NORTH AMERICAN GALVANIZING & COATINGS INC
Form 4
October 01, 2008

FORM 4

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

OMB APPROVAL	
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
BUNDY LINWOOD J

(Last) (First) (Middle)

5314 S YALE AVENUE SUITE 1000

(Street)

TULSA, OK 74135

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NORTH AMERICAN GALVANIZING & COATINGS INC [NGA]

3. Date of Earliest Transaction (Month/Day/Year)
10/01/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
COMMON STOCK, $.10 PAR	10/01/2008		A		2,663	A	(1)	98,787 (2)	I	BY THE COMPANY'S DIRECTOR STOCK UNIT TRUST
COMMON STOCK, $.10 PAR								307,946 (2)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BUNDY LINWOOD J 5314 S YALE AVENUE SUITE 1000 TULSA, OK 74135	X			

Signatures

/S/ LINWOOD J. BUNDY BY BETH B. HOOD, ATTORNEY-IN-FACT	10/01/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) DIRECTOR COMPENSATION EARNED IN 2008 PLUS A MATCHING AMOUNT FROM THE COMPANY WAS DEFERRED UNDER THE DIRECTOR STOCK UNIT PROGRAM. THE DEFERRED AMOUNTS WERE CONVERTED INTO THE RIGHT TO RECEIVE 1,808 SHARES OF COMPANY STOCK ON OR SHORTLY AFTER OCTOBER 1, 2014.

(2) FOUR FOR THREE STOCK SPLIT AUGUST 31, 2008.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. roman">Trade receivables (56,878) 13,966 570,544
Prepaid expenses and other assets
(4,942,224) 315,891 (307,109)

Accounts payable and related party accounts payable	53,113	(5,847,835)	(1,656,286)
Accrued expenses	1,910,118	(774,359)	316,909
Restricted cash released (funded)	562,922	(76,026)	783,920
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	10,423,241	9,031,439	27,593,750
INVESTING ACTIVITIES			
Land and hotel acquisitions and construction in progress	(1,413,183)	(14,810,896)	(12,904,466)
Purchases of other property and equipment	(1,356,696)	(6,613,397)	(6,628,779)
Proceeds from asset dispositions, net of closing costs	14,787	207,814	23,584,638
Restricted cash released (funded)	(409,947)	2,239,184	(1,369,191)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(3,165,039)	(18,977,295)	2,682,202
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	4,919,026	223,518	4,837,000
Principal payments on long-term debt	(8,807,684)	(6,890,949)	(20,909,992)
Financing fees on long-term debt	(1,239,362)	(945,442)	(942,405)
Proceeds from issuance of notes payable and line of credit	-	4,860,000	18,510,867
Principal payments on notes payable and line of credit	(1,856,728)	(19,865)	-
Proceeds from equity contributions, net of commissions	-	15,075,451	5,614,466
Distributions to members	(535,261)	(12,271,067)	(26,702,848)
Distributions to noncontrolling interest	-	-	(306,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(7,520,009)	31,646	(19,898,912)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(261,807)	(9,914,210)	10,377,040
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			

Explanation of Responses:

	8,239,225	18,153,435	7,776,395
CASH AND CASH EQUIVALENTS AT END OF YEAR	$7,977,418	$8,239,225	$18,153,435

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

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

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

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

SUMMIT HOTEL PROPERTIES, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010, 2009 AND 2008

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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

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

Basis of Presentation and Consolidation

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

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

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

SUMMIT HOTEL PROPERTIES, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010, 2009 AND 2008

Use of Estimates

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

Cash and Cash Equivalents

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

Receivables and Credit Policies

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

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

Property and Equipment

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

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SUMMIT HOTEL PROPERTIES, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010, 2009 AND 2008

Capitalized Development and Interest Costs

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

Assets Held for Sale

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

Long-Lived Assets and Impairment

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

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

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

Deferred Charges

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

SUMMIT HOTEL PROPERTIES, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010, 2009 AND 2008

Restricted Cash

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

Income Taxes

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

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

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

Members’ Capital Contributions and Profit and Loss Allocations

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

Approximate Sharing Ratios, as defined, are as follows:

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

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

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

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

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

Earnings per Capital Unit

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

Noncontrolling Interests

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

Concentrations of Credit Risk

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

Advertising and Marketing Costs

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

Sales Taxes

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

Revenue Recognition

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

SUMMIT HOTEL PROPERTIES, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010, 2009 AND 2008

Adoption of New Accounting Pronouncements

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

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

Future Adoption of Accounting Pronouncements

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

Fair Value

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

> Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
>
> Level 2 – Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the asset or the liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
>
> Level 3 – Unobservable inputs reflecting the Predecessor's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonable available.

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SUMMIT HOTEL PROPERTIES, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010, 2009 AND 2008

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

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

NOTE 2 - PREPAID EXPENSES AND OTHER

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

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

NOTE 3 - PROPERTY AND EQUIPMENT

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

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

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

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NOTE 4 - ASSETS HELD FOR SALE

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

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

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

	2010	2009
Land	$ -	$ 12,226,320

NOTE 5 - OTHER NONCURRENT ASSETS

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

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

NOTE 6 - DISCONTINUED OPERATIONS

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

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

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

NOTE 7 - ACQUISITIONS

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

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

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NOTE 8 - DEFERRED CHARGES AND OTHER ASSETS

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

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

Future amortization expense is expected to be approximately:

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

NOTE 9 - RESTRICTED CASH

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

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

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

NOTE 10 - ACCRUED EXPENSES

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

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

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NOTE 11 - DEBT OBLIGATIONS

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

Payee		Interest Rate	Maturity/ Earliest Call Date		2010		2009
Lehman Brothers Bank	a)	Fixed (5.4025%)	1/11/2012	$	76,829,078	$	78,980,016
ING Investment Management	b)	Fixed (5.60%)	1/1/2012		28,901,411		30,088,766
	c)	Fixed (6.10%)	7/1/2012		29,321,614		30,416,427
	d)	Fixed (6.61%)	11/1/2013		6,235,813		6,412,683
	e)	Fixed (6.34%)	7/1/2012		7,896,366		8,122,717
					72,355,204		75,040,593
National Western Life Insurance	f)	Fixed (8.0%)	1/1/2015		13,631,222		14,000,000
Chambers Bank	g)	Fixed (6.5%)	6/24/2012		1,594,177		1,669,020
Bank of the Ozarks	h)	Variable (6.75% at 12/31/10 and 6.75% at 12/31/09)	6/29/2012		6,435,774		5,794,427
MetaBank	i)	Variable (5.0% at 12/31/10 and 5.0% at 12/31/09)	3/1/2012		7,286,887		7,450,000
BNC National Bank	j)	Fixed (5.01%)	11/1/2013		5,719,872		5,910,962
	k)	Variable (3.0% at 12/31/10	4/1/2016		5,814,136		5,755,882
		and 3.0% at 12/31/09)			11,534,008		11,666,844
Marshall & Ilsley Bank	l)	Variable (5.0% at 12/31/10	6/30/2011		9,895,727		9,895,727
		and 4.13% at 12/31/09)	3/31/2011		11,524,451		11,524,451
					21,420,178		21,420,178

General Electric Capital Corp.	m)	Variable (2.05% at 12/31/10 and 2.0% at 12/31/09)	4/1/2018	8,685,517	9,122,315
	n)	Variable (2.1% at 12/31/10 and 2.05% at 12/31/09)	3/1/2019	11,033,293	11,300,000
	o)	Variable (2.85% at 12/31/10 and 2.8% at 12/31/09)	4/1/2014	11,182,794 30,901,604	11,400,000 31,822,315
Fortress Credit Corp.	p)	Variable (10.75% at 12/31/10 and 5.98% at 12/31/09)	3/5/2011	86,722,869	83,524,828
First National Bank of Omaha	q)	Variable (5.5% at 12/31/10 and 5.5% at 12/31/09)	7/31/2011	18,774,418	20,400,000
First National Bank of Omaha	q)	Variable (5.25% at 12/31/10 and 5.25% at 12/31/09)	7/1/2013	15,588,572	16,081,630
First National Bank of Omaha	q)	Variable (5.25% at 12/31/10 and 5.25% at 12/31/09)	2/1/2014	8,646,361	8,771,867
Bank of Cascades	r)	Variable (6.0% at 12/31/10 and 6.0% at 12/31/09)	9/30/2011	12,623,347	12,445,888
Compass Bank	s)	Variable (4.5% at 12/31/10 and 4.5% at 12/31/09)	5/17/2018	16,492,293	15,657,044
Total long-term debt				400,835,992	404,724,650
Less current portion				(147,612,930)	(134,370,900)
Total long-term debt, net of current portion				$ 253,223,062	$ 270,353,750

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

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

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

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

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

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

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

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

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

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

2013. The monthly principal and interest payment is $40,577.

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 12 - LINES OF CREDIT AND NOTES PAYABLE

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

NOTE 13 - MEMBERS' EQUITY

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

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

NOTE 14 - FRANCHISE AGREEMENTS

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

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

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

NOTE 15 - BENEFIT PLANS

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

NOTE 16 - COMMITMENTS AND CONTINGENCIES

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

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

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

NOTE 17 - RELATED PARTY TRANSACTIONS

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

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

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

NOTE 18 - SUBSEQUENT EVENTS

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

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

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

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

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

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

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

NOTE 19 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

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

SUMMIT HOTEL PROPERTIES, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010, 2009 AND 2008

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

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Explanation of Responses:

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

(in thousands)

			Initial Cost			Total Cost			
Location	Franchise	Year Acquired/ Constructed	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building & Improvements	Total	Accumul Deprecia
Atlanta, GA	Hyatt Place	2006	$ 1,154	$ 9,605	$ 2,938	$ 1,154	$ 12,543	$ 13,697	$ (3
Baton Rouge, LA	Cambria Suites	2008	1,100	14,063	38	1,100	14,101	15,201	(1
Baton Rouge, LA	Fairfield Inn by Marriott	2004	345	3,057	355	345	3,412	3,757	(1
Baton Rouge, LA	SpringHill Suites by Marriott	2004	448	3,729	574	448	4,303	4,751	(1
Baton Rouge, LA	TownePlace Suites	2004	259	3,743	587	259	4,330	4,589	(1
Bellevue, WA	Fairfield Inn by Marriott	2004	2,705	12,944	417	2,705	13,361	16,066	(3
Bloomington, MN	Cambria Suites	2007	1,658	14,071	15	1,658	14,086	15,744	(2
Bloomington, MN	Hampton Inn	2007	1,658	14,596	43	1,658	14,639	16,297	(2
Boise, ID	Fairfield Inn by Marriott	2004	564	2,874	143	564	3,017	3,581	
Boise, ID	Hampton Inn	2004	597	3,295	1,344	1,335	3,901	5,236	(1
Boise, ID	Holiday Inn Express	2005	1,038	2,422	4	780	2,684	3,464	
Boise, ID	Cambria Suites	2007	1,934	10,968	(336)	1,299	11,267	12,566	(3
Charleston, WV	Country Inn & Suites	2004	1,042	3,489	388	1,042	3,877	4,919	(1
Charleston, WV	Comfort Suites	2004	907	2,903	357	907	3,260	4,167	
Denver, CO	Fairfield Inn by Marriott	2004	1,566	6,783	263	1,566	7,046	8,612	(2
Denver, CO	SpringHill Suites by Marriott	2007	1,076	11,079	31	1,076	11,110	12,186	(1
Denver, CO		2004	1,125	3,678	699	1,125	4,377	5,502	(1

	Hampton Inn								
El Paso, TX	Hampton Inn	2005	2,055	10,745	1,111	2,055	11,856	13,911	(3
Emporia, KS	Fairfield Inn by Marriott	2004	320	2,436	100	320	2,536	2,856	
Emporia, KS	Holiday Inn Express	2004	292	2,840	342	292	3,182	3,474	
Flagstaff, AZ	Courtyard by Marriott	2009	3,353	20,785	-	3,353	20,785	24,138	(1
Flagstaff, AZ	SpringHill Suites by Marriott	2008	1,398	9,352	4,847	1,398	14,199	15,597	(1
Ft. Collins, CO	Hampton Inn	2004	738	4,363	189	738	4,552	5,290	(1
Ft. Collins, CO	Hilton Garden Inn	2007	1,300	11,804	51	1,300	11,855	13,155	(2
Ft. Myers, FL	Hyatt Place	2009	3,608	16,583	-	3,608	16,583	20,191	(1
Ft. Smith, AR	Comfort Inn	2004	-	3,718	239	-	3,957	3,957	(1
Ft. Smith, AR	Aspen Hotel	2004	223	3,189	496	223	3,685	3,908	(1
Ft. Smith, AR	Hampton Inn	2005	-	12,401	780	-	13,181	13,181	(3
Ft. Wayne, IN	Hampton Inn	2006	786	6,564	655	786	7,219	8,005	(1
Ft. Wayne, IN	Residence Inn by Marriott	2006	914	6,736	604	914	7,340	8,254	(1
Ft. Worth, TX	Hampton Inn	2007	1,500	8,184	35	1,500	8,219	9,719	(1
Ft. Worth, TX	Comfort Suites	2004	553	2,698	424	553	3,122	3,675	
Germantown, TN	Courtyard by Marriott	2005	1,860	5,448	801	1,860	6,249	8,109	(1
Germantown, TN	Fairfield Inn by Marriott	2005	767	2,700	354	767	3,054	3,821	
Germantown, TN	Residence Inn by Marriott	2005	1,083	5,200	560	1,083	5,760	6,843	(1
Jackson, MS	Courtyard by Marriott	2005	1,301	7,322	812	1,301	8,134	9,435	(2
Jackson, MS	Staybridge Suites	2007	698	8,454	99	698	8,553	9,251	(1
Jacksonville, FL	Aloft	2009	1,700	15,775	-	1,700	15,775	17,475	(1
Lakewood, CO	Fairfield Inn by	2004	521	2,433	155	521	2,588	3,109	

	Marriott								
Lakewood, CO	Comfort Suites	2004	547	2,416	110	547	2,526	3,073	
Las Colinas, TX	Hyatt Place	2007	781	5,729	1,663	781	7,392	8,173	(2
Las Colinas, TX	Holiday Inn Express	2007	912	6,689	1,587	898	8,290	9,188	(2
Lewisville, TX	Fairfield Inn by Marriott	2004	465	2,954	400	465	3,354	3,819	(1
Lithia Springs, GA	SpringHill Suites by Marriott	2004	480	3,572	423	480	3,995	4,475	(1
Little Rock, AR	SpringHill Suites by Marriott	2004	879	3,431	378	879	3,809	4,688	(1
Medford, OR	Hampton Inn	2004	1,230	4,788	458	1,230	5,246	6,476	(1
Memphis, TN	Courtyard by Marriott	2005	686	5,814	(532)	546	5,422	5,968	(1
Missoula, MT	Comfort Inn	2004	690	2,672	103	690	2,775	3,465	
Missoula, MT	Courtyard by Marriott	2005	650	5,785	54	650	5,839	6,489	(1
Nashville, TN	SpringHill Suites by Marriott	2004	777	3,576	434	777	4,010	4,787	(1
Portland, OR	Hyatt Place	2009	-	16,713	-	-	16,713	16,713	(1
Portland, OR	Residence Inn by Marriott	2009	-	16,409	-	-	16,409	16,409	(1
Provo, UT	Hampton Inn	2004	909	2,862	339	909	3,201	4,110	(1
Ridgeland, MS	Residence Inn by Marriott	2007	1,050	10,040	8	1,050	10,048	11,098	(2
Salina, KS	Comfort Inn	2004	984	1,650	77	984	1,727	2,711	
Salina, KS	Fairfield Inn by Marriott	2004	499	1,744	110	499	1,854	2,353	
San Antonio, TX	Cambria Suites	2008	2,497	12,833	-	2,497	12,833	15,330	(1
Sandy, UT	Holiday Inn Express	2004	720	1,768	951	720	2,719	3,439	(1
Scottsdale, AZ	Courtyard by Marriott	2004	3,225	10,152	692	3,225	10,844	14,069	(3
Scottsdale, AZ	SpringHill Suites by Marriott	2004	2,195	7,120	528	2,195	7,648	9,843	(2
		2004	1,637	3,669	275	1,637	3,944	5,581	(1

Spokane, WA	Fairfield Inn by Marriott								
Twin Falls, ID	Comfort Inn & Suites	2004	822	7,473	925	822	8,398	9,220	(2
Twin Falls, ID	Holiday Inn Express	2009	1,212	7,464	4	1,212	7,468	8,680	
Twin Falls, ID	Hampton Inn	2004	710	3,482	54	710	3,536	4,246	(1
Vernon Hills, IL	Holiday Inn Express	2005	1,198	6,099	1,123	1,198	7,222	8,420	(1
Land Parcels			19,911	-	384	20,295	-	20,295	
			$ 89,812	$ 449,933	$ 31,062	$ 89,887	$ 480,920	$ 570,807	$ (104

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

	ASSET BASIS		Total	
(a)	Balance at January 1, 2008	$	469,627,125	
	Additions to land, buildings and improvements		74,999,095	
	Disposition of land, buildings and improvements		(23,370,890	)
	Impairment loss		-	
	Balance at December 31, 2008	$	521,255,330	
	Additions to land, buildings and improvements		67,841,533	
	Disposition of land, buildings and improvements		(6,989,153	)
	Impairment loss		(7,505,836	)
	Balance at December 31, 2009	$	574,601,874	
	Additions to land, buildings and improvements		2,769,879	
	Disposition of land, buildings and improvements		(88,790	)
	Impairment loss		(6,475,684	)
	Balance at December 31, 2010	$	570,807,279	
	ACCUMULATED DEPRECIATION		Total	
(b)	Balance at January 1, 2008	$	43,132,920	
	Depreciation for the period ended December 31, 2008		20,431,253	
	Depreciation on assets sold or disposed		(4,203,113	)
	Balance at December 31, 2008	$	59,361,060	
	Depreciation for the period ended December 31, 2009		21,902,729	
	Depreciation on assets sold or disposed		(1,655,836	)
	Balance at December 31, 2009	$	79,607,953	
	Depreciation for the period ended December 31, 2010		25,234,526	
	Depreciation on assets sold or disposed		(45,977	)
	Balance at December 31, 2010	$	104,796,502	

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

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

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

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

Report of Independent Registered Public Accounting Firm

The Board of Directors
Summit Hotel Properties, Inc.:

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

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

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

/ s / KPMG LLP

Omaha, Nebraska
March 31, 2011

Report of Independent Registered Public Accounting Firm

The Partners
Summit Hotel OP, LP:

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

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

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

/ s / KPMG LLP

Omaha, Nebraska
March 31, 2011

SUMMIT HOTEL PROPERTIES, INC. AND SUMMIT HOTEL OP, LP
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010

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

Assets

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

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

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SUMMIT HOTEL PROPERTIES, INC. AND SUMMIT HOTEL OP, LP
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010

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

Assets

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

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

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SUMMIT HOTEL PROPERTIES, INC. AND SUMMIT HOTEL OP, LP
NOTES TO CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010

Note 1 – Organization and Summary of Significant Accounting Policies

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

The Company has had no operations since its organization.

Note 2 – Income Taxes

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

EXHIBIT INDEX

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

	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Craig J. Aniszewski (incorporated by reference to Exhibit 10.10 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.11	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Stuart J. Becker (incorporated by reference to Exhibit 10.11 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*
10.12	Employment Agreement, dated February 14, 2011, between Summit Hotel Properties, Inc. and Ryan A. Bertucci (incorporated by reference to Exhibit 10.12 to Current Report on Form 8-K filed by Summit Hotel Properties, Inc. on February 18, 2011)*

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

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

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

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