nor has a condition occurred which, if continued, would result in a complete or partial withdrawal;

(3) Neither Borrower nor any Consolidated Entity has incurred any withdrawal liability, including, without limitation, contingent withdrawal liability, to any Pension Plan, pursuant to Title IV of ERISA;

(4) Neither Borrower nor any Consolidated Entity has incurred any liability to the Pension Benefit Guaranty Corporation other than for required insurance premiums which have been paid when due;

(5) No Reportable Event has occurred with regard to a Pension Plan;

(6) No Pension Plan or other "employee pension benefit plan", as defined in Section 3(2) of ERISA, to which either Borrower or any Consolidated Entity is a party has an accumulated funding deficiency (whether or not waived), as defined in Section 302 of ERISA or Section 412 of the Internal Revenue Code;

(7) The present value of all benefits vested under any such Pension Plan does not exceed the value of the assets of such Pension Plan allocable to such vested benefits;

(8) Each Pension Plan and each other employee benefit plan as defined in Section 3(2) of ERISA, to which either Borrower or any Consolidated Entity is a party has received a favorable determination by the Internal Revenue Service with respect to qualification under Section 401(a) of the Internal Revenue Code;

(9) Each Pension Plan and each other employee benefit plan as defined in Section 3(2) of ERISA, to which either Borrower or any Consolidated Entity is a party is in substantial compliance with ERISA, and no such plan or any administrator, trustee or fiduciary thereof has engaged in a prohibited transaction defined or described in Section 406 of ERISA or in Section 4975 of the Internal Revenue Code; and

(10) Neither Borrower nor any Consolidated Entity has incurred any liability or a trustee or trust established pursuant to Section 4049 of ERISA or to a trustee appointed pursuant to Section 4042(b) or (c) of ERISA.

(c) ERISA Indemnity . In addition to any other transfer prohibitions set forth herein and in the other Loan Documents, and not in limitation thereof, neither Borrower shall assign, sell, pledge, encumber, transfer, hypothecate or otherwise dispose of its interest or rights in this Agreement or in the Collateral, or attempt to do any of the foregoing or suffer any of the foregoing, nor shall any shareholder or member of either Borrower assign, sell, pledge, encumber, transfer, hypothecate or otherwise dispose of any of its rights or interest in such Borrower, attempt to do any of the foregoing or suffer any of the foregoing, if such action would cause the Loans or the exercise of any of Lenders' rights in connection therewith, to constitute a prohibited transaction under ERISA or the Internal Revenue Code or otherwise result in Lenders being deemed in violation of any applicable provision of ERISA. Borrowers jointly and severally agree to indemnify and hold Lenders free and harmless from and against all loss, costs (including attorneys' fees and expenses), taxes, damages (including consequential damages), and expenses Lenders may suffer by reason of the investigation, defense and settlement of claims and in obtaining any prohibited transaction exemption under ERISA necessary or desirable in the Agent's sole judgment or by reason of a breach of the foregoing prohibitions. The foregoing indemnification shall survive repayment of the Loans.

4.11. Solvency . Each Borrower is and, after consummation of the transactions contemplated by this Agreement will be, Solvent. "Solvent" shall mean that, as of a particular date, (i) such Borrower is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the ordinary course of business; (ii) such Borrower is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Borrower's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Borrower is engaged, (iii) the fair value of the property of such Borrower is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Borrower and (iv) the present fair salable value of the assets of such Borrower is not less than the amount that will be required to pay the probable liability of such Borrower on its debts as they become absolute and matured. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

4.12. Compliance With Law. The business and operations of the Borrowers comply in all respects with all applicable federal, state, regional, county and local laws, including without limitation statutes, rules, regulations and ordinances relating to public health, safety or the environment or disposals to air, water, land or groundwater, to the withdrawal or use of groundwater, to the use, handling or disposal of polychlorinated biphenyls (PCBs), asbestos or urea formaldehyde, to the treatment, storage, disposal or management of hazardous substances (including, without limitation, petroleum, its derivatives, by-products or other hydrocarbons), to exposure to toxic, hazardous, or other controlled, prohibited or regulated substances, to the transportation, storage, disposal, management or release of gaseous or liquid substances, and any regulation, order, injunction, judgment, declaration, notice or demand issued thereunder, except where the failure to so comply (individually or in the aggregate) would not reasonably be expected to have a Material Adverse Effect.

ARTICLE V
Financial and Affirmative Covenants

So long as this Agreement remains in effect, or as long as there is any principal or interest due under the Loans, unless the Required Lenders shall otherwise consent in writing, Borrowers will:

5.1. Financial Covenants . Borrowers shall maintain and comply with the following financial covenants:

(a). Debt Service Coverage Ratio . Each Borrower shall maintain at all times, on a rolling four-quarter average (for each Borrower's four most recent fiscal quarters then ended), a Debt Service Coverage Ratio of not less than 1.50:1.00. The first quarterly calculation and measurement of the Debt Service Coverage Ratio shall be September, 2010.

(b). Total Debt . The aggregate Total Debt outstanding at any one time of Borrowers, The Summit Group, Inc. and any other affiliates or subsidiaries of The Summit Group, Inc. and either Borrower shall not exceed $450,000,000.00.

5.2. Books and Records; Inspections . Maintain proper books and records and account for financial transactions in a manner consistent with the preparation of the financial statements referenced is Section 4.7, and permit the Agent's officers and/or authorized representatives or accountants to visit and inspect Borrowers' respective properties, examine their books and records, conduct audits of the Collateral and discuss their accounts and business with their respective officers, accountants and auditors, all at reasonable times upon reasonable notice. Borrowers will cooperate in arranging for such inspections and audits. Without the prior written consent of the Required Lenders, neither Borrower will change in any material way the accounting principles upon which the financial statements referenced in Section 4.7 were prepared and based except for changes made as a result of changes in or to generally accepted accounting principles.

5.3. Financial Reporting . Deliver to the Agent financial information in such form and detail and at such times as are satisfactory to the Agent, including, without limitation:

(a) Each Borrower's year end financial statements (to include, but not be limited to, balance sheet, income statement, and net worth reconciliation, each setting forth in comparative form figures for the preceding fiscal year of Borrowers), audited by a certified public accounting firm selected and approved by the Audit Committee of Summit Hotel as soon as available and in any event within one hundred twenty (120) days after the end of each of Borrower's respective fiscal years;

(b) Each Borrower's interim quarterly financial statements (to include its unaudited balance sheet as of the end of each such period and the related unaudited statements of income, and statement of changes in financial position for such period and the portion of the fiscal year through such date, setting forth in each case in comparative form the figures for the previous year) as soon as available, but in any event within twenty (20) days after the end of each quarter, signed and certified correct by the Chief Financial Officer or equivalent of Borrowers (subject to normal year-end adjustments);

(c) a quarterly certificate of the chief financial officer of each Borrower substantially in the form of Schedule 5.3(c) attached hereto and incorporated herein by reference, (i) demonstrating compliance with the financial covenants contained in Section 5.1 by calculation thereof as of the end of each such fiscal period, (ii) stating that no Event of Default exists, or if any Event of Default does exist, specifying the nature and extent thereof and what action such Borrower proposes to take with respect thereto and (iii) certifying that all of the representations and warranties made by such Borrower in this Agreement and/or in any other Loan Document are true and correct in all material respects on and as of such date as if made on and as of such date, within twenty-five (25) days after the end of each quarter; and

(d) Such other financial information concerning Borrowers as the Agent may require from time to time.

All financial statements required hereunder shall be complete and correct in all respects and shall be prepared in reasonable detail (consistent with the financial statements referred to in Subsection 4.7.) and applied consistently throughout the periods reflected therein.

5.4. Payment of Debts, Taxes and Claims . Promptly pay and discharge prior to delinquency all debts, accounts, liabilities, taxes, assessments and other governmental charges or levies imposed upon, or due from, either Borrower, as well as all claims of any kind (including claims for labor, materials and supplies) which, if unpaid, might by law become a lien or charge upon any of a Borrower's property, except that nothing herein contained shall be interpreted to require the payment of any such debt, account, liability, tax, assessment or charge so long as its validity is being contested in good faith by appropriate legal proceedings and against which, if requested by the Agent or required by generally accepted accounting principles, reserves satisfactory to and deposited with the Agent have been made therefor. Any such reserves will constitute additional Collateral and Borrowers hereby grant the Agent a first priority security interest in such reserves.

5.5. Insurance . Each Borrower will purchase, pay for in advance, and at all times maintain insurance including but not limited to: (i) fire, windstorm and other hazards, casualties and contingencies covered by the "all-risk" form of insurance; (ii) public liability; (iii) workers' compensation and (iv) property damage as is customarily maintained by similar businesses and/or as the Agent from time to time requires. In addition, if a Hotel is located in flood hazard area, the applicable Borrower will obtain and maintain appropriate flood insurance as is acceptable to the Agent. The amounts, limits, forms, deductibles, contents and issuer of said policies shall be subject to the Agent's reasonable approval. The Agent, as Collateral Agent for Lenders, shall be named as an additional insured as its interest shall appear and each of said policies covering the Collateral shall contain a loss payable clause, and any proceeds of such insurance in excess of $100,000.00 shall be either (in the discretion of the Required Lenders) (i) payable to the Collateral Agent for application to the Loans and any other sums owing under this Agreement or any other Loan Document in a manner and priority to be determined by the Required Lenders in their sole discretion or (ii) if consented to by the Required Lenders, used for restoration or repair with such proceeds disbursed by the Agent in accordance with procedures established by the Agent. All such insurance shall provide for noncancellation without at least thirty (30) days prior written notice to the Agent and shall contain provisions protecting the Collateral Agent's interests whether or not any acts by either Borrower or others should result in loss of coverage under such policies. The originals, certified copies or certificates of such policies, and renewals evidencing the insurance required hereunder shall be delivered to the Agent, and such insurance shall be maintained in full force and effect at all times during the period of this Agreement and while any indebtedness under the Loans remains outstanding.

In the event either Borrower at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance required above or to pay any premium in whole or in part relating thereto, then the Lenders, without waiving or releasing any obligation or default by Borrowers hereunder, may at any time or times thereafter (but shall be under no obligation to do so) obtain and maintain such policies of insurance and pay such premium and take any other action with respect thereto which the Required Lenders deem advisable. All sums so disbursed by Lenders, including, without limitation, reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be part of Borrowers' obligations and indebtedness hereunder, secured by the Collateral and payable jointly and severally by Borrowers to the Agent on demand. **UNLESS BORROWERS PROVIDE EVIDENCE OF THE INSURANCE COVERAGE REQUIRED UNDER THIS AGREEMENT AND/OR ANY OTHER LOAN DOCUMENT, LENDERS MAY PURCHASE INSURANCE AT THE BORROWERS' JOINT AND SEVERAL EXPENSE TO PROTECT LENDERS' INTEREST IN THE COLLATERAL. THIS INSURANCE MAY, BUT NEED NOT, PROTECT BORROWERS' RESPECTIVE INTERESTS. THE COVERAGE THAT LENDERS PURCHASE MAY NOT PAY ANY CLAIM THAT A BORROWER MAY MAKE OR ANY CLAIM THAT IS MADE AGAINST A BORROWER IN CONNECTION WITH THE COLLATERAL. BORROWERS MAY LATER CANCEL ANY INSURANCE PURCHASED BY LENDERS, BUT ONLY AFTER PROVIDING EVIDENCE THAT BORROWERS HAVE EACH OBTAINED INSURANCE AS REQUIRED BY THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT. IF LENDERS PURCHASE INSURANCE FOR THE COLLATERAL, BORROWERS WILL BE JOINTLY AND SEVERALLY RESPONSIBLE FOR THE COSTS OF THAT INSURANCE, INCLUDING THE INSURANCE PREMIUM, INTEREST AND ANY OTHER CHARGES LENDERS MAY IMPOSE IN CONNECTION WITH THE PLACEMENT OF INSURANCE, UNTIL THE EFFECTIVE DATE OF THE CANCELLATION OR EXPIRATION OF THE INSURANCE. THE COSTS OF THE INSURANCE MAY BE ADDED TO THE BORROWERS' OBLIGATIONS HEREUNDER AND SHALL BE SECURED BY THE COLLATERAL. THE COSTS OF THE INSURANCE MAY BE MORE THAN THE COST OF INSURANCE BORROWERS MAY BE ABLE TO OBTAIN ON THEIR OWN.**

5.6. Property Maintenance . Keep their respective properties in good repair, working order, and condition and from time to time make any needful and proper repairs, renewals, replacements, extensions, additions, and improvements thereto so that the business of Borrowers will be conducted at all times in accordance with prudent business management.

5.7. Existence; Compliance With Laws . Take or cause to be taken such action as from time to time may be necessary to preserve and maintain their respective existence in their jurisdiction of organization and qualify and remain qualified as a foreign entity in each jurisdiction in which such qualification is required and use due diligence to comply with all statutes, laws, codes, rules, regulations and orders applicable or pertaining to the business or property of Borrowers, or any part thereof, and with all other lawful government requirements relating to their respective business and property. Each Borrower will continue to engage in the same lines of business in which it is presently engaged.

5.8. Litigation; Adverse Events . Promptly inform the Agent of the commencement of any action, suit, proceeding, arbitration, mediation or investigation against either Borrower, or the making of any counterclaim against either Borrower, which could be reasonably expected to have a Material Adverse Effect, and promptly inform the Agent of all Liens against any of either Borrower's property, other than Permitted Liens, which could be reasonably expected to have a Material Adverse Effect, and promptly advise the Agent in writing of any other condition, event or act which comes to either of their attention that could be reasonably expected to have a Material Adverse Effect or might materially prejudice Lenders' rights under this Agreement or the Loan Documents.

5.9. Notification . Notify the Agent immediately if either of them becomes aware of the occurrence of any Event of Default (as defined under Article VII hereof) or of any fact, condition, or event that, only with the giving of notice or passage of time or both, would become an Event of Default, or if either of them becomes aware of a material adverse change in the business prospects, financial condition (including, without limitation, proceedings in bankruptcy, insolvency, reorganization, or the appointment of a receiver or trustee), or results of operations, or the failure of either Borrower to observe any of its undertakings under the Loan Documents. Borrowers shall also notify the Agent in writing of any default under any other indenture, agreement, contract, lease or other instrument to which either Borrower is a party or under which either Borrower is obligated, and of any acceleration of the maturity of any material indebtedness of either Borrower which default or acceleration could be reasonably expected to have a Material Adverse Effect, and Borrowers shall take all steps necessary to remedy promptly any such default, to protect against any such adverse claim, to defend any such proceeding and to resolve all such controversies.

5.10. Inspections . Each Borrower shall allow the Agent, its employees, officers, agents and representatives, at reasonable intervals and during normal business hours, to inspect such Borrower's operations, books and records, financial books and records (including the right to make copies thereof) and to discuss such Borrower's affairs, finances and accounts with such Borrower's managers, principal officers and independent public accountants. Each Borrower shall permit the Agent, and will cooperate with the Agent in arranging for, inspections at reasonable intervals of such Borrower's facilities and audits of the Collateral. Each Borrower acknowledges that any reports and inspections conducted or generated by the Agent or its agents or representatives, shall be made for the sole benefit of Lenders and not for the benefit of Borrowers or any third party, and Lenders do not assume any liability, responsibility or obligation to Borrowers or any third party by reason of such inspections or reports. The reasonable cost of any audits or inspections made by Lenders shall be paid or reimbursed jointly and severally by Borrowers.

5.11. Conduct of Business . Continue to engage in an efficient and economical manner in the business currently conducted by Borrowers on the date of this Agreement.

5.12. Initial Public Offering . Lenders acknowledge that Borrowers are in the process of completing an initial public offering to convert Borrowers into a real estate investment trust (the "Initial Public Offering"). Upon consummation of the Initial Public Offering the Borrower's obtaining the proceeds thereof, Borrower will, as a mandatory prepayment, repay in full the outstanding principal balance, along with accrued and unpaid interest and fees, on the Pool One Term Loans.

ARTICLE VI
Negative Covenants

So long as this Agreement remains in effect, or as long as there is any principal or interest due under the Loans, this Agreement or any of the other Loan Documents, neither Borrower shall, without the prior written consent of the Required Lenders:

6.1. Liens . Create, incur, assume or suffer to exist any Lien or other encumbrance upon any of its respective personal properties or assets, whether now owned or hereafter acquired, except such security interests, mortgages, pledges, liens or other encumbrances (each, a "Permitted Lien):

(a) created or granted by such Borrower under or pursuant to this Agreement or the other Loan Documents;

(b) created or granted by such Borrower to Lenders under the Original Loan Agreement and/or Current Loan Agreement and securing indebtedness arising thereunder;

(c) securing debt allowed in Section 6.4 below incurred in the ordinary course of such Borrower's business, consistent with current practices;

(d) Liens for taxes, assessments or governmental charges or levies to the extent not delinquent or that are being diligently contested in good faith by appropriate proceedings and for which such Borrower has set aside adequate reserves in accordance with generally accepted accounting principles;

(e) cash pledges or deposits to secure (A) obligations under workmen’s compensation laws or similar legislation, (B) public or statutory obligations of such Borrower, (C) bids, trade contracts, surety and appeal bonds, performance bonds, letters of credit and other obligations of a similar nature incurred in or necessary to the ordinary course of such Borrower's business;

(f) Liens imposed by law, such as materialmen’s, mechanics’, carriers’, workmen’s and repairmen’s liens and other similar liens arising in the ordinary course of business securing obligations which are not overdue by more than 60 days or which have been fully bonded or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves have been set aside in accordance with generally accepted accounting principles;

(g) purchase money Liens or purchase money security interests upon or in property acquired or held by such Borrower in the ordinary course of business to secure the purchase price of such property or to secure indebtedness incurred solely for the purpose of financing the acquisition of any such property to be subject to such Liens or security interests, or Liens or security interests existing on any such property at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, *provided* that no such Lien or security interest shall extend to or cover any property other than the property being acquired and no such extension, renewal or replacement shall extend to or cover property not theretofore subject to the Lien or security interest being extended, renewed or replaced, and *provided, further* , that the aggregate principal amount of indebtedness at any one time outstanding secured by Liens permitted by this clause (g) shall not exceed $75,000.00 per Hotel;

(h) easements, rights-of-way, zoning and other similar restrictions and encumbrances, which do not (individually or in the aggregate) materially detract from the use of the property to which they attach by Borrowers;

(i) liens disclosed in Schedule 4.5 attached to this Agreement and incorporated herein by reference; and

(j) mortgages or deeds of trust providing permanent financing on Borrowers' Hotels which are not Collateral for the Loans, and mortgages or deeds of trust encumbering Borrowers' raw land pursuant to that certain Amended and Restated Loan Agreement dated May 17, 2010 (the "Amended Fortress Loan Agreement") among Drawbridge Special Opportunities Fund LP, Fortress Credit Opportunities Fund I LP and Eton Park CLO Management 2 and Summit Hotel.

6.2. Fundamental Changes . Wind up, liquidate, or dissolve; reorganize, merge or consolidate with or into another entity, or sell, transfer, convey or lease all, substantially all or any material part of its property, to another Person other than sale of such Borrower's inventory in the ordinary course of business; sell or assign any accounts receivable; purchase or otherwise acquire all or substantially all of the assets of any corporation, partnership, limited liability company or other entity, or any shares or similar equity interest in any other entity if such entity is in a business unrelated to the business of such Borrower.

6.3. Conduct of Business . Materially alter the character in which it conducts its business or the nature of such business conducted at the date hereof.

6.4. Debt . Create, incur, assume or suffer to exist any direct or indirect indebtedness, except the following ("Permitted Debt"):

(a) Indebtedness under or pursuant to this Agreement or the other Loan Documents;

(b) Accounts payable to trade creditors for goods or services which are not aged more than the later of (i) ninety (90) days from the billing date, or (ii) ten (10) days from the due date, or (iii) the "special payment date" offered to such Borrower from time to time by a particular trade creditors, and current operating liabilities (other than for borrowed money) which are not more than thirty (30) days past due, in each case incurred in the ordinary course of business, as presently conducted, and paid within the specified time, unless contested in good faith and by appropriate proceedings;

(c) Indebtedness to First National under that certain Second Amended and Restated Loan Agreement dated August 15, 2010, as such Second Amended and Restated Loan Agreement may be amended or restated;

(d) Indebtedness to the Lenders party to the Current Loan Agreement;

(e) Indebtedness under the Amended Fortress Loan Agreement in an amount not to exceed $99,700,000.00 (the "Fortress Debt"); and

(f) The indebtedness disclosed in Borrowers' or Borrowers parent's quarterly filings with the Securities Exchange Commission so long as such indebtedness does not exceed the Total Debt.

6.5. Investments . Acquire for investment purposes, investments that would not qualify as "customary and prudent investments", consistent with the current investment practices of such Borrower.

6.6. Loans . Directly or indirectly loan amounts to or guarantee or otherwise become contingently liable for the debts of any Person, including, but not limited to an affiliate (other than a wholly owned affiliate), subsidiary, parent of such Borrower, or any shareholder, officer or employee thereof; or of any officer, employee, manager or member of such Borrower or to any entity controlled by any such entity, officer, manager, member, shareholder or employee, provided, however, that Summit Hotel may make loans to Summit Hotel's employees in an amount not to exceed $50,000 in the aggregate at any time outstanding.

6.7. Executive Management . Unless the Required Lenders otherwise consent in writing, Kerry W. Boekelheide shall remain each Borrower's operations manager and the President of The Summit Group, Inc., and The Summit Group, Inc. shall be the property manager of each Hotel pursuant to each Borrower's Operating Agreement.

6.8 Transactions With Affiliates . Enter into, or cause, suffer or permit to exist, any arrangement or contract with any of its affiliates or subsidiaries, in each case unless such arrangement or contract (i) is otherwise permitted by this Agreement, (ii) is in the ordinary course of business of such Borrower or such affiliate or subsidiary, as the case may be, and (iii) is on terms no less favorable to such Borrower or such affiliate or subsidiary than if such arrangement or contract had been negotiated in good faith on an arm’s-length basis with a Person that is not an affiliate or subsidiary of such Borrower.

6.9. Refinance of Loans . Neither Borrower shall refinance any Property where the principal amount of the debt exceeds seventy percent (70%) of the Appraised Value of such Property.

ARTICLE VII
Events of Default

7.1. Events of Default . The occurrence of any one or more of the following events shall constitute a default by Borrowers under this Agreement ("Event of Default"):

(a) The non-payment, when due, whether by demand, acceleration or otherwise, of any principal and/or interest payment, fee, expense or other obligation for the payment of money under the Loans or under any other Loan Document and the same remains unpaid for a period of ten (10) days after written notice from the Agent to Borrowers of such failure; or

(b) A breach by either Borrower or the occurrence of an event of default under any loan agreement, promissory note, security agreement or other agreement, lease, contract or document to which such Borrower is a party or under which it is bound, including, but not limited to, the Fortress Debt and the indebtedness under the Loan Agreement referenced in Section 6.4(c) above, directly or contingently, beyond any applicable grace or notice and cure period unless such Borrower is contesting such failure in good faith through appropriate proceedings, and if requested by the Required Lenders or required by generally accepted accounting principles, such Borrower has bonded, reserved or otherwise provided for payment of such indebtedness; or

(c) A breach by either Borrower in the performance or observance of any term, covenant or provision contained in Sections 5.1, 5.4, 5.5, 5.7, 5.9, 5.12, 6.1, 6.2, 6.3, 6.4, 6.7 or 6.9 of this Agreement and the same remains unperformed or is not cured within a period of ten (10) days after written notice from the Agent to Borrowers of such failure; or

(d) A breach by either Borrower in the performance or observance of any agreement, term, covenant or condition contained in this Agreement (other than (a) or (c) above) or in the other Loan Documents and such failure shall not have been remedied within a period of thirty (30) days after written notice is given by the Agent to Borrowers; or

(e) Any information, representation or warranty made herein, in the Loan Documents or in any other writing furnished to Lenders in connection with the Loans, this Agreement or any other Loan Document both before and after the execution hereof, shall be or become incomplete, misleading or false in any material respect, or if any certificate, statement, representation, warranty or audit furnished by or on behalf of the Borrowers in connection with this Agreement or any other Loan Document, including those contained or in or attached to this Agreement or any other Loan Document, or as an inducement by the Borrowers to enter into, modify, extend, or renew this Agreement, shall prove to be false in any material respect, or if the Borrowers shall have omitted the listing of a substantial contingent or unliquidated liability or claim against either Borrower or, if on the date of execution of this Agreement there shall have been any materially adverse change in any of the facts disclosed by any such certificate, statement, representation, warranty or audit, which change shall not have been disclosed by the Borrowers to the Lenders prior to the time of execution; or

(f) Either Borrower shall (i) fail to pay any indebtedness for borrowed money, including but not limited to the Fortress Debt and the indebtedness under the Second Amended and Restated Loan Agreement with First National dated August 15, 2010 as such Second Amended and Restated Loan Agreement may be amended or restated, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after any applicable grace or notice and cure period, unless such Borrower is contesting such failure in good faith through appropriate proceedings, and if requested by the Required Lenders or required by generally accepted accounting principles, such Borrower has bonded, reserved or otherwise provided for payment of such indebtedness; or (ii) fail to perform or observe any term, covenant, or condition on its part to be performed or observed under any agreement or instrument relating to any such indebtedness, when required to be performed or observed, if the effect of such failure is to permit the acceleration of the maturity of such indebtedness;

(g) Either Borrower shall (i) generally not pay, or be unable to pay, or admit in writing its inability to pay its debts as such debts become due; or (ii) makes an assignment for the benefit of creditors, or petitions or applies to any tribunal for the appointment of a custodian, receiver, or trustee for it, any Collateral or for a substantial part of its assets; or (iii) commences any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (iv) has any such bankruptcy, reorganization, dissolution, composition or readjustment of debt petition or application filed or any such proceeding commenced against it which is not discharged within thirty (30) days; or (v) takes any action indicating consent to, approval of, or acquiescence in any such proceeding, or order for relief, or the appointment of a custodian, receiver, or trustee for all or any substantial part of its assets and properties; or (vi) suffers any judgment, writ of attachment, execution or similar process to be issued or levied against all or a substantial part of its property or assets which is not released, stayed or bonded within thirty (30) days and which would be reasonably expected to have a Material Adverse Effect; or

(h) This Agreement or any of the Loan Documents shall cease for any reason to be in full force and effect, or either Borrower shall so assert in writing, or the security interests created by the Loan Documents shall cease to be enforceable or shall not have the priority purported to be created thereby or either Borrower shall so assert in writing; or

(i) There shall occur the loss, theft, substantial damage to or destruction of any portion of the Collateral not fully covered by insurance, which by itself or with other such losses, thefts, damage or destruction of Collateral, has a Material Adverse Effect or there shall occur the exercise of the right of condemnation or eminent domain for any portion of the Collateral which by itself or with other such exercises of the right of condemnation or eminent domain has a Material Adverse Effect; or

(j) Either Borrower transfers, sells, assigns, or conveys all or such part of its assets or property which could be reasonably expected to have a Material Adverse Effect other than in the ordinary course of such Borrower’s business consistent with past practices without the prior written consent of the Required Lenders; or

(k) Any license, permit or other approval required in the operation of either Borrower's business is terminated, suspended or revoked for any reason or expires; or

(l) Borrowers fail to obtain all necessary corporate and limited liability company approvals, consents and actions required or necessary for the initiation and consummation of Borrowers Initial Public Offering on or before November 8, 2010; or

(m) Borrowers have not consummated and completed the Initial Public Offering, and obtained the proceeds thereof, on or before February 15, 2011.

7.2. Remedies . Upon the occurrence of an Event of Default beyond any applicable notice and cure period, the sums payable under the Loans (as well as any other indebtedness of either Borrower to Lenders) then outstanding, shall become forthwith due and payable in full, together with interest thereon. The Agent may resort to any and all Collateral, security and to any remedy existing at law or in equity for the collection of all outstanding indebtedness and the enforcement of the covenants and provisions of the Loan Documents against the Borrowers. The Agent's resort to any remedy or Collateral shall not prevent the concurrent and/or subsequent employment of any joint or several remedy or claim against either Borrower. The Agent may rescind any acceleration of the Loans without in any way waiving or affecting its right to accelerate the Loans in the future. Acceptance of partial payment or partial performance shall not in any way affect or rescind any acceleration of the Loans made by the Agent. Any collections or payments made after the Agent commences collection efforts shall, after payment of all expenses relating thereto, be applied (i) first to interest and principal on the Loans, and (ii) next to any indebtedness owing to the Agent under any cash management or deposit account relationships with the Borrower, in each case as described in clauses (i) above all shared by the Lenders ratably.

7.3. Waiver . Any waiver of an Event of Default by the Required Lenders shall not extend to or affect any subsequent Event of Default, whether it be the same Event of Default or not, or impair any right consequent thereon. No failure or delay or discontinuance on the part of the Agent or the Lenders in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power thereunder or be deemed an election of remedies or a waiver of any other right, power, privilege, option or remedy. All remedies herein and by law afforded will be cumulative and will be available to the Agent and the Lenders until the debt of the Borrowers hereunder is fully and indefeasibly paid.

7.4. Setoff . In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, each Lender and each subsequent holder of any Pool One Note or Pool Two Note is hereby authorized by the Borrowers at any time or from time to time, without notice to the Borrowers or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, and in whatever currency denominated) relating or attributable to or associated with a Hotel and any other indebtedness at any time held or owing by the Lender or that subsequent holder to or for the credit or the account of either Borrower whether or not matured, against and on account of the obligations and liabilities of the Borrowers to that Lender or that subsequent holder under the Loan Documents, including, but not limited to, all claims of any nature of description arising out of or connected with the Loan Documents, irrespective of whether or not (a) that Lender or that subsequent holder shall have made any demand hereunder or (b) the principal of or the interest on the Loans and other amounts due hereunder shall have become due and payable pursuant to Section 7.2 and although said obligations and liabilities, or any of them, may be contingent or unmatured. The Agent agrees to notify Borrowers in writing after any such set-off and application made by Lenders; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

ARTICLE VIII
Conditions Precedent

8.1. Conditions Precedent to Closing . As a condition precedent to Closing, Borrowers shall have delivered to the Agent the following documents (collectively, the "Loan Documents"):

(a) This Agreement, the Pool One Term Notes and Pool Two Term Notes duly executed by the authorized manager(s) of Borrowers;

(b) The Security Agreement duly executed by authorized manager(s) of Borrowers;

(c) Amendments of the Mortgages in form and substance acceptable to Agent;

(d) A Secretary's Certificate or equivalent with certified copies of the Articles of Organization and Operating Agreement of each Borrower and an appropriate resolution or authority of each Borrower duly authorizing the execution and delivery of the Loan Documents and Borrowers' performance hereunder and thereunder;

(e) Each Borrower shall have delivered to the Agent a certificate of good standing dated not more than thirty (30) days prior to the date of this Agreement from the South Dakota Secretary of State;

(f) Any other documents, instruments and reports as the Agent shall reasonably request; and

(g) The payment by Borrowers of all the Agent's fees and expenses relating to the underwriting, approving, due diligence, documenting, securing, negotiating and closing the Loans, including, but not limited to, the payment of the Agent's reasonable attorneys' fees and costs, appraisal fees, title fees and other fees, costs and expenses of Agent.

ARTICLE IX
Miscellaneous

9.1. Amendments . Any provision of this Agreement and/or the other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (i) the Borrowers (ii) the Required Lenders, and (iii) the Agent; provided that:

(a) no reduction in the rate of interest or fees on the Loans will be made without the written consent of each Lender;

(b) no postponement of the scheduled date of payment of the principal or interest amount of any Loan, or any fees payable hereunder, or reduction of the amount of, waiver or excuse of any such payment, will be made without the written consent of each Lender;

(c) no change any of the provisions of this Section or the percentage in the definition of the term "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, may be made without the written consent of each Lender; or

(d) no release of any Collateral for the Loans prior to the time the Loans are indefeasibly paid in full and the Lenders' commitment to make Loans has terminated may be made without the written consent of each Lender.

9.2. Expenses . The Borrowers jointly and severally agree to pay the reasonable attorneys fees and disbursements of the Agent in connection with the preparation and execution of the Loan Documents, and any amendments, waivers or consents related thereto, whether or not the transactions contemplated herein are consummated, and all reasonable recording, filing, title insurance or other fees, costs and taxes incident to perfecting a Lien upon the Collateral. The Borrowers further jointly and severally agree to pay the reasonable attorney's fees and disbursements of the Agent in connection with the enforcement of the Loan Documents and to indemnify each Lender and the Agent and any security trustee and their respective directors, officers and employees, against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor, whether or not the indemnified Person is a party thereto) which any of them may pay or incur arising out of or relating to any Loan Document or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any Loan except as may arise from the gross negligence or willful misconduct of the party claiming indemnification. The Borrowers upon demand by the Agent, at any time shall reimburse each such indemnified party for any legal or other expenses incurred in connection with investigating or defending against any of the foregoing except if the same is directly due to the gross negligence or willful misconduct of such indemnified party. Sums due by the Borrowers under this Section shall bear interest at the highest rate of interest provided for under this Agreement.

9.3. Delay; Waiver . Any waiver of an Event of Default by the Agent or Required Lenders shall not extend to or affect any subsequent default, whether it be the same Event of Default or not, nor impair any right consequent thereon. No failure or delay on the part of the Agent in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No waiver of any provision of this Agreement or of any instrument executed hereunder or pursuant hereto or consent to any departure by Borrowers therefrom shall be effective unless the same shall be in writing, signed by an officer of the Agent and each Required Lender, and then only to the extent specified. All rights and remedies of Lenders herein and by law afforded will be cumulative and will be available to Lenders until the indebtedness of Borrower under the Loan Documents is indefeasibly paid in full and no Commitments remain outstanding.

9.4. Notices . Any notice, request, authorization, approval or consent made hereunder shall be in writing and shall be personally delivered or sent by registered or certified mail, and shall be deemed given when delivered or postmarked and mailed postage prepaid to the following addresses or when sent by facsimile which confirms receipt to the following facsimile numbers:

If to the Agent:
First National Bank of Omaha
1620 Dodge Street
Stop 1050
Omaha, Nebraska 68197
Attn: Marc T. Wisdom
Facsimile: (402) 633-3519

With a copy to:
Stinson Morrison Hecker LLP
1299 Farnam Street
Suite 1501
Omaha, Nebraska 68102
Attn: James M. Pfeffer
Facsimile: (402) 829-8731

If to Borrowers:
Summit Hotel Properties, LLC
2701 South Minnesota Avenue
Suite 6
Sioux Falls, South Dakota 57105
Attn: Adam Wudel
Facsimile: (605) 362-9388

The Agent and Borrowers may designate a change of address by notice given in accordance with the provisions of this Subsection at least five (5) days before such change is to become effective.

9.5. Transfer or Assignment . This Agreement shall extend to and be binding upon the successors and assigns of the parties hereto; provided, however, that neither Borrower may assign or transfer its rights or obligations hereunder without the prior written consent of the Required Lenders, and any such assignment or transfer without such consent shall be void. Lenders may assign their Commitments or sell participations in the Loans with the prior written consent of the Agent but without notice to Borrowers. In addition, the Agent may at any time in its discretion, but shall not be obligated to, purchase any or all of any Lender's Pool One Term Notes and/or Pool Two Term Notes at the then outstanding principal balance along with accrued and unpaid interest on the applicable Pool One Term Note or Pool Two Term Note payable to such Lender.

9.6. Construction of Agreement . The titles and headings of the Subsections and paragraphs of this Agreement have been inserted for convenience of reference only and are not intended to summarize or otherwise describe the subject matter of such Subsections and paragraphs and shall not be given any consideration in the construction of this Agreement.

9.7. Applicable Law; Waiver of Jury Trial . This Agreement shall be governed by, and construed in accordance with, the laws of the State of Nebraska, exclusive of its choice of laws rules. Any legal action or proceeding with respect to this Agreement or any other Loan Document may be brought in the courts of the State of Nebraska in Douglas County, or of the United States for the District of Nebraska, and, by execution and delivery of this Agreement, Borrowers hereby irrevocably accept for themselves and in respect of their property, generally and unconditionally, the nonexclusive jurisdiction of such courts. Borrowers further irrevocably consent to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to it at the address set out for notices pursuant to Section 8.4, such service to become effective three (3) days after such mailing. Nothing herein shall affect the right of the Agent to serve process in any other manner permitted by law or to commence legal proceedings or to otherwise proceed against Borrowers in any other jurisdiction. Borrowers hereby irrevocably waive any objection which they may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Loan Document brought in the courts referred to above and hereby further irrevocably waive and agree not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum. **THE AGENT, LENDERS AND BORROWERS HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY** .

9.8. Sharing of Setoffs . If any Lender shall, by exercising any right of setoff or otherwise, obtain payment in respect of any principal of or interest on any of the Loans resulting in such Lender receiving payment of a proportion of the aggregate amount of its Percentage and accrued interest thereon greater than its pro rata share thereof as provided in this Agreement, then the Lender receiving such greater proportion shall (A) notify the Agent of such fact, and (B) purchase (for cash at face value) participations in the Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with their respective Percentages, provided that, if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest. Borrowers consent to the foregoing and agree, to the extent they may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against Borrowers rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of Borrowers in the amount of such participation.

9.9. Entire Agreement . The Loan Documents constitute the entire understanding of the parties thereto with respect to the subject matter thereof and any prior or contemporaneous agreements, whether written or oral, with respect thereto are superseded hereby. All of the terms of the other Loan Documents are incorporated in and made part of this Agreement by reference; provided, however, that to the extent of any direct conflict between this Agreement and such other Loan Documents, this Agreement shall prevail and govern.

9.10. Execution in Counterparts; Faxes . This Agreement may be executed in any number of counterparts, and by the different parties on different counterparts, each of which when executed shall be deemed an original but all such counterparts taken together shall constitute one and the same instrument. This Agreement and any of the other Loan Documents may be validly executed and delivered by fax or other electronic means and by use of multiple counterpart signature pages.

9.11. Amended and Restated Credit Facility; Liens Unimpaired . This Agreement amends, restates and replaces the Current Credit Agreement in its entirety. It is the intention and understanding of the parties that (a) this Agreement shall act as a refinancing of the debt and other obligations evidenced by the Current Credit Agreement and that this Agreement shall not act as a novation of such debt and other obligations, (b) all Liens securing the obligations evidenced by the Current Credit Agreement shall remain in full force and effect and shall secure the Loans and all other obligations of the Borrowers to the Lenders now or hereafter evidenced by or incurred under this Agreement or any of the other Loan Documents, and (c) the priority of all Liens securing the obligations evidenced by the Current Credit Agreement (including, without limitation, all such Liens granted to or for the benefit of the Collateral Agent referred to in the Current Credit Agreement and/or any of the Lenders thereunder who are Lenders under this Agreement) shall not be impaired by the execution, delivery or performance of this Agreement or the other Loan Documents. Without limiting the foregoing, the parties agree that all security documents pursuant to which the Agent (including, without limitation, the Collateral Agent referred to in the Current Credit Agreement) has been granted a Lien on any existing or future property of the Borrowers, and all other Loan Documents referred to in the Current Credit Agreement, shall in each case remain in full force and effect except as amended hereby or by any of the other Loan Documents referred to in this Agreement.

9.12. Exclusion of Consequential and Special Damages . Notwithstanding anything to the contrary in this Agreement, neither the Agent nor any Lender will be liable for, nor will any measure of damages against them include, under any theory of liability (whether legal, strict or equitable), any indirect, consequential, incidental, special or punitive damages or amounts for business interruption, loss of income, revenue, profits or savings arising out of or relating to their performance or non-performance under this Agreement or any Loan Document, and the Borrowers hereby waive any right to pursue or recover any of the foregoing damages.

9.13. USA Patriot Act Notice . Each Lender and the Agent (for itself and not on behalf of any Lender) hereby notifies the Borrowers that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56, signed into law October 26, 2001) (the "Act"), it is required to obtain, verify and record information that identifies the Borrowers, which information includes the name and address of the Borrowers and other information that will allow such Lender or the Agent, as applicable, to identify the Borrowers in accordance with the Act.

ARTICLE X
Agent

10.1 Authorization and Action .

(a) The Lenders from time to time a party hereto hereby irrevocably appoint First National as the Agent and authorize the Agent to take such actions on their behalf and to exercise such powers as are delegated to the Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

(b) The Agent shall have the same rights and powers in its capacity as a Lender as the other Lenders and may exercise the same as though it were not the Agent, and the Agent and the Agent's affiliates may accept deposits from, lend money to and generally engage in any kind of business with Borrowers or any of their subsidiaries or affiliate as if it were not the Agent hereunder. The term "Lender" as used in this Agreement and the other Loan Documents, unless the context otherwise clearly requires, includes the Agent in its individual capacity as a Lender.

(c) The Agent shall not have any duties or obligations except those expressly set forth in this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, (i) the Agent shall not be subject to any fiduciary or other implied duties, regardless of whether an Event of Default has occurred and is continuing, (ii) the Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Agent is required to exercise in writing by the Required Lenders, and (iii) except as expressly set forth in the Loan Documents, the Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to Borrowers or any of Borrowers' subsidiaries or affiliates that is communicated to or obtained by the Agent or any of the Agent's affiliates in any capacity. The Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or in the absence of the Agent's own gross negligence or willful misconduct. The Agent will not be deemed to have knowledge of any Event of Default unless and until written notice thereof is given to the Agent by Borrowers or the other Lenders. Upon the occurrence of an Event of Default, the Agent shall take such action with respect to the enforcement of the Liens on the Collateral under the Loan Documents and the preservation and protection thereof as it shall be directed to take by the Required Lenders, but unless and until the Required Lenders have given such direction the Agent shall take or refrain from taking such actions as it reasonably deems appropriate. In no event, however, shall the Agent be required to take any action in violation of applicable law or of any provision of any Loan Document, and the Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Loan Document unless it shall be first indemnified to its reasonable satisfaction by the Lenders (other than the Agent in its capacity as a Lender) against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action. In all cases in which this Agreement and the other Loan Documents do not require the Agent to take certain actions, the Agent shall be fully justified in using its discretion in failing to take or in taking any action hereunder and thereunder. The Agent will not be responsible for or have any duty to ascertain or inquire into (A) any statement, warranty or representation made in or in connection with any Loan Document, (B) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (C) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (D) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (E) the satisfaction of any condition set forth in Article VIII or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Agent.

(d) The Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper person. The Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper person, and shall not incur any liability for relying thereon. The Agent may consult with legal counsel (who may be counsel for Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(e) The Agent may perform any and all its duties and exercise its rights and powers by or through one or more sub-agents appointed by the Agent. The Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective affiliates and subsidiaries. The exculpatory provisions of the preceding subsections of this Section 10.1 shall apply to any such sub-agent and to the affiliates and subsidiaries of the Agent and any such sub-agent, and shall apply to their respective activities in connection with the administration of the credit facilities provided for herein as well as activities as the Agent.

(f) Subject to the appointment and acceptance of a successor Agent as provided in this subsection (f), the Agent may resign at any time as Agent by notifying the other Lenders and Borrowers. Upon any such resignation, Lenders shall have the right to appoint a successor. If no successor shall have been so appointed by the Lenders other than the Agent and such successor shall not have accepted such appointment within 30 days after the Agent gives notice of its resignation, then the Agent may, on behalf of the Lenders, appoint a successor Agent which shall be a Lender or an affiliate of a Lender. Upon the appointment of a successor Agent as the Agent hereunder, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and such retiring Agent shall be discharged from its duties and obligations hereunder. The fees payable by Borrowers to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between Borrowers and such successor. After the Agent's resignation hereunder, the provisions of this Article shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective affiliates and subsidiaries in respect of any actions taken or omitted to be taken by any of them while it was acting as the Agent.

(g) Each Lender acknowledges that it has independently and without reliance upon the Agent or First National and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon First National or the Agent and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder. It is the responsibility of each Lender to keep itself informed as the creditworthiness of the Borrowers and the value of the Collateral, and the Agent shall have no liability to any Lender with respect thereto.

(h) Each Lender agrees to reimburse the Agent for all out-of-pocket costs and expenses suffered or incurred by the Agent or any security trustee in performing its duties under this Agreement and under the other Loan Documents or in the exercise of any right or power imposed or conferred upon the Agent hereby or thereby (except to the extent that such costs and expenses arise out of the Agent's or such security trustee's gross negligence or willful misconduct), to the extent that the Agent is not promptly reimbursed for the same by the Borrowers, or out of the Collateral, all such costs and expenses shall be borne by the Lenders ratably in accordance with their respective Percentages.

10.2. Indemnification . Each Lender other than the Agent agrees to indemnify the Agent (to the extent not reimbursed by Borrowers), ratably according to the respective Percentage of the Loans, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted by the Agent under this Agreement or any other Loan Document, *provided* that each Lender shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct in connection with the Agent's acts or omissions with respect to this Agreement and the Loan Documents. Without limitation of the foregoing, each Lender other than the Agent agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Loan Document to the extent that the Agent is not reimbursed for such expenses by Borrowers.

ARTICLE XI
Yield Protection

11.1. Yield Protection . (a) *Increased Costs* . If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation after the date hereof, or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) issued or made after the date hereof (any such introduction, change, guideline or request being referred to herein as a " ***Regulatory Change*** "), there shall be reasonably incurred any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Advances accruing interest at the LIBOR Rate, then Borrowers shall from time to time, upon demand by the Agent, jointly and severally pay to the Agent for the account of such Lenders, additional amounts sufficient to compensate such Lenders for such increased cost. A certificate as to the amount of such increased cost and giving a reasonable explanation thereof, submitted to Borrowers shall constitute such demand and shall be conclusive and binding for all purposes, absent manifest error.

(b) *Capital.* If any Lender determines that (i) as a result of a Regulatory Change, compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender, whether directly, or indirectly as a result of commitments of any corporation controlling such Lender (but without duplication), and (ii) the amount of such capital is increased by or based upon (A) the existence of such Lender's commitment to lend hereunder, or (B) the participation in or issuance or maintenance of any Advance and (C) other similar such commitments, then, upon demand by such Lender, Borrowers shall immediately and jointly and severally pay to the Agent for the account of such Lender from time to time as specified by such Lender additional amounts sufficient to compensate such Lender in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the transactions contemplated hereby. A certificate as to such amounts and giving a reasonable explanation thereof (to the extent permitted by law), submitted to Borrowers and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(c) *Notices* . Each Lender hereby agrees to use commercially reasonable efforts (including the giving of a notice in accordance with Section 9.4 above) to notify Borrowers of the occurrence of any event referred to in subsection (a) or (b) of this Section 11.1 promptly after becoming aware of the occurrence thereof. The failure of either Lender to provide such notice or to make demand for payment under said subsection shall not constitute a waiver of such Lender's rights hereunder.

(d) *Survival of Obligations* . Borrowers' obligations under this Section 11.1 shall survive the repayment of all other amounts owing to the Lenders and the Agent under the Loan Documents and the termination of the Loans. If and to the extent that the obligations of Borrowers under this Section 11.1 are unenforceable for any reason, Borrowers agree to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

11.2. Taxes . (a) All payments by Borrowers hereunder and under the other Loan Documents shall be made free and clear of and without deduction for all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, *excluding* , in the case of any Lender, taxes imposed on its net income, and franchise taxes imposed on it by the jurisdiction under the laws of which such Lender is organized or any political subdivision thereof and, in the case of any Lender, taxes imposed on its net income, and franchise taxes imposed on it by the jurisdiction of such Lender's applicable lending office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as " ***Taxes*** "). If either Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 11.2) such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower jointly and severally agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under any other Loan Document or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Document (hereinafter referred to as "***Other Taxes***").

(c) Each Borrower jointly and severally agrees to indemnify each Lender for the full amount of Taxes and Other Taxes (including any Taxes and any Other Taxes imposed by any jurisdiction on amounts payable under this Section 11.2) paid by such Lender and any liability (including penalties, interest and expenses, except for any penalties, interest and expenses caused by the gross negligence or willful misconduct of such Lender) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Lender makes written demand therefor, which demand shall be accompanied by a statement providing an explanation of the facts and calculations that form the basis of such demand.

(d) Within 30 days after the date of any payment of Taxes, Borrowers will furnish to the Agent the original or a certified copy of a receipt evidencing payment thereof or, if a receipt is unavailable, such other evidence reasonably satisfactory to the Agent.

(e) Without prejudice to the survival of any other agreement of Borrowers hereunder, the agreements and joint and several obligations of Borrowers contained in this Section 11.2 shall survive the repayment of all other amounts owing to the Lenders and the Agent under the Loan Documents and the termination of the Loans. If and to the extent that the obligations of Borrowers under this Section 11.2 are unenforceable for any reason, each Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

A CREDIT AGREEMENT MUST BE IN WRITING TO BE ENFORCEABLE UNDER NEBRASKA LAW. TO PROTECT YOU (BORROWER) AND US (LENDER) FROM ANY MISUNDERSTANDINGS OR DISAPPOINTMENTS, ANY CONTRACT, PROMISE, UNDERTAKING, OR OFFER TO FOREBEAR REPAYMENT OF MONEY OR TO MAKE ANY OTHER FINANCIAL ACCOMMODATION IN CONNECTION WITH THIS LOAN OF MONEY OR GRANT OR EXTENSION OF CREDIT, OR ANY AMENDMENT OF, CANCELLATION OF, WAIVER OF, OR SUBSTITUTION FOR ANY OR ALL OF THE TERMS OR PROVISIONS OF ANY INSTRUMENT OR DOCUMENT EXECUTED IN CONNECTION WITH THIS LOAN OF MONEY OR GRANT OR EXTENSION OF CREDIT, MUST BE IN WRITING TO BE EFFECTIVE.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers on the day and year first above written.

SUMMIT HOTEL PROPERTIES, LLC, a South Dakota limited liability company, by its Company Manager, THE SUMMIT GROUP, INC.

By: */s/ Kerry W. Boekelheide*
Kerry W. Boekelheide, Chief Executive Officer
Date: 8/19/10

SUMMIT HOSPITALITY V, LLC, a South Dakota limited liability company, by its sole member, SUMMIT HOTEL PROPERTIES, LLC, by its Company Manager, SUMMIT GROUP, INC.

By: */s/ Kerry W. Boekelheide*
Kerry W. Boekelheide, Chief Executive Officer
Date: 8/19/10

FIRST NATIONAL BANK OF OMAHA, as a Lender and as Agent

By: /s/ *Marc T. Wisdom*
Title: Vice President
8/19/10

BANK MIDWEST, N.A., as a Lender

By: */s/ Andrew D. Cooper*
Title: Vice President

CRAWFORD COUNTY TRUST & SAVINGS, as a Lender

By: */s/ Larry E. Andersen*
Title: SVP

QUAD CITY BANK & TRUST COMPANY, as a Lender

By: */s/ Rebecca Skafidas*
Title: Vice President

M & I MARSHALL & ILSLEY BANK, as a Lender

By: */s/ Mark Kockanski*
Title: Vice President

BANKERS TRUST COMPANY, as a Lender

By: */s/Jonathon Doll*
Title: Vice President

EXHIBIT A
(Definitions)

“Administrative Agent” means First National Bank of Omaha and its successors, assigns and replacements.

“Appraised Value” means the “as stabilized” value of a Hotel, determined by appraisals of such Hotel obtained by Agent.

"Agent" means the Administrative Agent and the Collateral Agent, collectively.

“Audit Committee” means each Borrower’s respective Audit Committee established pursuant to such Borrower’s Operating Agreement, which Audit Committee shall contain independent members.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks in Omaha, Nebraska or New York, New York are authorized or required to close or any day on which dealings between banks are not carried on in U.S. dollar deposits in London, England.

“Collateral Agent” means First National Bank of Omaha and its successors, assigns and replacements.

"Debt" means with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Debt of others secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Debt secured thereby has been assumed, (g) all guarantees by such Person of Debt of others, (h) all capital lease obligations (as determined in accordance with generally accepted accounting principles) of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers’ acceptances. The Debt of any Person shall include the Debt of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person’s ownership interest in or other relationship with such entity, except to the extent the terms of such Debt provide that such Person is not liable therefor.

“Debt Service Coverage Ratio” shall be calculated consistent with the principles used in the preparation of the financial statements referenced in Section 4.7 of this Agreement as EBITDA during the trailing four (4) quarters divided by principal and interest payments on the aggregate first mortgage term debt scheduled and paid during the trailing four (4) quarters. Expenses of Borrowers funded with loan proceeds from the refinance of a Hotel(s) owned by a Borrower where such loan proceeds are used for repair and maintenance of such Hotel(s) shall be excluded from the determination of the Debt Service Coverage Ratio for such Borrower.

"Defaulting Lender" means any Lender that (a) has failed to advance to the Agent any portion of the Loans required to be funded by such Lender pursuant to this Agreement on the date required to be funded by such Lender pursuant to this Agreement and such failure is continuing on the date of determination, (b) has otherwise failed to pay over to the Agent any other amount required to be paid by such Lender under this Agreement or under any Loan Document within one (1) Business Day of the date when due, unless the subject of a good faith dispute and such failure is continuing on the date of determination, or (c) has been deemed insolvent, become the subject of a bankruptcy or insolvency proceeding or had its assets and/or control frozen or seized by the applicable banking regulators or other governmental agency.

"EBITDA" means, for either Borrower for any period, the net income of such Borrower before provision for income taxes, interest expense (including implicit interest expense on capitalized leases), depreciation expense, amortization expense and non-recurring renovation/remodel expenses funded with the proceeds of a Loan or other non-operating sources and other non-cash expenses or charges, excluding (to the extent included): (a) non-operating gains (including extraordinary or nonrecurring gains, gains from discontinuance of operations and gains arising from the sale of assets other than the sale of inventory in the ordinary course of such Borrower’s business) during the relevant period; and (b) similar non-operating losses during such period.

“Hotel” means a limited service hotel owned by a Borrower securing the Loans.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, assignment, security interest or other encumbrance of any kind in respect of such asset.

“Loans” means collectively, the Pool One Term Loans and the Pool Two Term Loans.

"Material Adverse Effect" means, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singularly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences whether or not related, a material adverse change in, or a material adverse effect on, (i) the business, operations, results of operations, financial condition, assets, Collateral or liabilities, of either Borrower, (ii) the ability of either Borrower to perform any of its obligations under the Loan Documents to which it is a party, (iii) the rights and remedies of Lenders under any of the Loan Documents or (iv) the legality, validity or enforceability of any of the Loan Documents.

"Percentage" means, with respect to each Lender, the percentage set forth in the table below for each Lender:

LENDER	PERCENTAGE
First National Bank of Omaha	20%
M & I	20%
Bank Midwest	30%
Quad City	10%
Bankers Trust	10%
Crawford County	10%
Total	100%

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental department or authority or other entity.

“Pool One Loan Formula” has the meaning given to such term in Section 1.4 of this Agreement.

"Pool One Term Loan Termination Date" means the earliest to occur of (i) July 31, 2011 or (ii) the date the Pool One Term Loans are accelerated due to the occurrence and continuance of an Event of Default beyond any applicable grace or notice and cure period.

"Pool Two Loan Formula" has the meaning given to such term in Section 2.3 of this Agreement.

“Required Lenders” means Lenders holding fifty-one percent (51%) or more of the aggregate outstanding principal balance of the Loans at the relevant time.

"Reserve Hotel" means each of the Staybridge Suites in Jackson, MS, the Courtyard by Marriott in Jackson, MS, the Courtyard by Marriott in Germantown, TN and the Hyatt Place in Atlanta, GA, each of which is encumbered by the Mortgage.

"Total Debt" shall mean on the date of any determination thereof the aggregate of the Debt outstanding on the (i) Fortress Debt, plus (ii) any Debt of Borrowers, The Summit Group, Inc. and any affiliate or subsidiary of either Borrower or The Summit Group, Inc., to the extent of Borrowers ownership interest in such affiliate or subsidiary, secured by a mortgage, deed of trust or similar instrument on real property owned or leased by such Borrower, The Summit Group, Inc. or any such affiliate or subsidiary, including, without limitation, and Loan under this Agreement, the Current Loan Agreement or under the Loan Agreement with First National described in Section 6.4(c), plus (iii) any unsecured Debt owed by either Borrower, The Summit Group, Inc., or any affiliate or subsidiary of either Borrower or The Summit Group, Inc., to First National.

All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles, as in effect in the United States. "Including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term. This Agreement and the other Loan Documents shall be construed without regard to any presumption or rule requiring construction against the party causing any such document or any portion thereof to be drafted. The Section and other headings in this Agreement and any index in this Agreement are for convenience of reference only and shall not limit or otherwise affect any of the terms of this Agreement. Similarly, any page footers or headers or similar word processing, document or page identification numbers in this Agreement or any index or exhibit are for convenience of reference only and shall not limit or otherwise affect any of the terms of this Agreement, nor shall there be any requirement that any such footers or other numbers be consistent from page to page. Unless the context clearly requires otherwise, any reference to a Section of this Agreement refers to all Sections and Subsections thereunder. Any pronoun used herein shall be deemed to cover all genders. Defined terms used in this Agreement may be set forth in this Exhibit or other Sections of this Agreement, and all such definitions defined in the singular shall have a corresponding meaning when used in the plural and vice versa.

SCHEDULE 3.2
(Mortgages)

1. Deed of Trust dated May 1, 2007 between Summit Hospitality and Agent recorded in the Office of the County Clerk of Dallas County, Texas deed of trust records as Instrument #20070161504, as amended by that certain Amendment To Deed of Trust dated May 1, 2008 between Summit Hospitality and Agent recorded in the Office of the County Clerk of Dallas County, Texas deed of trust records as Instrument #20080179195 and by that certain Second Amendment of Deed of Trust of even date with this Agreement, executed by Summit Hospitality in favor of the Agent in connection with the Hyatt Place Pool One Term Loan.

2. Deed of Trust dated May 1, 2007 between Summit Hospitality and Agent recorded in the Office of the County Clerk of Dallas County, Texas deed of trust records as Instrument #20070161516, as amended by that certain Amendment To Deed of Trust dated May 1, 2008 between Summit Hospitality and Agent recorded in the Office of the County Clerk of Dallas County, Texas deed of trust records as Instrument #20080179224 and by that certain Second Amendment of Deed of Trust of even date with this Agreement, executed by Summit Hospitality in favor of the Agent in connection with the Holiday Inn Express Pool One Term Loan.

3. Deed of Trust dated June 5, 2007 between Summit Hospitality and the Agent recorded in the real estate records of Madison County, Mississippi deed of trust records as Instrument #536152 in Book 2198 beginning at Page 0448, as amended by that certain First Amendment of Deed of Trust of even date with this Agreement, executed by Summit Hospitality in favor of the Agent in connection with the Staybridge Suites Pool One Term Loan.

4. Deed of Trust dated June 24, 2008 between Summit Hospitality and the Agent recorded in the real estate records of Hinds County, Mississippi deed of trust records as Instrument #1153230 in Book 6908 beginning at Page 507, as amended by that certain First Amendment of Deed of Trust of even date with this Agreement, executed by Summit Hospitality in favor of the Agent in connection with the Jackson Courtyard Pool Two Term Loan.

5. Deed of Trust dated June 24, 2008 between Summit Hospitality and the Agent recorded in the real estate records of Shelby County, Tennessee records as Instrument #08106576 in the Office of the Register of Deeds of Shelby County, Tennessee, as amended by that certain First Amendment of Deed of Trust of even date with this Agreement, executed by Summit Hospitality in favor of the Agent in connection with the Germantown Courtyard Pool Two Term Loan.

6. Deed To Secure Debt dated April 10, 2006 between Summit Hotel and the Agent recorded April 13, 2006 in the Office of the Clerk of Superior Court, Fulton County, Georgia as Instrument #2006-0112083 in Book 42359 at Page 172, as amended by that certain Amendment To Deed To Secure Debt dated May 23, 2007 between Summit Hotel and the Agent recorded in the Office of the Clerk of Superior Court, Fulton County, Georgia as Instrument #2007-0157036 in Deed Book 45090 at Page 686, by that certain Amendment To Deed To Secure Debt dated June 23, 2008 between Summit Hotel and the Agent recorded in the Office of the Clerk of Superior Court, Fulton County, Georgia as Instrument #2008-0169132 in Deed Book 46986 at Page 609 and by that certain Third Amendment To Deed To Secure Debt dated of even date with this Agreement, executed and delivered by Hotel in favor of the Agent in connection with the Hyatt Place Pool Two Term Loan.

SCHEDULE 4.5
(Permitted Liens)

None

SCHEDULE 5.3(c)
(Compliance Certificate)

COMPLIANCE CERTIFICATE

The undersigned certifies that he/she currently is the _____ of Summit Hotel Properties, LLC and Summit Hospitality V, LLC (collectively, "Company"), each a South Dakota limited liability company, and that he/she has individually reviewed the provisions of the Second Amended and Restated Loan Agreement between Company, Agent and the Lenders a party thereto dated August ____, 2010 (as it may be amended from time to time, the "Loan Agreement") and that a review of the activities of the Company since the most recent Compliance Certificate was delivered to Lenders has been made by him/her or under his/her supervision, with a view to determining whether Company has fulfilled all their respective obligations under the Loan Agreement, including, but not limited to, the Affirmative, Financial and Negative Covenants contained in the Loan Agreement. Company hereby certifies to Lenders that Company has observed and performed each undertaking contained in the Loan Agreement and that no Event of Default has occurred or is existing under the Loan Agreement or any other Loan Document. Set forth below are financial covenant measurements for the periods covered by this Compliance Certificate as required by the Loan Agreement. Also attached hereto are all relevant facts in reasonable detail to evidence the computations of the financial covenants, which were computed in accordance with the terms of the Loan Agreement.

For the period between _____, 200__ and _____, 200__.

I. Debt Service Coverage Ratio

Company's Debt Service Coverage Ratio as of the end of the period covered by Certificate:

_____

Required Debt Service Coverage Ratio:1.5:1.0

Calculation of Debt Service Coverage Ratio:

Earnings _____ before

Interest _____,

Income taxes _____,

Depreciation _____,

Amortization _____ and

Non-recurring renovation/remodel expenses funded with the proceeds of a Loan or other non-operating sources _____, divided by

Principal and interest payments on the aggregate first mortgage term debt scheduled and paid during the trailing 4 quarters _____

Equals _____.

II. Total Debt Covenant

Total Debt outstanding as of the end of the period covered by this Certificate equals: $_____

Required Total Debt: Not in excess of $450,000,000.00.

III. Defaults

The undersigned hereby certifies that the above reported information is correct, and that

[ ] No event of default has occurred; or
[ ] An event of default has occurred under the following circumstances:
(Insert detail or attach description)

IV. Maintenance and Capital Expenditure Reserve

Gross Revenues for each Reserve Hotel as of the end of the period covered by this Certificate:

Maintenance and Capital Expenditure Reserves deposited as of the end of the period covered by this Certificate for each Hotel:

Required Maintenance and Capital Expenditure Reserves:

3% of gross revenues for each Hotel.

By: _____ Date: _____

Title: _____

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Summit Hotel Properties, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-172145) on Form S-8 of Summit Hotel Properties, Inc. of our reports dated March 31, 2011, with respect to the consolidated balance sheet of Summit Hotel Properties, Inc. as of December 31, 2010; the consolidated balance sheet of Summit Hotel OP, LP as of December 31, 2010; and the consolidated balance sheet of Summit Hotel Properties, LLC and subsidiaries as of December 31, 2010, and the related consolidated statements of operations, changes in members' equity, and cash flows for the year ended December 31, 2010, and the related financial statement schedule III, which reports appear in the December 31, 2010 annual report on Form 10-K of Summit Hotel Properties, Inc. and Summit Hotel OP, LP.

/ s / KPMG LLP

Omaha, Nebraska
March 31, 2011

EXHIBIT 23.2

Consent of Independent Registered Public Accounting Firm

To the Board of Directors
Summit Hotel Properties, Inc.

We consent to the incorporation by reference in the registration statement (No. 333-172145) on Form S-8 of Summit Hotel Properties, Inc. of our report dated March 31, 2010, with respect to the consolidated balance sheet of Summit Hotel Properties, LLC and subsidiaries as of December 31, 2009, and the related consolidated statements of operations, changes in members' equity, and cash flows, for each of the years in the two-year period ended December 31, 2009 and our report dated March 31, 2010 related to the internal control over financial reporting as of December 31, 2009 of Summit Hotel Properties, LLC, which reports appear in the December 31, 2010 annual report on Form 10-K of Summit Hotel Properties, Inc. and Summit Hotel OP, LP.

/s/ Eide Bailly LLP

Greenwood Village, Colorado
March 31, 2011

EXHIBIT 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Daniel P. Hansen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Summit Hotel Properties, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) [language omitted in accordance with SEC Release No. 34-54942] for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. [language omitted in accordance with SEC Release No. 34-54942];
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Summit Hotel Properties, Inc.

Date: March 31, 2011

By: /s/ Daniel P. Hansen

Daniel P. Hansen
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stuart J. Becker, certify that:

1. I have reviewed this Annual Report on Form 10-K of Summit Hotel Properties, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) [language omitted in accordance with SEC Release No. 34-54942] for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. [language omitted in accordance with SEC Release No. 34-54942];
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Summit Hotel Properties, Inc.

Date: March 31, 2011

By: /s/ Stuart J. Becker

Stuart J. Becker
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31.3

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Daniel P. Hansen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Summit Hotel OP, LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) [language omitted in accordance with SEC Release No. 34-54942] for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. [language omitted in accordance with SEC Release No. 34-54942];
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Summit Hotel OP, LP
By: Summit Hotel GP, LLC, its general partner
By: Summit Hotel Properties, Inc., its sole member

Date: March 31, 2011

By: /s/ Daniel P. Hansen
Daniel P. Hansen
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.4

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stuart J. Becker, certify that:

1. I have reviewed this Annual Report on Form 10-K of Summit Hotel OP, LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) [language omitted in accordance with SEC Release No. 34-54942] for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. [language omitted in accordance with SEC Release No. 34-54942];
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Summit Hotel OP, LP
By: Summit Hotel GP, LLC, its general partner
By: Summit Hotel Properties, Inc., its sole member

Date: March 31, 2011

By: /s/ Stuart J. Becker
Stuart J. Becker
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Summit Hotel Properties, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel P. Hansen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Summit Hotel Properties, Inc.

Date: March 31, 2011

By: /s/ Daniel P. Hansen

Daniel P. Hansen
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Summit Hotel Properties, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stuart J. Becker, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Summit Hotel Properties, Inc.

Date: March 31, 2011

By: /s/ Stuart J. Becker

Stuart J. Becker
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.3

Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Summit Hotel OP, LP (the "Company") on Form 10-K for the fiscal year ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel P. Hansen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Summit Hotel OP, LP
By: Summit Hotel GP, LLC, its general partner
By: Summit Hotel Properties, Inc., its sole member

Date: March 31, 2011

By: /s/ Daniel P. Hansen
Daniel P. Hansen
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.4

Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Summit Hotel OP, LP (the "Companies") on Form 10-K for the fiscal year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stuart J. Becker, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Summit Hotel OP, LP
By: Summit Hotel GP, LLC, its general partner
By: Summit Hotel Properties, Inc., its sole member

Date: March 31, 2011

By: /s/ Stuart J. Becker
Stuart J. Becker
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)