UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2015

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

of incorporation or organization)

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)

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.01 par value per share	**New York Stock Exchange**
9.25% Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share	**New York Stock Exchange**
7.875% Series B Cumulative Redeemable Preferred Stock, par value $0.01 per share	**New York Stock Exchange**
7.125% Series C Cumulative Redeemable Preferred Stock, par value $0.01 per share	**New York Stock Exchange**

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

None

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

The aggregate market value of the registrant s voting and non-voting common equity held by non-affiliates of the registrant s as of June 30, 2015 was $1,093,788,481 based on the closing sale price of the registrant s common stock on the New York Stock Exchange as of June 30, 2015.

As of February 19, 2016 the number of outstanding shares of common stock of Summit Hotel Properties, Inc. was 86,794,013.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Definitive Proxy Statement on Schedule 14A for its 2016 annual meeting of stockholders, to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year pursuant to Regulation 14A, are incorporated herein by reference into Part III, Items 10, 11, 12, 13 and 14.

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ANNUAL REPORT ON FORM 10-K

FISCAL YEAR ENDED DECEMBER 31, 2015

SUMMIT HOTEL PROPERTIES, INC.

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This report 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 may, could, expect, intend, plan, seek, anticipate, believe, estimate, predict, forecast, project, potential, continue, likely, will, would o Forward-looking statements in this report include, among others, statements about our business strategy, including acquisition and development strategies, industry trends, estimated revenues 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:

- financing risks, including the risk of leverage and the corresponding risk of default on our existing indebtedness and potential inability to refinance or extend the maturity of our existing indebtedness as well as the risk of default by borrowers to which we lend or provide seller financing;
- national, regional and local economic conditions;
- levels of spending in the business, travel and leisure industries, as well as consumer confidence;
- adverse changes in, or declining rates of growth with respect to, occupancy, average daily rate (ADR) and revenue per available room (RevPAR) and other hotel operating metrics;
- hostilities, including future terrorist attacks, or fear of hostilities that affect travel;
- financial condition of, and our relationships with, third-party property managers and franchisors;
- the degree and nature of our competition;
- increased interest rates and operating costs;
- increased renovation costs, which may cause actual renovation costs to exceed our current estimates;
- changes in zoning laws and increases in real property tax rates;
- risks associated with potential hotel acquisitions, including the ability to ramp up and stabilize newly acquired hotels with limited or no operating history or that require substantial amounts of capital improvements for us to earn stabilized economic returns consistent with our expectations at the time of acquisition, and risks associated with dispositions of hotel properties, including our ability to successfully complete the sale of hotel properties currently under contract to be sold, including the risk that the purchaser may not have access to the capital needed to complete the sale;

- the recognition of taxable gains from the sale of hotel properties as a result of the inability to complete certain like-kind exchanges in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended (the IRC)
- availability of and our ability to retain qualified personnel;
- our failure to maintain our qualification as a real estate investment trust (REIT) under the IRC;
- changes in our business or investment strategy;
- availability, terms and deployment of capital;
- general volatility of the capital markets and the market price of our common stock;
- environmental uncertainties and risks related to natural disasters; 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.

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PART I

Item 1. Business.

Unless the context otherwise requires, all references to we , us, our, or the Company refer to Summit Hotel Properties, Inc. and its consolidated subsidiaries.

Overview

Summit Hotel Properties, Inc. is a self-managed hotel investment company that was organized in June 2010 and completed its initial public offering (IPO) in February 2011. We focus on owning premium-branded, select-service hotels in the Upscale and Upper-midscale segments of the U.S. lodging industry, as these segments are currently defined by Smith Travel Research (STR).

At December 31, 2015, our portfolio consisted of 87 hotels with a total of 11,420 guestrooms located in 24 states, including one hotel held by a Qualified Intermediary to complete a reverse like-kind exchange under Section 1031 of the IRC (1031 Exchange) as further described under Item 2. Properties Our Portfolio. As of December 31, 2015, 86.1% of our guestrooms were located in the top 50 metropolitan statistical areas (MSAs), 94.5% were located within the top 100 MSAs and 97.3% of our hotel guestrooms operate under premium franchise brands owned by Marriott International, Inc. (Marriott) (Courtyard by Marriott®, Residence Inn by Marriott®, SpringHill Suites by Marriott® and Fairfield Inn and Suites by Marriott®), Hilton Worldwide (Hilton) (DoubleTree by Hilton®, Hampton Inn®, Hampton Inn & Suites®, Homewood Suites® and Hilton Garden Inn®), Intercontinental Hotel Group (IHG) (Holiday Inn®, Holiday Inn Express®, Holiday Inn Express and Suites®, Hotel Indigo® and Staybridge Suites®) and an affiliate of Hyatt Hotels Corporation (Hyatt) (Hyatt House® and Hyatt Place®). Our hotels are typically located in markets with multiple demand generators such as corporate offices and headquarters, retail centers, airports, state capitols, convention centers, and leisure attractions.

Substantially all of our assets are held by, and all of our operations are conducted through our operating partnership, Summit Hotel OP, LP (the Operating Partnership). Through a wholly-owned subsidiary, we are the sole general partner of the Operating Partnership. At December 31, 2015, we owned, directly and indirectly, approximately 99% of the Operating Partnership s issued and outstanding common units of limited partnership interest (Common Units), and all of the Operating Partnership s issued and outstanding Series A, Series B and Series C preferred units of limited partnership interest (Preferred Units). Pursuant to the Operating Partnership s partnership agreement, we have full, exclusive and complete responsibility and discretion in the management and control of the Operating Partnership, including the ability to cause the Operating Partnership to enter into certain major transactions including acquisitions, dispositions and refinancings, to make distributions to partners and to cause changes in the Operating Partnership s business activities.

We have elected to be taxed as a 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, we lease substantially all of our hotels to wholly-owned subsidiaries (our TRS lessees) of Summit Hotel TRS, Inc., our taxable REIT subsidiary. All of our hotels are operated pursuant to hotel management agreements between our TRS lessees and professional third-party hotel management companies that are not affiliated with us. We have one reportable segment as defined by generally accepted accounting principles (GAAP).

Our corporate offices are located at 12600 Hill Country Boulevard, Suite R-100, Austin, TX 78738. Our telephone number is (512) 538-2300. 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.

Business Strategy

Our strategy focuses on increasing the cash flow of our portfolio through transformation of our portfolio, or capital recycling, by selling assets with lower operating margins and RevPAR growth opportunities and purchasing assets with higher operating margins and RevPAR growth opportunities, focused asset management, targeted capital investment and strategic acquisitions. Our primary objective is to enhance stockholder value over time by generating strong risk-adjusted returns for our stockholders. The key elements of our strategy that we believe will allow us to create long-term value are as follows:

Focus on Premium-Branded, Select-Service Hotels. We focus on hotels in the Upscale and Upper-midscale segments of the lodging industry. We believe that our focus on these segments provides us the opportunity to achieve strong risk-adjusted returns across multiple lodging cycles for several reasons, including:

- *RevPAR Growth*. We believe our hotels will continue to experience meaningful revenue growth to the extent lodging industry fundamentals continue their positive cyclical trend. In the January 2016 publication of PwC Hospitality Directions, PricewaterhouseCoopers, LLP projects U.S. RevPAR growth increases in 2016 for Upscale hotels and Upper-midscale hotels of 4.7% and 5.4%, respectively.

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- *Stable Cash Flow Potential*. Our hotels can be operated with fewer employees than full-service hotels that offer more amenities including more expansive food and beverage options, which we believe enables us to generate consistent cash flows with less volatility.

- *Broad Customer Base*. Our target brands deliver consistently high-quality hotel accommodations with value-oriented pricing that we believe appeals to a wide range of customers, including both business and leisure travelers. We believe that our hotels are particularly popular with frequent business travelers who seek to stay in hotels operating under Marriott, Hilton, Hyatt, Starwood or IHG brands, which offer strong loyalty rewards program points that can be redeemed for travel.

- *Enhanced Diversification*. Premium-branded Upscale and Upper-midscale hotels generally cost significantly less to acquire or build, on a per-key basis, than hotels in the Upper-upscale and luxury segments of the industry. As a result, we can diversify our investment capital into ownership of a larger number of hotels than we could in more expensive segments.

Capitalize on Investments in Our Hotels. We strongly believe in investing in our properties to enable them to be performance leaders in their respective markets. Since the completion of our IPO in February 2011 and through December 31, 2015, we have invested $195.7 million in capital improvements to the hotels in our portfolio, including the 65 hotels in our portfolio at the time of our IPO and the 56 hotels we have acquired since our IPO and through December 31, 2015. We believe these investments produce attractive returns, and we intend to continue to use available capital to upgrade our hotels through strategic renovation and through brand-required hotel property improvement plans.

External Growth Through Acquisitions. We intend to continue to grow through acquisitions of existing hotels using a disciplined approach, while maintaining a prudent capital structure. We target Upscale and Upper-midscale hotels that meet one or more of the following acquisition criteria:

- potential for strong risk-adjusted returns and are located in the top 50 MSAs and other select markets;

- operate under leading franchise brands, which may include but are not limited to brands owned by Marriott, Hilton, IHG and Hyatt;

- located in close proximity to multiple demand generators, such as corporate offices and headquarters, retail centers, airports, state capitols, convention centers, and leisure attractions, with a diverse source of potential guests, including corporate, government and leisure travelers;

- located in markets with 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.

Strategic Hotel Sales (Capital Recycling Program). We seek to maximize 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 hotel. We intend to continue to pursue a disciplined capital allocation strategy designed to maximize the value of our investments by selectively selling hotel properties that we believe are no longer consistent with our investment strategy or whose returns on invested capital appear to have been maximized. To the extent that we sell hotel properties, we intend to redeploy the capital into acquisition and capital investment opportunities that we believe have the potential to generate significant improvements in RevPAR and earnings before interest, taxes, depreciation and amortization (EBITDA) as a result of our proactive asset management approach and by investing in our hotels in an effort to enhance their quality and attractiveness, increase their long-term value and generate more favorable returns on our invested capital.

Selectively Develop Hotels. We seek to identify attractive opportunities to partner on a selective basis with experienced hotel developers to acquire, upon completion, newly constructed hotels that meet our acquisition criteria. We will consider unique opportunities to develop hotels utilizing our own resources if and when circumstances warrant.

Our Financing Strategy

We rely on cash flows from operations, unsecured and secured indebtedness, proceeds from the issuance of our securities and our disciplined capital recycling program to finance our business. While the ratio will vary from time to time, we generally intend to limit our ratio of indebtedness to EBITDA to no more than six to one. For purposes of calculating this ratio, we exclude preferred stock from indebtedness. During 2015, we financed our long-term growth with borrowings under our unsecured credit facility and unsecured term loan and with secured mortgage debt having staggered maturities, and intend to continue to do so in the future. Our debt includes, and may include in the future, mortgage debt secured by hotels and unsecured debt. As of December 31, 2015, we had $677.1 million in outstanding indebtedness.

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

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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 compete with other hotels for guests in their respective markets based on a number of factors, including location, convenience, brand affiliation, quality of the physical condition of the hotel, guestroom rates, range of services and guest amenities or accommodations offered and quality of customer service. Competition is often 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, 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.

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 hotels has the necessary permits and approvals to operate its business.

Americans with Disabilities Act of 1990 (ADA)

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, a determination to the contrary could require removal of access barriers and non-compliance could result in litigation costs, costs to remediate deficiencies, U.S. government fines or in damages to private litigants. 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 land 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 cleanup 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 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 or storage of hazardous chemicals and petroleum products (for example, storage tanks, gas stations, dry cleaning operations) which if released, could have affected 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 use other hazardous or toxic substances. Releases from these adjacent or surrounding properties could affect our properties and we may be liable for any associated cleanup.

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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 or comprehensive asbestos surveys. 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. A few of our properties have experienced environmental contamination prior to our ownership, but all contamination has been remediated to the satisfaction of state regulatory agencies. None of the Phase I environmental site assessments of the hotel properties in our 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. 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 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 existence of mold and other airborne contaminants above regulatory thresholds, 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, 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 or 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.

Tax Status

We elected to be taxed as a REIT for federal income tax purposes commencing with our short taxable year ended December 31, 2011. 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 IRC 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 stock. We believe that we have been organized and have operated in conformity with the requirements for qualification as a REIT under the IRC and that our current and intended manner of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT for federal income tax purposes.

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. Accordingly, we lease substantially all of our hotels to our current TRS lessees, which are wholly-owned subsidiaries of Summit Hotel TRS, Inc. (our   TRS). Our TRS is a   taxable REIT subsidiary,   or TRS, which 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. We will lease newly acquired hotels to our existing TRS or additional TRSs in the future. 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. All of our hotels are operated pursuant to hotel management agreements with third-party professional hotel management companies. We believe each of the third-party managers qualifies as an   eligible independent contractor   under the IRC.

As a REIT, we generally will not be subject to federal income tax on our REIT taxable income that we distribute to our stockholders. Under the IRC, 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, which does not necessarily equal net income as calculated in accordance with GAAP. 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 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. 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. We may also be subject to prohibited transaction tax on any dealer sales of property and excise taxes on predetermined rents. Additionally, any income earned by our TRS will be fully subject to federal, state and local corporate income tax.

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Employees

As of February 19, 2016, we employ 40 full-time employees. The staff at our hotels are employed by our third-party hotel managers.

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, our quarterly reports on Form 10-Q 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. The information contained on, or accessible through the SEC s website or our website is not incorporated by reference into this report and should not be considered a part of this report.

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 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 includes achieving revenue and net income growth from anticipated increases in demand for hotel guestrooms general economic setbacks could adversely affect our future results of operations and our growth prospects.

Our business strategy includes achieving continued revenue and net income growth from anticipated improvement in demand for hotel guestrooms as the economy continues to grow. We, however, cannot provide any assurances that demand for hotel guestrooms will increase from current levels, or the time or extent of any demand growth that we do experience. If demand does not continue to increase as the economy grows, or if there is a setback in the general economy resulting in weakening demand, our operating results and growth prospects could be adversely affected. As a result, any slowdown in economic growth or a new economic downturn could adversely affect our future results of operations and our growth prospects.

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 the receipt of franchisor and lender consents, and we may spend significant time and incur significant transaction costs 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.

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The sale of certain hotel properties could result in significant tax liabilities unless we are able to defer the taxable gain through 1031 Exchanges.

In general, we structure asset sales for possible inclusion in like-kind exchanges within the meaning of Section 1031 of the IRC. The ability to complete a like-kind exchange depends on many factors, including, among others, identifying and acquiring suitable replacement property within limited time periods, and the ownership structure of the properties being sold and acquired. Therefore, we are not always able to sell an asset as part of a like-kind exchange. When successful, a like-kind exchange enables us to defer the taxable gain on the asset sold. If we cannot defer the taxable gain resulting from the sales of certain hotel properties, 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 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 or not operating the hotels at their maximum potential;

- market conditions may result in lower than expected occupancy and guestroom 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 expectations, our business, financial condition, results of operations and cash flow, the market price per share of our stock and our ability to satisfy our debt service obligations and make distributions to our stockholders could be materially and adversely affected.

We may assume liabilities in connection with the acquisition of hotel properties, including unknown liabilities, which, if significant, could adversely affect our business.

We may assume existing liabilities in connection with the acquisition of hotel properties, 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 the seller of a particular hotel property, tax liabilities, employment-related issues and accrued but unpaid liabilities whether incurred in the ordinary course of business or otherwise. 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 of our stock and our ability to satisfy our debt service obligations and to make distributions to our stockholders.

We may not be able to cause our hotel management companies to operate any of our hotels in a manner satisfactory to us, and termination of our hotel management agreements may be costly and disruptive, all of 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 or manage our hotels. Accordingly, substantially all of our hotels are leased to TRS lessees of our TRS. All of our hotels are operated pursuant to hotel management agreements with independent hotel management companies, each of which must qualify as 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 our hotel management companies to operate our hotels successfully. Any failure of our hotel management companies to provide quality services and amenities or maintain a quality brand name and reputation could have a negative effect on their ability to operate our hotels and could have a material and adverse effect on our financial condition, results of operations and our ability to service debt and make distributions to our 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 attempt to resolve issues with our hotel management companies through discussions and negotiations, but otherwise will 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. If we replace the hotel management company 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.

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.

Certain of our hotels are managed by affiliates of the franchisors for such hotels. In these situations, the management agreement and the franchise agreement are typically combined into one document. Thus, if we desire to terminate the management agreement due to poor performance or breach of the management agreement by the management company, we also terminate our franchise license. Thus, we may have very limited options to remedy poor hotel management performance if we desire to retain the franchise license.

The management of the hotels in our portfolio is currently concentrated in one hotel management company.

As of December 31, 2015, Interstate Management Company, LLC (Interstate) or its affiliate managed 48 of our 87 hotels. Thus, a substantial portion of our revenues is generated by hotels managed by Interstate. This significant concentration of operational risk in one hotel management company makes us more vulnerable economically than if our hotel management was more diversified among 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 provide assurance that Interstate will 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 could 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 stock to decline.

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.

Our hotel management agreements and franchise agreements generally contain restrictive covenants and other provisions that do not provide us with flexibility to sell, refinance or rebrand a hotel without the consent of the 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 and litigation if we do not obtain the consent. We could be forced to pay consent or 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.

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 and our hotel management companies maintain our franchisors standards. Failure by us, our TRS or 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.

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. Because our hotels are concentrated in a limited number of franchise brands, a loss of all of the licenses for a particular franchise could materially and adversely affect our revenue, 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.

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We 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.

To qualify as a REIT under the IRC, we are 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 continue 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 which may include our unsecured credit facility, mortgage financing and other unsecured financing. Our ability to effectively implement and accomplish our business strategy will be affected by our ability to obtain and use additional leverage in sufficient amounts and on favorable terms. However, the capital environment is often characterized by extended periods of limited availability of both debt and equity financing, increasing financing costs, stringent credit terms and significant volatility. We may not be able to secure first mortgage financing or increase the availability under, extend the maturity or refinance our unsecured credit facility. 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 or on favorable terms.

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.

We have a significant amount of debt. In the future, we may incur additional indebtedness to finance future hotel acquisitions, capital improvements 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 and our preferred 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.

Generally, our mortgage debt carries maturity dates or call dates such that the loans become due prior to their full amortization. It may be difficult to refinance or extend the maturity of such loans on terms acceptable to us, or at all, and we may not have sufficient borrowing capacity on our unsecured credit facility to repay any amounts that we are unable to refinance. Although we believe that we will be able to refinance or extend the maturity of these loans, or will have the capacity to repay them, if necessary, using draws under our unsecured credit facility, there can be no assurance that our unsecured credit facility will be available to repay such maturing debt, as draws under our unsecured credit facility are subject to limitations based upon our unencumbered assets and certain financial covenants.

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

The agreements governing our 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 place mortgages on our unencumbered hotels;
- 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.

Except for the borrowings under our unsecured credit facilities, all of our other long-term debt existing as of December 31, 2015 is secured by mortgages on our hotel properties and related assets. In addition, the borrowings under our unsecured credit facilities are subject to us maintaining a borrowing base of unencumbered hotel assets. Incurring mortgages 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 such loans. 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 IRC. 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 affect our ability to refinance existing debt or sell assets.

With respect to our existing and future variable-rate debt, 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. See Management s Discussion and Analysis of Financial Condition and Results of Operations Qualitative and Quantitative Effects of Market Risk.

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, and our inability to find suitable replacements on a timely basis could have an adverse effect on our operations.

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Hedging against interest rate exposure may adversely affect our financial position and results of operations.

We have entered into an interest rate swap having an aggregate notional amount of $75.0 million at December 31, 2015 to hedge against interest rate increases on certain of our outstanding variable-rate indebtedness. In the future, we may manage our exposure to interest rate volatility by using hedging arrangements, such as interest rate swaps and interest rate caps. This agreement involves the risk that the arrangement may fail to protect or adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

As a result of any of the foregoing, our hedging transactions, which are intended to limit losses and exposure to interest rate volatility, could have a negative effect on our operating results.

We and our hotel managers rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

Our hotel managers and we rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data. We purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as individually identifiable information, including information relating to financial accounts. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not be able to prevent the systems improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a material adverse effect on our business, financial condition and results of operations.

Joint venture investments could be adversely affected by a lack of sole decision-making authority with respect to such investments, disputes with joint venture partners and the financial condition of joint venture partners.

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, and as a result we may not be able to take actions which are in the best interest of our stockholders. Further, 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.

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.

Actions by organized labor could have a material adverse effect on our business.

We believe that unions are generally becoming more aggressive about organizing workers at hotels in certain locations. If the workers employed by the third-party hotel management companies that manage our hotels unionize in the future, potential labor activities at any affected hotel could significantly increase the administrative, labor and legal expenses of the third-party hotel management company that we have engaged to manage that hotel and could reduce the profits that we receive. If hotels in our portfolio are unionized, this could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our stockholders.

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Risks Related to the Lodging Industry

Economic conditions may 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. Economic weakness could have an adverse effect on our revenue and negatively affect our profitability.

Competition from other Upscale and Upper-midscale 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, guestroom 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 guestrooms at lower rates than we can, which 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 operating results and ability to make distributions to our stockholders may be adversely affected by the risks inherent to the ownership of hotels and the markets in which we operate.

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;
- over-building of hotels in our markets, which could adversely affect occupancy and revenue at the hotels we acquire;
- 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, including increased real estate and personal property taxes, due to inflation and other factors that may not be offset by increased guestroom rates;

- potential increases in labor costs at our hotels, including as a result of unionization of the labor force and increasing health care insurance expense;

- adverse effects of international, national, regional and local economic and market conditions;

- 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; and

- events beyond our control, such as instability in the national, European or global economy, terrorist attacks, travel related health concerns including pandemics and epidemics such as H1N1 influenza (swine flu), zika virus avian bird flu, Ebola and SARS, travel-related environmental concerns including water contamination and air pollution, 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.

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We have significant ongoing needs to make capital expenditures at 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 and hotel management companies 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; 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 and expense related to 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 affect 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 provide assurance 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 guestrooms 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 guestroom rates or other significant contract concessions from our management companies. Moreover, some of these Internet travel intermediaries are attempting to offer hotel guestrooms 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, guestroom revenue may flatten or decrease and our profitability may be adversely affected.

Competition in the markets where we own hotels may adversely affect our results of operations.

The hotel industry is highly competitive. Each of our hotels is located in a developed area that includes other hotels and competes for guests primarily with other hotels in the immediate vicinity of our hotels and secondarily with other hotels in the geographic markets in which our hotels are located. We also compete with numerous owners and operators of vacation ownership resorts, as well as alternative lodging companies, such as HomeAway and Airbnb, which operate websites that market available furnished, privately-owned residential properties, including homes and condominiums, that can be rented on a nightly, weekly or monthly basis. An increase in the number of competitive hotels, vacation ownership resorts and alternative lodging arrangements in a particular area could have a material adverse effect on the occupancy, ADR and RevPAR of our hotels in that area.

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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, acts of terrorism or losses related to business disruption from disputes with franchisors, 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 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. Loan covenants, 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 our hotels or to adjust our portfolio in response to changes in economic and other conditions and therefore, may harm our financial condition.

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.

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

Our hotels and development land 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 or former owner of the property, to perform or pay for the clean-up of contamination (including hazardous substances, waste or petroleum products) at or emanating from the property and to pay for natural resource damage arising from contamination. These laws often impose liability without regard to whether the owner or operator knew of, or caused the contamination. We can also be liable to private parties for costs of remediation, personal injury and death and/or property damage resulting from contamination at or emanating from our properties. 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, air emissions from emergency generators, storm water and wastewater discharges, 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.

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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.

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 which can restrict the use of our properties and increase the cost of acquisition, development and operation of our hotels. In addition, federal and state laws and regulations, including laws such as 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. We have not conducted a comprehensive audit or investigation of all of our properties to determine our compliance. As such, some of our hotels currently may 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 affect our business, financial condition, results of operations and cash flow, the market price of our stock and our ability to satisfy our debt service obligations and to make distributions to our stockholders.

If we default on ground leases for land on which any of our hotels are located, our business could be materially and adversely affected.

If we default on the terms of any of our ground leases and are unable to cure the default in a timely manner, we may be liable for damages and could lose our leasehold interest in the applicable property and interest in the hotel on the applicable property. If any of the events of default were to occur and are not timely cured, our business, financial condition, results of operations and cash flow, the market price of our securities and our ability to satisfy our debt service obligations and to make distributions to our stockholders could be materially and adversely affected.

If states and localities in which we own material amounts of property or conduct material amounts of business raise their income and property tax rates or amend their tax regimes in a manner that increases our state and local tax liabilities, we would have less cash available for distribution to our stockholders and the market price of our shares could be adversely affected.

We and our subsidiaries are subject to income tax and other taxes by states and localities in which we conduct business. Additionally, we are and will continue to be subject to property taxes in states and localities in which we own property, and our TRS lessees are and will continue to be subject to state and local corporate income tax. As these states and localities seek additional sources of revenue, they may, among other steps, raise income and property tax rates and/or amend their tax regimes to eliminate for state income tax purposes the favorable tax treatment REITs enjoy for federal income tax purposes. We cannot predict when or if any states or localities would make any such changes, or what form those changes would take. If states and localities in which we own material amounts of property or conduct material amounts of business make changes to their tax rates or tax regimes that increase our state and local tax liabilities, such increases would reduce the amount of cash available for distribution to our stockholders and could adversely affect the market price of our shares.

Risks Related to Our Organization and Structure

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 must give priority to the interests of our stockholders. 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 interest of the limited partners, including us) and individually

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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.

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 stockholders with the opportunity to realize a premium over the then-prevailing market price of such shares, including business combination and control share provisions.

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.

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Our stockholders have limited voting rights and 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 shares of common stock are the only class of our securities that carry full voting rights. Voting rights for holders of our preferred stock exist primarily with respect to the ability to elect two additional directors to our board of directors in the event that six quarterly dividends (whether or not consecutive) payable on the preferred stock are in arrears, and with respect to voting on amendments to our charter or articles supplementary relating to the preferred stock that materially and adversely affect the rights of the holders of preferred stock or create additional classes or series of senior equity securities. Further, 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 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 or effect other management changes that are 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 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 or Preferred 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 or preferred 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 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 approximately 99% of the Common Units in the Operating Partnership, all of the issued and outstanding 9.25% Series A Cumulative Redeemable Preferred Units of the Operating Partnership (Series A Preferred Units), all of the issued and outstanding 7.875% Series B Cumulative Redeemable Preferred Units of the Operating Partnership (Series B Preferred Units), and all of the issued and outstanding 7.125% Series C Cumulative Redeemable Preferred Units of the Operating Partnership (Series C Preferred Units, the Series C Preferred Units, Series B Preferred Units and Series A Preferred Units collectively referred to as Preferred Units). Any future issuances by our operating partnership of additional Common Units or Preferred Units could reduce our ownership percentage in our operating partnership. Because our common stockholders do not directly own any Common Units or Preferred Units, they will not have any voting rights with respect to any such issuances or other partnership-level activities of the Operating Partnership.

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If we are unable to maintain an effective system of internal controls, we may not be able to produce and report accurate financial information on a timely basis or prevent fraud. As a result, our stockholders could lose confidence in our financial results, which could harm our business and the value of our common shares.

A system of internal controls that is well designed and properly functioning is critical for us to produce and report accurate and reliable financial information and effectively prevent fraud. At times, we may identify areas of our internal controls that are not properly functioning as designed, that need improvement or that must be developed to ensure that we have an adequate system of internal controls. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal controls over financial reporting and have our independent auditors annually issue their own opinion on our internal controls over financial reporting. We cannot be certain that we will be successful in maintaining adequate internal controls over our financial reporting and processes. Additionally, as we grow our business, our internal controls will become more complex and we will require significantly more resources to ensure that our internal controls remain effective. If we or our independent auditors discover a material weakness, the disclosure of that fact, even if promptly remedied, could reduce the market value of our common shares. Additionally, the existence of any material weakness or significant deficiency would require management to devote substantial time and incur significant expense to remediate any such conditions. There can be no assurance that management will be able to remediate any such material weaknesses or significant deficiencies in a timely manner.

Risks Related to Ownership of Our Securities

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, our 9.25% Series A Cumulative Redeemable Preferred Stock trades on the NYSE under the symbol INNPrA, our 7.875% Series B Cumulative Redeemable Preferred Stock trades on the NYSE under the symbol INNPrB, and our 7.125% Series C Cumulative Redeemable Preferred Stock trades on the NYSE under the symbol INNPrC. In order for our securities 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.

The cash available for distribution may not be sufficient to make distributions at expected levels, and we cannot provide assurance 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 affect our operations.

Subject to the preferential rights of the holders of our Series A, Series B and Series C preferred stock and any other class or series of our stock that are senior to our common stock with respect to distribution rights, we intend to make quarterly distributions to holders of our common stock. 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 our unsecured revolving credit facility, proceeds of future stock offerings 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 unsecured revolving credit facility to pay distributions, we would be more limited in our ability to execute our strategy of using that unsecured 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.

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The market price of our 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 market price of our common or preferred stock is the annual yield from distributions on our common or preferred stock, respectively, 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 or preferred stock to demand a higher annual yield, which could reduce the market price of our common or preferred stock, respectively.

Other factors that could affect the market price of our 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, preferred stock, or other securities in the future;
- the inclusion of our common stock and preferred 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 instability in the national, European or global economy, terrorist attacks, travel related health concerns including pandemics and epidemics such as H1N1 influenza (swine flu), avian bird flu, Ebola 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 and preferred 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 and preferred 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 and preferred stock.

The trading market for our 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 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 stock to decline.

The number of shares of our common stock and preferred stock available for future sale could adversely affect the market price per share of our common stock and preferred stock, respectively, and future sales by us of shares of our common stock, preferred 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 or preferred 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 of our common stock and preferred stock. As of February 19, 2016, a total of 484,979 Common Units are redeemable and could be converted into shares of our common stock and sold into the public market. 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 which was amended and restated effective June 15, 2015 (as amended and restated, the Equity 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.

Future offerings of debt securities, which would be senior to our common and preferred stock upon liquidation, and 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 issue equity securities, including Common Units, preferred stock or other 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

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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, new issues of preferred stock 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 future issuances. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their interest in us.

Risks Related to Our Status as a REIT

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.

The REIT rules and regulations are highly technical and complex. We believe that our organization and method of operation has enabled us to meet the requirements for qualification and taxation as a REIT commencing with our short taxable year ended December 31, 2011. However, we cannot provide assurance that we will remain qualified as a REIT.

Failure to qualify as a REIT could result from a number of situations, including, without limitation:

- if the leases of our hotels to our TRS lessees are not respected as true leases for federal income tax purposes;
- if our operating partnership is treated as a publicly traded partnership taxable as a corporation for federal income tax purposes;
- if our existing or future hotel management companies do not qualify as eligible independent contractors or if our hotels are not qualified lodging facilities, as required by federal income tax law; or
- if we fail to meet any of the required annual REIT qualifications.

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 could adversely affect the value of our stock.

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

Even if we continue to qualify for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets including, but not limited to 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 TRS is 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. 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 IRC.

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

To satisfy the requirements for 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. The insufficiency of our cash flows to cover our distribution requirements could have an adverse effect on our ability to raise short- and long-term debt or sell equity securities to fund distributions required to maintain our qualification as a REIT. Also, although the Internal Revenue Service (IRS) has issued private letter rulings to other REITs, which may be relied upon only by the taxpayers to whom they were issued, and a revenue procedure applicable to our 2007 through 2011 taxable years sanctioning certain issuances of taxable stock dividends by REITs under certain circumstances, no assurance can be given that we will be able to pay taxable stock dividends to meet our REIT distribution requirements.

The formation of our TRS increases our overall tax liability.

Our TRS is subject to federal, state and local income tax on its taxable income, which typically 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 and, in the case of any hotel that is owned by a wholly-owned subsidiary of our TRS, the revenue from that hotel, net of the operating expenses. Accordingly, although our ownership of our TRS 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 is available for distribution to us.

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 and other operating expenses, which would adversely affect our TRS ability to pay us rent due under the leases. Increases in these operating expenses can have a significant adverse effect on our financial condition, results of operations, the market price of our common and preferred shares and our ability to make distributions to our stockholders.

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 our current hotel management companies, 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 lease substantially all of our hotels to our TRS lessees. All of our hotels are operated pursuant to hotel management agreements with Interstate and other hotel management companies, each of which we believe qualifies as an eligible independent contractor. Among other requirements, 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.

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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 TRS 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 each of our hotel management companies operates qualified lodging facilities for certain persons who are not related to us or our TRS. However, no assurances can be provided that our hotel management companies 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 and the property that is owned by a wholly-owned subsidiary of our TRS are qualified lodging facilities. Although we intend to monitor future acquisitions and improvements of properties, REIT provisions of the IRC 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.

Our ownership of our TRS is subject to limitations and our transactions with our TRS could 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% (20% for taxable years beginning after December 31, 2017) of the value of a REIT s assets may consist of stock or securities of one or more TRSs. In addition, the IRC limits the deductibility of interest paid or accrued by a TRS to its parent REIT to provide assurance that the TRS is subject to an appropriate level of corporate taxation. The IRC 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 investment in our TRS for the purpose of ensuring compliance with TRS ownership limitations and structure our transactions with our TRS 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% (20% for taxable years beginning after December 31, 2017) TRS limitations or to avoid application of the 100% excise tax.

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

The stock ownership restrictions of the IRC 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.

To qualify as a REIT for each taxable year, five or fewer individuals, as defined in the IRC, 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 IRC 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. 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.

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We may pay taxable dividends in 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.

We may distribute taxable dividends that are payable in cash and common stock at the election of each stockholder. If we made a taxable dividend payable in cash and 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 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 made a taxable dividend payable in cash and our common stock and a significant number of our stockholders determine to sell shares of our common stock 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 pay a taxable dividend of our common stock and cash.

The 100% prohibited transactions tax may limit our ability to dispose of our properties, and we could incur a material tax liability if the IRS successfully asserts that the 100% prohibited transaction tax applies to some or all of our past or future dispositions.

A REIT s net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. We have selectively disposed of certain of our properties in the past and intend to make additional dispositions in the future. Although a safe harbor to the characterization of the sale of property by a REIT as a prohibited transaction is available, some of our past dispositions may not have qualified for that safe harbor and some or all of our future dispositions may not qualify for that safe harbor. We believe that our past dispositions will not be treated as prohibited transactions, and we may avoid disposing of property that may be characterized as held primarily for sale to customers in the ordinary course of business. Consequently, we may choose not to engage in certain sales of our properties or may conduct such sales through our TRS, which would be subject to federal and state income taxation as a corporation. Moreover, no assurance can be provided that the IRS will not assert that some or all of our past or future dispositions are subject to the 100% prohibited transactions tax. If the IRS successfully imposes the 100% prohibited transactions tax on some or all of our dispositions, the resulting tax liability could be material.

If the IRS determines that certain payments we have received in the nature of liquidated damages may not be ignored for purposes of the gross income tests applicable to REITs, we may fail to qualify as a REIT.

In connection with our purchases and sales of properties, we have received payments in the nature of liquidated damages. In December 2015, we were entitled to retain as liquidated damages a $9.1 million escrow payment upon the termination of a purchase and sale agreement with American Realty Capital Hospitality Portfolio SMT, LLC, an affiliate of ARCH for the sale of ten hotel properties and we may be entitled to retain as liquidated damages a $7.5 million escrow payment upon termination of this agreement in the event of a default by the ARCH affiliate in accordance with the reinstatement of the terminated agreement in February 2016. The IRC does not specify the treatment of litigation settlements and liquidated damages for purposes of the gross income tests applicable to REITs. The IRS has issued private letter rulings to other taxpayers ruling that such payments will be ignored for purposes of the gross income tests. A private letter ruling can be relied upon only by the taxpayer to whom it was issued. If the $9.1 million payment was treated as nonqualifying income, we would have failed the 95% gross income test applicable to REITs for 2015. Based on the IRS s private letters rulings and the advice of our tax advisors, we believe the $9.1 million payment should be ignored for purposes of the gross income tests. No assurance can be provided that the IRS will not successfully challenge that position. In the event of a successful challenge, we believe that we would be able to maintain our REIT status if we qualified to use a REIT savings clause and paid the required penalty.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. **Properties.**

Our Portfolio

A list of our hotel properties as of December 31, 2015 is included in the table below. According to STR s current chain scales, as of December 31, 2015, 61 of our hotel properties with 8,271 guestrooms were categorized as Upscale hotels and 26 of our hotel properties with 3,149 guestrooms were categorized as Upper-midscale hotels. At December 31, 2015, legal title to one of our hotels was held by a Qualified Intermediary (a Parked Asset) pending completion of a reverse 1031 Exchange in connection with certain properties that were under contract for sale (the ARCH Sale) to affiliates of American Capital Realty Hospitality Trust, Inc. (ARCH). See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Hotel Property Portfolio Activity Other Hotel Property Investment Activities. We sold six assets to ARCH pursuant to the ARCH Sale on February 11, 2016 and completed the reverse 1031 Exchange whereby legal title to the Parked Asset was transferred from the Qualified Intermediary to us. While a hotel is a Parked Asset, we retain essentially all of the legal and economic benefits and obligations related to the Parked Asset. As such, the Parked Asset is consolidated as a variable interest entity (VIE) in our Consolidated Balance Sheet at December 31, 2015 and the operating results of the Parked Asset are consolidated in our Consolidated Statement of Operations for the year then ended. Hotel information for the year ended December 31, 2015 is as follows:

Franchise/Brand	Location	Number of Guestrooms
Marriott		
Courtyard by Marriott (1)	Phoenix (Scottsdale), AZ	153
Courtyard by Marriott (2) (3)	Atlanta, GA	150
Courtyard by Marriott (1)	Indianapolis, IN	297
Courtyard by Marriott (1)	New Orleans (Metairie), LA	153
Courtyard by Marriott (3)	New Orleans (Convention), LA	202
Courtyard by Marriott (3)	New Orleans (French Quarter), LA	140
Courtyard by Marriott (3) (8)	Jackson, MS	117
Courtyard by Marriott (3) (8)	Memphis (Germantown), TN	93
Courtyard by Marriott (3)	Dallas (Arlington), TX	103
Courtyard by Marriott (3) (8)	El Paso, TX	90
Courtyard by Marriott (3) (6)	Atlanta (Decatur), GA	179
Fairfield Inn & Suites by Marriott (3) (7)	Denver, CO	160
Fairfield Inn & Suites by Marriott (1)	Louisville, KY	140
Fairfield Inn & Suites by Marriott (3) (8)	Memphis (Germantown), TN	80
Fairfield Inn & Suites by Marriott (3)	Dallas (Fort Worth), TX	70
Fairfield Inn & Suites by Marriott (3) (7)	Seattle (Bellevue), WA	144
Fairfield Inn & Suites by Marriott (3) (7)	Spokane, WA	84
Residence Inn by Marriott (1)	New Orleans (Metairie), LA	120
Residence Inn by Marriott (3) (8)	Jackson (Ridgeland), MS	100
Residence Inn by Marriott (1) (4)	Portland, OR	124
Residence Inn by Marriott (3) (8)	Memphis (Germantown), TN	78
Residence Inn by Marriott (3)	Dallas (Arlington), TX	96
Residence Inn by Marriott (3)	Salt Lake City, UT	189
Residence Inn by Marriott (3)	Branchburg, NJ	101

Residence Inn by Marriott (3) (4)	Hunt Valley, MD	141
SpringHill Suites by Marriott (1)	Phoenix (Scottsdale), AZ	121
SpringHill Suites by Marriott (1) (7)	Denver, CO	124
SpringHill Suites by Marriott (1)	Indianapolis, IN	156
SpringHill Suites by Marriott (1)	Louisville, KY	198
SpringHill Suites by Marriott (3)	New Orleans, LA	208
SpringHill Suites by Marriott (1)	Minneapolis (Bloomington), MN	113
SpringHill Suites by Marriott (3)	Nashville, TN	78
Total Marriott (32 hotel properties)		**4,302**
Hilton		
DoubleTree (3)	San Francisco, CA	210
Hampton Inn (3) (7)	Fort Collins, CO	75
Hampton Inn (3)	Provo, UT	87
Hampton Inn (1)	Santa Barbara (Goleta), CA	101
Hampton Inn (3)	Boston (Norwood), MA	139
Hampton Inn & Suites (3) (4)	Austin, TX	209
Hampton Inn & Suites (1)	Ventura (Camarillo), CA	116
Hampton Inn & Suites (1)	San Diego (Poway), CA	108
Hampton Inn & Suites (1)	Tampa (Ybor City), FL	138
Hampton Inn & Suites (1)	Minneapolis (Bloomington), MN	146
Hampton Inn & Suites (1)	Nashville (Smyrna), TN	83
Hampton Inn & Suites (1)	Dallas (Fort Worth), TX	105
Hampton Inn & Suites (3)	Minneapolis, MN	211
Hilton Garden Inn (1)	Houston (Energy Corridor), TX	182
Hilton Garden Inn (1) (4)	Houston (Galleria), TX	190
Hilton Garden Inn (1)	Birmingham, AL	130
Hilton Garden Inn (1)	Birmingham, AL	95
Hilton Garden Inn (3) (7)	Fort Collins, CO	120
Hilton Garden Inn (1)	Atlanta (Duluth), GA	122
Hilton Garden Inn (3)	Minneapolis (Eden Prairie), MN	97
Hilton Garden Inn (1)	Greenville, SC	120
Hilton Garden Inn (1)	Nashville (Smyrna), TN	112
Hilton Garden Inn (1)	Dallas (Fort Worth), TX	98
Homewood Suites (3) (8)	Jackson (Ridgeland), MS	91
Total Hilton (24 hotel properties)		**3,085**

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Franchise/Brand	Location	Number of Guestrooms
Hyatt		
Hyatt House (1)	Denver (Englewood), CO	135
Hyatt House (3)	Miami, FL	156
Hyatt Place (3)	Phoenix, AZ	127
Hyatt Place (1)	Phoenix (Scottsdale), AZ	126
Hyatt Place (1)	Denver (Englewood), CO	126
Hyatt Place (1)	Denver (Lone Tree), CO	127
Hyatt Place (3)	Fort Myers, FL	148
Hyatt Place (1)	Orlando (Convention), FL	150
Hyatt Place (1)	Orlando (Universal), FL	150
Hyatt Place (1)	Atlanta, GA	150
Hyatt Place (1)	Chicago (Hoffman Estates), IL	126
Hyatt Place (1)	Chicago (Lombard), IL	151
Hyatt Place (1)	Baltimore (Owing Mills), MD	123
Hyatt Place (3)	Minneapolis, MN	213
Hyatt Place (3) (5)	Long Island (Garden City), NY	122
Hyatt Place (3) (4)	Portland, OR	136
Hyatt Place (1)	Dallas (Arlington), TX	127
Hyatt Place (3)	Dallas (Las Colinas), TX	122
Total Hyatt (18 hotel properties)		**2,515**
IHG		
Holiday Inn (3) (4)	Atlanta (Duluth), GA	143
Holiday Inn Express (3) (8)	Chicago (Vernon Hills), IL	119
Holiday Inn Express (3)	Charleston, WV	66
Holiday Inn Express & Suites (3)	San Francisco, CA	252
Holiday Inn Express & Suites (3)	Minneapolis (Minnetonka), MN	93
Holiday Inn Express & Suites (3)	Dallas (Las Colinas), TX	128
Holiday Inn Express & Suites (1)	Salt Lake City (Sandy), UT	88
Staybridge Suites (3)	Denver (Glendale), CO	121
Staybridge Suites (3) (8)	Jackson, MS	92
Hotel Indigo (3)	Asheville, NC	115
Total IHG (10 hotel properties)		**1,217**
Carlson		
Country Inn & Suites by Carlson (3)	Charleston, WV	64
Total Carlson (1 hotel property)		**64**
Starwood		
Aloft (3) (8)	Jacksonville, FL	136
Four Points (3)	San Francisco, CA	101
Total Starwood (2 hotel properties)		**237**
Total Portfolio (87 hotel properties)		**11,420**

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(1) These hotel properties are subject to mortgage debt at December 31, 2015. For additional information concerning our mortgage debt and lenders, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Outstanding Indebtedness, and Note 5-Debt, to our Consolidated Financial Statements included under Item 8. Financial Statements and Supplementary Data.

(2) We own a 90% controlling interest in this hotel property with the opportunity to acquire the remaining 10% interest in 2016.

(3) These hotel properties are unencumbered or included in our borrowing base for our unsecured credit facilities at December 31, 2015.

(4) These hotel properties are subject to ground leases as described below in Other Hotel Operating Agreements Ground Leases.

(5) This hotel property is subject to a PILOT (payment in lieu of taxes) lease as described below in Other Hotel Operating Agreements Ground Leases.

(6) This hotel was a Parked Asset at December 31, 2015 until certain assets were sold to ARCH pursuant to the ARCH Sale on February 11, 2016, at which time legal title was transferred to us upon completion of a reverse 1031 Exchange. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Hotel Property Portfolio Activity Other Hotel Property Investment Activities.

(7) These hotel properties were sold to ARCH on February 11, 2016. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Hotel Property Portfolio Activity Other Hotel Property Investment Activities.

(8) These hotel properties are currently under contract to be sold to an affiliate of ARCH, American Realty Capital Hospitality Portfolio SMT ALT, LLC, pursuant to a purchase and sale agreement that was reinstated on February 11, 2016. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Hotel Property Portfolio Activity Other Hotel Property Investment Activities.

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In addition to our hotel property portfolio, we own six parcels of land, one of which is designated as held for sale, that we believe are suitable for the development of new hotel properties, the possible expansion of existing hotel properties or the development of restaurants in proximity to certain of our hotel properties. We will consider unique opportunities to develop hotels utilizing our own resources if and when circumstances warrant. We may also sell these parcels in the future if and when market conditions warrant if we opt not to develop our own hotels on these parcels. To reduce the risk of incurring a prohibited transaction tax on any sales, we may transfer some or all of these parcels to our TRS.

Our Hotel Operating Agreements

Ground Leases

At December 31, 2015, six of our hotel properties are subject to ground lease agreements that cover all of the land underlying the respective hotel property.

- The Residence Inn by Marriott located in Portland, OR 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 Hampton Inn & Suites located in Austin, TX is subject to a ground lease with an initial lease termination date of May 31, 2050. Annual ground rent currently is estimated to be $0.2 million for 2016. Annual rent is increased every five years with the next adjustment coming in 2020.

- The Hilton Garden Inn located in Houston (Galleria Area), Texas is subject to a ground lease with an initial lease termination date of April 20, 2053 with one option to extend for an additional 10 years. Annual ground rent currently is estimated to be $0.3 million for 2016. Annual rent is increased every five years with the next adjustment coming in 2018.

- The Hyatt Place located in Portland, OR 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.

- The Holiday Inn located in Duluth, GA is subject to a ground lease with a lease termination date of April 1, 2069. Annual ground rent currently is estimated to be $0.2 million in 2016. Annual rent is increased annually by 3% for each successive lease year, on a cumulative basis.

- The Residence Inn by Marriott located in Baltimore (Hunt Valley), MD is subject to a ground lease with a termination date of December 31, 2019. The remaining lease term includes twelve successive five-year renewal periods with each term payment increasing by 12.5%. Annual ground rent is currently estimated to be $0.4 million for 2016.

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.

In addition, the Hyatt Place located in Garden City, NY is subject to a PILOT (payment in lieu of taxes) lease with the Town of Hempstead Industrial Development Authority (the IDA), as lessor. The lease expires on December 31, 2019. Upon expiration of the lease, we expect to exercise our right to acquire a fee simple interest in the Garden City hotel property from the IDA for a nominal consideration.

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Franchise Agreements

At December 31, 2015, all of our hotel properties operate under franchise agreements with Marriott, Hilton, Hyatt, IHG, Country Inns & Suites By Carlson, Inc. (Carlson) or Starwood Hotels and Resorts Worldwide, Inc. (Starwood). 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, loyalty programs, 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 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 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 guestroom 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 guestrooms, 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.

Hotel Management Agreements

At December 31, 2015, all of our hotel properties are operated pursuant to hotel management agreements with third-party hotel management companies as follows:

Management Company	**Number of Properties**	**Number of Guestrooms**
Interstate Management Company, LLC and its affiliate Noble Management Group, LLC	48	5,700
Select Hotel Group, LLC	12	1,681
Affiliates of Marriott, including Courtyard Management Corporation, SpringHill SMC Corporation and Residence Inn by Marriott	6	973
White Lodging Services Corporation	4	791
Kana Hotels, Inc.	3	315
InterMountain Management, LLC and its affiliate, Pillar Hotels and Resorts, LP	7	723
Affiliates of IHG including IHG Management (Maryland) LLC and Intercontinental Hotel Group Resources, Inc.	2	395
OTO Development, LLC	2	260
American Liberty Hospitality, Inc.	2	372
Stonebridge Realty Advisors, Inc.	1	210
Total	**87**	**11,420**

Our typical hotel management agreement requires us to pay a base fee to our hotel manager calculated as a percentage of hotel revenues. In addition, our hotel management agreements generally provide that the hotel manager can earn an incentive fee for revenue or EBITDA over certain thresholds. Our TRS lessees may employ other hotel managers in the future. We do not, and will not, have any ownership or economic interest in any of the hotel management companies engaged by our TRS lessees.

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. **Mine Safety Disclosures.**

Not applicable.

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PART II

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

Market Information

Our common stock began trading on the NYSE on February 9, 2011 under the symbol INN. Prior to that time, there was no public trading market for our common stock. The last reported sale price for our common stock as reported on the NYSE on February 19, 2016 was $10.24 per share. The following table sets forth the high and low sales price per share of our common stock per quarter reported on the NYSE, and the distributions declared on our common stock for each of the quarters indicated.

2015	High	Low	Distribution Declared Per Common Share/Unit
Fourth Quarter	$ 13.75	$ 11.58	$ 0.1175
Third Quarter	$ 14.61	$ 11.36	$ 0.1175
Second Quarter	$ 14.22	$ 12.57	$ 0.1175
First Quarter	$ 14.42	$ 12.25	$ 0.1175

2014	High	Low	Distribution Declared Per Common Share/Unit
Fourth Quarter	$ 12.70	$ 10.65	$ 0.1175
Third Quarter	$ 11.07	$ 10.27	$ 0.1175
Second Quarter	$ 10.61	$ 9.01	$ 0.1125
First Quarter	$ 9.48	$ 8.68	$ 0.1125

Stockholder Information

As of February 19, 2016, our common stock was held of record by 358 holders and there were 86,794,013 shares of our common stock outstanding.

Distribution Information

As a REIT, we must distribute annually to our stockholders an amount at least equal to 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain. We will be subject to income tax on our taxable income that is not distributed and to an excise tax to the extent that certain percentages of our taxable income are not distributed by specified dates. Our cash available for distribution may be less than the amount required to meet the distribution requirements for REITs under the IRC and we may be required to borrow money, sell assets or issue capital stock to satisfy the distribution requirements to maintain our REIT status.

The timing and frequency of distributions will be authorized by our board of directors, in its sole discretion, and declared by us based upon a variety of factors deemed relevant by our directors, including financial condition, restrictions under applicable law and loan agreements, capital requirements and the REIT requirements of the IRC. Our ability to make distributions will generally depend on receipt of distributions from the Operating Partnership, which depends primarily upon lease payments from our TRS lessees with respect to our hotels.

We are generally restricted from declaring or paying any distributions, or setting aside any funds for the payment of distributions, on our common stock unless full cumulative distributions on our preferred stock have been declared and either paid or set aside for payment in full for all past distribution periods.

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Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2015 with respect to our securities 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 Summit REIT Stockholders (2)	470,000	$	9.75	3,758,330
Equity Compensation Plans Not Approved by Summit REIT Stockholders				
Total	470,000	$	9.75	3,758,330

(1) Excludes securities reflected in the column entitled Number of Securities to be Issued Upon Exercise of Outstanding Options.

(2) Consists of our Equity Plan.

Stock Performance Graph

The following graph compares the yearly change in our cumulative total stockholder return on our common shares from February 8, 2011, the date immediately prior to the date that our common stock began trading on the NYSE, and through December 31, 2015, with the yearly change in the Standard and Poor s 500 Stock Index (S&P 500 Index), and the SNL US REIT Hotel Index for the same period, assuming a base share price of $100.00 for our common stock, the S&P 500 Index and the SNL US REIT Hotel Index for comparative purposes. The SNL US REIT Hotel Index is composed of publicly traded REITs, all of which focus on investments in hotel properties. Total stockholder return equals appreciation in stock price plus dividends paid and assumes that all dividends are reinvested. The performance graph is not indicative of future investment performance. We do not make or endorse any predictions as to future share price performance.

	Period Ended					
Index	02/08/11	12/30/11	12/31/12	12/31/13	12/31/14	12/31/15
Summit Hotel Properties, Inc.	100.00	100.08	106.19	105.45	152.48	151.91
S&P 500	100.00	96.79	112.28	148.64	168.99	171.33
SNL US REIT Hotel	100.00	79.51	89.69	113.30	149.55	115.69

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Item 6. Selected Financial Data.

The following information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited Consolidated Financial Statements and related notes thereto, appearing elsewhere in this Form 10-K.

	Summit Hotel Properties, Inc.					Summit Hotel Properties, LLC	Combined
(in thousands, except per share)	2015	2014	2013	2012	2/14/11 - 12/31/11	1/1/11 - 2/13/11	2011
Statement of Operations Data							
Revenues:							
Room	$ 436,202	$ 380,472	$ 283,279	$ 154,600	$ 102,108	$ 10,620	$ 112,728
Other hotel operations revenue	27,253	22,994	15,679	7,100	4,280	519	4,799
Total revenues	463,455	403,466	298,958	161,700	106,388	11,139	117,527
Expenses:							
Hotel operating expenses:							
Room	109,844	101,150	80,391	45,130	30,216	3,674	33,890
Other direct	64,010	55,388	39,815	21,284	15,478	2,288	17,766
Other indirect	121,974	104,959	78,136	44,028	28,294	3,642	31,936
Total hotel operating expenses	295,828	261,497	198,342	110,442	73,988	9,604	83,592
Depreciation and amortization	64,052	63,763	49,330	30,645	21,646	2,651	24,297
Corporate general and administrative	21,204	19,884	12,929	9,573	6,561		6,561
Hotel property acquisition costs	1,246	769	1,886	3,050	254		254
Loss on impairment of assets	1,115	8,847	1,369	660			
Total expenses	383,445	354,760	263,856	154,370	102,449	12,255	114,704
Operating income (loss)	80,010	48,706	35,102	7,330	3,939	(1,116)	2,823
Other income (expense):							
Interest expense	(30,414)	(28,517)	(21,991)	(14,909)	(9,993)	(3,435)	(13,428)
Gain on disposal of assets, net	65,067	391	363	(199)	(36)		(36)
Other income (expense)	11,146	595	(1,955)	103	(1)	2	1
Total other expense, net	45,799	(27,531)	(23,583)	(15,005)	(10,030)	(3,433)	(13,463)
Income (loss) from continuing operations before income taxes	125,809	21,175	11,519	(7,675)	(6,091)	(4,549)	(10,640)
Income tax benefit (expense)	(553)	(744)	(4,894)	728	2,259	(550)	1,709
Income (loss) from continuing operations	125,256	20,431	6,625	(6,947)	(3,832)	(5,099)	(8,931)
Income (loss) from discontinued operations		492	(728)	4,677	(345)	(1,108)	(1,453)
Net income (loss)	125,256	20,923	5,897	(2,270)	(4,177)	(6,207)	(10,384)
Income (loss) attributable to non-controlling interests:							
Operating partnership	819	51	(297)	(1,194)	(1,240)		(1,240)
Joint venture		1	316				
Net income (loss) attributable to Summit Hotel Properties, Inc./Predecessor	124,437	20,871	5,878	(1,076)	(2,937)	(6,207)	(9,144)
Preferred dividends	(16,588)	(16,588)	(14,590)	(4,625)	(411)		(411)
Net income (loss) attributable to common stockholders/members	$ 107,849	$ 4,283	$ (8,712)	$ (5,701)	$ (3,348)	$ (6,207)	$ (9,555)
Earnings per share - Basic:							
Net income (loss) per share from continuing operations	$ 1.25	$ 0.04	$ (0.11)	$ (0.28)	$ (0.11)		
Net income (loss) per share from discontinued operations		0.01	(0.01)	0.11	(0.01)		
Net income (loss) per share	$ 1.25	$ 0.05	$ (0.12)	$ (0.17)	$ (0.12)		
Earnings per share - Diluted:							

Net income (loss) per share from continuing operations	$ 1.24	$ 0.04	$ (0.11)	$ (0.28)	$ (0.11)		
Net income (loss) per share from discontinued operations		0.01	(0.01)	0.11	(0.01)		
Net income (loss) per share	$ 1.24	$ 0.05	$ (0.12)	$ (0.17)	$ (0.12)		
Weighted average common shares outstanding:							
Basic	85,920	85,242	70,327	33,717	27,278		
Diluted	87,144	85,566	70,327	33,849	27,278		
Dividends per share	$ 0.47	$ 0.46	$ 0.45	$ 0.45	$ 0.28		
Balance Sheet Data (at period end)							
Total assets	$ 1,580,954	$ 1,459,024	$ 1,294,476	$ 810,789	$ 554,005	n/a	$ 554,005
Debt	$ 677,096	$ 626,533	$ 435,589	$ 312,613	$ 217,104	n/a	$ 217,104
Total equity	$ 856,926	$ 785,201	$ 822,378	$ 473,537	$ 319,449	n/a	$ 319,449

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

Industry Trends and Outlook

Room-night demand in the U.S. lodging industry is generally correlated to macroeconomic trends. Key drivers of demand include growth in GDP, corporate profits, capital investments and employment. Although we remain optimistic that our hotel properties will realize RevPAR gains despite the recent volatility of the economy and lodging industry, the risk exists that global and domestic economic conditions may cause the economic growth to slow or stall, which likely would adversely affect our growth expectations.

The U.S. lodging industry experienced a positive trend through 2015 that we expect to continue through 2016. According to a report prepared in January 2016 by PricewaterhouseCoopers, LLP, U.S. RevPAR growth in 2015 for Upscale hotels and Upper-midscale hotels was 5.6% and 6.3%, respectively, while projected 2016 RevPar growth is 4.7% and 5.4% respectively. We continue to have a positive outlook about national macro-economic conditions and their effect on room-night demand; however, as occupancy levels stabilize, growth expectations for fiscal year 2016 are expected to decelerate from those experienced in 2015. While the supply of new hotels under construction has increased and is expected to accelerate in 2016, we expect that our operating results will not be adversely affected to a substantial degree by increased lodging supply in our markets.

Operating Performance Metrics

We use a variety of operating performance indicators 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 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 hotel properties, groups of hotel properties 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** Occupancy represents the total number of guestrooms occupied divided by the total number of guestrooms available.
- **Average Daily Rate (ADR)** ADR represents total room revenues divided by the total number of guestrooms occupied.
- **Revenue Per Available Room (RevPAR**) RevPAR is the product of ADR and Occupancy.

Occupancy, ADR and RevPAR are commonly used measures within the hotel industry to evaluate operating performance. RevPAR is an important statistic for monitoring operating performance at the individual hotel property 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 guestrooms. Our ADR, occupancy and RevPAR performance may be affected 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 property 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 brands.

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Hotel Property Portfolio Activity

Acquisitions

We acquired seven hotel properties in 2015 and six hotel properties in 2014. A summary of these acquisitions is as follows (dollars in thousands, except Cost per Key):

Date Acquired	Franchise/Brand	Location	Guestrooms as of December 31, 2015	Purchase Price	Renovation Cost	Cost per Key
2015:						
April 13	Hampton Inn & Suites	Minneapolis, MN	211	$ 38,951	$	$ 185,000
June 18	Hampton Inn	Boston (Norwood), MA	139	24,000	2,300(3)	$ 189,000
June 30	Hotel Indigo	Asheville, NC	115	35,000	370(3)	$ 308,000
July 24	Residence Inn	Branchburg, NJ	101	25,700	1,100(3)	$ 265,000
July 24	Residence Inn	Baltimore (Hunt Valley), MD	141	31,100	1,500(3)	$ 231,000
October 19	Hyatt House	Miami, FL	156	39,000	4,800(3)	$ 281,000
October 20	Courtyard by Marriott	Atlanta (Decatur), GA	179	44,000(4)	500(3)	$ 249,000
Total twelve months ended December 31, 2015		*7 hotel properties*	1,042	$ 237,751	$ 10,570	$ 238,000
2014:						
January 9	Hilton Garden Inn	Houston (Galleria), TX	182	$ 37,500	$ 2,934(2)	$ 222,000
January 10	Hampton Inn	Santa Barbara (Goleta), CA	101	27,900(1)	2,100(3)	297,000
January 24	Four Points by Sheraton	San Francisco, CA	101	21,250	1,337(2)	224,000
March 14	DoubleTree by Hilton	San Francisco, CA	210	39,060	4,500(3)	207,000
August 15	Hilton Garden Inn	Houston (Energy Corridor), TX	190	36,000	3,200(3)	206,000
September 9	Hampton Inn & Suites	Austin, TX	209	53,000	2,400(3)	265,000
Total twelve months ended December 31, 2014		*6 hotel properties*	993	$ 214,710	$ 16,471	$ 233,000

(1) The purchase price for this hotel included the issuance of 412,174 Common Units in our operating partnership valued at the time of issuance at $3.7 million. As of December 31, 2015, 141,140 of the Common Units issued had been tendered for redemption and were redeemed for an equivalent number of shares of our common stock.

(2) The amounts reflect actual total renovation costs.

(3) The amounts reflect actual-to-date and estimated remaining costs to complete.

(4) This hotel was a Parked Asset at December 31, 2015 until certain assets were sold to ARCH pursuant to the ARCH Sale on February 11, 2016, at which time legal title was transferred to us upon completion of a reverse 1031 Exchange. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Hotel Property Portfolio Activity Other Hotel Property Investment Activities.

On January 19, 2016, we acquired the 226-guestroom Courtyard by Marriott in the West End of Nashville, TN for $71.0 million. On January 20, 2016, we acquired the 160-guestroom Residence Inn in midtown Atlanta, GA for $38.0 million. The acquisitions (collectively, the Noble Acquisition) were made using funds drawn on the Company s revolving line of credit. Both hotels were parked with a Qualified Intermediary in anticipation of completing reverse 1031 Exchanges. The reverse 1031 Exchange related to the Courtyard by Marriott in the West End of Nashville, TN was completed immediately after the closing of the sale of six hotel properties to ARCH on February 11, 2016.

The purchase price and renovation costs are funded by mortgage debt, advances on our senior unsecured revolving line of credit facility, cash and the issuance of Common Units in our operating partnership described in footnote 1 to the table above. Additional information about the mortgage debt financing is provided below in Outstanding Indebtedness Mortgage Loans.

Of the total renovation costs detailed in the table above, $11.9 million have been incurred as of December 31, 2015. There is no assurance that our actual renovation costs will not exceed our estimates.

Dispositions

Pursuant to our strategy to periodically evaluate our hotel properties and land held for development, we sold ten hotel properties in 2015 and four hotel properties and three parcels of land held for development in 2014. Historically, when a property was identified as being held for sale, we reclassified the property on our Consolidated Balance Sheets, evaluated for potential impairment and in the case of a hotel property, reported historical and future results of operations in discontinued operations.

As discussed in the Notes to our Consolidated Financial Statements, Accounting Standards Update (ASU) 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, was required to be adopted during the first quarter of 2015; however, we elected early adoption in the first quarter of 2014, which is permitted for disposals and classifications of assets as held for sale provided that such assets had not been reported previously in discontinued operations. ASU No. 2014-08 changed the criteria for discontinued operations to include only disposals that represent a strategic shift in operations with a major effect on operations and results. As such, the results of operations for the AmericInn Hotel & Suites, Aspen Hotel & Suites and Hampton Inn in Fort Smith, AR were classified as discontinued operations until the sale of the properties during the year ended December 31, 2014. Under ASU 2014-08, the Company anticipates that the majority of future property sales will not be classified as discontinued operations.

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A summary of the dispositions in 2015 and 2014 follows (dollars in thousands):

Disposition Date	**Franchise/Brand**	**Location**		**Gross Sales Price**
2015:				
October 15	Hampton Inn	Medford, OR	$	12,873
October 15	DoubleTree	Baton Rouge, LA		17,938
October 15	Fairfield Inn & Suites	Baton Rouge, LA		4,868
October 15	Springhill Suites	Baton Rouge, LA		7,593
October 15	TownePlace Suites	Baton Rouge, LA		8,086
October 15	Hampton Inn & Suites	El Paso, TX		22,672
October 15	Hampton Inn	Fort Wayne, IN		12,817
October 15	Residence Inn	Fort Wayne, IN		14,829
October 15	Courtyard	Flagstaff, AZ		31,609
October 15	Springhill Suites	Flagstaff, AZ		16,784
Total 2015			$	150,069
2014:				
January 17	AmericInn Hotel & Suites and Aspen Hotel & Suites	Fort Smith, AR	$	3,080(1)
September 9	Hampton Inn	Fort Smith, AR		8,800(1)
October 21	Country Inn & Suites and adjacent land parcels	San Antonio, TX		7,900(2)
Total 2014			$	19,780

(1) The sale of these hotel properties included the assignment of the related ground leases.

(2) The sale of this property included three adjacent land parcels totaling 5.64 acres.

Other Hotel Property Investment Activities

On December 29, 2015, the Company and ARCH agreed to terminate the Real Estate Purchase and Sale Agreement, dated as of June 2, 2015 (as amended thereafter and as subsequently terminated, the Terminated Purchase Agreement), pursuant to which ARCH had the right to acquire fee simple interests in the ten hotels listed below containing a total of 996 guestrooms for an aggregate purchase price of $89.1 million at a closing that had been scheduled to occur on December 29, 2015. As a result of the termination, ARCH forfeited and we retained the $9.1 million earnest money deposit made under the Terminated Purchase Agreement and the parties were released from further obligations under the Terminated Purchase Agreement, except those which expressly survive the termination of the Terminated Purchase Agreement pursuant to its terms. This transaction had not been structured as a 1031 Exchange. The receipt of the $9.1 million of forfeited earnest money was recorded as Other Income on our Statement of Operations for the year ended December 31, 2015.

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On June 2, 2015, we entered into two separate agreements, as amended on July 15, 2015 (collectively, the ARCH Agreements), to sell a portfolio of 26 hotels containing an aggregate of 2,793 guestrooms to ARCH for an aggregate cash purchase price of approximately $347.4 million (the ARCH Sale). The hotels were to be sold in three separate closings. The first closing of ten hotels containing 1,090 guestrooms was completed on October 15, 2015 for an aggregate cash payment of $150.1 million.

On December 29, 2015, we and ARCH agreed to terminate the ARCH Agreements with respect to ARCH s right to acquire fee simple interests in ten hotels containing a total of 996 guestrooms for an aggregate purchase price of $89.1 million at a closing that had been scheduled to occur on December 29, 2015 (the Terminated Purchase Agreement). As a result of the termination, ARCH forfeited and we retained, the $9.1 million earnest money deposit made by ARCH under the ARCH Agreements related to the sale of these ten hotels and the parties were released from further obligations, except those which expressly survive the termination of the ARCH Agreements pursuant to its terms. This transaction had not been structured as a 1031 Exchange. The receipt of the $9.1 million of forfeited earnest money was recorded as Other Income on our Statement of Operations for the year ended December 31, 2015.

On February 11, 2016, the Company and American Realty Capital Hospitality Portfolio SMT ALT, LLC, an affiliate of ARCH, as substitute purchaser (New ARCH Purchaser), entered into a letter agreement (the Reinstatement Agreement) and agreed, subject to the terms and conditions of the Reinstatement Agreement, to reinstate the Terminated Purchase Agreement in its entirety, except as modified by the Reinstatement Agreement (the Terminated Purchase Agreement, as reinstated and modified by the Reinstatement Agreement, is referred to herein as the Reinstated Purchase Agreement), to make null and void the prior termination of the Terminated Purchase Agreement and to proceed with the proposed sale of the ten hotels listed below (the Reinstated Hotels) pursuant to the Reinstated Purchase Agreement for an aggregate purchase price of $89.1 million. The Reinstated Hotels are being sold to the New ARCH Purchaser as part of the ARCH Sale. As stated above, we previously sold ten of the 26 hotels to ARCH at a closing that occurred on October 15, 2015 for a purchase price of $150.1 million. As disclosed below, we sold six of the 26 hotels to an ARCH affiliated purchaser at a closing that occurred on February 11, 2016 for a purchase price of $108.3 million. The 16 hotels previously sold to ARCH affiliated purchasers were sold by us pursuant to a separate real estate purchase and sale agreement relating to the sale of those hotels.

The Reinstated Hotels are as follows:

LOCATION	**ROOMS**
Residence Inn - Jackson, MS	100
Holiday Inn Express - Vernon Hills, IL	119
Courtyard by Marriott - Germantown, TN	93
Courtyard by Marriott - Jackson, MS	117
Fairfield Inn & Suites - Germantown, TN	80
Residence Inn - Germantown, TN	78
Aloft - Jacksonville, FL	136
Staybridge Suites - Ridgeland, MS	92
Homewood Suites - Ridgeland, MS	91
Courtyard by Marriott - El Paso, TX	90
	996

The Reinstatement Agreement requires the New ARCH Purchaser to deposit non-refundable earnest money in the amount of $7.5 million (the New Deposit) with an escrow agent to support the closing of the Reinstated Hotels. The New Deposit is non-refundable to the New ARCH Purchaser except in limited circumstances. The prior earnest money deposit in the amount of $9.1 million was retained by us in connection with the termination of the Terminated Purchase Agreement and will not be credited to the New ARCH Purchaser against the purchase price for the Reinstated Hotels. The closing of the sale of the Reinstated Hotels is scheduled to occur on or before December 30, 2016 (the New Closing Date), or at such later date as the closing may be adjourned or extended in accordance with the express terms of the Reinstatement Agreement.

If the closing of the Reinstated Hotels does not occur as required by the Reinstatement Agreement because of a default by the New ARCH Purchaser, then the New ARCH Purchaser will forfeit the New Deposit to us as liquidated damages.

Prior to the New Closing Date, we have the right to continue to market and ultimately sell, without the consent of the New ARCH Purchaser, any or all of the Reinstated Hotels to a bona fide third-party purchaser that is not an affiliate of ours. If we sell some, but not all, of the Reinstated Hotels to a bona fide third-party purchaser, then the purchase price to be paid by the New ARCH Purchaser for the remaining Reinstated Hotels will be reduced accordingly (the Revised Purchase Price), but the New Deposit will remain with the escrow agent except in limited circumstances.

On February 11, 2016, we completed the sale of the following six hotels as part of the ARCH Sale:

LOCATION	ROOMS
Fairfield Inn & Suites - Spokane, WA	84
Fairfield Inn & Suites - Denver, CO	160
SpringHill Suites - Denver, CO	124
Hampton Inn - Fort Collins, CO	75
Fairfield Inn & Suites - Bellevue, WA	144
Hilton Garden Inn - Fort Collins, CO	120
	707

The six hotels were sold to ARCH for an aggregate purchase price of $108.3 million, and proceeds from the sale of the six hotels were used to complete certain reverse 1031 Exchanges. The hotels acquired by us for the reverse 1031 Exchanges included the 179-guestroom Courtyard by Marriott® in Atlanta (Decatur), GA on October 20, 2015 for a purchase price of $44.0 million and the 226-guestroom Courtyard by Marriott® in the West End of Nashville, TN for a purchase price of $71.0 million on January 19, 2016. The completion of the reverse 1031 Exchanges resulted in the deferral of taxable gains of approximately $74.0 million and the pay-down of our unsecured revolving credit facility by $105.0 million, resulting in additional borrowing capacity under the unsecured revolving credit facility. Additionally, we repaid a mortgage loan totaling $5.8 million related to sale of the Springhill Suites in Denver, CO to ARCH.

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On February 11, 2016, the Operating Partnership entered into a loan agreement with ARCH, as borrower, which provides for a loan by the Operating Partnership to ARCH in the amount of $27.5 million (the Loan). The proceeds of the Loan were required to be applied by ARCH as follows: (i) $20.0 million was applied toward the payment of a portion of the $108.3 million purchase price for the six hotels containing 707 guestrooms, which were acquired by an ARCH affiliated purchaser on February 11, 2016 as part of the ARCH Sale; and (ii) the remaining $7.5 million was applied by ARCH to fund the New Deposit under the Reinstated Purchase Agreement.

The entire principal amount of the Loan, and any accrued and unpaid interest, will be due and payable on February 11, 2017 (the Maturity Date), unless extended pursuant to the Loan agreement. ARCH will repay a portion of the outstanding principal balance of the Loan in an aggregate amount equal to $5.0 million, to be paid in five equal installments of $1.0 million, on the last day of May, June, July, August and September 2016 (the Amortization Payments). The Loan may be prepaid in whole or in part at any time by ARCH, without payment of any penalty or premium. ARCH may extend the maturity date of the Loan under certain conditions by up to two years pursuant to two one-year extension options (each an Extension Option).

Interest will accrue on the unpaid principal balance of the Loan at a rate of 13.0% per annum from the date of the Loan to the initial Maturity Date, 14.0% per annum during the first extension period and 15.0% per annum during the second extension period. An amount equal to 9.0% per annum is to be paid monthly. The remaining 4.0%, 5.0% and 6.0%, as the case may be, will accrue and be compounded monthly (the PIK). The PIK must be paid in order to exercise any Extension Option, otherwise the PIK is payable at the initial Maturity Date. The PIK may be paid in cash prior to the initial Maturity Date, or any extension thereof.

To secure the payment of the Amortization Payments, ARCH will cause the rents from certain hotel properties or assets of its taxable REIT subsidiaries to be deposited to a separate controlled account (the Control Account) and ARCH has granted the Operating Partnership a continuing security interest in all of its right, title and interest in and to the Control Account until the Amortization Payments have been satisfied in full in accordance with the terms of the Loan agreement.

Non-GAAP Financial Measures

We consider funds from operations (FFO) and EBITDA, both of which are non-GAAP financial measures, to be useful to investors as key supplemental measures of our operating performance. We caution investors that amounts presented in accordance with our definitions of FFO and EBITDA may not be comparable to similar measures disclosed by other companies, since not all companies calculate these non-GAAP measures in the same manner. FFO and EBITDA should be considered along with, but not as alternatives to, net income (loss) as a measure of our operating performance. FFO and EBITDA may include funds that may not be available for our discretionary use due to functional requirements to conserve funds for capital expenditures, property acquisitions, debt service obligations and other commitments and uncertainties. Although we believe that FFO and EBITDA can enhance the understanding of our financial condition and results of operations, these non-GAAP financial measures are not necessarily better indicators of any trend as compared to a comparable GAAP measure such as net income (loss).

Funds From Operations

As defined by the National Association of Real Estate Investment Trusts, (NAREIT), FFO represents net income or loss (computed in accordance with GAAP), excluding preferred dividends, gains (or losses) from sales of real property, impairment losses on real estate assets, items classified by GAAP as extraordinary, the cumulative effect of changes in accounting principles, plus depreciation and amortization related to real estate assets, and adjustments for unconsolidated partnerships and joint ventures. Unless otherwise indicated, we present FFO applicable to our common shares and Common Units. 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, 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 related to real estate assets, gains and losses from real property dispositions and impairment losses on real estate assets, it provides a performance measure that, when compared year over year, reflects the effect to operations from trends in occupancy, guestroom rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income. Our computation of FFO differs from the computation of NAREIT-defined FFO and may differ from the methodology for calculating FFO used by other equity REITs and, accordingly, may not be comparable to such other REITs because in addition to the amount of depreciation and amortization we add back to net income or loss, we also add back the amortization of deferred financing costs and the amortization of franchise application fees. 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. Where indicated in this Annual Report on Form 10-K, FFO is based on our computation of FFO and not the computation of NAREIT-defined FFO unless otherwise noted.

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The following is a reconciliation of our GAAP net income to FFO for the years ended December 30, 2015, 2014 and 2013 (in thousands, except per share/unit data):

	2015	2014	2013
Net income	$ 125,256	$ 20,923	$ 5,897
Preferred dividends	(16,588)	(16,588)	(14,590)
Net income applicable to common shares and common units	108,668	4,335	(8,693)
Real estate-related depreciation (2)	63,675	63,291	50,879
Loss on impairment of assets	1,115	9,247	9,044
Gain on disposal of assets	(65,067)	(446)	(4,308)
Non-controlling interest in joint venture		(1)	(316)
Adjustments related to joint venture		(204)	(315)
NAREIT-defined FFO applicable to common shares and common units	$ 108,391	$ 76,222	$ 46,291
Amortization of deferred financing costs	$ 1,723	$ 1,549	$ 1,854
Amortization of franchise application fees (2)	377	485	411
FFO applicable to common shares and common units	$ 110,491	$ 78,256	$ 48,556
FFO per common share/common unit	$ 1.27	$ 0.90	$ 0.66
Weighted average diluted common shares/common units (1)	87,144	86,590	73,241

(1) Includes Common Units in the Operating Partnership held by limited partners (other than us and our subsidiaries) because the Common Units are redeemable for cash or, at our election, shares of our common stock.

(2) The summation of these line items represents depreciation and amortization expense as reported in our Consolidated Statements of Operations for each of the periods presented.

During the year ended December 31, 2015, FFO applicable to common shares and common units increased by $32.2 million, or 41.2%, over the prior year primarily due to an increase in revenues of $60.0 million during the year ended December 31, 2015 in comparison with the prior year, which resulted in an increase in net income (adjusted for non-cash items such as depreciation and amortization, loss on impairment of assets, equity-based compensation and gains on the disposal of assets) of $34.7 million for the year ended December 31, 2015 over the prior year. The increase in revenues was the result of increases in occupancy and ADR as discussed below under Results of Operations Comparison of 2015 to 2014 Revenues. Additionally, during the year ended December 31, 2015, FFO increased because loss on impairment of assets declined $8.1 million in comparison with the prior year.

During the year ended December 31, 2014, FFO applicable to common shares and common units increased by $29.7 million, or 61.2%, over the prior year primarily due to an increase in revenues of $104.5 million during the year ended December 31, 2014 in comparison with the prior year, which resulted in an increase in net income for the year ended December 31, 2014 of $15.0 million over the prior year. The increase in revenues was the result of increases in occupancy and ADR as discussed below under Results of Operations Comparison of 2014 to 2013 Revenues.

Earnings Before Interest, Taxes, Depreciation and Amortization

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 effect 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.

The following is a reconciliation of our GAAP net income to EBITDA for the years ended December 31, 2015, 2014 and 2013 (in thousands):

	2015	2014	2013
Net income	$ 125,256	$ 20,923	$ 5,897
Depreciation and amortization	64,052	63,776	51,290
Interest expense	30,414	28,517	22,165
Interest income	(998)	(690)	(83)
Income tax expense	553	718	4,357
Non-controlling interest in joint venture		(1)	(316)
Adjustments related to joint venture		(204)	(315)
EBITDA	$ 219,277	$ 113,039	$ 82,995

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During the year ended December 31, 2015, EBITDA increased by $106.2 million, or 94.0%, over the prior year primarily due to an increase in net income of $104.3 million during the year ended December 31, 2015 in comparison with the prior year. The increase in net income was primarily driven by an increase in revenues of $60.0 million and an increase in gain on disposal of assets of $64.6 million during the year ended December 31, 2015 in comparison with the prior year. The increase in revenues was the result of increases in occupancy and ADR as discussed below under Results of Operations Comparison of 2015 to 2014 Revenues.

During the year ended December 31, 2014, EBITDA increased by $30.0 million, or 36.2%, over the prior year primarily due to an increase in net income of $27.2 million during the year ended December 31, 2014 in comparison with the prior year. The increase in net income was primarily driven by an increase in revenues of $104.5 million during the year ended December 31, 2014 in comparison with the prior year. The increase in revenues was the result of increases in occupancy and ADR as discussed below under Results of Operations Comparison of 2014 to 2013 Revenues.

Hotel Revenues and Operating Expenses

Our revenues are derived from hotel operations and consist of room revenue and other hotel operations revenue. As a result of our focus on select-service hotels in the Upscale and Upper-midscale segments of the U.S. lodging industry, substantially all of our revenues are related to the sales of hotel guestrooms. Our other hotel operations revenue consists of ancillary revenues related to food and beverage sales, meeting rooms and other guest services provided at our hotel properties.

Our hotel operating expenses consist primarily of expenses incurred in the day-to-day operation of our hotel properties. 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 revenues at our hotel properties decrease. Our hotel operating expenses consist of room expenses (wages, payroll taxes and benefits, linens, cleaning and guestroom supplies, and complimentary breakfast), other direct expenses (office supplies, utilities, telephone, advertising and bad debts), and other indirect expenses (real and personal property taxes, insurance, travel agent and credit card commissions, hotel management fees, and franchise fees).

Results of Operations

The comparisons that follow should be reviewed in conjunction with the Consolidated Financial Statements included elsewhere in this Form 10-K. Hotel properties classified as discontinued operations prior to our adoption of ASU 2014-08 are not included in the discussion below.

Comparison of 2015 to 2014

The following table contains key operating metrics for our total portfolio and our same-store portfolio for 2015 compared with 2014 (dollars in thousands, except ADR and RevPAR). We define same-store hotels as properties that we owned or leased as of December 31, 2015 and that we have owned or leased at all times since January 1, 2014.

	2015		2014		Year-over-Year Dollar Change		Year-over-Year Percentage/Basis Point Change	
	Total Portfolio (87 hotels)	Same-Store Portfolio (74 hotels)	Total Portfolio (90 hotels)	Same-Store Portfolio (74 hotels)	Total Portfolio (87/90 hotels)	Same-Store Portfolio (74 hotels)	Total Portfolio (87/90 hotels)	Same-Store Portfolio (74 hotels)
Total revenues	$ 463,455	$ 357,701	$ 403,466	$ 330,353	$ 59,989	$ 27,348	14.9%	8.3%
Hotel operating expenses	$ 295,828	$ 231,060	$ 261,497	$ 215,447	$ 34,331	$ 15,613	13.1%	7.2%
Occupancy	77.2%	76.9%	75.7%	75.3%	n/a	n/a	150bps	160bps
ADR	$ 132.32	$ 128.48	$ 122.52	$ 121.18	$ 9.80	$ 7.30	8.0%	6.0%
RevPAR	$ 102.20	$ 98.77	$ 92.71	$ 91.28	$ 9.49	$ 7.48	10.2%	8.2%

The total portfolio information above includes revenues and expenses from the seven hotels we acquired in 2015 (the 2015 Acquired Hotels) and the six hotel properties we acquired in 2014 (the 2014 Acquired Hotels) from the date of acquisition through December 31, 2015, and operating information (occupancy, ADR, and RevPAR) for the period each hotel was owned. Accordingly, the information does not reflect a full twelve months of operations in 2015 for the 2015 Acquired Hotels or a full twelve months of operations in 2014 for the 2014 Acquired Hotels. The combined 2015 Acquired Hotels and 2014 Acquired Hotels are referred to as the 2015/2014 Acquired Hotels.

Revenues. Total revenues increased $60.0 million, or 14.9%, to $463.5 million in 2015, compared with $403.5 million in 2014. The growth was due to a $27.3 million increase in same-store revenues and an $39.0 million increase in revenues at the 2015/2014 Acquired Hotels.

The same-store revenue increase of 8.3%, to $357.7 million in 2015 compared with $330.4 million in 2014, was due to a 160 basis point increase in same-store occupancy in 2015 compared with 2014, and a 6.0% increase in same-store ADR in 2015 compared with 2014. The increases in same-store occupancy and same-store ADR resulted in an 8.2% increase in same-store RevPAR to $98.77 in 2015 compared with $91.28 in 2014. These increases were due to the transformation of our portfolio by selling assets, including ten hotels in 2015 and four hotels in 2014, with lower operating margins and RevPAR growth opportunities and purchasing assets with higher operating margins and RevPAR growth opportunities, the improving economy, our strong revenue and asset management programs, hotel industry fundamentals and strategic and brand-required renovations made at our same-store hotel properties.

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Hotel Operating Expenses. Hotel operating expenses for the total portfolio increased $34.3 million, or 13.1%, in 2015 compared with 2014. This increase is due in part to a $23.5 million increase in hotel operating expenses related to the 2015/2014 Acquired Hotels. In addition, the increase in hotel operating expenses in 2015 for the total portfolio was driven by a $15.6 million increase in same-store hotel operating expenses due to variable costs related to the $27.3 million, or 8.3%, increase in same-store revenue. Operating Margins for the same-store portfolio improved in 2015 compared to 2014, with same-store hotel operating expenses declining as a percentage of same-store revenue from 65.2% in 2014 to 64.6% in 2015, due to consistent fixed expenses and increasing revenues at the same-store hotel properties in 2015.

The following table summarizes our hotel operating expenses for our same-store (74 hotels) portfolio for 2015 and 2014 (dollars in thousands):

	2015	2014	Percentage Change	Percentage of Revenue 2015	Percentage of Revenue 2014
Rooms expense	$ 86,665	$ 84,076	3.1%	24.2%	25.5%
Other direct expense	49,987	46,229	8.1%	14.0%	14.0%
Other indirect expense	94,408	85,142	10.9%	26.4%	25.8%
Total hotel operating expenses	$ 231,060	$ 215,447	7.2%	64.6%	65.2%

Depreciation and Amortization. Depreciation and amortization expense increased $0.3 million, or 0.5%, to $64.1 million in 2015 compared with 2014, primarily due to depreciation associated with the 2015/2014 Acquired Hotels offset by the effect of the reclassification of 26 hotel properties to Assets Held for Sale resulting in depreciation expense no longer being recorded related to these assets in 2015. The 2015 depreciation and amortization expense includes $63.7 million of real estate-related depreciation and $0.4 million of franchise application fee amortization. The 2014 depreciation and amortization expense includes $63.3 million of real estate-related depreciation and $0.5 million of franchise application fee amortization.

Corporate General and Administrative. Corporate general and administrative expenses increased by $1.3 million, or 6.6%, to $21.2 million in 2015 compared with 2014. This increase was primarily due to severance costs of $3.1 million, including non-cash, stock-based compensation expense of $1.1 million recognized upon the resignation of our former Executive Chairman of the Board on July 30, 2015. This increase was partially offset by a $1.0 million reduction in professional fees incurred in 2014 but not in 2015 related to the establishment of new procedures and systems for intercompany account reconciliations and $0.8 million in executive and board of directors recruiting fees recorded during 2014.

Loss on impairment of assets. In 2015, we determined that the value of land parcels in San Antonio, TX, Fort Myers, FL and Flagstaff, AZ were impaired based on market conditions. As such, we recognized a loss on impairment of assets of $1.1 million in our Consolidated Statement of Operations for the year ended December 31, 2015. During the year ended December 31, 2014, we recognized a loss on impairment of assets of $8.2 million related to the Country Inn & Suites and three adjacent land parcels totaling 5.64 acres in San Antonio, TX, which was sold in the fourth quarter of

2014, and a loss on impairment of $0.7 million related to a land parcel in Spokane, WA.

In addition, in 2014, we recognized a loss on impairment of assets of $0.4 million related to the Hampton Inn in Fort Smith, AR. This property was classified as held for sale prior to the Company s adoption of ASU No. 2014-08 and its operating results, including impairment charges, were included in discontinued operations.

Gain on Disposal of Assets. Gain on disposal of assets increased by $64.7 million to $65.1 million in 2015 compared with 2014. This increase was primarily due to the sale of ten properties to ARCH on October 15, 2015 for a gain of $66.6 million.

Other Income/Expense. Other income increased $10.6 million, or 1,773%, to $11.1 million in 2015 compared with 2014 primarily due to the earnest money deposit of $9.1 million that was forfeited by ARCH in the fourth quarter of 2015 as a result of terminating the agreement to purchase ten hotel properties that was scheduled to close on December 29, 2015.

Income Tax Expense/Benefit. Our total income tax expense in 2015 was $0.5 million. Our income tax expense was minimal due in part to the valuation allowance recorded against our deferred tax assets. At December 31, 2015, we reduced our valuation allowance to zero as the company had sufficient positive evidence to conclude that a U.S. valuation allowance is no longer needed on its net deferred tax assets. The positive evidence weighed included two consecutive years of profitability. The release of the valuation allowance resulted in a noncash deferred tax benefit of $0.1 million.

At December 31, 2014, we had valuation allowance of $2.4 million to offset deferred tax assets based on our assessment of realizability.

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During the year ended December 31, 2014, the utilization of tax attributes to offset taxable income reduced the overall amount of deferred tax assets subject to the valuation allowance. At December 31, 2015, we had gross deferred tax assets of $1.5 million primarily related to net operating loss carryforwards and $1.3 million in deferred tax liabilities related to an investment in a joint venture. We have concluded that it is more-likely-than-not that our deferred tax assets will be realized in the future and therefore, we reduced our valuation allowance to zero at December 31, 2015.

Comparison of 2014 to 2013

The following table contains key operating metrics for our total portfolio and our same-store portfolio for 2014 compared with 2013 (dollars in thousands, except ADR and RevPAR). We define same-store hotels as properties that we owned as of December 31, 2014 and for the entire prior fiscal year.

	2014		2013		Year-over-Year Dollar Change		Year-over-Year Percentage/Basis Point Change	
	Total Portfolio (90 hotels)	Same-Store Portfolio (65 hotels)	Total Portfolio (85 hotels)	Same-Store Portfolio (65 hotels)	Total Portfolio (90/85 hotels)	Same-Store Portfolio (65 hotels)	Total Portfolio (90/85 hotels)	Same-Store Portfolio (65 hotels)
Total revenues	$ 403,466	$ 240,627	$ 298,958	$ 219,489	$ 104,508	$ 21,138	35.0%	9.6%
Hotel operating expenses	$ 261,497	$ 159,034	$ 198,342	$ 147,298	$ 63,155	$ 11,736	31.8%	8.0%
Occupancy	75.7%	75.4%	73.4%	73.2%	n/a	n/a	230bps	220bps
ADR	$ 122.52	$ 111.94	$ 110.37	$ 105.22	$ 12.15	$ 6.72	11.0%	6.4%
RevPAR	$ 92.71	$ 84.42	$ 81.03	$ 76.98	$ 11.68	$ 7.44	14.4%	9.7%

The total portfolio information above includes revenues and expenses from the six hotels we acquired in 2014 (the 2014 Acquired Hotels) and the 19 hotel properties we acquired in 2013 (the 2013 Acquired Hotels) from the date of acquisition through December 31, 2014, and operating information (occupancy, ADR, and RevPAR) for the period each hotel was owned. Accordingly, the information does not reflect a full twelve months of operations in 2014 for the 2014 Acquired Hotels or a full twelve months of operations in 2013 for the 2013 Acquired Hotels. The combined 2014 Acquired Hotels and 2013 Acquired Hotels are referred to as the 2014/2013 Acquired Hotels.

Revenues. Total revenues increased $104.5 million, or 35.0%, to $403.5 million in 2014, compared with $299.0 million in 2013. The growth was due to a $21.1 million increase in same-store revenues and an $83.7 million increase in revenues at the 2014/2013 Acquired Hotels.

The same-store revenue increase of 9.6%, to $240.6 million in 2014 compared with $219.5 million in 2013, was due to a 220 basis point increase in same-store occupancy in 2014 compared with 2013, and a 6.4% increase in same-store ADR in 2014 compared with 2013. The increases in same-store occupancy and same-store ADR resulted in a 9.7% increase in same-store RevPAR to $84.42 in 2014 compared with $76.98 in 2013. These increases were due to the improving economy, our strong revenue and asset management programs, hotel industry fundamentals and strategic and brand-required renovations made at our hotel properties.

Hotel Operating Expenses. Hotel operating expenses for the total portfolio increased $63.2 million, or 31.8%, in 2014 compared with 2013. This increase is due in part to a $51.8 million increase in hotel operating expenses related to the 2014/2013 Acquired Hotels. In addition, the increase in same-store hotel operating expenses in 2014 was driven by an $11.7 million increase in variable costs related to the $21.1 million, or 9.6%, increase in same-store revenue. Expenses at the same-store hotels declined as a percentage of same-store revenue from 67.1% in 2013 to 66.1% in 2014, due to consistent fixed expenses and increasing revenues at the same-store hotel properties in 2014.

The following table summarizes our hotel operating expenses for our same-store (65 hotels) portfolio for 2014 and 2013 (dollars in thousands):

			Percentage	Percentage of Revenue	
	2014	**2013**	**Change**	**2014**	**2013**
Rooms expense	$ 62,752	$ 59,781	5.0%	26.1%	27.2%
Other direct expense	33,193	29,620	12.1%	13.8%	13.5%
Other indirect expense	63,089	57,897	9.0%	26.2%	26.4%
Total hotel operating expenses	$ 159,034	$ 147,298	8.0%	66.1%	67.1%

Depreciation and Amortization. Depreciation and amortization expense increased $14.4 million, or 29.3%, to $63.8 million in 2014 compared with 2013, primarily due to depreciation associated with the 2014/2013 Acquired Hotels and increased amortization of capitalized renovation costs at existing hotel properties. The 2014 depreciation and amortization expense includes $63.3 million of real estate-related depreciation and $0.5 million of franchise application fee amortization. The 2013 depreciation and amortization expense includes $48.9 million of real estate-related depreciation and $0.4 million of franchise application fee amortization.

Corporate General and Administrative. Corporate general and administrative expenses increased by $7.0 million, or 53.4%, to $19.9 million in 2014 compared with 2013. The increase is primarily due to an increase in equity-based compensation of $1.4 million, an increase in salaries and bonus expense of $2.7 million and increased professional fees of $2.6 million related to internal controls improvements and other matters.

Other Income/Expense. Other expense, net increased $4.3 million, or 19.6%, in 2014 compared with 2013 primarily due to an increase in interest expense due to higher average debt outstanding. This increase was slightly offset by a reduction in debt transaction costs and an increase in interest income.

Income Tax Expense/Benefit. Our total income tax expense (related to continuing operations and discontinued operations) in 2014 was $0.7 million. Our tax expense was minimal due to a valuation allowance against substantially all our deferred tax assets. At December 31, 2014, we had valuation allowance of $2.4 million, to reflect the deferred tax asset at the amount that is more-likely-than-not realized. The deferred tax assets primarily related to TRS net operating loss carryforwards. The valuation allowance for deferred tax assets requires judgement in assessing the likelihood of realization, and weighing of both positive and negative evidence. In our prior assessment, we heavily weighed the following negative evidence: i) a lack of history of consistent operational profitability, and ii) the Company s operation in a highly cyclical industry. Our total income tax expense (related to continuing operations and discontinued operations) in 2013 of $4.4 million is primarily due to our establishment of a valuation allowance related to net operating losses (NOLs) incurred by our TRS in 2011, 2012 and 2013.

Discontinued Operations

Pursuant to our strategy, we periodically evaluate our hotel properties for potential sale and redeployment of capital. When a hotel property was sold or identified as being held for sale, we reported its historical and future results of operations, including impairment charges, in discontinued operations until we adopted ASU 2014-08 in the first quarter of 2014.

Discontinued operations include the following hotel properties that have been sold:

- AmericInn Hotel & Suites in Golden, CO sold January 2013;
- Hampton Inn in Denver, CO sold February 2013;
- Holiday Inn and Holiday Inn Express in Boise, ID sold May 2013;
- Courtyard by Marriott in Memphis, TN sold May 2013;
- SpringHill Suites in Lithia Springs, GA sold August 2013;
- Fairfield Inn in Lewisville, TX sold August 2013;
- Fairfield Inn in Lakewood, CO sold September 2013;
- Fairfield Inn in Emporia, KS sold October 2013;
- SpringHill Suites in Little Rock, AR sold November 2013;
- Fairfield Inn and AmericInn Hotel & Suites in Salina, KS sold November 2013;
- Hampton Inn and Fairfield Inn & Suites in Boise, ID sold November 2013;
- Holiday Inn Express in Emporia, KS sold December 2013;
- AmericInn Hotel & Suites and Aspen Hotel & Suites in Fort Smith, AR - sold on January 17, 2014; and
- Hampton Inn in Fort Smith, AR sold on September 9, 2014.

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A summary of results from our hotel properties included in discontinued operations follows (in thousands):

	2014	2013
Revenues	$ 3,128	$ 19,458
Hotel operating expenses	2,304	14,859
Depreciation and amortization	13	1,960
Loss on impairment of assets	400	7,675
Operating income (loss)	411	(5,036)
Interest expense		(174)
Gain on disposal of assets	55	3,945
Income (loss) before taxes	466	(1,265)
Income tax benefit	26	537
Income (loss) from discontinued operations	$ 492	$ (728)

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of operating expenses and other expenditures directly associated with our hotel properties, recurring maintenance and capital expenditures necessary to maintain our hotel properties in accordance with internal and brand standards, capital expenditures to improve our hotel properties, acquisitions, interest expense, settlement of interest swaps, scheduled principal payments on outstanding indebtedness, restricted cash funding obligations and distributions to our stockholders.

Our long-term liquidity requirements consist primarily of the costs of acquiring additional hotel properties, renovations and other non-recurring capital expenditures that periodically are made with respect to our hotel properties and scheduled debt payments, including maturing loans. On January 15, 2016, the Company entered into a new $450 million senior unsecured credit facility that replaced the former $300 million senior unsecured credit facility. The new credit facility extended the maturity date of the revolving line of credit under the former credit facility from 2017 to 2020 and the maturity date of the term loan component under the former credit facility from 2018 to 2021. See Outstanding Indebtedness below for further information.

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 gains. We intend to distribute a sufficient amount of our taxable income to maintain our status as a REIT and to avoid tax on undistributed income. Therefore, if sufficient funds are not available to us from hotel dispositions, our senior unsecured revolving credit facility and additional mortgage and other loans, we will need to raise capital to grow our business and invest in additional hotel properties.

We expect to satisfy our liquidity requirements with cash provided by operations, working capital, short-term borrowings under our $450 million senior unsecured credit facility, term debt, repayment of notes receivable, the strategic sale of hotels and the release of restricted cash upon satisfaction of the usage requirements. In addition, we may fund the purchase price of hotel acquisitions and cost of required capital improvements by borrowing under our senior unsecured credit facility, assuming existing mortgage debt, issuing securities (including Common Units issued by our operating partnership), or incurring mortgage or other types of debt. Further, we may seek to meet our liquidity requirements by raising capital through public or private offerings of our equity or debt securities. However, certain factors may have an adverse effect on our ability to access these capital sources, including our degree of leverage, the value of our unencumbered hotel properties, borrowing restrictions imposed by lenders, volatility in the equity and debt capital markets and other market conditions. We will continue to analyze which sources of capital are 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. We believe that our cash provided by operations, working capital, borrowings available under our $450 million senior unsecured credit facility and other sources of funds available to us will be sufficient to meet our ongoing liquidity requirements for at least the next 12 months.

At December 31, 2015, we had $35.7 million of mortgage debt that matures in 2016. We have scheduled principal debt payments in 2016 totaling $44.2 million. Although we believe we will have the capacity to satisfy these debt maturities and pay these scheduled principal debt payments or that we will be able to fund them using draws under our $450 million senior unsecured credit facility, there can be no assurances that our credit facility will be available to repay such amortizing debt as draws under our credit facility are subject to certain financial covenants.

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We anticipate making renovations and other non-recurring capital expenditures with respect to our hotel properties pursuant to property improvement plans required by our franchisors and our internal quality standards. We expect 2016 capital expenditures for these activities at hotel properties we own as of February 19, 2016 to be in the range of $40.0 million to $50.0 million. Actual amounts may differ from our expectations. We may also make renovations and incur other non-recurring capital expenditures in 2016 at hotel properties we acquire in the future.

Cash Flow Analysis

The increase in net cash provided by operating activities of $30.1 million from 2014 to 2015 primarily resulted from an increase in net income of $34.7 million, after adjusting for non-cash items.

The $69.4 million reduction in net cash used in investing activities in 2015 compared with 2014 resulted from an increase in proceeds from asset dispositions of $130.8 million partially offset by an increase in hotel property acquisitions of $58.7 million.

The $100.6 million decrease in net cash provided by/(used in) financing activities in 2015 compared with 2014 resulted primarily from a reduction in net borrowings of $97.5 million.

The increase in net cash provided by operating activities of $29.7 million from 2013 to 2014 primarily resulted from an increase in net income of $28.6 million, after adjusting for non-cash items. Additionally, prepaid expenses decreased by $3.6 million during 2014 compared to an increase of $3.7 million during 2013 as a result of lower acquisition activity during 2014, which resulted in lower escrow balances related to the acquisition of properties during the period. Partially offsetting these increases were changes in accounts payable and accrued expenses, which increased by $1.1 million during 2014 compared with a $9.3 million increase in 2013 due to the timing of vendor payments.

The $266.9 million reduction in net cash used in investing activities in 2014 compared with 2013 resulted from a decrease in hotel property acquisitions of $263.8 million and a $38.6 million change in restricted cash due to net cash reserves of $16.3 million being released in 2014. These changes were partially offset by a decrease in proceeds from asset dispositions of $33.6 million.

The $337.4 million decrease in net cash provided by financing activities in 2014 compared with 2013 resulted from a reduction in borrowings of $338.6 million, a reduction in proceeds from equity offerings of $381.8 million, a reduction in proceeds from joint venture partners of $7.5 million and an increase in dividends paid of $9.0 million. These changes were partially offset by a reduction in principal payments on debt of $397.0 million.

Outstanding Indebtedness

At December 31, 2015, we had $367.1 million in outstanding indebtedness secured by first priority mortgage liens on 38 hotel properties. We also had $170.0 million borrowed on our former $300 million senior unsecured credit facility and $140.0 million borrowed on our 2015 Term Loan (defined below), both of which were supported at December 31, 2015 by a borrowing base comprised of 47 unencumbered hotel properties. On January 15, 2016, our former $300 million senior unsecured credit facility was replaced by a new $450 million senior unsecured credit facility and the hotels that supported the former $300 million senior unsecured credit facility were transitioned to support the borrowing base under our new $450 million senior unsecured credit facility. The hotel properties in the borrowing base must remain unencumbered by mortgage debt. Of the 47 unencumbered hotels, five were sold to ARCH on February 11, 2016. As such, these hotels are no longer available for inclusion in the borrowing base supporting the $450 million senior unsecured credit facility and the 2015 Term Loan and are expected to be replaced by unencumbered properties acquired through 1031 Exchanges related to the ARCH Sale and other hotels that become unencumbered due to the repayment of outstanding mortgage debt.

At December 31, 2015, we had two hotel properties with a total of 329 guestrooms unencumbered by mortgage debt that are available to be used as collateral for future loans.

We intend to secure or assume term loan financing or use our senior unsecured credit facility, together with other sources of financing, to fund future acquisitions and capital improvements. We may not succeed in obtaining new financing on favorable terms, or at all, and we cannot predict the size or terms of future financings. Our failure to obtain new financing could adversely affect our ability to grow our business.

We intend to maintain a prudent capital structure and, while the ratio will vary from time to time, we generally intend to limit our ratio of indebtedness to EBITDA to no more than six to one. For purposes of calculating this ratio, we exclude preferred stock from indebtedness. We have obtained financing through debt instruments having staggered maturities and intend to continue to do so in the future. Our debt includes, and may include in the future, debt secured by first priority mortgage liens on certain hotel properties and unsecured debt.

As of December 31, 2015, we were in compliance with the covenants under our debt agreements. We do not currently anticipate any change in circumstances that would impair our ability to continue to comply with these covenants.

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We believe we will have adequate liquidity to meet requirements for scheduled maturities and principal repayments. However, we can provide no assurance 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.

A summary of our debt at December 31, 2015 follows (dollars in thousands):

Lender	Interest Rate (1)	Amortization Period (Years)	Maturity Date	Number of Properties Encumbered at December 31, 2015	Outstanding Principal Balance at December 31, 2015
$300 Million Senior Unsecured Credit Facility					
Deutsche Bank AG New York Branch, as Administrative Agent					
$225 Million Revolver	2.33% Variable	n/a	October 10, 2017	n/a	$ 95,000
$75 Million Term Loan	3.94% Fixed(2)	n/a	October 10, 2018	n/a	75,000
Total Senior Unsecured Credit Facility					170,000
Unsecured Term Loan					
KeyBank National Association, as Administrative Agent					
Term Loan	2.38% Variable	n/a	April 7, 2022	n/a	140,000
Secured Mortgage Indebtedness					
Voya (formerly known as ING Life Insurance and Annuity)	5.18% Fixed	20	March 1, 2019	2(3)	42,574
	5.18% Fixed	20	March 1, 2019	4(3)	38,159
	5.18% Fixed	20	March 1, 2019	3(3)	24,610
	5.18% Fixed	20	March 1, 2019	1(3)	17,482
KeyBank National Association	4.46% Fixed	30	February 1. 2023	4	27,991
	4.52% Fixed	30	April 1, 2023	3	21,683
	4.30% Fixed	30	April 1, 2023	3	21,022
	4.95% Fixed	30	August 1, 2023	2	37,352
Bank of America Commercial Mortgage	6.41% Fixed	25	September 1, 2017	1	7,916
Merrill Lynch Mortgage Lending Inc.	6.38% Fixed	30	August 1, 2016	1	5,047
GE Capital Financial Inc.	5.39% Fixed	25	April 1, 2020	1	9,110
	5.39% Fixed	25	April 1, 2020	1	4,905
MetaBank	4.25% Fixed	20	August 1, 2018	1	6,852
Bank of Cascades	2.43% Variable	25	December 19, 2024	1(4)	9,556
	4.30% Fixed	25	December 19, 2024	(4)	9,556
Goldman Sachs	5.67% Fixed	25	July 6, 2016	2	13,467
Compass Bank	2.83% Variable	25	May 6, 2020	3	24,015
General Electric Capital Corporation	5.39% Fixed	25	April 1, 2020	1	5,160
	5.39% Fixed	25	April 1, 2020	1	6,041
	4.11% Variable	20	April 1, 2018	1	5,852
U.S. Bank, NA	6.22% Fixed	30	November 1, 2016	1	17,179
	6.13% Fixed	25	November 11, 2021	1	11,567
Total Mortgage Loans				38	367,096
Total Debt				38	$ 677,096

(1) The interest rates at December 31, 2015 above give effect to interest rate swaps, where applicable.

(2) We entered into an interest rate derivative to effectively produce a fixed interest rate, however, the interest rate spread over LIBOR may change based upon our Leverage Ratio, as defined in the credit facility documents.

(3) The ten hotel properties encumbered by the Voya mortgage loans are cross-collateralized, and the four mortgage loans are cross-defaulted.

(4) The Bank of Cascades mortgage loans are cross-collateralized and cross-defaulted.

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Former $300 Million Senior Unsecured Credit Facility

At December 31, 2015, we had a $300.0 million senior unsecured credit facility. The senior unsecured credit facility was comprised of a $225.0 million revolving credit facility (the $225 Million Revolver) and a $75.0 million term loan (the $75 Million Term Loan). At December 31, 2015, the maximum amount of borrowing permitted under the senior unsecured credit facility was $300.0 million, of which we had $170.0 million borrowed and $130.0 million available to borrow.

$450 Million Senior Unsecured Credit Facility

On January 15, 2016, the Operating Partnership, as borrower, the Company, as parent guarantor, and each party executing the loan documentation as a subsidiary guarantor, entered into a $450 million senior unsecured facility (the 2016 Unsecured Credit Facility) with Deutsche Bank AG New York Branch, as administrative agent, Deutsche Bank Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Regions Capital Markets as joint lead arrangers and joint bookrunners, and a syndicate of lenders including Deutsche Bank AG New York Branch, Bank of America, N.A., Regions Bank, Royal Bank of Canada, U.S. Bank National Association, PNC Bank, National Association, KeyBank National Association, Raymond James Bank, N.A., and Branch Banking and Trust Company.

The 2016 Unsecured Credit Facility is comprised of a $300 million revolving credit facility (the $300 Million Revolver) and a $150 million term loan (the $150 Million Term Loan) and replaces the former $300 million unsecured credit facility. The 2016 Unsecured Credit Facility has an accordion feature which will allow the Company to increase the total commitments by an aggregate of up to $150 million on the $300 Million Revolver and $150 Million Term Loan. The $300 Million Revolver will mature on March 31, 2020 and can be extended to March 31, 2021 at the Company s option, subject to certain conditions. The $150 Million Term Loan will mature on March 31, 2021.

Outstanding borrowings on the 2016 Unsecured Credit Facility are limited to the least of (1) the aggregate commitments of all of the lenders, (2) the aggregate value of the unencumbered assets, multiplied by 60%, less the consolidated unsecured indebtedness of the Company (exclusive of outstanding borrowings under the 2016 Unsecured Credit Facility), all as calculated pursuant to the terms of the 2016 Unsecured Credit Facility agreement, and (3) the principal amount that when drawn under the 2016 Unsecured Credit Facility would result in an unsecured interest expense, calculated on a pro forma basis for the next consecutive four fiscal quarters of the Company after taking such draws into account, equal to 50% of the net operating income of the unencumbered assets, as adjusted pursuant to the 2016 Unsecured Credit Facility agreement. A minimum of 20 of the Company s hotel properties must qualify as unencumbered assets, as defined in the 2016 Unsecured Credit Facility agreement, or the aggregate value of the unencumbered assets will be deemed to be zero.

Payment Terms. The Company is 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 the maturity of the respective facility. The Company has 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 the Company repays a LIBOR loan before the end of the contract period. In addition, the Company will be required to make earlier principal reduction payments in the event of certain changes in the unencumbered asset availability.

The Company pays interest on revolving credit advances at varying rates based upon, at the Company s option, either (i) 1, 2, 3, or 6-month LIBOR, plus a LIBOR margin between 1.50% and 2.25%, depending upon the Company s leverage ratio (as defined in the 2016 Unsecured Credit Facility agreement), or (ii) the applicable base rate, which is the greatest of the administrative agent s prime rate, the federal funds rate plus 0.50%, and 1-month LIBOR plus 1.00%, plus a base rate margin between 0.50% and 1.25%, depending upon the Company s leverage ratio. The applicable margin for a term loan advance shall be 0.05% less than the revolving credit advances referenced above. In addition, on a quarterly basis, the Company will be required to pay a fee on the unused portion of the 2016 Unsecured Credit Facility equal to the unused amount multiplied by an annual rate of either (i) 0.25%, if the unused amount is greater than 50% of the maximum aggregate amount of the 2016 Unsecured Credit Facility, or (ii) 0.20%, if the unused amount is equal to or less than 50% of the maximum aggregate amount of the 2016 Unsecured Credit Facility. The Company will also be required to pay other fees, including customary arrangement and administrative fees.

Financial and Other Covenants. We are required to comply with a series of financial and other covenants in order to borrow under this credit facility. The material financial covenants include a maximum leverage ratio, a minimum consolidated tangible net worth, a maximum dividend payout ratio, a minimum consolidated fixed charge coverage ratio, a maximum ratio of secured indebtedness to total asset value, a maximum ratio of secured recourse indebtedness to total asset value, a maximum ratio of consolidated unsecured indebtedness to total unencumbered asset value, and a maximum ratio of unencumbered adjusted net operating income to assumed unsecured interest expense.

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We are also subject to other customary covenants, including restrictions on investment, limitations on liens and maintenance of properties. This credit facility also contains 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.

Unencumbered Assets. The 2016 Unsecured Credit Facility is unsecured. However, borrowings under the 2016 Unsecured Credit Facility are limited by the value of hotel assets that qualify as unencumbered assets. Among other conditions, unencumbered assets must not be subject to liens or security interests, and the owner and operating lessee of such unencumbered asset must execute a guaranty supplement pursuant to which the owner and operating lessee become subsidiary guarantors of the 2016 Unsecured Credit Facility. In addition, hotels may be added to or removed from the unencumbered asset pool at any time so long as there is a minimum of 20 hotels in the unencumbered asset pool and the then-current borrowings on the 2016 Unsecured Credit Facility do not exceed the maximum available under the 2016 Unsecured Credit Facility given the availability limitations described above. Further, to be eligible as an unencumbered asset, the anticipated property must: be franchised with a nationally-recognized franchisor; satisfy certain ownership, management and operating lessee criteria; and not be subject to material defects, such as liens, title defects, environmental contamination and other standard lender criteria.

At February 19, 2016, 42 of our unencumbered hotel properties are included in the borrowing base supporting the 2016 Unsecured Credit Facility. Thus, none of these properties is available to be leveraged with other indebtedness while included in the borrowing base.

The Company transferred to the 2016 Unsecured Credit Facility the outstanding principal balance of $170.0 million on the former $300 million senior unsecured credit facility, and the former $300 million senior unsecured credit facility was paid off in full and terminated upon entry into the 2016 Unsecured Credit Facility described above.

The interest rate swap entered into on September 5, 2013 with a notional value of $75.0 million, an effective date of January 2, 2014 and a maturity date of October 10, 2018 remains outstanding. This interest rate swap was designated as a cash flow hedge and effectively fixes LIBOR at 2.04% and the interest rate on borrowings under a portion of the $150 Million Term Loan to a fixed rate of 3.64%.

2015 Unsecured Term Loan

On April 7, 2015, our operating partnership, as borrower, the Company, as parent guarantor, and each party executing the term loan documentation as a subsidiary guarantor, entered into a $125.0 million unsecured term loan with KeyBank National Association, as administrative agent, Regions Bank and Raymond James Bank, N.A., as co-syndication agents, KeyBanc Capital Markets, Inc., Regions Capital Markets and Raymond James Bank, N.A., as co-lead arrangers, and a syndicate of lenders including KeyBank National Association, Regions Bank, Raymond James Bank, N.A., Branch Banking and Trust Company, and U.S. Bank National Association (the 2015 Term Loan).

The 2015 Term Loan matures on April 7, 2022 and has an accordion feature which allowed us to increase the total commitments by an aggregate of $75.0 million prior to the maturity date, subject to certain conditions. On April 21, 2015, the Company exercised $15.0 million of the accordion and added American Bank, N.A. as a lender under the facility.

Outstanding borrowings on the 2015 Term Loan are limited by certain measures related to consolidated unsecured indebtedness of the Company, unencumbered adjusted net operating income, and the aggregate value of the unencumbered assets. In addition, we are subject to certain financial and other covenants. Borrowings under the 2015 Term Loan are limited by the value of hotel assets that qualify as unencumbered assets. As of December 31, 2015, 47 of our hotel properties qualified as, and are deemed to be, unencumbered assets.

At February 19, 2016, 42 of our unencumbered hotel properties are included in the borrowing base supporting the 2015 Term Loan. Thus, none of these properties is available to be leveraged with other indebtedness while included in the borrowing base.

We are obligated to pay interest at the end of each selected interest period, but not less than quarterly, with all outstanding principal and accrued and unpaid interest due at the maturity of the loan. We have the right to repay all or any portion of the outstanding borrowings from time to time, subject to prepayment fees for the first two years of the term. We pay interest on advances equal to the sum of LIBOR or the administrative agent s prime rate and the applicable margin. We are currently paying interest at 2.38% based on LIBOR at December 31, 2015.

The 2015 Term Loan permits our operating partnership and the Company to maintain unsecured credit facilities with other lenders. Furthermore, the 2015 Term Loan permits us to use those assets included in the unencumbered asset pool as unencumbered assets for credit facilities with other lenders, provided that all financial and other covenants are maintained.

At closing we drew the full $125.0 million amount of the unsecured term loan and on April 21, 2015, we drew the $15.0 million exercised on the accordion. All proceeds were used to pay down the principal balance of our $225 Million Revolver provided under the former $300 million senior unsecured credit facility.

Mortgage Loans

At December 31, 2015, we had $367.1 million in mortgage loans. These loans are secured by first priority mortgage liens on hotel properties.

Additional information regarding our mortgage loans is included in our audited Consolidated Financial Statements and related notes thereto appearing elsewhere in this Form 10-K.

At February 19, 2016, we had $359.8 million in outstanding indebtedness secured by first priority mortgage liens on 37 hotel properties. We also had $190.0 million borrowed on our 2016 Unsecured Credit Facility and $140.0 million borrowed on our 2015 Term Loan, both of which were supported by 42 hotel properties included in the credit facility borrowing bases. In addition, we have four other hotels with a total of 715 guestrooms unencumbered by mortgage debt that are available to be used as collateral for future loans.

Equity Transactions

On August 3, 2015, the Company, our operating partnership and Robert W. Baird & Co. Incorporated (Baird) entered into a sales agreement (the Sales Agreement), pursuant to which the Company may issue and sell from time to time up to $125.0 million in shares of its common stock through Baird, acting as agent or principal. In connection with entering into the new sales agreement with Baird, the Company notified each sales agent under its prior $75 million at the market offering program (Baird, Deutsche Bank Securities Inc., JMP Securities LLC, MLV & Co. LLC and RBC Capital Markets, LLC) of the Company s intent to terminate each of the sales agreements relating to the prior program. Through February 24, 2016, we have not sold any shares pursuant to the Sales Agreement.

Pursuant to the Sales Agreement, the shares may be offered and sold through Baird in transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on the NYSE or sales made to or through a market maker other than on an exchange or, with the prior consent of the Company, in privately negotiated transactions. Baird will be entitled to compensation equal to up to 2.0% of the gross proceeds of the shares sold through Baird from time to time under the Sales Agreement. The Company has no obligation to sell any of the shares under the Sales Agreement and may at any time suspend solicitations and offers under, or terminate, the Sales Agreement.

Capital Expenditures

During the year ended December 31, 2015, we funded $43.2 million in capital expenditures. We anticipate spending an estimated $40.0 million to $50.0 million on hotel property renovations in 2016. We expect to fund these expenditures through a combination of cash provided by operations, working capital, borrowings under our 2016 Unsecured Credit Facility, or other potential sources of capital, to the extent available to us.

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Contractual Obligations

The following table outlines the timing of required payments related to our long-term debt and other contractual obligations at December 31, 2015 (dollars in thousands):

	Payments Due By Period				
	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
Debt obligations (1)	$ 839,030	$ 69,387	$ 248,334	$ 92,098	$ 429,211
Operating lease obligations (2)	112,948	1,269	2,424	2,327	106,928
Purchase obligations (3)	5,212	5,212			
Total	$ 957,190	$ 75,868	$ 250,758	$ 94,425	$ 536,139

(1) Amounts shown include amortization of principal, maturities, and estimated interest payments. Interest payments on our variable rate debt have been estimated using the interest rates in effect at December 31, 2015, after giving effect to our interest rate swap.

(2) Amounts consist primarily of non-cancellable ground lease and corporate office lease obligations.

(3) This amount represents purchase orders and executed contracts for renovation projects at our hotel properties.

At December 31, 2015, we were under contract to complete the Noble Acquisition for an aggregate purchase price of $109.0 million. The closing of the Noble Acquisition occurred on January 19, 2016 and January 20, 2016 as described under Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Hotel Property Portfolio Activity Acquisitions.

Inflation

Operators of hotel properties, in general, possess the ability to adjust guestroom rates daily to reflect the effects of inflation on our operating expenses. However, competitive pressures may limit the ability of our management companies to raise guestroom rates and thus, we may not be able to offset increased expenses with an increase in revenues.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires us 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 revenues 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 from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that we believe to be reasonable under the circumstances. The following represent certain critical accounting policies that require us to exercise our business judgment or make significant estimates:

Investment in Hotel Properties

Acquisitions. We allocate the purchase price of acquired hotel properties based on the fair value of the acquired land, land improvements, building, furniture, fixtures and equipment, identifiable intangible assets or liabilities, other assets and assumed liabilities. Intangible assets may include certain value associated with the on-going operations of the hotel business being acquired as part of the hotel property acquisition. Acquired intangible assets that derive their values from real property or an interest in real property, are inseparable from that real property or interest in real property, and do not produce or contribute to the production of income other than consideration for the use or occupancy of space, are recorded as a component of the related real estate asset in our Consolidated Financial Statements. Identifiable intangible assets or liabilities may also arise from assumed contractual arrangements as part of the acquisition of the hotel property, including terms that are above or below market compared to an estimated fair market value of the agreement at the acquisition date. We determine the acquisition-date fair values of all assets and assumed liabilities using appraisals prepared by independent appraisers. Acquisition costs are expensed as incurred. Changes in estimates and judgments related to the allocation of the purchase price could result in adjustments to our investment in hotel properties or intangible assets, which can affect depreciation and/or amortization expense and our results of operations.

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Depreciation and Amortization. Hotel properties are recorded at cost and depreciated using the straight-line method over an estimated useful life of 25 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 of our assets for purposes of determining the amount of depreciation expense to reflect each year. While we believe our estimates are reasonable, a change in the estimated useful lives could affect our results of operations.

Impairment of Hotel Properties. We monitor events and changes in circumstances for indicators that the carrying value of a hotel property or land held for development may be impaired. Additionally, we perform quarterly reviews to monitor the factors that could trigger an impairment. Factors that could trigger an impairment analysis include, among others: i) significant underperformance relative to historical or projected operating results, ii) significant changes in the manner of use of a property or the strategy of our overall business, iii) a significant increase in competition, iv) a significant adverse change in legal factors or regulations, and v) significant negative industry or economic trends. When such factors are identified, we prepare an estimate of the undiscounted future cash flows, without interest charges, of the specific property and determine if our investment is recoverable based on the undiscounted future cash flows. If impairment is indicated, we estimate the fair value of the property and an adjustment is made to reduce the carrying value of the property to fair value. These assessments may affect the results of our operations.

Intangible Assets

We amortize intangible assets with determined finite useful lives using the straight-line method. We do not amortize intangible assets with indefinite useful lives, but we evaluate these assets for impairment annually or at interim periods if events or circumstances indicate that the asset may be impaired.

Variable Interest Entities

We consolidate variable interest entities (VIE) if we determine that we are the primary beneficiary of the entity. When evaluating the accounting for a VIE, we consider the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and our decision-making role, if any, in those activities that significantly determine the entity s economic performance relative to other economic interest holders. We determine our rights, if any, to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE by considering the economic interest in the entity, regardless of form, which may include debt, equity, management and servicing fees, or other contractual arrangements. We consider relevant factors of the entity s design including the entity s capital structure, contractual rights to earnings (losses), subordination of our interests relative to those of other investors, contingent payments, and other contractual arrangements that may be economically significant. Evaluating the accounting for a VIE requires the exercise of significant professional judgment.

Revenue Recognition

Our revenues are comprised of room revenue and other hotel operations revenue, which includes revenues from the sale of food and beverages and other ancillary amenities. We recognize revenues, net of any sales and occupancy taxes collected from guests, when guestrooms are occupied and services are rendered. All rebates and discounts are recorded as a reduction in revenue. Appropriate allowances are made for doubtful accounts and are recorded as bad debt expense. The allowances are calculated as a percentage of aged accounts receivable and take into consideration past collection history and specific customer information. Cash received prior to guest arrival is recorded as an advance from the customer and is recognized as revenue at the time of occupancy.

Equity-Based Compensation

Our Equity Plan and Amended Equity Plan provide for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights and other stock-based awards. We account for equity-based compensation using the Black-Scholes option-pricing model for stock options and the grant date fair value of our common stock for all other awards. Some of the awards we issue are performance or market-based awards and are valued using a Monte Carlo simulation model. We expense these awards over the vesting period. The amount of the expense may be subject to adjustment in future periods due to a change in forfeiture assumptions.

Income Taxes

Commencing with our short taxable year ended December 31, 2011, we elected to be taxed as a REIT under certain provisions of the IRC. 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 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 be unable to re-elect

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REIT status until the fifth calendar year after the year in which we failed to quality as a REIT, 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.

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. However, deferred tax assets are only recognized to the extent that it is more likely than not that they will be realized. 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. In the event that these assumptions change, the deferred taxes may change.

New Accounting Standards Adopted

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 now include only disposals that represent a strategic shift in operations with a major effect on operations and financial results. ASU 2014-08 is to be applied on a prospective basis and had a required adoption date of January 1, 2015; however, we elected early adoption in the first quarter of 2014, which is permitted for disposals and classifications of assets as held for sale, provided such assets had not been reported previously in discontinued operations.

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 us on January 1, 2018 and early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our Consolidated Financial Statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our 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 standard becomes effective for the Company on January 1, 2017.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which changes the way reporting enterprises evaluate the consolidation of limited partnerships, variable interests and similar entities. This standard will be effective for the first annual reporting period beginning after December 15, 2015 with early adoption permitted. We do not anticipate that the adoption of ASU No. 2015-02 will have a material effect on our consolidated financial position or our consolidated results of operations.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying value of the debt liability. This standard is effective for periods beginning after December 15, 2015 with early adoption permitted and will be applied on a retrospective basis. We do not anticipate that the adoption of ASU No. 2015-03 will have a material effect on our consolidated financial position or our consolidated results of operations.

In September 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, which illustrates certain guidance governing adjustments to the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill. Such adjustments are required when new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement amounts initially recognized or would have resulted in the recognition of additional assets and liabilities. ASU No. 2015-16 eliminates the requirement to retrospectively account for such adjustments. ASU No. 2015-16 is effective for our fiscal year commencing on January 1, 2016. We do not anticipate that the adoption of ASU No. 2015-16 will have a material effect on our consolidated financial position or our consolidated results of operations.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes, which requires that deferred tax liabilities and assets be classified on our Consolidated Balance Sheets as noncurrent based on an analysis of each taxpaying component within a jurisdiction. ASU No. 2015-17 is effective for our fiscal year commencing on January 1, 2017.

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We do not anticipate that the adoption of ASU No. 2015-17 will have a material effect on our consolidated financial position or our consolidated results of operations.

Recent Developments

Equity

On January 1, 2016, a total of 31,042 Common Units were tendered for redemption and were redeemed for an equivalent number of shares of our common stock.

Acquisitions

On January 19, 2016, we acquired the 226 guestroom Courtyard by Marriott in the West End of Nashville, TN for $71.0 million. On January 20, 2016, we acquired the 160 guestroom Residence Inn in midtown Atlanta, GA for a purchase price of $38.0 million. Funds for the completion of these transactions were provided by our 2016 Unsecured Credit Facility.

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 exposed is interest rate risk. Our primary interest rate exposure is to 30-day LIBOR. We primarily use fixed interest rate financing to manage our exposure to fluctuations in interest rates. On a limited basis we also use derivative financial instruments to manage interest rate risk.

At December 31, 2015, we were party to an interest rate derivative agreement, with a total notional amount of $75.0 million, where we receive variable-rate payments in exchange for making fixed-rate payments. This agreement is accounted for as a cash flow hedge and has a termination value of $1.9 million.

At December 31, 2015, after giving effect to our interest rate derivative agreement, $402.7 million, or 59.5%, of our debt had fixed interest rates and $274.4 million, or 40.5%, had variable interest rates. At December 31, 2014, after giving effect to our interest rate derivative agreements, $465.2 million, or 74.3%, of our debt had fixed interest rates and $161.3 million, or 25.7%, had variable interest rates. Assuming no increase in the level of our variable rate debt outstanding as of December 31, 2015, if interest rates increased by 1.0% our cash flow would decrease by approximately $2.7 million per year.

As our fixed-rate debts mature, they will become subject to interest rate risk. In addition, as our variable-rate debts mature, lenders may impose interest rate floors on new financing arrangements because of the low interest rates experienced during the past few years. At December 31, 2015, we have $35.7 million of debt maturing in 2016 all of which has fixed rates. Additionally, we have other scheduled payments of principal on debt in 2016 totaling $8.5 million.

Item 8. Financial Statements and Supplementary Data.

The financial statements and supplementary data required by this item are included on pages F-1 through F-38 of this Annual Report on Form 10-K and are incorporated by reference herein.

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

None.

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Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2015. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of December 31, 2015, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file or submit 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 our management to allow timely decisions regarding required disclosure.

Management s Report on the Effectiveness of Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and our Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that our receipts and our expenditures are being made only in accordance with authorizations of our management and our board of directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our 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 connection with the preparation of this Annual Report on Form 10-K, our management, under the supervision of our Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control Integrated Framework (2013) established by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, our management concluded that we had effective internal control over financial reporting as of December 31, 2015.

Ernst & Young LLP, our independent registered public accounting firm, has issued an auditor s attestation report on our management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2015. This report is included in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

Beginning in the third quarter of 2015 and continuing through the fourth quarter of 2015, we began implementing a change in our internal control over financial reporting relating to a new enterprise resource planning (ERP) system that we believe has enhanced our internal control over financial reporting.

The introduction of our new ERP system resulted in the strengthening of many of our financial reporting controls and procedures. Such changes were identified and planned prior to their introduction into our internal controls over financial reporting. Following implementation, these new controls were validated in the fourth quarter of 2015 according to our established processes.

There were no other material changes in our internal control over financial reporting during the year ended December 31, 2015.

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Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is incorporated by reference to our Definitive Proxy Statement on Schedule 14A (the 2016 Proxy Statement) for the 2016 Annual Meeting of Stockholders.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to our 2016 Proxy Statement.

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

The information required by this item is incorporated by reference to the 2016 Proxy Statement.

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

The information required by this item is incorporated by reference to the 2016 Proxy Statement.

Item 14. Principal Accountant Fees and Services.

The information required by this item is incorporated by reference to the 2016 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements:

Included herein at pages F-1 through F-38

2. Financial Statement Schedules:

The following financial statement schedule is included herein at pages F-39 - F-41.

Schedule III Real Estate and Accumulated Depreciation

3. Exhibits:

See the Exhibit Index that appears after the signature page to this Annual Report on Form 10-K, which is incorporated herein by reference.

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.

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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: February 24, 2016	By:	/s/ Thomas W. Storey Thomas W. Storey Chairman of the Board of Directors

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

Signature	Title	Date
/s/ Daniel P. Hansen Daniel P. Hansen	President, Chief Executive Officer and Director (principal executive officer)	February 24, 2016
/s/ Greg A. Dowell Greg A. Dowell	Executive Vice President, Chief Financial Officer and Treasurer	February 24, 2016
/s/ Paul Ruiz Paul Ruiz	Vice President and Chief Accounting Officer	February 24, 2016
/s/ Thomas W. Storey Thomas W. Storey	Chairman of the Board of Directors	February 24, 2016
/s/ Bjorn R. L. Hanson Bjorn R. L. Hanson	Director	February 24, 2016
/s/ Jeffrey W. Jones Jeffrey W. Jones	Director	February 24, 2016
/s/ Kenneth J. Kay Kenneth J. Kay	Director	February 24, 2016

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EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Articles of Amendment and Restatement of Summit Hotel Properties, Inc. (incorporated by reference to Exhibit 3.1 to Annual Report on Form 10-K filed by Summit Hotel Properties, Inc. on February 28, 2012)
3.2	Articles Supplementary designating the Company s 9.25% Series A Cumulative Redeemable Preferred Stock, $0.01 par value per share (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on October 28, 2011)
3.3	Articles Supplementary designating the Company s 7.875% Series B Cumulative Redeemable Preferred Stock, $0.01 par value per share (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on December 7, 2012)
3.4	Articles Supplementary designating the Company s 7.125% Series C Cumulative Redeemable Preferred Stock, $0.01 par value per share (i