UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

o 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.

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**27-2962512** (I.R.S. Employer Identification No.)

12600 Hill Country Boulevard, Suite R-100

Austin, TX 78738

(Address of principal executive offices, including zip code)

(512) 538-2300

(Registrant s telephone number, including area code)

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. x Yes o 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). x Yes o No

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.

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

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

As of October 31, 2014, the number of outstanding shares of common stock of Summit Hotel Properties, Inc. was 85,996,023.

Table of Contents

Explanatory Note

The management of Summit Hotel Properties, Inc. (the Company) has determined that we underestimated the amount of an impairment charge recorded during the three and nine months ended September 30, 2014. Therefore, we recommended to the Audit Committee of the Board of Directors (Audit Committee), after consultation with Ernst & Young, LLP (Ernst & Young), the Company s independent registered public accounting firm, that the Company restate its previously issued consolidated financial statements for the three and nine months ended September 30, 2014. The Audit Committee agreed with our recommendation and on December 15, 2014, determined that the previously issued consolidated financial statements as of September 30, 2014 and for the three and nine months then ended should no longer be relied upon. The required changes relate to an impairment charge that does not affect the Company s Cash position and result in a $4.6 million reduction in our previously reported net income for the three and nine months ended September 30, 2014 and a corresponding reduction in our net income allocable to minority interest and our net income allocable to common stockholders, but do not affect certain of our non-GAAP financial measures that exclude impairment of real estate assets previously reported in Part I Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations, including Funds from Operations, or previously furnished Adjusted Funds From Operations and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization for the three and nine months ended September 30, 2014.

On August 1, 2014, we entered into a purchase and sale agreement for the sale of the Country Inn & Suites and three adjacent land parcels totaling 5.64 acres in San Antonio, Texas for $7.9 million. The sale closed on October 21, 2014. During the three months ended September 30, 2014, we recorded an estimated impairment loss of $3.6 million related to the transaction, which was intended to, but did not fully reflect the expected loss on the sale. In the fourth quarter of 2014, we determined that the loss on the sale was $8.2 million and we had underestimated the amount of the impairment loss in the third quarter of 2014 by $4.6 million. As a result, we are restating our unaudited consolidated financial statements to reflect an increase in the Loss on Impairment of Assets from $3.6 million to $8.2 million for the three months ended September 30, 2014 and an increase in the Loss on Impairment of Assets from $4.3 million to $8.9 million for the nine months ended September 30, 2014. Additionally, Land Held for Development reflected on the Unaudited Consolidated Balance Sheet has been reduced from $13.8 million to $9.2 million at September 30, 2014 to reflect the impairment of the assets related to the sale transaction. We have made the necessary conforming changes in Management s Discussion and Analysis of Financial Condition and Results of Operations resulting from the adjustments provided above. Please refer to Note 1A Restatement of Previously Issued Consolidated Financial Statements of this Form 10-Q/A for more information on the effect of these adjustments.

We are filing this Amendment No. 1 on Form 10-Q/A (Form 10-Q/A) to amend and restate in their entirety, the following items of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 as originally filed with the Securities and Exchange Commission on November 3, 2014 (the Original Filing): (i) Part I - Item 1 Financial Statements , (ii) Part I - Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations , (iii) Part I - Item 4 Controls and Procedures , (iv) Part II Item 6 Exhibits , and we have also updated the signature page, the certifications of our Chief Executive Officer and Chief Financial Officer in Exhibits 31.1, 31.2, 32.1 and 32.2 and our financial statements formatted in Extensible Business Reporting Language (XBRL) in Exhibit 101. No other sections of the Original Filing are affected, but for the convenience of the reader, this Form 10-Q/A restates in its entirety, as amended, our Original Filing. This Form 10-Q/A is presented as of the filing date of the Original Filing and does not reflect events occurring after that date, or modify or update disclosures in any way other than as required to reflect the restatement described above.

The revised financial information included in this Form 10-Q/A has been identified as restated in accordance with accounting principles generally accepted in the U.S.

Internal Control Consideration

During the fourth quarter of 2014, we implemented additional internal controls and procedures for review of our consolidated financial statements and the accounting for acquisitions and dispositions of properties including, among others, a monthly review of undeveloped land inventory, and a more extensive, formalized review of acquisition and disposition transactions. As a result of these additional internal controls and procedures, we identified the error described in the Explanatory Note and Note 1A to our consolidated financial statements. Prior to the implementation of the additional controls and procedures in the fourth quarter of 2014, our internal controls related to the accounting for acquisitions and dispositions of properties were ineffective. However, based on the implementation and operation of the additional internal controls and procedures in the fourth quarter of 2014, our Chief Executive Officer and Chief Financial Officer have concluded that the improved internal controls which identified the error related to the estimated impairment loss recorded in the third quarter of 2014 are effective and adequate to provide us with a reasonable level of assurance that the consolidated financial statements in this Form 10-Q/A present fairly, in all material respects, the consolidated financial position and results of operations and cash flows of the Company and its subsidiaries.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Summit Hotel Properties, Inc.

Consolidated Balance Sheets

(in thousands, except share amounts)

	September 30, 2014 (Unaudited) (Restated)	December 31, 2013
ASSETS		
Investment in hotel properties, net	$ 1,343,199	$ 1,149,967
Investment in hotel properties under development	186	
Land held for development	9,175	13,748
Assets held for sale	7,860	12,224
Cash and cash equivalents	34,778	46,706
Restricted cash	35,306	38,498
Trade receivables	11,924	7,231
Prepaid expenses and other	6,172	8,876
Derivative financial instruments	218	253
Deferred charges, net	10,128	10,270
Deferred tax asset	119	49
Other assets	8,988	6,654
Total assets	$ 1,468,053	$ 1,294,476
LIABILITIES AND EQUITY		
Liabilities:		
Debt	$ 624,303	$ 435,589
Accounts payable	5,032	7,583
Accrued expenses	42,302	27,154
Derivative financial instruments	1,626	1,772
Total liabilities	673,263	472,098
Commitments and contingencies (Note 7)		
Equity:		
Preferred stock, $.01 par value per share, 100,000,000 shares authorized:		
9.25% Series A - 2,000,000 shares authorized, issued and outstanding at September 30, 2014 and December 31, 2013 (aggregate liquidation preference of $50,385 at September 30, 2014 and $50,398 at December 31, 2013)	20	20
7.875% Series B - 3,000,000 shares authorized, issued and outstanding at September 30, 2014 and December 31, 2013 (aggregate liquidation preference of $75,492 at September 30,	30	30

2014 and $75,324 at December 31, 2013)				
7.125% Series C - 3,400,000 shares authorized, issued and outstanding at September 30, 2014 and December 31, 2013 (aggregate liquidation preference of $85,505 at September 30, 2014 and $85,522 at December 31, 2013)		34		34
Common stock, $.01 par value per share, 500,000,000 shares authorized, 85,920,290 and 85,402,408 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively		859		854
Additional paid-in capital		885,830		882,858
Accumulated other comprehensive loss		(1,269)		(1,379)
Accumulated deficit and distributions		(98,253)		(72,577)
Total stockholders equity		787,251		809,840
Non-controlling interests in operating partnership		7,539		4,722
Non-controlling interests in joint venture				7,816
Total equity		794,790		822,378
Total liabilities and equity	$	1,468,053	$	1,294,476

See Notes to the Consolidated Financial Statements

1

Table of Contents

Summit Hotel Properties, Inc.

Consolidated Statements of Operations

(*Unaudited*)

(in thousands, except share amounts)

	For the Three Months Ended September 30, 2014 (Restated)	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2014 (Restated)	For the Nine Months Ended September 30, 2013
Revenues:				
Room	$ 103,155	$ 78,010	$ 287,387	$ 209,774
Other hotel operations revenue	6,101	4,164	16,938	11,228
Total revenues	109,256	82,174	304,325	221,002
Expenses:				
Hotel operating expenses:				
Room	26,365	21,927	76,042	59,181
Other direct	15,376	11,072	40,610	28,335
Other indirect	26,451	20,784	78,068	56,714
Total hotel operating expenses	68,192	53,783	194,720	144,230
Depreciation and amortization	16,831	13,872	48,906	37,250
Corporate general and administrative	5,742	2,954	15,364	10,054
Hotel property acquisition costs	69	114	778	1,554
Loss on impairment of assets	8,187	1,369	8,847	1,369
Total expenses	99,021	72,092	268,615	194,457
Operating income	10,235	10,082	35,710	26,545
Other income (expense):				
Interest expense	(6,839)	(5,948)	(20,045)	(14,877)
Other income (expense)	797	(184)	1,083	82
Total other expense, net	(6,042)	(6,132)	(18,962)	(14,795)
Income from continuing operations before income taxes	4,193	3,950	16,748	11,750
Income tax expense	(427)	(1,120)	(834)	(1,269)
Income from continuing operations	3,766	2,830	15,914	10,481
Income (loss) from discontinued operations	(59)	(3,410)	278	(2,508)
Net income (loss)	3,707	(580)	16,192	7,973
Income (loss) attributable to non-controlling interests:				
Operating partnership	(6)	(213)	45	(108)
Joint venture		272	1	324
Net income (loss) attributable to Summit Hotel Properties, Inc.	3,713	(639)	16,146	7,757
Preferred dividends	(4,147)	(4,147)	(12,441)	(10,443)
Net income (loss) attributable to common stockholders	$ (434)	$ (4,786)	$ 3,705	$ (2,686)
Earnings per share:				
Basic and diluted net income (loss) per share from continuing operations	$ (0.01)	$ (0.02)	$ 0.04	$ (0.01)

Basic and diluted net loss per share from discontinued operations		(0.05)		(0.03)
Basic and diluted net income (loss) per share	$ (0.01)	$ (0.07)	$ 0.04	$ (0.04)
Weighted average common shares outstanding:				
Basic	85,303	68,157	85,192	65,460
Diluted	85,303	68,614	85,704	65,854

See Notes to the Consolidated Financial Statements

Table of Contents

Summit Hotel Properties, Inc.

Consolidated Statements of Comprehensive Income

(Unaudited)

(in thousands)

	For the Three Months Ended September 30, 2014 (Restated)	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2014 (Restated)	For the Nine Months Ended September 30, 2013
Net income (loss)	$ 3,707	$ (580)	$ 16,192	$ 7,973
Other comprehensive income (loss), net of tax:				
Changes in fair value of derivative financial instruments	855	(2,127)	111	(1,310)
Total other comprehensive income (loss)	855	(2,127)	111	(1,310)
Comprehensive income (loss)	4,562	(2,707)	16,303	6,663
Comprehensive income (loss) attributable to non-controlling interests:				
Operating partnership	4	(308)	46	(165)
Joint venture		272	1	324
Comprehensive income (loss) attributable to Summit Hotel Properties, Inc.	4,558	(2,671)	16,256	6,504
Preferred dividends	(4,147)	(4,147)	(12,441)	(10,443)
Comprehensive income (loss) attributable to common stockholders	$ 411	$ (6,818)	$ 3,815	$ (3,939)

See Notes to the Consolidated Financial Statements

Table of Contents

Summit Hotel Properties, Inc.

Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands, except share amounts)

	Shares of Preferred Stock	Preferred Stock	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit and Distributions	Total Stockholders Equity	Non-controlling Interests Operating Partnership	Non-controlling Interests Joint Venture	Total Equity
Balance at December 31, 2013	8,400,000	$ 84	85,402,408	$ 854	$ 882,858	$ (1,379)	$ (72,577)	$ 809,840	$ 4,722	$ 7,816	$ 822,378
Common stock redemption of common units			198,292	2	581			583	(583)		
Common units issued for acquisition									3,685		3,685
Acquisition of non-controlling interest in joint venture					(415)			(415)		(7,817)	(8,232)
Dividends paid							(41,822)	(41,822)	(365)		(42,187)
Equity-based compensation			319,590	3	2,806			2,809	34		2,843
Other comprehensive loss						110		110	1		111
Net income							16,146	16,146	45	1	16,192
Balance at September 30, 2014 (Restated)	8,400,000	$ 84	85,920,290	$ 859	$ 885,830	$ (1,269)	$ (98,253)	$ 787,251	$ 7,539	$	$ 794,790
Balance at December 31, 2012	5,000,000	$ 50	46,159,652	$ 462	$ 468,820	$ (528)	$ (31,985)	$ 436,819	$ 36,718	$	$ 473,537
Net proceeds from sale of common stock			34,500,000	345	299,821			300,166			300,166
Net proceeds from sale of preferred stock	3,400,000	34			81,689			81,723			81,723
Common stock redemption of common units			2,466,404	25	15,365			15,390	(15,390)		
Contribution by non-controlling interests in joint venture										7,500	7,500
Dividends paid							(32,735)	(32,735)	(1,013)		(33,748)
Equity-based compensation			325,758	3	1,613			1,616			1,616
Other comprehensive income						(1,253)		(1,253)	(57)		(1,310)
Net income (loss)							7,757	7,757	(108)	324	7,973

Balance at September 30, 2013	8,400,000	$	84	83,451,814	$	835	$	867,308	$	(1,781)	$	(56,963)	$	809,483	$	20,150	$	7,824	$	837,457

See Notes to the Consolidated Financial Statements

Table of Contents

Summit Hotel Properties, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)

	For the Nine Months Ended September 30, 2014 (Restated)	2013
Operating activities:		
Net income	$ 16,192	$ 7,973
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	48,919	39,240
Amortization of prepaid lease	36	36
Loss on impairment of assets	9,247	8,654
Equity-based compensation	2,843	1,616
Deferred tax asset	(70)	(964)
Gain on disposal of assets	(284)	(888)
Gain on derivative financial instruments		(2)
Changes in operating assets and liabilities:		
Restricted cash - operating	(3,437)	(2,882)
Trade receivables	(4,646)	(4,207)
Prepaid expenses and other	3,608	(15,694)
Accounts payable and accrued expenses	6,605	13,365
Net cash provided by operating activities	79,013	46,247
Investing activities:		
Acquisitions of hotel properties	(177,761)	(388,456)
Acquisition of non-controlling interest in joint venture	(8,232)	
Investment in hotel properties under development	(186)	(10,246)
Acquisition of land held for development		(2,800)
Improvements and additions to hotel properties	(34,929)	(33,840)
Advances under note funding obligation	(2,221)	
Purchases of office furniture and equipment		(599)
Proceeds from asset dispositions, net of closing costs	11,597	33,545
Restricted cash - FF&E reserve	18,170	(19,623)
Net cash used in investing activities	(193,562)	(422,019)
Financing activities:		
Proceeds from issuance of debt	216,001	375,745
Principal payments on debt	(70,459)	(321,636)
Financing fees on debt	(734)	(2,484)
Proceeds from equity offerings, net of offering costs		389,389
Dividends paid and distributions to members	(42,187)	(33,748)
Net cash provided by financing activities	102,621	407,266
Net change in cash and cash equivalents	(11,928)	31,494
Cash and cash equivalents, beginning of year	46,706	13,980
Cash and cash equivalents, end of period	$ 34,778	$ 45,474
Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 19,871	$ 14,639

Capitalized interest	186	246
Cash payments for taxes, net of refunds	739	683
Mortgage debt from acquisitions of hotel properties	43,172	33,532
Common units issued for acquisition	3,685	

See Notes to the Consolidated Financial Statements

Table of Contents

SUMMIT HOTEL PROPERTIES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 - Description of Business

Summit Hotel Properties, Inc. (the Company) is a self-managed hotel investment company that was organized on June 30, 2010 as a Maryland corporation. The Company holds both general and limited partnership interests in 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 1,274,000 shares of common stock. Effective February 14, 2011, the Operating Partnership and Summit Hotel Properties, LLC (the Predecessor) completed the merger of the Predecessor with and into the Operating Partnership (the Merger). Unless the context otherwise requires, we , us , and our refer to the Company and its subsidiaries.

Summit Hotel OP, LP, the Operating Partnership subsidiary of the Company, filed a Form 15 on December 12, 2013 to voluntarily suspend its duty to file periodic and other reports with the Securities and Exchange Commission (the SEC) and to voluntarily deregister its common units of limited partnership interest under the Securities and Exchange Act of 1934 (the Exchange Act). As a result of filing the Form 15 with the SEC, the Operating Partnership is no longer required to file annual, quarterly or periodic reports with the SEC. The filing of the Form 15 by the Operating Partnership does not affect the registration of the Company s common stock under the Exchange Act or the Company s obligations as a reporting issuer under the Exchange Act.

At September 30, 2014, our portfolio consisted of 91 upscale and upper midscale hotels with a total of 11,589 guestrooms located in 21 states. We have elected to be taxed as a real estate investment trust (REIT) for federal income tax purposes commencing with our short taxable year ended December 31, 2011. To qualify as a REIT, we cannot operate or manage our hotels. Accordingly, substantially all of our hotels are leased to subsidiaries (TRS Lessees) of our taxable REIT subsidiary (TRS). We indirectly own 100% of the outstanding equity interests in all of our TRS Lessees.

Note 1A Restatement of Previously Issued Consolidated Financial Statements

On August 1, 2014, we entered into a purchase and sale agreement for the sale of the Country Inn & Suites and three adjacent land parcels totaling 5.64 acres in San Antonio, Texas for $7.9 million. The sale closed on October 21, 2014. During the three months ended September 30, 2014, we recorded an estimated impairment loss of $3.6 million related to the transaction, which was intended to, but did not fully reflect the expected loss on the sale. In the fourth quarter of 2014, we determined that the loss on the sale was $8.2 million and we had underestimated the amount of the impairment loss in the third quarter of 2014 by $4.6 million. As a result, we are restating our unaudited consolidated financial statements to reflect an increase in the Loss on Impairment of Assets from $3.6 million to $8.2 million for the three months ended September 30, 2014 and an increase in the Loss on Impairment of Assets from $4.3 million to $8.9 million for the nine months ended September 30, 2014. Additionally, Land Held for Development reflected on the Unaudited Consolidated Balance Sheet has been reduced from $13.8 million to $9.2 million at September 30, 2014 to reflect the impairment of the assets related to the sale transaction.

In addition to the restatement of our unaudited consolidated financial statements, we have restated the following notes to the unaudited consolidated financial statements to reflect certain changes noted above:

- Note 3 Hotel Property Acquisitions
- Note 5 Assets Held for Sale
- Note 10 Loss on Impairment of Assets
- Note 15 Earnings per Share

The following tables present the effect of the adjustments to our previously reported unaudited consolidated financial statements for the three and nine months ended September 30, 2014 (in thousands, except per share amounts).

	Condensed Balance Sheets as of September 30, 2014		
	(As Reported)	Adjustments	(As Restated)
Land held for development	$ 13,748	$ (4,573)	$ 9,175
Total assets	1,472,626	(4,573)	1,468,053
Accumulated deficit and distributions	(93,736)	(4,517)	(98,253)
Total stockholders equity	791,768	(4,517)	787,251
Noncontrolling interests in operating partnership	7,595	(56)	7,539
Total equity	799,363	(4,573)	794,790
Total liabilities and equity	1,472,626	(4,573)	1,468,053

	Condensed Consolidated Statements of Operations					
	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	(As Reported)	Adjustments	(As Restated)	(As Reported)	Adjustments	(As Restated)
Loss on impairment of assets	$ 3,614	$ 4,573	$ 8,187	$ 4,274	$ 4,573	$ 8,847
Net income	8,280	(4,573)	3,707	20,765	(4,573)	16,192
Income (loss) attributable to non-controlling interests:						
Operating partnership	50	(56)	(6)	101	(56)	45
Net income attributable to Summit Hotel Properties, Inc.	8,230	(4,517)	3,713	20,663	(4,517)	16,146
Net income (loss) attributable to common stockholders	4,083	(4,517)	(434)	8,222	(4,517)	3,705
Basic and diluted net income (loss) per share	0.05	(0.06)	(0.01)	0.10	(0.06)	0.04

Table of Contents

	Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2014		
	(As Reported)	**Adjustments**	**(As Restated)**
Net income	$ 20,765	$ (4,573)	$ 16,192
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on impairment of assets	4,674	4,573	9,247
Net cash provided by operating activities	79,013		79,013

Note 2 Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the Company consolidate the accounts of the Company and all entities that are controlled by ownership of a majority voting interest as well as variable interest entities for which the company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

We prepared these consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Exchange Act. Accordingly, they do not include all of the information and footnotes required by GAAP for complete audited consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary for a fair presentation in accordance with GAAP have been included. Results for the three and nine months ended September 30, 2014 may not be indicative of the results that may be expected for the full year 2014. For further information, please read the financial statements included in our Form 10-K for the year ended December 31, 2013.

Segment Disclosure

Accounting Standards Codification (ASC), ASC 280, Segment Reporting, establishes standards for reporting financial and descriptive information about an enterprise s reportable segments. We have determined that we have one reportable segment, with activities related to investing in real estate. Our investments in real estate are geographically diversified and the chief operating decision makers evaluate operating performance on an individual asset level. As each of our assets has similar economic characteristics, the assets have been aggregated into one reportable segment.

Table of Contents

Assets Held for Sale and Discontinued Operations

We classify assets as held for sale in the period in which certain criteria are met, including when the sale of the asset within one year is probable. Assets held for sale are no longer depreciated and are carried at the lower of carrying amount or fair value, less selling costs.

Historically, we presented the results of operations of hotel properties that had been sold or otherwise qualified as assets held for sale in discontinued operations if the operations and cash flows of the hotel properties had been or would be eliminated from our ongoing operations. Following adoption of ASU 2014-08 (see New Accounting Standards below) in the first quarter of 2014, we anticipate that the majority of future property sales will not be classified as discontinued operations.

We periodically review our hotel properties and our land held for development based on established criteria such as age, type of franchise, adverse economic and competitive conditions, and strategic fit, to identify properties which we believe are either non-strategic or no longer complement our business.

Non-controlling Interests

Non-controlling interests represent the portion of equity in a subsidiary held by owners other than the consolidating parent. Non-controlling interests are reported in the consolidated balance sheets within equity, separately from stockholders equity. Revenue, expenses and net income (loss) attributable to both the Company and the non-controlling interests are reported in the consolidated statements of operations.

Our consolidated financial statements include non-controlling interests related to common units of limited partnership interests (Common Units) in the Operating Partnership held by unaffiliated third parties and, prior to the second quarter of 2014, third-party ownership of a 19% interest in a consolidated joint venture.

Income Taxes

We have elected to be taxed as a REIT under certain provisions of the Internal Revenue Code. 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 TRS) to the extent we 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 be unable to re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT, unless we satisfy certain relief provisions.

We account for federal and state income taxes of our TRS using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between carrying amounts of existing assets and liabilities based on GAAP and respective carrying amounts for tax purposes, and operating losses and tax-credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which 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 of the change in tax rates. However, deferred tax assets are recognized only to the extent that it is more likely than not they will be realized based on consideration of available evidence, including future reversals of taxable temporary differences, future projected taxable income and tax planning strategies.

Table of Contents

Fair Value Measurement

Fair value measures are classified into a three-tiered fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1:	Observable inputs such as quoted prices in active markets.
Level 2:	Directly or indirectly observable inputs, other than quoted prices in active markets.
Level 3:	Unobservable inputs in which there is little or no market data, which require a reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of the following valuation techniques:

Market approach:	Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
Cost approach:	Amount required to replace the service capacity of an asset (replacement cost).
Income approach:	Techniques used to convert future amounts to a single amount based on market expectations (including present-value, option-pricing, and excess-earnings models).

Our estimates of fair value were determined using available market information and appropriate valuation methods. 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. We classify assets and liabilities in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

We elected not to use the fair value option for cash and cash equivalents, restricted cash, trade receivables, prepaid expenses and other, debt, accounts payable, and accrued expenses. With the exception of our fixed-rate debt, the carrying amounts of these financial instruments approximate their fair values due to their short-term nature or variable interest rates.

New Accounting Standards

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The ASU changed the criteria for reporting discontinued operations while enhancing related disclosures. Criteria for discontinued operations will now include only disposals that represent a strategic shift in operations with a major effect on operations and financial results. The ASU is to be applied on a prospective basis and would be effective for us beginning January 1, 2015; however, we have elected early adoption in the first quarter of 2014, which is permitted for disposals and classifications as held for sale, which have not been reported previously. While we have elected early adoption for our consolidated financial statements and footnote disclosures, the AmericInn Hotel & Suites, Aspen Hotel & Suites and Hampton Inn in Fort Smith, AR will be included in discontinued operations as these hotels were classified as held for sale in our consolidated financial statements in prior periods. The AmericInn Hotel & Suites and Aspen Hotel & Suites were sold in January 2014. The Hampton Inn in Fort Smith, AR was sold in September 2014.

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers , which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017 and early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern , which requires management to perform interim and annual assessments of an entity s ability to continue as a going concern within one year of the date the financial statements are issued and provides guidance on determining when and how to disclose going concern uncertainties in the financial statements. Certain disclosures will be required if conditions give rise to substantial doubt about an entity s ability to continue as a going concern. This guidance is effective for the Company on January 1, 2017.

Table of Contents

Note 3 Hotel Property Acquisitions

Hotel property acquisitions in the nine months ended September 30, 2014 and 2013 are as follows (in thousands):

Date Acquired	Franchise/Brand	Location	Purchase Price		Debt Assumed	
Nine Months 2014:						
January 9	Hilton Garden Inn	Houston, TX	$	37,500	$	17,846
January 10	Hampton Inn	Santa Barbara (Goleta), CA		27,900		12,037
January 24	Four Points by Sheraton	South San Francisco, CA		21,250		
March 14	DoubleTree by Hilton	San Francisco, CA		39,060		13,289
August 15	Hilton Garden Inn	Houston (Energy Corridor), TX		36,000		
September 9	Hampton Inn & Suites	Austin, TX		53,000		
Total Nine Months Ended September 30, 2014		6 hotel properties	$	214,710	$	43,172
Nine Months 2013:						
January 22	Hyatt Place	Chicago (Hoffman Estates), IL	$	9,230	$	
January 22	Hyatt Place	Orlando (Convention), FL		12,252		
January 22	Hyatt Place	Orlando (Universal), FL		11,843		
February 11	Holiday Inn Express & Suites	San Francisco, CA		60,500		23,423
March 11	SpringHill Suites by Marriott	New Orleans, LA		33,095		
March 11	Courtyard by Marriott	New Orleans (Convention), LA		30,827		
March 11	Courtyard by Marriott	New Orleans (French Quarter), LA		25,683		
March 11	Courtyard by Marriott	New Orleans (Metairie), LA		23,539		
March 11	Residence Inn by Marriott	New Orleans (Metairie), LA		19,890		
April 30	Hilton Garden Inn	Greenville, SC		15,250		
May 21	IHG / Holiday Inn Express & Suites	Minneapolis (Minnetonka), MN		6,900		3,724
May 21	Hilton Garden Inn	Minneapolis (Eden Prairie), MN		10,200		6,385
May 23	Fairfield Inn & Suites by Marriott	Louisville, KY		25,023		
May 23	SpringHill Suites by Marriott	Louisville, KY		39,138		
May 23	Courtyard by Marriott	Indianapolis, IN		58,634		
May 23	SpringHill Suites by Marriott	Indianapolis, IN		30,205		
Total Nine Months Ended September 30, 2013		16 hotel properties	$	412,209	$	33,532

The allocation of the aggregate purchase prices to the fair value of assets and liabilities acquired for the above acquisitions follows (in thousands):

	For the Nine Months Ended September 30, 2014		2013	
Land	$	11,400	$	57,276
Hotel buildings and improvements		199,573		341,903
Furniture, fixtures and equipment		5,489		14,996
Land held for development				2,800
Other assets		11,625		9,308

Total assets acquired		228,087		426,283
Less debt assumed		(43,172)		(33,532)
Less lease liability assumed		(1,752)		
Less other liabilities		(2,671)		(1,495)
Net assets acquired	$	180,492	$	391,256

The allocations for certain of the acquisitions for the three months ended September 30, 2014 are based on preliminary information and are, therefore, subject to change.

Table of Contents

Total revenues and net income for hotel properties acquired in the nine months ended September 30, 2014 and 2013, which are included in our consolidated statements of operations follows (in thousands):

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2014 Acquisitions	2013 Acquisitions		2014 Acquisitions	2013 Acquisitions	
	2014	2014	2013	2014	2014	2013
Revenues	$ 11,358	$ 27,546	$ 23,449	$ 24,808	$ 80,990	$ 50,862
Net income	$ 2,897	$ 5,993	$ 3,847	$ 3,999	$ 16,450	$ 9,568

The results of operations of acquired hotel properties are included in the consolidated statements of operations beginning on their respective acquisition dates. The following unaudited condensed pro forma financial information presents the results of operations as if all acquisitions in 2013 and the first nine months of 2014 had taken place on January 1, 2013. The unaudited condensed pro forma information excludes discontinued operations, is for comparative purposes only, and is not necessarily indicative of what actual results of operations would have been had the hotel property acquisitions taken place on January 1, 2013. This information does not purport to represent results of operations for future periods.

The unaudited condensed pro forma financial information for the three and nine months ended September 30, 2014 and 2013 follows (in thousands, except per share amounts):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014 (Restated)	2013	2014 (Restated)	2013
Revenues	$ 112,191	$ 97,549	$ 320,455	$ 287,974