

Edgar Filing: Summit Hotel Properties, Inc. - Form 10-Q

Summit Hotel Properties, Inc.

Form 10-Q

May 01, 2019

false--12-31Q120192019-03-310001497645falseLarge Accelerated

Filerfalse11500000P3Y6M400000000500000P5Y0.010.050.015000000001047831791050801130.02150.02100.0210.0140.01

0001497645 2019-01-01 2019-03-31 0001497645 2019-04-24 0001497645 2019-03-31 0001497645 2018-12-31

0001497645 us-gaap:SeriesEPreferredStockMember 2018-12-31 0001497645 us-gaap:SeriesEPreferredStockMember

2019-03-31 0001497645 us-gaap:SeriesDPreferredStockMember 2018-12-31 0001497645

us-gaap:SeriesDPreferredStockMember 2019-03-31 0001497645 us-gaap:SeriesDPreferredStockMember 2019-01-01

2019-03-31 0001497645 us-gaap:SeriesDPreferredStockMember 2018-01-01 2018-12-31 0001497645

us-gaap:SeriesEPreferredStockMember 2018-01-01 2018-12-31 0001497645 us-gaap:SeriesEPreferredStockMember

2019-01-01 2019-03-31 0001497645 us-gaap:FoodAndBeverageMember 2019-01-01 2019-03-31 0001497645

2018-01-01 2018-03-31 0001497645 us-gaap:HotelOtherMember 2019-01-01 2019-03-31 0001497645

us-gaap:OccupancyMember 2019-01-01 2019-03-31 0001497645 us-gaap:OccupancyMember 2018-01-01

2018-03-31 0001497645 us-gaap:ManagementServiceMember 2019-01-01 2019-03-31 0001497645

us-gaap:FoodAndBeverageMember 2018-01-01 2018-03-31 0001497645 us-gaap:HotelOtherMember 2018-01-01

2018-03-31 0001497645 us-gaap:ManagementServiceMember 2018-01-01 2018-03-31 0001497645

us-gaap:ParentMember 2018-01-01 2018-03-31 0001497645 us-gaap:ParentMember 2019-01-01 2019-03-31

0001497645 us-gaap:ParentMember 2018-03-31 0001497645 us-gaap:CommonStockMember 2018-01-01

2018-03-31 0001497645 us-gaap:ParentMember 2019-03-31 0001497645 us-gaap:CommonStockMember

2019-01-01 2019-03-31 0001497645 us-gaap:RetainedEarningsMember 2018-01-01 2018-03-31 0001497645

us-gaap:RetainedEarningsMember 2019-03-31 0001497645 us-gaap:NoncontrollingInterestMember 2019-01-01

2019-03-31 0001497645 us-gaap:PreferredStockMember 2018-12-31 0001497645 us-gaap:RetainedEarningsMember

2019-01-01 2019-03-31 0001497645 us-gaap:AdditionalPaidInCapitalMember 2019-01-01 2019-03-31 0001497645

us-gaap:RetainedEarningsMember 2018-03-31 0001497645 us-gaap:ParentMember 2018-12-31 0001497645

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-03-31 0001497645 2017-12-31

0001497645 us-gaap:PreferredStockMember 2018-01-01 2018-03-31 0001497645

us-gaap:AdditionalPaidInCapitalMember 2019-03-31 0001497645 us-gaap:AdditionalPaidInCapitalMember

2018-12-31 0001497645 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-12-31 0001497645

us-gaap:CommonStockMember 2018-03-31 0001497645 us-gaap:NoncontrollingInterestMember 2018-03-31

0001497645 us-gaap:PreferredStockMember 2018-03-31 0001497645 us-gaap:NoncontrollingInterestMember

2018-01-01 2018-03-31 0001497645 us-gaap:CommonStockMember 2017-12-31 0001497645

us-gaap:PreferredStockMember 2019-03-31 0001497645 2018-03-31 0001497645 us-gaap:RetainedEarningsMember

2018-12-31 0001497645 us-gaap:PreferredStockMember 2017-12-31 0001497645 us-gaap:CommonStockMember

2019-03-31 0001497645 us-gaap:NoncontrollingInterestMember 2018-12-31 0001497645

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-03-31 0001497645 us-gaap:CommonStockMember

2018-12-31 0001497645 us-gaap:AdditionalPaidInCapitalMember 2018-03-31 0001497645

us-gaap:NoncontrollingInterestMember 2019-03-31 0001497645 us-gaap:NoncontrollingInterestMember 2017-12-31

0001497645 us-gaap:AdditionalPaidInCapitalMember 2018-01-01 2018-03-31 0001497645

us-gaap:RetainedEarningsMember 2017-12-31 0001497645 us-gaap:AdditionalPaidInCapitalMember 2017-12-31

0001497645 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0001497645

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-03-31 0001497645

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-01-01 2019-03-31 0001497645

us-gaap:ParentMember 2017-12-31 0001497645 inn:SummitHotelOPLPMember inn:TRSLesseesMember

2019-03-31 0001497645 srt:HotelMember 2019-03-31 0001497645

us-gaap:AccountingStandardsUpdate201602Member 2019-01-01 0001497645 inn:IntangibleAssetsMember

2018-12-31 0001497645 us-gaap:LandMember 2019-03-31 0001497645 us-gaap:ConstructionInProgressMember

2018-12-31 0001497645 inn:FurnitureFixturesAndEquipmentMember 2019-03-31 0001497645

inn:IntangibleAssetsMember 2019-03-31 0001497645 us-gaap:ConstructionInProgressMember 2019-03-31

0001497645 inn:FurnitureFixturesAndEquipmentMember 2018-12-31 0001497645

us-gaap:BuildingAndBuildingImprovementsMember 2019-03-31 0001497645

Edgar Filing: Summit Hotel Properties, Inc. - Form 10-Q

us-gaap:BuildingAndBuildingImprovementsMember 2018-12-31 0001497645 us-gaap:LandMember 2018-12-31 0001497645 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember us-gaap:LandMember 2019-03-31 0001497645 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember 2019-03-31 0001497645 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember us-gaap:FranchiseRightsMember 2019-03-31 0001497645 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember 2018-12-31 0001497645 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember us-gaap:LandMember 2018-12-31 0001497645 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember us-gaap:BuildingAndBuildingImprovementsMember 2018-12-31 0001497645 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember inn:FurnitureFixturesAndEquipmentMember 2018-12-31 0001497645 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember us-gaap:BuildingAndBuildingImprovementsMember 2019-03-31 0001497645 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember us-gaap:OtherCapitalizedPropertyPlantAndEquipmentMember 2019-03-31 0001497645 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember inn:FurnitureFixturesAndEquipmentMember 2019-03-31 0001497645 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember us-gaap:FranchiseRightsMember 2018-12-31 0001497645 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember us-gaap:OtherCapitalizedPropertyPlantAndEquipmentMember 2018-12-31 0001497645 us-gaap:DisposalGroupDisposedOfBySaleNotDiscontinuedOperationsMember inn:TwoHotelPropertiesSoldOnFebruary122019Member 2019-02-12 2019-02-12 0001497645 inn:ResidenceInnbyMarriottMember inn:BaltimoreHuntValleyMarylandMember 2019-01-31 2019-01-31 0001497645 us-gaap:DisposalGroupDisposedOfBySaleNotDiscontinuedOperationsMember inn:SixPropertiesSoldOnApril172019Member us-gaap:SubsequentEventMember 2019-04-17 0001497645 us-gaap:DisposalGroupDisposedOfBySaleNotDiscontinuedOperationsMember inn:TwoHotelPropertiesSoldOnFebruary122019Member 2019-02-12 0001497645 us-gaap:MortgagesMember us-gaap:SecuredDebtMember 2019-03-31 0001497645 us-gaap:EstimateOfFairValueFairValueDisclosureMember 2019-03-31 0001497645 inn:NonRecourseLoanMember inn:MetabankMember us-gaap:SecuredDebtMember 2019-03-31 0001497645 us-gaap:MortgagesMember 2019-03-19 0001497645 inn:NonRecourseLoanMember inn:MetabankMember us-gaap:SecuredDebtMember 2017-06-30 2017-06-30 0001497645 inn:SeniorUnsecuredCreditFacilitySixHundredMillionMember us-gaap:UnsecuredDebtMember 2019-03-31 0001497645 us-gaap:MortgagesMember us-gaap:SecuredDebtMember 2019-03-19 0001497645 inn:A2018TermLoanMember us-gaap:UnsecuredDebtMember 2018-02-15 0001497645 inn:TermLoanTwoHundredMillionMember us-gaap:UnsecuredDebtMember 2019-03-31 0001497645 inn:OptionTwoMember inn:A2018TermLoanMember us-gaap:UnsecuredDebtMember us-gaap:LondonInterbankOfferedRateLIBORMember 2018-02-15 2018-02-15 0001497645 inn:OptionTwoMember inn:A2018TermLoanMember us-gaap:UnsecuredDebtMember us-gaap:FederalFundsEffectiveSwapRateMember 2018-02-15 2018-02-15 0001497645 inn:A2015TermLoanMember us-gaap:UnsecuredDebtMember 2015-04-21 0001497645 inn:OptionTwoMember srt:MaximumMember inn:A2018TermLoanMember us-gaap:UnsecuredDebtMember us-gaap:BaseRateMember 2018-02-15 2018-02-15 0001497645 inn:TermLoanTwoHundredMillionMember us-gaap:UnsecuredDebtMember 2018-12-06 0001497645 srt:MinimumMember inn:RevolvingCreditFacilityFourHundredMillionMember us-gaap:UnsecuredDebtMember us-gaap:LondonInterbankOfferedRateLIBORMember 2019-01-01 2019-03-31 0001497645 inn:NonRecourseLoanMember inn:MetabankMember us-gaap:SecuredDebtMember 2017-07-01 2017-12-31 0001497645 inn:RevolvingCreditFacilityFourHundredMillionMember us-gaap:UnsecuredDebtMember 2018-12-06 0001497645 inn:OptionTwoMember srt:MinimumMember inn:A2017TermLoanMember us-gaap:UnsecuredDebtMember us-gaap:BaseRateMember 2017-09-26 2017-09-26 0001497645 inn:A2017TermLoanMember us-gaap:UnsecuredDebtMember 2017-09-26 0001497645 inn:NonRecourseLoanMember inn:MetabankMember us-gaap:SecuredDebtMember 2017-06-30 0001497645 inn:RevolvingCreditFacilityThreeHundredMillionMember us-gaap:UnsecuredDebtMember 2016-01-15 0001497645 inn:OptionOneMember srt:MinimumMember inn:A2017TermLoanMember us-gaap:UnsecuredDebtMember us-gaap:LondonInterbankOfferedRateLIBORMember 2017-09-26 2017-09-26 0001497645 srt:MaximumMember

Edgar Filing: Summit Hotel Properties, Inc. - Form 10-Q

inn:TermLoanTwoHundredMillionMember us-gaap:UnsecuredDebtMember
us-gaap:LondonInterbankOfferedRateLIBORMember 2019-01-01 2019-03-31 0001497645
inn:A2017TermLoanMember us-gaap:UnsecuredDebtMember 2019-03-31 0001497645 inn:OptionOneMember
srt:MaximumMember inn:A2018TermLoanMember us-gaap:UnsecuredDebtMember
us-gaap:LondonInterbankOfferedRateLIBORMember 2018-02-15 2018-02-15 0001497645 srt:MaximumMember
inn:RevolvingCreditFacilityFourHundredMillionMember us-gaap:UnsecuredDebtMember
us-gaap:LondonInterbankOfferedRateLIBORMember 2019-01-01 2019-03-31 0001497645
inn:TermLoanOneHundredandFiftyMillionMember us-gaap:UnsecuredDebtMember 2016-01-15 0001497645
us-gaap:MortgagesMember 2019-03-19 0001497645 inn:A2018TermLoanMember us-gaap:UnsecuredDebtMember
2018-02-15 2018-02-15 0001497645 inn:OptionOneMember srt:MinimumMember inn:A2018TermLoanMember
us-gaap:UnsecuredDebtMember us-gaap:LondonInterbankOfferedRateLIBORMember 2018-02-15 2018-02-15
0001497645 inn:A2017TermLoanMember us-gaap:UnsecuredDebtMember 2017-09-26 2017-09-26 0001497645
srt:MinimumMember inn:TermLoanTwoHundredMillionMember us-gaap:UnsecuredDebtMember
us-gaap:LondonInterbankOfferedRateLIBORMember 2019-01-01 2019-03-31 0001497645 2018-01-01 2018-12-31
0001497645 inn:OptionTwoMember inn:A2017TermLoanMember us-gaap:UnsecuredDebtMember
us-gaap:LondonInterbankOfferedRateLIBORMember 2017-09-26 2017-09-26 0001497645
inn:A2015TermLoanMember us-gaap:UnsecuredDebtMember 2018-02-15 2018-02-15 0001497645
inn:SeniorUnsecuredCreditFacilityFourHundredandFiftyMillionMember us-gaap:UnsecuredDebtMember 2016-01-15
0001497645 inn:OptionOneMember srt:MaximumMember inn:A2017TermLoanMember
us-gaap:UnsecuredDebtMember us-gaap:LondonInterbankOfferedRateLIBORMember 2017-09-26 2017-09-26
0001497645 inn:A2017TermLoanMember us-gaap:UnsecuredDebtMember 2017-12-11 2017-12-11 0001497645
inn:OptionTwoMember inn:A2017TermLoanMember us-gaap:UnsecuredDebtMember
us-gaap:FederalFundsEffectiveSwapRateMember 2017-09-26 2017-09-26 0001497645 inn:OptionTwoMember
srt:MinimumMember inn:A2018TermLoanMember us-gaap:UnsecuredDebtMember us-gaap:BaseRateMember
2018-02-15 2018-02-15 0001497645 inn:NonRecourseLoanMember inn:MetabankMember
us-gaap:SecuredDebtMember 2019-01-01 2019-03-31 0001497645 inn:NonRecourseLoanMember
inn:MetabankMember us-gaap:SecuredDebtMember 2019-01-31 2019-01-31 0001497645
inn:A2018TermLoanMember us-gaap:UnsecuredDebtMember 2019-03-31 0001497645
inn:SeniorUnsecuredCreditFacilitySixHundredMillionMember us-gaap:UnsecuredDebtMember 2018-12-06
0001497645 inn:A2018TermLoanMember us-gaap:UnsecuredDebtMember 2018-05-16 2018-05-16 0001497645
inn:OptionTwoMember srt:MaximumMember inn:A2017TermLoanMember us-gaap:UnsecuredDebtMember
us-gaap:BaseRateMember 2017-09-26 2017-09-26 0001497645 inn:A2015TermLoanMember
us-gaap:UnsecuredDebtMember 2015-04-07 0001497645 us-gaap:MortgagesMember 2019-03-31 0001497645
inn:TotalTermLoansMember us-gaap:UnsecuredDebtMember 2018-12-31 0001497645
inn:TotalRevolvingCreditFacilityMember us-gaap:UnsecuredDebtMember 2019-03-31 0001497645
us-gaap:MortgagesMember 2018-12-31 0001497645 inn:TotalTermLoansMember us-gaap:UnsecuredDebtMember
2019-03-31 0001497645 inn:TotalRevolvingCreditFacilityMember us-gaap:UnsecuredDebtMember 2018-12-31
0001497645 us-gaap:CarryingReportedAmountFairValueDisclosureMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember 2019-03-31
0001497645 us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember
2018-12-31 0001497645 us-gaap:CarryingReportedAmountFairValueDisclosureMember 2018-12-31 0001497645
us-gaap:EstimateOfFairValueFairValueDisclosureMember 2018-12-31 0001497645 srt:MinimumMember
2019-01-01 2019-03-31 0001497645 srt:MaximumMember 2019-01-01 2019-03-31 0001497645
us-gaap:InterestRateSwapMember us-gaap:CashFlowHedgingMember 2019-01-01 2019-03-31 0001497645
us-gaap:InterestRateSwapMember us-gaap:CashFlowHedgingMember 2018-01-01 2018-03-31 0001497645
us-gaap:InterestRateSwapMember us-gaap:CashFlowHedgingMember us-gaap:InterestExpenseMember 2019-01-01
2019-03-31 0001497645 us-gaap:InterestRateSwapMember us-gaap:CashFlowHedgingMember
us-gaap:InterestExpenseMember 2018-01-01 2018-03-31 0001497645
inn:InterestRateSwapExpiringDecember312025Member us-gaap:DesignatedAsHedgingInstrumentMember
2019-03-31 0001497645 inn:InterestRateSwapExpiringJanuary312023Member
us-gaap:DesignatedAsHedgingInstrumentMember 2019-03-31 0001497645

Edgar Filing: Summit Hotel Properties, Inc. - Form 10-Q

inn:InterestRateSwapExpiringSeptember302024Member us-gaap:DesignatedAsHedgingInstrumentMember
2019-03-31 0001497645 us-gaap:InterestRateSwapMember us-gaap:DesignatedAsHedgingInstrumentMember
2019-03-31 0001497645 us-gaap:InterestRateSwapMember 2019-03-31 0001497645
inn:InterestRateSwapExpiringDecember312025Member us-gaap:DesignatedAsHedgingInstrumentMember
2018-12-31 0001497645 inn:InterestRateSwapExpiringJanuary312023OneMember
us-gaap:DesignatedAsHedgingInstrumentMember 2018-12-31 0001497645
inn:InterestRateSwapExpiringJanuary312023TwoMember us-gaap:DesignatedAsHedgingInstrumentMember
2018-12-31 0001497645 inn:InterestRateSwapExpiringJanuary312023TwoMember
us-gaap:DesignatedAsHedgingInstrumentMember 2019-03-31 0001497645 us-gaap:InterestRateSwapMember
us-gaap:DesignatedAsHedgingInstrumentMember 2018-12-31 0001497645
inn:InterestRateSwapExpiringSeptember302024Member us-gaap:DesignatedAsHedgingInstrumentMember
2018-12-31 0001497645 inn:InterestRateSwapExpiringJanuary312023OneMember
us-gaap:DesignatedAsHedgingInstrumentMember 2019-03-31 0001497645 srt:MaximumMember
us-gaap:SeriesDPreferredStockMember 2019-01-01 2019-03-31 0001497645 inn:SummitHotelOPLPMember
inn:UnaffiliatedThirdPartiesMember 2019-01-01 2019-03-31 0001497645 us-gaap:SeriesCPreferredStockMember
2018-03-20 0001497645 inn:PreferredStockUndesignatedMember 2019-03-31 0001497645
us-gaap:SeriesCPreferredStockMember 2018-03-20 2018-03-20 0001497645 inn:SummitHotelOPLPMember
us-gaap:NoncontrollingInterestMember 2019-01-01 2019-03-31 0001497645 srt:MaximumMember
us-gaap:SeriesEPreferredStockMember 2019-01-01 2019-03-31 0001497645 inn:SummitHotelOPLPMember
us-gaap:NoncontrollingInterestMember 2019-03-31 0001497645 inn:SummitHotelOPLPMember
us-gaap:NoncontrollingInterestMember 2018-12-31 0001497645 us-gaap:SeriesCPreferredStockMember 2019-03-31
0001497645 inn:SummitHotelOPLPMember us-gaap:NoncontrollingInterestMember 2018-01-01 2018-12-31
0001497645 inn:MezzanineLoansMember 2019-01-01 2019-03-31 0001497645
inn:HolidayInnAndHiltonGardenInnMember inn:DuluthGeorgiaMember
us-gaap:DisposalGroupDisposedOfBySaleNotDiscontinuedOperationsMember 2018-06-29 0001497645
us-gaap:RealEstateLoanMember 2019-03-31 0001497645 inn:MezzanineLoansMember 2019-03-31 0001497645
us-gaap:OtherAssetsMember 2019-03-31 0001497645 inn:HolidayInnAndHiltonGardenInnMember
inn:DuluthGeorgiaMember us-gaap:DisposalGroupDisposedOfBySaleNotDiscontinuedOperationsMember
2019-03-31 0001497645 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
inn:RealEstateLoan2Member us-gaap:MeasurementInputOptionVolatilityMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
inn:RealEstateLoan1Member us-gaap:MeasurementInputOptionVolatilityMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
inn:RealEstateLoan3Member us-gaap:MeasurementInputExpectedDividendRateMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
inn:RealEstateLoan2Member us-gaap:MeasurementInputRiskFreeInterestRateMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
inn:RealEstateLoan1Member us-gaap:MeasurementInputExercisePriceMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
inn:RealEstateLoan2Member us-gaap:MeasurementInputExercisePriceMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
inn:RealEstateLoan3Member us-gaap:MeasurementInputExercisePriceMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
inn:RealEstateLoan1Member us-gaap:MeasurementInputExpectedDividendRateMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
inn:RealEstateLoan2Member us-gaap:MeasurementInputExpectedDividendRateMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
inn:RealEstateLoan3Member us-gaap:MeasurementInputRiskFreeInterestRateMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
inn:RealEstateLoan3Member us-gaap:MeasurementInputOptionVolatilityMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember

Edgar Filing: Summit Hotel Properties, Inc. - Form 10-Q

inn:RealEstateLoan1Member us-gaap:MeasurementInputRiskFreeInterestRateMember 2019-03-31 0001497645
us-gaap:InterestRateSwapMember us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0001497645 us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0001497645 us-gaap:InterestRateSwapMember
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0001497645
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0001497645
us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0001497645 us-gaap:InterestRateSwapMember
us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0001497645 us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0001497645 us-gaap:InterestRateSwapMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0001497645
us-gaap:InterestRateSwapMember us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001497645
us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001497645 us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001497645 us-gaap:InterestRateSwapMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001497645
us-gaap:InterestRateSwapMember us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001497645 us-gaap:InterestRateSwapMember
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001497645
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001497645
inn:MezzanineLoansMember 2018-01-01 2018-03-31 0001497645 inn:HolidayInnAndHiltonGardenInnMember
inn:DuluthGeorgiaMember us-gaap:DisposalGroupDisposedOfBySaleNotDiscontinuedOperationsMember
2018-06-29 2018-06-29 0001497645 inn:ManagementAgreementsMember 2019-01-01 2019-03-31 0001497645
inn:ManagementAgreementsMember 2018-01-01 2018-03-31 0001497645 srt:MaximumMember
inn:ManagementAgreementsMember 2019-01-01 2019-03-31 0001497645 inn:FranchiseAgreementsMember
2019-01-01 2019-03-31 0001497645 inn:FranchiseAgreementsMember 2018-01-01 2018-03-31 0001497645
inn:VestingBasedOnServiceMember us-gaap:RestrictedStockMember 2018-12-31 0001497645
inn:VestingBasedOnServiceMember us-gaap:RestrictedStockMember 2019-01-01 2019-03-31 0001497645
inn:VestingBasedOnServiceMember us-gaap:RestrictedStockMember 2019-03-31 0001497645
inn:VestingBasedOnPerformanceMember us-gaap:RestrictedStockMember 2019-03-31 0001497645
inn:VestingBasedOnPerformanceMember us-gaap:RestrictedStockMember 2019-01-01 2019-03-31 0001497645
inn:VestingBasedOnPerformanceMember us-gaap:RestrictedStockMember 2018-12-31 0001497645
us-gaap:EmployeeStockOptionMember 2019-03-31 0001497645 srt:MinimumMember
us-gaap:RestrictedStockMember us-gaap:ExecutiveOfficerMember 2019-01-01 2019-03-31 0001497645
inn:VestingBasedOnServiceMember us-gaap:RestrictedStockMember inn:EmployeesMember
inn:SharebasedCompensationAwardTrancheFourMember 2019-01-01 2019-03-31 0001497645
us-gaap:EmployeeStockOptionMember 2019-01-01 2019-03-31 0001497645 inn:VestingBasedOnServiceMember
us-gaap:RestrictedStockMember us-gaap:ExecutiveOfficerMember
us-gaap:ShareBasedCompensationAwardTrancheThreeMember 2019-01-01 2019-03-31 0001497645
us-gaap:ChiefFinancialOfficerMember 2018-01-01 2018-03-31 0001497645 inn:VestingBasedOnServiceMember
us-gaap:RestrictedStockMember us-gaap:ExecutiveOfficerMember
us-gaap:ShareBasedCompensationAwardTrancheOneMember 2019-01-01 2019-03-31 0001497645
inn:VestingBasedOnServiceMember us-gaap:RestrictedStockMember inn:EmployeesMember
us-gaap:ShareBasedCompensationAwardTrancheOneMember 2019-01-01 2019-03-31 0001497645
inn:VestingBasedOnServiceMember us-gaap:RestrictedStockMember
us-gaap:GeneralAndAdministrativeExpenseMember 2018-01-01 2018-03-31 0001497645
inn:VestingBasedOnPerformanceMember us-gaap:RestrictedStockMember
us-gaap:GeneralAndAdministrativeExpenseMember 2019-01-01 2019-03-31 0001497645
us-gaap:GeneralAndAdministrativeExpenseMember 2018-01-01 2018-03-31 0001497645
us-gaap:StockCompensationPlanMember us-gaap:GeneralAndAdministrativeExpenseMember
us-gaap:DirectorMember 2018-01-01 2018-03-31 0001497645 us-gaap:GeneralAndAdministrativeExpenseMember
2019-01-01 2019-03-31 0001497645 inn:VestingBasedOnPerformanceMember us-gaap:RestrictedStockMember

us-gaap:GeneralAndAdministrativeExpenseMember 2018-01-01 2018-03-31 0001497645
us-gaap:StockCompensationPlanMember us-gaap:GeneralAndAdministrativeExpenseMember
us-gaap:DirectorMember 2019-01-01 2019-03-31 0001497645 inn:VestingBasedOnServiceMember
us-gaap:RestrictedStockMember us-gaap:GeneralAndAdministrativeExpenseMember 2019-01-01 2019-03-31
0001497645 inn:VestingBasedOnServiceMember us-gaap:RestrictedStockMember us-gaap:ExecutiveOfficerMember
us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2019-01-01 2019-03-31 0001497645
inn:VestingBasedOnServiceMember us-gaap:RestrictedStockMember us-gaap:ExecutiveOfficerMember 2019-01-01
2019-03-31 0001497645 inn:VestingBasedOnServiceMember us-gaap:RestrictedStockMember
inn:EmployeesMember us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2019-01-01 2019-03-31
0001497645 inn:VestingBasedOnServiceMember us-gaap:RestrictedStockMember inn:EmployeesMember
us-gaap:ShareBasedCompensationAwardTrancheThreeMember 2019-01-01 2019-03-31 0001497645
inn:VestingBasedOnServiceMember us-gaap:RestrictedStockMember inn:EmployeesMember 2019-01-01
2019-03-31 0001497645 srt:MaximumMember us-gaap:RestrictedStockMember us-gaap:ExecutiveOfficerMember
2019-01-01 2019-03-31 0001497645 us-gaap:RestrictedStockMember 2018-01-01 2018-03-31 0001497645
us-gaap:RestrictedStockMember 2019-01-01 2019-03-31 0001497645 inn:U.S.BankMember
us-gaap:MortgagesMember us-gaap:SubsequentEventMember 2019-04-11 2019-04-11 0001497645
us-gaap:SeriesDPreferredStockMember us-gaap:SubsequentEventMember 2019-04-29 2019-04-29 0001497645
inn:U.S.BankMember us-gaap:MortgagesMember us-gaap:SubsequentEventMember 2019-04-11 0001497645
inn:CompassBankMember us-gaap:MortgagesMember us-gaap:SubsequentEventMember 2019-04-24 2019-04-24
0001497645 us-gaap:SeriesEPreferredStockMember us-gaap:SubsequentEventMember 2019-04-29 2019-04-29
0001497645 us-gaap:SubsequentEventMember 2019-04-29 2019-04-29 0001497645
us-gaap:DisposalGroupDisposedOfBySaleNotDiscontinuedOperationsMember
inn:SixPropertiesSoldOnApril172019Member us-gaap:SubsequentEventMember 2019-04-17 2019-04-17
inn:Instrument inn:Loan inn:hotel inn:Room inn:State iso4217:USD xbrli:shares xbrli:pure xbrli:shares inn:Property
iso4217:USD

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2019

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)

13215 Bee Cave Parkway, Suite B-300
Austin, TX 78738
(Address of principal executive offices, including zip code)

(512) 538-2300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of April 24, 2019, the number of outstanding shares of common stock of Summit Hotel Properties, Inc. was 105,080,973.

TABLE OF CONTENTS

	Page
<u>PART I — FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets — March 31, 2019 (Unaudited) and December 31, 2018</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations (Unaudited) — Three Months Ended March 31, 2019 and 2018</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) — Three Months Ended March 31, 2019 and 2018</u>	<u>3</u>
<u>Condensed Consolidated Statements of Changes in Equity (Unaudited) — Three Months Ended March 31, 2019 and 2018</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) — Three Months Ended March 31, 2019 and 2018</u>	<u>5</u>
<u>Notes to the Condensed Consolidated Financial Statements (Unaudited)</u>	<u>6</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>36</u>
<u>Item 4. Controls and Procedures</u>	<u>36</u>
<u>PART II — OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>37</u>
<u>Item 1A. Risk Factors</u>	<u>37</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>37</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>37</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>37</u>
<u>Item 5. Other Information</u>	<u>37</u>
<u>Item 6. Exhibits</u>	<u>38</u>

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****Summit Hotel Properties, Inc.****Condensed Consolidated Balance Sheets***(in thousands, except share amounts)*

	March 31, 2019 (Unaudited)	December 31, 2018
ASSETS		
Investment in hotel properties, net	\$1,952,161	\$2,065,554
Undeveloped land	2,267	2,267
Assets held for sale, net	96,523	7,633
Investment in real estate loans, net	31,284	30,700
Right-of-use assets	29,722	—
Cash and cash equivalents	42,913	44,088
Restricted cash	28,026	28,468
Trade receivables, net	23,623	13,978
Prepaid expenses and other	9,149	10,111
Deferred charges, net	4,220	4,691
Other assets	9,754	14,807
Total assets	\$2,229,642	\$2,222,297
LIABILITIES AND EQUITY		
Liabilities:		
Debt, net of debt issuance costs	\$961,826	\$958,712
Lease liabilities	19,273	—
Accounts payable	4,645	5,391
Accrued expenses and other	65,929	66,050
Total liabilities	1,051,673	1,030,153
Commitments and contingencies (Note 9)		
Equity:		
Preferred stock, \$0.01 par value per share, 100,000,000 shares authorized:		
6.45% Series D - 3,000,000 shares issued and outstanding at March 31, 2019 and December 31, 2018 (aggregate liquidation preference of \$75,417 at March 31, 2019 and December 31, 2018)	30	30
6.25% Series E - 6,400,000 shares issued and outstanding at March 31, 2019 and December 31, 2018 (aggregate liquidation preference of \$160,861 at March 31, 2019 and December 31, 2018)	64	64
Common stock, \$0.01 par value per share, 500,000,000 shares authorized, 105,080,113 and 104,783,179 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	1,051	1,048
Additional paid-in capital	1,185,790	1,185,310
Accumulated other comprehensive loss	(6,985)	(1,441)
(Distributions in excess of retained earnings) retained earnings	(4,241)	4,838
Total stockholders' equity	1,175,709	1,189,849
Non-controlling interests in operating partnership	2,260	2,295
Total equity	1,177,969	1,192,144
Total liabilities and equity	\$2,229,642	\$2,222,297

See Notes to the Condensed Consolidated Financial Statements

Summit Hotel Properties, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands, except per share amounts)

	For the Three Months Ended March 31,	
	2019	2018
Revenues:		
Room	\$ 128,100	\$ 129,572
Food and beverage	6,162	6,329
Other	4,690	4,298
Total revenues	138,952	140,199
Expenses:		
Room	27,840	29,005
Food and beverage	4,600	4,999
Other hotel operating expenses	39,797	39,458
Property taxes, insurance and other	11,408	10,998
Management fees	5,146	5,352
Depreciation and amortization	25,536	25,246
Corporate general and administrative	5,990	6,607
Total expenses	120,317	121,665
Gain (loss) on disposal of assets, net	4,166	(43)
Operating income	22,801	18,491
Other income (expense):		
Interest expense	(10,852)	(9,329)
Other income, net	1,301	789
Total other income (expense)	(9,551)	(8,540)
Income from continuing operations before income taxes	13,250	9,951
Income tax expense (Note 11)	(350)	(260)
Net income	12,900	9,691
Non-controlling interest in Operating Partnership	(23)	(3)
Net income attributable to Summit Hotel Properties, Inc.	12,877	9,688
Preferred dividends	(3,709)	(5,543)
Premium on redemption of preferred stock	—	(3,277)
Net income attributable to common stockholders	\$ 9,168	\$ 868
Earnings per share:		
Basic and diluted	\$ 0.09	\$ 0.01
Weighted average common shares outstanding:		
Basic	103,749	103,500
Diluted	103,837	103,899

See Notes to the Condensed Consolidated Financial Statements

Summit Hotel Properties, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(in thousands)

	For the Three Months Ended March 31,	
	2019	2018
Net income	\$ 12,900	\$ 9,691
Other comprehensive income, net of tax:		
Changes in fair value of derivative financial instruments	(5,558)	3,744
Comprehensive income	7,342	13,435
Comprehensive income attributable to non-controlling interests:		
Less - Comprehensive income attributable to non-controlling interest in Operating Partnership	(9)	(15)
Comprehensive income attributable to Summit Hotel Properties, Inc.	7,333	13,420
Preferred dividends	(3,709)	(5,543)
Premium on redemption of preferred stock	—	(3,277)
Comprehensive income attributable to common stockholders	\$ 3,624	\$ 4,600

See Notes to the Condensed Consolidated Financial Statements

Summit Hotel Properties, Inc.
Condensed Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2019 and 2018
(Unaudited)
(in thousands, except share amounts)

	Shares of Preferred Stock	Preferred Stock	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) and Distributions	Total Stockholders' Equity	Non-controlling Interests in Operating Partnership	Total Equity
Balance at December 31, 2018	9,400,000	\$ 94	104,783,179	\$ 1,048	\$ 1,185,310	\$ (1,441)	\$ 4,838	\$ 1,189,849	\$ 2,295	\$ 1,192,144
Dividends	—	—	—	—	—	—	(21,956)	(21,956)	(47)	(22,003)
Equity-based compensation	—	—	370,826	4	1,345	—	—	1,349	3	1,352
Shares acquired for employee withholding requirements	—	—	(73,892)	(1)	(833)	—	—	(834)	—	(834)
Other	—	—	—	—	(32)	—	—	(32)	—	(32)
Other comprehensive loss	—	—	—	—	—	(5,544)	—	(5,544)	(14)	(5,558)
Net income	—	—	—	—	—	—	12,877	12,877	23	12,900
Balance at March 31, 2019	9,400,000	\$ 94	105,080,113	\$ 1,051	\$ 1,185,790	\$ (6,985)	\$ (4,241)	\$ 1,175,709	\$ 2,260	\$ 1,177,969
Balance at December 31, 2017	12,800,000	\$ 128	104,287,128	\$ 1,043	\$ 1,262,679	\$ 1,451	\$ 9,201	\$ 1,274,502	\$ 2,874	\$ 1,277,376
Redemption of preferred stock	(3,400,000)	(34)	—	—	(81,689)	—	(3,277)	(85,000)	—	(85,000)
Dividends	—	—	—	—	—	—	(24,322)	(24,322)	(58)	(24,380)
Equity-based compensation	—	—	584,520	6	2,214	—	—	2,220	7	2,227
Shares acquired for employee withholding requirements	—	—	(187,850)	(2)	(2,722)	—	—	(2,724)	—	(2,724)
Other	—	—	—	—	(61)	—	—	(61)	—	(61)
Other comprehensive income	—	—	—	—	—	3,732	—	3,732	12	3,744
Net income	—	—	—	—	—	—	9,688	9,688	3	9,691
Balance at March 31, 2018	9,400,000	\$ 94	104,683,798	\$ 1,047	\$ 1,180,421	\$ 5,183	\$ (8,710)	\$ 1,178,035	\$ 2,838	\$ 1,180,873

See Notes to the Condensed Consolidated Financial Statements

Summit Hotel Properties, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	For the Three Months Ended March 31, 2019 2018	
OPERATING ACTIVITIES		
Net income	\$ 12,900	\$ 9,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,536	25,246
Amortization of deferred financing costs	381	494
Equity-based compensation	1,352	2,227
(Gain) loss on disposal of assets, net	(4,166)	43
Other	355	(227)
Changes in operating assets and liabilities:		
Trade receivables, net	(9,645)	(3,953)
Prepaid expenses and other	746	499
Accounts payable	(510)	(448)
Accrued expenses and other	3,291	4,174
NET CASH PROVIDED BY OPERATING ACTIVITIES	30,240	37,746
INVESTING ACTIVITIES		
Acquisitions of hotel properties	(4,178)	—
Investment in hotel properties under development	—	(4,474)
Improvements to hotel properties	(17,248)	(12,958)
Proceeds from asset dispositions, net	11,310	—
Funding of real estate loans	(500)	(5,334)
Proceeds from collection of real estate loans	300	—
NET CASH USED IN INVESTING ACTIVITIES	(10,316)	(22,766)
FINANCING ACTIVITIES		
Proceeds from issuance of debt	45,000	270,000
Principal payments on debt	(42,326)	(162,034)
Redemption of preferred stock	—	(85,000)
Dividends paid	(22,668)	(24,782)
Financing fees on debt and other issuance costs	(713)	(1,529)
Repurchase of common shares for withholding requirements	(834)	(2,724)
NET CASH USED IN FINANCING ACTIVITIES	(21,541)	(6,069)
Net change in cash, cash equivalents and restricted cash	(1,617)	8,911
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of period	72,556	66,007
End of period	\$ 70,939	\$ 74,918
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 11,879	\$ 8,422
Accrued acquisition costs and improvements to hotel properties	\$ 5,306	\$ 5,423
Capitalized interest	\$ —	\$ 187
Net cash (refunds) payments for income taxes	\$ (1,049)	\$ 212

See Notes to the Condensed Consolidated Financial Statements

SUMMIT HOTEL PROPERTIES, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - DESCRIPTION OF BUSINESS

Summit Hotel Properties, Inc. (the “Company”) is a self-managed hotel investment company that was organized on June 30, 2010 as a Maryland corporation. The Company holds both general and limited partnership interests in Summit Hotel OP, LP (the “Operating Partnership”), a Delaware limited partnership also organized on June 30, 2010. Unless the context otherwise requires, “we,” “us,” and “our” refer to the Company and its consolidated subsidiaries.

We focus on owning primarily premium-branded, select-service hotels. At March 31, 2019, our portfolio consisted of 75 hotels with a total of 11,529 guestrooms located in 25 states. We have elected to be taxed as a real estate investment trust (“REIT”) for federal income tax purposes. To qualify as a REIT, we cannot operate or manage our hotels. Accordingly, all of our hotels are leased to subsidiaries (“TRS Lessees”) of our taxable REIT subsidiary (“TRS”). We indirectly own 100% of the outstanding equity interests in all of our TRS Lessees.

NOTE 2 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements of the Company consolidate the accounts of the Company and all entities that are controlled by the Company’s ownership of a majority voting interest in such entities, as well as variable interest entities for which the Company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated in the Condensed Consolidated Financial Statements.

We prepare our Condensed Consolidated Financial Statements in conformity with U.S. Generally Accepted Accounting Principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Act of 1934 (the “Exchange Act”). Accordingly, the Condensed Consolidated Financial Statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary for a fair presentation in accordance with GAAP have been included. Results for the three months ended March 31, 2019 may not be indicative of the results that may be expected for the full year of 2019. For further information, please read the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Investment in Hotel Properties

The Company allocates 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. We determine the acquisition-date fair values of all assets and assumed liabilities using methods similar to those used by independent appraisers, including using a discounted cash flow analysis that uses appropriate discount or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions.

If substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset or group of similar identifiable assets, the asset or asset group is not considered a business. When we conclude that an

acquisition meets this threshold, acquisition costs will be capitalized as part of our allocation of the purchase price of the acquired hotel properties.

Our hotel properties and related assets are recorded at cost, less accumulated depreciation. We capitalize hotel development costs and the costs of significant additions and improvements that materially upgrade, increase the value or extend the useful life of the property. These costs may include hotel development, refurbishment, renovation, and remodeling expenditures, as well as certain indirect internal costs related to construction projects. If an asset requires a period of time in which to carry out the activities necessary to bring it to the condition necessary for its intended use, the interest cost incurred during that period as a result of expenditures for the asset is capitalized as part of the cost of the asset. We expense the cost of repairs and maintenance as incurred.

On a limited basis, we provide financing to developers of hotel properties for development projects. We evaluate these arrangements to determine if we participate in residual profits of the hotel property through the loan provisions or other agreements. Where we conclude that these arrangements are more appropriately treated as an investment in the hotel property, we reflect the loan as an investment in hotel properties under development in our Condensed Consolidated Balance Sheets. If classified as hotel properties under development, no interest income is recognized on the loan and interest expense is capitalized as part of our investment in the hotel property during the construction period.

We monitor events and changes in circumstances for indicators that the carrying value of a hotel property or undeveloped land may be impaired. Additionally, we perform at least annual reviews to monitor the factors that could trigger an impairment. Factors that we consider for an impairment analysis include, among others: i) significant underperformance relative to historical or anticipated operating results, ii) significant changes in the manner of use of a property or the strategy of our overall business, including changes in the estimated holding periods for hotel properties and land parcels, iii) a significant increase in competition, iv) a significant adverse change in legal factors or regulations, v) changes in values of comparable land or hotel sales, and vi) significant negative industry or economic trends. When such factors are identified, we prepare an estimate of the undiscounted future cash flows of the specific property and determine if the carrying amount of the asset is recoverable. If an impairment is identified, we estimate the fair value of the property based on discounted cash flows or sales price if the property is under contract and an adjustment is made to reduce the carrying value of the property to its estimated fair value.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which changed lessee accounting to reflect the financial liability and right-of-use assets that are inherent to leasing an asset on the balance sheet. We adopted ASU No. 2016-02 on January 1, 2019. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, to clarify how to apply certain aspects of the new leases standard. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to give companies another option for transition and to provide lessors with a practical expedient to reduce the cost and complexity of implementing the new standard. The transition option allows companies to not apply the new lease standard in the comparative periods they present in their financial statements in the year of adoption. The Company elected the practical expedients allowed under the guidance and retained the original lease classification and historical accounting for initial direct costs for leases existing prior to the adoption date. The Company also elected not to restate prior periods for the effect of the adoption of the new standard. In accordance with ASU No. 2016-02, we reclassified certain existing lease-related assets and liabilities to Right-of-use assets as of January 1, 2019. The adoption of ASU No. 2016-02 resulted in the recognition of incremental right-of-use assets and related lease liabilities of \$23.6 million on the Condensed Consolidated Balance Sheet as of January 1, 2019.

Notes Receivables

We selectively provide mezzanine lending to developers, where we also have the opportunity to acquire the hotel at or after the completion of the development project, and we also may provide seller financing under limited circumstances. We classify notes receivable as held-to-maturity and carry the notes receivable at cost less the unamortized discount, if any. We routinely evaluate our notes receivable for potential specific credit or collection issues that may indicate an impairment. Losses on notes receivable are recognized when incurred based on our best estimate of probable impairment.

Cash and Cash Equivalents

We consider 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. We maintain our cash with high credit quality financial institutions.

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 lender or other party requiring the restricted cash reserves.

Revenue Recognition

In accordance with ASU No. 2014-09, revenues from the operation of our hotels are recognized when guestrooms are occupied, services have been rendered or fees have been earned. Revenues are recorded net of any discounts and sales and

7

other taxes collected from customers. Revenues consist of room sales, food and beverage sales, and other hotel revenues and are presented on a disaggregated basis on our Condensed Consolidated Statements of Operations.

Room revenue is generated through short-term contracts with customers whereby customers agree to pay a daily rate for the right to occupy hotel rooms for one or more nights. Our performance obligations are fulfilled at the end of each night that the customers have the right to occupy the rooms. Room revenues are recognized daily at the contracted room rate in effect for each room night.

Food and beverage revenues are generated when customers purchase food and beverage at a hotel's restaurant, bar or other facilities. Our performance obligations are fulfilled at the time that food and beverage is purchased and provided to our customers.

Other revenues such as for parking, meeting space or telephone services are recognized at the point in time or over the time period that the associated good or service is provided. Ancillary services such as parking at certain hotels are provided by third parties and we assess whether we are the principal or agent in such arrangements. If we are determined to be the agent, revenue is recognized based upon the commission paid to us by the third party for the services rendered to our customers. If we are determined to be the principal, revenues are recognized based upon the gross contract price of the service provided. Certain of our hotels have retail spaces, restaurants or other spaces that we lease to third parties. Lease revenues are recognized on a straight-line basis over the respective lease terms and are included in Other income on our Condensed Consolidated Statement of Operations.

Cash received prior to customer arrival is recorded as an advance deposit from the customer and is recognized as revenue at the time of occupancy.

Equity-Based Compensation

Our 2011 Equity Incentive Plan, which was amended and restated effective June 15, 2015 (as amended, the "Equity Plan"), provides 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 the stock options granted upon completion of our IPO at fair value using the Black-Scholes option-pricing model and we account for all other awards of equity, including time-based and performance-based stock awards, using the grant date fair value of those equity awards. Restricted stock awards with performance-based vesting conditions are market-based awards tied to total stockholder return and are valued using a Monte Carlo simulation model in accordance with ASC Topic 718, *Compensation — Stock Compensation*. We expense the fair value of awards under the Equity Plan ratably over the vesting period and market-based awards are not adjusted for performance. The amount of stock-based compensation expense may be subject to adjustment in future periods due to a change in forfeiture assumptions or modification of previously granted awards.

Derivative Financial Instruments and Hedging

We use interest rate derivatives to hedge our risks on variable-rate debt. Interest rate derivatives could include swaps, caps and floors. We assess the effectiveness of each hedging relationship by comparing changes in fair value or cash flows of the derivative financial instrument with the changes in fair value or cash flows of the designated hedged item or transaction. All derivative financial instruments are recorded at fair value as a net asset or liability in our Condensed Consolidated Balance Sheets.

The change in the fair value of the hedging instruments is recorded in Other comprehensive income. Amounts deferred in Other comprehensive income will be reclassified to Interest expense in our Condensed Consolidated Statements of Operations in the period in which the hedged item affects earnings.

Income Taxes

We have elected to be taxed as a REIT under certain provisions of the Internal Revenue Code. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute annually to our stockholders at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, which does not necessarily equal net income as calculated in accordance with GAAP. As a REIT, we generally will not be subject to federal income tax (other than taxes paid by our TRS at regular corporate income tax rates) to the extent we distribute 100% of our REIT taxable income to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and generally will be unable to re-

elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT, unless we satisfy certain relief provisions.

Fair Value Measurement

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

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

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

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

Our estimates of fair value were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts. We classify assets and liabilities in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

We have elected a measurement alternative for equity investments, such as our purchase options, that do not have readily determinable fair values. Under the alternative, our purchase options are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer, if any.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which clarifies when an entity recognizes a credit loss on certain financial assets. ASU 2016-13 is effective for our fiscal year commencing on January 1, 2020, with early adoption permitted. The adoption of ASU No. 2016-13 will not have a material effect on our consolidated financial position or results of operations.

In August 2018, the FASB issued ASU No. 2018-15, Goodwill and Other- Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement, which clarifies how an entity should account for fees paid in a cloud computing arrangement. ASU 2018-15 is effective for our fiscal year commencing on January 1, 2020, with early adoption permitted. The adoption of ASU No. 2018-15 will not have a material effect on our consolidated financial position or results of operations.

NOTE 3 - INVESTMENT IN HOTEL PROPERTIES, NET***Investment in Hotel Properties, net***

Investment in hotel properties, net at March 31, 2019 and December 31, 2018 is as follows (in thousands):

	March 31, 2019	December 31, 2018
Hotel buildings and improvements	\$1,814,628	\$1,916,194
Land	277,452	288,833
Furniture, fixtures and equipment	166,688	165,026
Construction in progress	22,442	21,059
Intangible assets	11,514	22,064
	2,292,724	2,413,176
Less - accumulated depreciation and amortization	(340,563)	(347,622)
	\$1,952,161	\$2,065,554

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which changed lessee accounting to reflect the financial liability and right-of-use assets that are inherent to leasing an asset on the balance sheet. In accordance with ASU No. 2016-02, we reclassified certain existing lease-related intangible assets to Right-of-use assets as of January 1, 2019 (See "Note 5 - Leases" for further information).

Asset Sales

On February 12, 2019, we completed the sale of two hotel properties, the Country Inn & Suites - Charleston, WV and the Holiday Inn Express - Charleston, WV, for an aggregate sales price of \$11.6 million. The sale of these properties resulted in the realization of an aggregate gain of \$4.2 million.

Hotel Property Acquisitions

We did not acquire any hotel properties during the three months ended March 31, 2019 and 2018.

On January 31, 2019, we exercised our option pursuant to a ground lease agreement to purchase the land under our Residence Inn by Marriott in Baltimore (Hunt Valley), MD for \$4.2 million, which resulted in a termination of obligations under the ground lease. As a result, this hotel property is no longer subject to a ground lease.

The results of operations of acquired hotel properties are included in the Condensed Consolidated Statements of Operations beginning on their respective acquisition dates. The following unaudited pro forma information includes operating results for 75 hotels owned as of March 31, 2019 as if all such hotels had been owned by us since January 1, 2018. For hotels acquired by us after January 1, 2018 (the "Acquired Hotels"), we have included in the pro forma information the financial results of each of the Acquired Hotels for the period prior to acquisition by us (the "Preacquisition Period"). The financial results for the Pre-Acquisition Period were provided by the third-party owner of such Acquired Hotel prior to purchase by us and such information has not been audited or reviewed by our auditors or adjusted by us. For hotels sold by us between January 1, 2018 and March 31, 2019 (the "Disposed Hotels"), the unaudited pro forma information excludes the financial results, including gains on disposal of assets, of each of the Disposed Hotels for the period of ownership by us from January 1, 2018 through the date that the Disposed Hotels were sold by us. The unaudited pro forma information is included to enable comparison of results for the current reporting period to results for the comparable period of the prior year and is not indicative of what actual results of operations would have been had the hotel acquisitions and dispositions taken place on or before January 1, 2018. The pro forma amounts exclude the gain or loss on the sale of hotel properties during the three months ended March 31, 2019 and 2018. This information does not purport to be indicative of or represent results of operations for future periods.

The unaudited condensed pro forma financial information for the 75 hotel properties owned at March 31, 2019 for the three months ended March 31, 2019 and 2018 is as follows (in thousands, except per share):

	For the Three Months Ended March 31,	
	2019	2018
Revenues	\$ 138,682	\$ 132,580
Income from hotel operations	\$ 50,248	\$ 47,633
Net income ⁽¹⁾	\$ 8,887	\$ 8,344
Net income (loss) attributable to common stockholders, net of amount allocated to participating securities ^{(1) (2)}	\$ 5,098	\$ (545)
Basic and diluted net income (loss) per share attributable to common stockholders ^{(1) (2)}	\$ 0.05	\$ (0.01)

(1) Pro forma amounts include depreciation expense, property tax expense, interest expense, income tax expense, and other corporate expenses totaling \$51.2 million and \$48.2 million for the three months ended March 31, 2019 and 2018, respectively.

(2) Pro forma amounts for the three months ended March 31, 2018 include the effect of the premium on redemption of preferred stock of \$3.3 million.

Assets Held for Sale

Assets held for sale at March 31, 2019 included a land parcel in Flagstaff, AZ and a portfolio of six properties that were sold on April 17, 2019. Assets held for sale at December 31, 2018 included a land parcel in Flagstaff, AZ and a portfolio of two properties that were sold on February 12, 2019. Assets held for sale were as follows (in thousands):

	March 31, 2019	December 31, 2018
Hotel buildings and improvements	\$ 103,891	\$ 7,929
Land	12,950	2,442
Furniture, fixtures and equipment	11,086	2,519
Franchise fees	573	131
Other	83	—
	128,583	13,021
Less - accumulated depreciation and amortization	(32,060)	(5,388)
	\$ 96,523	\$ 7,633

NOTE 4 - DEBT

At March 31, 2019 and December 31, 2018, our indebtedness was comprised of borrowings under our \$600.0 million senior unsecured revolving credit and term loan facility (described below), the 2018 Term Loan (as defined below), the 2017 Term Loan (as defined below), and indebtedness secured by first priority mortgage liens on various hotel properties. The weighted average interest rate, after giving effect to our interest rate derivatives, for all borrowings was 4.26% at March 31, 2019 and 4.27% at December 31, 2018.

Debt, net of debt issuance costs, is as follows (in thousands):

	March 31, 2019	December 31, 2018
Revolving debt	\$125,000	\$115,000
Term loans	650,000	650,000
Mortgage loans	192,686	200,011
	967,686	965,011
Unamortized debt issuance costs	(5,860)	(6,299)
Debt, net of debt issuance costs	\$961,826	\$958,712

We have entered into interest rate swaps to partially fix the interest rates on a portion of our variable interest rate indebtedness. See "Note 6 - Derivative Financial Instruments and Hedging" to the Condensed Consolidated Financial Statements for additional information. Our total fixed-rate and variable-rate debt, after considering our interest rate derivative agreements that are currently effective, is as follows (in thousands):

	March 31, 2019	Percentage	December 31, 2018	Percentage
Fixed-rate debt	\$562,000	58%	\$569,103	59%
Variable-rate debt	405,686	42%	395,908	41%
	\$967,686		\$965,011	

Information about the fair value of our fixed-rate debt that is not recorded at fair value is as follows (in thousands):

	March 31, 2019		December 31, 2018		Valuation Technique
	Carrying Value	Fair Value	Carrying Value	Fair Value	
Fixed-rate debt	\$162,000	\$160,638	\$169,103	\$166,256	Level 2 - Market approach

At March 31, 2019 and December 31, 2018, we had \$400.0 million of debt with variable interest rates that had been converted to fixed interest rates through derivative financial instruments which are carried at fair value. Differences between carrying value and fair value of our fixed-rate debt are primarily due to changes in interest rates. Inherently, fixed-rate debt is subject to fluctuations in fair value as a result of changes in the current market rate of interest on the valuation date. For additional information on our use of derivatives as interest rate hedges, refer to "Note 6 - Derivative Financial Instruments and Hedging."

\$600 Million Senior Unsecured Credit and Term Loan Facility

On December 6, 2018, the Operating Partnership, as borrower, the Company, as parent guarantor, and each party executing the loan documentation as a subsidiary guarantor, entered into a \$600.0 million senior unsecured facility

(the “2018 Unsecured Credit Facility”). The 2018 Unsecured Credit Facility is comprised of a \$400.0 million revolving credit facility (the “\$400 Million Revolver”) and a \$200.0 million term loan (the “\$200 Million Term Loan”).

At March 31, 2019, the maximum amount of borrowing provided by the 2018 Unsecured Credit Facility was \$600.0 million, of which we had \$325.0 million borrowed and \$275.0 million available to borrow.

The 2018 Unsecured Credit Facility has an accordion feature which will allow the Company to increase the total commitments by an aggregate of up to \$300.0 million. The \$400 Million Revolver will mature on March 31, 2023 and can be extended to March 31, 2024 at the Company’s option, subject to certain conditions. The \$200 Million Term Loan will mature on April 1, 2024.

The interest rate on the 2018 Unsecured Credit Facility is based on a pricing grid ranging from 140 basis points to 215 basis points plus LIBOR for the \$400 Million Revolver and 135 basis points to 210 basis points plus LIBOR for the \$200 Million Term Loan, depending upon the Company's leverage ratio. The interest rate at March 31, 2019 for the \$200 Million Term Loan was 4.09%.

Financial and Other Covenants. We are required to comply with various financial and other covenants to draw and maintain borrowings under the 2018 Unsecured Credit Facility. At March 31, 2019, we were in compliance with all financial covenants.

Unencumbered Assets. The 2018 Unsecured Credit Facility is unsecured. However, borrowings under the 2018 Unsecured Credit Facility are limited by the value of hotel assets that qualify as unencumbered assets. At March 31, 2019, the Company had 53 unencumbered hotel properties (the "Unencumbered Properties") supporting the 2018 Unsecured Credit Facility.

Former \$450 Million Senior Unsecured Credit and Term Loan 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 \$450.0 million senior unsecured credit facility (the "2016 Unsecured Credit Facility"). The 2016 Unsecured Credit Facility was comprised of a \$300.0 million revolving credit facility (the "\$300 Million Revolver") and a \$150.0 million term loan (the "\$150 Million Term Loan"). The 2016 Unsecured Credit Facility was replaced by the 2018 Unsecured Credit Facility. The outstanding principal balance on the 2016 Unsecured Credit Facility was transferred to the 2018 Unsecured Credit Facility and the 2016 Unsecured Credit Facility was paid off in full and terminated.

Unsecured Term Loans

2018 Term Loan

On February 15, 2018, 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 new \$225.0 million unsecured term loan (the "2018 Term Loan") with KeyBank National Association, as administrative agent, and a syndicate of lenders listed in the loan documentation. The 2018 Term Loan has an accordion feature that allows us to increase the total commitments by \$150.0 million prior to the maturity date of February 14, 2025, subject to certain conditions. At closing, we drew \$140.0 million of the \$225.0 million available under the 2018 Term Loan and used the proceeds to pay off and replace the 2015 Term Loan. On May 16, 2018, we drew the remaining \$85.0 million available under the 2018 Term Loan and used the proceeds to pay down the \$300 Million Revolver.

We pay interest on advances at varying rates, based upon, at our option, either (i) 1-, 2-, 3-, or 6-month LIBOR, plus a LIBOR margin between 1.80% and 2.55%, depending upon our leverage ratio (as defined in the loan documents), 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 0.80% and 1.55%, depending upon our leverage ratio. We are required to pay other fees, including customary arrangement and administrative fees. The interest rate at March 31, 2019 was 4.39%.

Financial and Other Covenants. We are required to comply with a series of financial and other covenants to draw and maintain borrowings under the 2018 Term Loan. At March 31, 2019, we were in compliance with all financial covenants.

Unencumbered Assets. The 2018 Term Loan is unsecured. However, borrowings under the term loan are limited by the value of the assets that qualify as unencumbered assets. At March 31, 2019, the Unencumbered Properties also supported the 2018 Term Loan.

2017 Term Loan

On September 26, 2017, 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 \$225.0 million unsecured term loan (the "2017 Term Loan") with KeyBank National Association, as administrative agent, and a syndicate of lenders listed in the loan documentation.

The 2017 Term Loan has an accordion feature which allows us to increase the total commitments by an aggregate of \$175.0 million prior to the maturity date, subject to certain conditions. The 2017 Term Loan matures on November 25, 2022.

We pay interest on advances at varying rates, based upon, at our option, either (i) 1-, 2-, 3-, or 6-month LIBOR, plus a LIBOR margin between 1.45% and 2.20%, depending upon our leverage ratio (as defined in the loan documents), 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 0.45% and 1.20%, depending upon our leverage ratio. We are 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 to draw and maintain borrowings under the 2017 Term Loan. At March 31, 2019, we were in compliance with all financial covenants.

Unencumbered Assets. The 2017 Term Loan is unsecured. However, borrowings under the term loan are limited by the value of the assets that qualify as unencumbered assets. At March 31, 2019, the Unencumbered Properties also supported the 2017 Term Loan.

At closing, we drew \$125.0 million of the \$225.0 million available under the 2017 Term Loan and used the proceeds to pay down the principal balance of our \$300 Million Revolver. On December 11, 2017, we drew the remaining \$100.0 million of the \$225.0 million available under the 2017 Term Loan and used the proceeds to pay down the principal balance of our \$300 Million Revolver. The interest rate at March 31, 2019 was 4.09%.

2015 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 an unsecured term loan (the "2015 Term Loan"), with an original principal amount of \$125.0 million, that was later increased to \$140.0 million, upon exercise of an accordion feature.

On February 15, 2018, we terminated the facility and repaid the \$140.0 million outstanding balance with funds received from the 2018 Term Loan.

Metabank Loan

On June 30, 2017, we entered into a \$47.6 million secured, non-recourse loan with MetaBank (the "MetaBank Loan"). During the year ended December 31, 2017, we drew \$47.6 million on the MetaBank Loan and used the proceeds to pay down the principal balance of our \$300 Million Revolver. The MetaBank Loan provides for a fixed interest rate of 4.44% and originally provided for interest-only payments for 18 months following the closing date. On January 31, 2019, we entered into a modification agreement, at no additional cost, that increased the interest-only period from 18 months to 24 months following the closing date. After this 24 month period, the loan is amortized over 25 years through the maturity date of July 1, 2027. The MetaBank Loan is secured by three hotels and is subject to a prepayment penalty if prepaid prior to April 1, 2027.

Mortgage Loans

At March 31, 2019, we had mortgage loans totaling \$192.7 million that are secured primarily by first mortgage liens on certain hotel properties. On March 19, 2019, we had a mortgage loan of \$26.2 million that was secured by four hotel properties. We defeased \$6.3 million of the principal to have the encumbrance released on one property, the Hyatt Place in Arlington, TX, to facilitate the sale of the property. As a result of this transaction, we recorded debt transaction costs of \$0.6 million primarily related to the debt defeasance premium.

NOTE 5 - LEASES

The Company has operating leases related to the land under certain hotel properties, conference centers, parking spaces, automobiles, our corporate office and other miscellaneous office equipment. These leases have remaining terms of 1 year to 80 years, some of which include options to extend the leases for additional years. The exercise of lease renewal options is at our sole discretion. Certain leases also include options to purchase the leased property. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

Certain of our lease agreements include rental payments based on a percentage of revenue over contractual levels and others include rental payments adjusted periodically for inflation. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. We rent or sublease certain real estate to third parties.

On January 1, 2019, the Company adopted ASC No. 842, *Leases*, and recognized right-of-use lease assets and related liabilities. The right-of-use assets and related liabilities include renewal options reasonably certain to be exercised. Since most of the Company's leases do not provide an implicit rate, we used our incremental borrowing rate of 5.0% calculated based on information available at adoption.

During the three months ended March 31, 2019, the Company's total operating lease cost was \$1.0 million and the operating cash outflows from operating leases was \$0.9 million. As of March 31, 2019, the weighted average operating lease term was 29.4 years.

On January 31, 2019, we exercised our option pursuant to a ground lease agreement to purchase the land under our hotel property in Baltimore (Hunt Valley), MD for \$4.2 million, which resulted in a termination of obligations under the ground lease.

Operating lease maturities as of March 31, 2019 are as follows (in thousands):

2019	\$ 1,651
2020	2,051
2021	1,934
2022	1,715
2023	863
Thereafter	28,442
Total lease payments ⁽¹⁾	36,656
Less interest	(17,383)
Total	\$ 19,273

(1) Certain payments above include future increases to the minimum fixed rent based on the Consumer Price Index in effect at the initial measurement of the lease balances.

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Information about our derivative financial instruments at March 31, 2019 and December 31, 2018 is as follows (dollars in thousands):

Contract date	Effective Date	Expiration Date	Notional Amount		Fair Value	
			March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
October 2, 2017	January 29, 2018	January 31, 2023	\$ 100,000 ⁽¹⁾	\$ 100,000	\$ 630	\$ 1,758
October 2, 2017	January 29, 2018	January 31, 2023	100,000 ⁽¹⁾	100,000	585	1,703
June 11, 2018	September 28, 2018	September 30, 2024	75,000 ⁽²⁾	75,000	(2,731)	(1,656)
June 11, 2018	December 31, 2018	December 31, 2025	125,000 ⁽³⁾	125,000	(5,623)	(3,386)
			\$ 400,000	\$ 400,000	\$(7,139)	\$(1,581)

(1) Interest rate swap partially fixes the interest rate on a portion of our variable interest rate unsecured indebtedness and converts LIBOR from a floating rate to an average annual fixed rate of 1.98%.

(2) Interest rate swap partially fixes the interest rate on a portion of our variable interest rate unsecured indebtedness and converts LIBOR from a floating rate to an average annual fixed rate of 2.87%.

(3) Interest rate swap partially fixes the interest rate on a portion of our variable interest rate unsecured indebtedness and converts LIBOR from a floating rate to an average annual fixed rate of 2.93%.

Our interest rate swaps have been designated as cash flow hedges and are valued using a market approach, which is a Level 2 valuation technique. At March 31, 2019 and December 31, 2018, two of our interest rate swaps were in an asset position and two were in a liability position. We are not required to post any collateral related to these agreements and are not in breach of any financial provisions of the agreements.

Changes in the fair value of the hedging instruments are deferred in Other comprehensive income and are reclassified to Interest expense in our Condensed Consolidated Statements of Operations in the period in which the hedged item affects earnings. In the next twelve months, we estimate that \$0.2 million will be reclassified from Other comprehensive income and recorded as an increase to Interest expense.

The table below details the location in the financial statements of the gain or loss recognized on derivative financial instruments designated as cash flow hedges (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
(Loss) gain recognized in Other comprehensive income on derivative financial instruments	\$(5,497)	\$3,537
Gain (loss) reclassified from Other comprehensive income to Interest expense	\$61	\$(207)
Total interest expense in which the effects of cash flow hedges are recorded	\$(10,852)	\$(9,329)

NOTE 7 - EQUITY***Common Stock***

The Company is authorized to issue up to 500,000,000 shares of common stock, \$0.01 par value per share. Each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors and, except as may be provided with respect to any other class or series of stock, the holders of such shares possess the exclusive voting power.

Changes in common stock during the three months ended March 31, 2019 and 2018 were as follows:

	For the Three Months Ended March 31,	
	2019	2018
Beginning common shares outstanding	104,783,179	104,287,128
Grants under the Equity Plan	537,304	583,373
Common stock issued for director fees	—	1,147
Performance share and other forfeitures	(166,478)	—
Shares retained for employee tax withholding requirements	(73,892)	(187,850)
Ending common shares outstanding	105,080,113	104,683,798

Preferred Stock

The Company is authorized to issue up to 100,000,000 shares of preferred stock, \$0.01 par value per share, of which 90,600,000 is currently undesignated, 3,000,000 shares have been designated as 6.45% Series D Cumulative Redeemable Preferred Stock (the "Series D preferred shares") and 6,400,000 shares have been designated as 6.25% Series E Cumulative Redeemable Preferred Stock (the "Series E preferred shares").

On March 20, 2018, the Company paid \$85.3 million to redeem all 3,400,000 of its outstanding 7.125% Series C Cumulative Redeemable Preferred Stock at a redemption price of \$25 per share plus accrued and unpaid dividends.

The Company's outstanding shares of preferred stock (collectively, "Preferred Shares") rank senior to our common stock and on parity with each other with respect to the payment of dividends and distributions of assets in the event of a liquidation, dissolution, or winding up. The Preferred Shares do not have any maturity date and are not subject to mandatory redemption or sinking fund requirements. The Company may not redeem the Series D or Series E preferred shares prior to June 28, 2021 and November 13, 2022, respectively, except in limited circumstances relating to the Company's continuing qualification as a REIT or in connection with certain changes in control. After those dates, the Company may, at its option, redeem the applicable Preferred Shares, in whole or from time to time in part, by payment of \$25 per share, plus any accumulated, accrued and unpaid distributions up to, but not including, the date of redemption. If the Company does not exercise its rights to redeem the Preferred Shares upon certain changes in control, the holders of the Preferred Shares have the right to convert some or all of their shares into a number of the Company's common shares based on a defined formula, subject to a share cap, or alternative consideration. The share cap on each Series D preferred share is 3.9216 shares of common stock and each Series E preferred share is 3.1686 shares of common stock, all subject to certain adjustments.

The Company pays dividends at an annual rate of \$1.6125 for each Series D preferred share and \$1.5625 for each Series E preferred share. Dividend payments are made quarterly in arrears on or about the last day of February, May, August and November of each year.

Non-controlling Interests in Operating Partnership

Pursuant to the limited partnership agreement of our Operating Partnership, the unaffiliated third parties who hold common units of limited partnership interest ("Common Units") in our Operating Partnership have the right to cause us to redeem their Common Units in exchange for cash based upon the fair value of an equivalent number of our shares of common stock at the time of redemption; however, the Company has the option to redeem Common Units with shares of our common stock on a one-for-one basis. The number of shares of our common stock issuable upon redemption of Common Units may be adjusted upon the occurrence of certain events such as share dividend payments, share subdivisions or combinations.

At March 31, 2019 and December 31, 2018, unaffiliated third parties owned 259,265 Common Units of the Operating Partnership, representing less than a 1% limited partnership interest in the Operating Partnership for each period.

We classify outstanding Common Units held by unaffiliated third parties as non-controlling interests in the Operating Partnership, a component of equity in the Company's Condensed Consolidated Balance Sheets. The portion of net income allocated to these Common Units is reported on the Company's Condensed Consolidated Statement of Operations as net income attributable to non-controlling interests of the Operating Partnership.

NOTE 8 - FAIR VALUE MEASUREMENT

The following table presents information about our financial instruments measured at fair value on a recurring basis at March 31, 2019 and December 31, 2018. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, we classify assets and liabilities based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Disclosures concerning financial instruments measured at fair value are as follows (in thousands):

	Fair Value Measurements at March 31, 2019 using		
	Level 2	Level 3	Total
Assets:			
Interest rate swaps	\$-1,215	\$ -	\$-1,215
Purchase options related to real estate loans	—	6,120	6,120
Liabilities:			
Interest rate swaps	-8,354	—	8,354
	Fair Value Measurements at December 31, 2018 using		
	Level 2	Level 3	Total
Assets:			
Interest rate swaps	\$-3,461	\$ -	\$-3,461
Purchase options related to real estate loans	—	6,120	6,120
Liabilities:			
Interest rate swaps	-5,042	—	5,042

We are a mezzanine lender on three construction loans to fund up to an aggregate of \$29.6 million for the development of three hotel properties. The three real estate loans closed in the fourth quarter of 2017 and each has a stated interest rate of 8% and an initial term of approximately three years. As of March 31, 2019, we have funded the full amount of \$29.6 million. We have separate options related to each loan (each the "Initial Option") to purchase a 90% interest in each joint venture that owns the respective hotel upon completion of construction. We also have the right to purchase the remaining interests in each joint venture at future dates, generally five years after we exercise our Initial Option. We have recorded the aggregate estimated fair values of the Initial Options totaling \$6.1 million in Other assets and as a discount to the related real estate loans. The discount will be amortized as a component of interest income over the term of the real estate loans using the straight-line method, which approximates the interest method. We recorded amortization of the discount of \$0.5 million during the three months ended March 31, 2019 and 2018.

Our purchase options do not have readily determinable fair values. The fair value of each purchase option was estimated using a binomial lattice model. The estimated fair values of the purchase options were based on unobservable inputs for which there is little or no market information available and required us to develop our own assumptions as follows (dollar amounts in thousands):

	Real Estate Loan 1	Real Estate Loan 2	Real Estate Loan 3			
Exercise price	\$ 15,143	\$ 17,377	\$ 5,503			
First option exercise date ⁽¹⁾	12/31/2018	3/31/2019	5/31/2019			
Last option exercise date	11/1/2020	12/5/2020	12/1/2020			
Expected volatility	32.0	% 38.0	% 37.0	%		
Risk free rate	1.7	% 1.8	% 1.9	%		
Expected annualized equity dividend yield	6.8	% 9.9	% 6.5	%		

(1) first option exercise date is the date used for valuing the purchase option. The actual option exercise dates are on or after the hotels are fully constructed and open for business. As of March 31, 2019, one of the three hotels were open for business.

On June 29, 2018 we sold the Holiday Inn Duluth, GA and the Hilton Garden Inn in Duluth, GA for an aggregate selling price of \$24.9 million. We provided seller financing of \$3.6 million on the sale of these properties under two three-and-a-half-year second mortgage notes with a blended interest rate of 7.38%. The amortized cost basis of these loans were \$3.0 million at March 31, 2019.

The amortized cost basis of our Investment in Real Estate Loans approximates their fair values. The amortized cost basis and fair values of our Investment in Real Estate Loans at March 31, 2019, by contractual maturities, are as follows: \$2.5 million in 2019, \$26.8 million in 2020 and \$2.0 million in 2021.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Restricted Cash

The Company maintains reserve funds for property taxes, insurance, capital expenditures and replacement or refurbishment of furniture, fixtures and equipment at some of our hotel properties in accordance with management, franchise or mortgage loan agreements. These agreements generally require us to reserve cash ranging from 2% to 5% of the revenues of the individual hotel in restricted cash escrow accounts. Any unused restricted cash balances revert to us upon the termination of the underlying agreement or may be released to us from the restricted cash escrow accounts upon proof of expenditures and approval from the lender or other party requiring the restricted cash reserves. At March 31, 2019 and December 31, 2018, approximately \$28.0 million and \$28.5 million, respectively, was available in restricted cash reserve funds for property taxes, insurance, capital expenditures and replacement or refurbishment of furniture, fixtures and equipment at our hotel properties.

Franchise Agreements

We expensed fees related to our franchise agreements of \$11.5 million for both the three months ended March 31, 2019 and 2018.

Management Agreements

Our hotel properties operate pursuant to management agreements with various professional third-party management companies. We pay base management fees that are a percentage of gross room revenues and incentive management fees based on achievement of certain financial targets pursuant to contracts that generally have remaining terms of less

than five years. Management fee expenses for the three months ended March 31, 2019 and 2018 were \$5.1 million and \$5.4 million, respectively.

Litigation

We are involved from time to time in litigation arising in the ordinary course of business. There are currently no pending legal actions that we believe would have a material effect on our financial position or results of operations.

NOTE 10 - EQUITY-BASED COMPENSATION

Our currently outstanding equity-based awards were issued under the Equity Plan which provides for the granting of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, and other equity-based awards or incentive awards.

Stock options granted may be either incentive stock options or non-qualified stock options. Vesting terms may vary with each grant, and stock option terms are generally five to ten years. We have outstanding equity-based awards in the form of stock options and restricted stock awards. All of our outstanding equity-based awards are classified as equity awards.

The Company's former Chief Financial Officer retired on March 31, 2018. In connection with his retirement, the Company recorded \$1.0 million of additional stock-based compensation expense during the three months ended March 31, 2018 related to the modification of certain stock award agreements.

Stock Options Granted Under our Equity Plan

As of March 31, 2019, we had 235,000 outstanding and exercisable stock options with a weighted average exercise price of \$9.75 per share, weighted average contractual term of 1.9 years and an aggregate intrinsic value of \$0.4 million.

Time-Based Restricted Stock Awards Made Pursuant to Our Equity Plan

The following table summarizes time-based restricted stock award activity under our Equity Plan for the three months ended March 31, 2019:

	Number of Shares	Weighted Average Grant Date Fair Value (per share)	Aggregate Current Value (in thousands)
Non-vested at December 31, 2018	370,152	\$ 13.40	\$ 3,602
Granted	234,977	11.32	
Vested	(153,287)	12.83	
Forfeited	(1,012)	13.15	
Non-vested at March 31, 2019	450,830	\$ 12.51	\$ 5,144

The awards granted to our non-executive employees generally vest over a four-year period based on continuous service (20% on the first, second and third anniversary of the grant date and 40% on the fourth anniversary of the grant date).

The awards granted to our executive officers generally vest over a three-year period based on continuous service (25% on the first and second anniversary of the grant date and 50% on the third anniversary of the grant date) or in certain circumstances upon a change in control.

The holders of these awards have the right to vote the related shares of common stock and receive all dividends declared and paid whether or not vested. The fair value of time-based restricted stock awards granted is calculated based on the market value of our common stock on the date of grant.

Performance-Based Restricted Stock Awards Made Pursuant to Our Equity Plan

The following table summarizes performance-based restricted stock activity under the Equity Plan for the three months ended March 31, 2019:

	Number of Shares	Weighted Average Grant Date Fair Value (1) (per share)	Aggregate Current Value (in thousands)
Non-vested at December 31, 2018	708,227	\$ 14.75	\$ 6,891
Granted	302,327	12.81	
Vested	(89,097)	13.77	
Forfeited	(165,466)	13.77	
Non-vested at March 31, 2019	755,991	\$ 14.31	\$ 8,626

(1) The amounts included in this column represent the expected future value of the performance-based restricted stock awards calculated using the Monte Carlo simulation valuation model.

Our performance-based restricted stock awards are market-based awards and are accounted for based on the fair value of our common stock on the grant date. The fair value of the performance-based restricted stock awards granted was estimated using a Monte Carlo simulation valuation model. These awards generally vest over a three-year period based on our percentile ranking within the SNL U.S. REIT Hotel Index at the end of the period or upon a change in control. The awards require continued service during the measurement period and are subject to the other conditions described in the Equity Plan or award document.

The number of shares the executive officers may earn under these awards range from zero shares to twice the number of shares granted based on our percentile ranking within the index at the end of the measurement period. In addition, a portion of the performance-based shares may be earned based on the Company's absolute total shareholder return calculated during the performance period. The holders of these grants have the right to vote the granted shares of common stock and any dividends declared will be accumulated and will be subject to the same vesting conditions as the awards. Further, if additional shares are earned based on our percentile ranking within the index, dividend payments will be issued as if the additional shares had been held throughout the measurement period.

Equity-Based Compensation Expense

Equity-based compensation expense included in Corporate general and administrative expenses in the Condensed Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018 was as follows (in thousands):

	For the Three Months Ended March 31, 2019		2018
Time-based restricted stock	\$542	\$836	
Performance-based restricted stock	810	1,374	
Director stock	—	17	
	\$1,352	\$2,227	

We recognize equity-based compensation expense ratably over the vesting periods. The amount of expense may be subject to adjustment in future periods due to a change in the forfeiture assumptions.

Unrecognized equity-based compensation expense for all non-vested awards pursuant to our Equity Plan was \$11.7 million at March 31, 2019 and will be recorded as follows (in thousands):

	Total	2019	2020	2021	2022	2023
Time-based restricted stock	\$4,889	\$1,780	\$1,806	\$1,054	\$233	\$16
Performance-based restricted stock	6,857	2,586	2,578	1,477	216	—
	\$11,746	\$4,366	\$4,384	\$2,531	\$449	\$16

NOTE 11 - INCOME TAXES

Income taxes for the interim periods presented have been included in our Condensed Consolidated Financial Statements on the basis of an estimated annual effective tax rate. Our effective tax rate is affected by the mix of earnings and losses by taxing jurisdictions. Our earnings, other than from our TRS, are not generally subject to federal and state corporate income taxes due to our REIT election, provided that we distribute 100% of our taxable income to our shareholders. However, there are a limited number of local and state jurisdictions that tax the taxable income of the Operating Partnership. Accordingly, we provide for income taxes in these jurisdictions for the Operating Partnership.

We recorded an income tax expense of \$0.4 million and \$0.3 million for the three months ended March 31, 2019 and 2018, respectively. The Company had deferred tax assets of \$2.0 million at both March 31, 2019 and December 31, 2018.

We had no unrecognized tax benefits at March 31, 2019. We expect no significant changes in unrecognized tax benefits within the next year.

NOTE 12 - EARNINGS PER SHARE

We apply the two-class method of computing earnings per share, which requires the calculation of separate earnings per share amounts for our non-vested time-based restricted stock awards with non-forfeitable dividends and for our common stock. Our non-vested time-based restricted stock awards with non-forfeitable rights to dividends are considered securities which participate in undistributed earnings with common stock. Under the two-class computation method, net losses are not allocated to participating securities unless the holder of the security has a contractual obligation to share in the losses. Our non-vested time-based restricted stock awards with non-forfeitable dividends do not have such an obligation so they are not allocated losses.

Below is a summary of the components used to calculate basic and diluted earnings per share (in thousands, except per share):

	For the Three Months Ended March 31,	
	2019	2018
Numerator:		
Net income	\$12,900	\$9,691
Less: Preferred dividends	(3,709)	(5,543)
Premium on redemption of preferred stock	—	(3,277)
Allocation to participating securities	(67)	(70)
Attributable to non-controlling interest	(23)	(3)
Net income attributable to common stockholders, net of amount allocated to participating securities	\$9,101	\$798
Denominator:		

Edgar Filing: Summit Hotel Properties, Inc. - Form 10-Q

Weighted average common shares outstanding - basic	103,749	103,500
Dilutive effect of equity-based compensation awards	88	399
Weighted average common shares outstanding - diluted	103,837	103,899
Earnings per share:		
Basic and diluted	\$0.09	\$0.01

All outstanding stock options were included in the computation of diluted earnings per share for the three months ended March 31, 2019 and 2018 due to their dilutive effect. The Common Units held by the non-controlling interest holders have been excluded from the denominator of the diluted earnings per share as there would be no effect on the amounts since the limited partners' share of income would also be added to derive net income attributable to common stockholders. We had unvested performance-based restricted stock awards of 755,991 shares for the three months ended March 31, 2019 and 453,664 shares for the three months ended March 31, 2018, which were excluded from the denominator of the diluted earnings per share as the awards had not achieved the requisite performance conditions for vesting at each period end.

NOTE 13 - SUBSEQUENT EVENTS

Dividends

On April 29, 2019, our Board of Directors declared cash dividends of \$0.18 per share of common stock, \$0.403125 per share of 6.45% Series D Cumulative Redeemable Preferred Stock, and \$0.390625 per share of 6.25% Series E Cumulative Redeemable Preferred Stock. These dividends are payable May 31, 2019 to stockholders of record on May 17, 2019.

Asset Sales

On April 17, 2019, we completed the sale of six hotel properties for a gross aggregate sales price of \$135.0 million, or a net aggregate sales price of \$133.0 million after a buyer credit of \$2.0 million. The sale resulted in a net gain of approximately \$36.6 million.

Debt Transactions

On April 11, 2019, we repaid a \$10.6 million mortgage loan with U.S. Bank to release the encumbrance on the Hampton Inn in Goleta, CA to facilitate the sale of the property. As a result of this transaction, we incurred debt transaction costs of \$1.0 million.

On April 24, 2019, we repaid a mortgage loan with Compass Bank totaling \$21.9 million. There was no prepayment penalty associated with the repayment of this loan.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our audited Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K for the year ended December 31, 2018 and our unaudited interim Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Unless stated otherwise or the context otherwise requires, references in this report to "we," "our," "us," "our company" or "the company" mean Summit Hotel Properties, Inc. and its consolidated subsidiaries.

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," "continue," "likely," "will," "would" or similar expressions. Forward-looking statements in this report include, among others, statements about our business strategy, including acquisition and development strategies, industry trends, estimated 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 maturities of our existing indebtedness;
- default by borrowers to which we lend or provide seller financing;
- global, national, regional and local economic and geopolitical conditions;
- levels of spending for business and leisure travel, as well as consumer confidence;
- supply and demand factors in our markets or sub-markets;
- adverse changes in 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;
- increased operating costs, including but not limited to labor costs;
- increased renovation costs, which may cause actual renovation costs to exceed our current estimates;
- changes in zoning laws;
- increases in real property taxes that are significantly higher than our expectations;
- risks associated with 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;
- risks associated with dispositions of hotel properties, including our ability to successfully complete the sale of hotel properties under contract to be sold, including the risk that the purchaser may not have access to the capital needed to complete the purchase;

the nature of our structure and transactions such that our federal and state taxes are complex and there is risk of successful challenges to our tax positions by the Internal Revenue Service ("IRS") or other federal and state taxing authorities;

- availability of and our ability to retain qualified personnel;
- our failure to maintain our qualification as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (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;

our ability to recover fully under third party indemnities or our existing insurance policies for insurable losses and our ability to maintain adequate or full replacement cost “all-risk” property insurance policies on our properties on commercially reasonable terms;

- the effect of a data breach or significant disruption of hotel operator information technology networks as a result of cyber attacks that are greater than insurance coverages or indemnities from service providers;
- current and future changes to the IRC; and
- the other factors discussed under the heading "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2018.

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.

Overview

Summit Hotel Properties, Inc. is a self-managed hotel investment company that was organized in June 2010 and completed its initial public offering in February 2011. We focus on owning primarily premium-branded, select-service hotels. At March 31, 2019, our portfolio consisted of 75 hotels with a total of 11,529 guestrooms located in 25 states. We own our hotels in fee simple, except for five hotels, four of which are subject to ground leases and one of which is subject to a PILOT (payment in lieu of tax generators such as corporate offices and headquarters, retail centers, airports, state capitols, convention centers, and leisure attractions.

Our hotels are managed by Marriott® International, Inc. (“Marriott”), Hilton® Worldwide (“Hilton”), Hyatt® Hotels Corporation (“Hyatt”) and InterContinental® Hotels Group (“IHG”).

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, all of our hotels are leased 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 as follows:

Management Company	Number of Properties	Number of Guestrooms
Interstate Management Company, LLC and its affiliate Noble Management Group, LLC	31	4,604
OTO Development, LLC	13	1,797
Stonebridge Realty Advisors, Inc.	8	1,143
Affiliates of Marriott, including Courtyard Management Corporation, SpringHill SMC Corporation and Residence Inn by Marriott, Inc.	7	1,176
Select Hotels Group, LLC, an affiliate of Hyatt	6	934
White Lodging Services Corporation	4	791
American Liberty Hospitality, Inc.	2	372
Aimbridge Hospitality	2	199
Fillmore Hospitality	1	261
Intercontinental Hotel Group Resources, Inc., an affiliate of IHG	1	252
Total	75	11,529

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 Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") over certain thresholds or based on a return over our required preferred return. 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.

Our revenues are derived from hotel operations and consist of room revenue, food and beverage revenue and other hotel operations revenue. Revenues from our other hotel operations consist of ancillary revenues related to meeting rooms and other customer services provided at certain of our hotel properties.

Industry Trends and Outlook

Room-night demand in the U.S. lodging industry is generally correlated to certain macroeconomic trends. Key drivers of lodging demand include growth in gross domestic product, corporate profits, capital investments and employment. Volatility in the economy and risks arising from global and domestic political or economic conditions may cause slowing economic growth, which would have an adverse effect on lodging demand. Also, increasing supply in the industry, and specifically in our markets or sub-markets, may reduce RevPAR growth.

The U.S. lodging industry has experienced a positive trend since emerging from the last downturn in 2009, though at a slower rate in recent periods. According to the PricewaterhouseCoopers LLP industry report, "Hospitality Directions: January 2019," RevPAR growth in the U.S. for Upscale hotels is forecasted to be 1.5% for 2019. While our outlook on national macroeconomic conditions remains stable, the velocity of RevPAR growth in our industry and the Upscale market segment decelerated for fiscal year 2018. We could experience a decline in our RevPAR growth in the near term due to increases in supply or reduced demand in our market or sub-markets.

Our Hotel Property Portfolio

At March 31, 2019, our of 75 hotels with a total of 11,529 guest According to current chain scales as defined by STR, Inc., two of our hotel properties with 280 guestrooms are categorized as Upper-upscale hotels, 61 of our hotel properties with 9,480 guestrooms are categorized as Upscale hotels and 12 of our hotel properties with 1,769 guestrooms are categorized as Upper-midscale hotels. Information about our hotel properties as of March 31, 2019 is as follows:

Franchise/Brand	Number of Hotel Properties	Number of Guestrooms
Marriott		
Courtyard by Marriott	15	2,760
Residence Inn by Marriott	10	1,445
SpringHill Suites by Marriott	6	874
AC Hotel by Marriott	1	255
Fairfield Inn & Suites by Marriott	1	140
Four Points by Sheraton	1	101
Marriott	1	165
Total Marriott	35	5,740
Hilton		
Hampton Inn & Suites	7	1,044
Hilton Garden Inn	7	962
Hampton Inn	2	240
Homewood Suites	2	251
DoubleTree by Hilton	1	210
Total Hilton	19	2,707
Hyatt		
Hyatt Place	14	2,035
Hyatt House	3	466
Total Hyatt	17	2,501
IHG		
Holiday Inn Express & Suites	2	345
Hotel Indigo	1	115
Staybridge Suites	1	121
Total IHG	4	581
Total	75	11,529

Hotel Property Portfolio Activity

We continuously consider ways in which to refine our portfolio of properties to drive growth and create value. In the normal course of business, we evaluate opportunities to acquire additional properties that meet our investment criteria and opportunities to recycle capital through the disposition of properties. As such, the composition and size of our portfolio of properties may change materially over time. Significant changes to our portfolio of properties would have a material effect on our Condensed Consolidated Financial Statements.

Asset Sales

On February 12, 2019, we completed the sale of two hotel properties, the Country Inn & Suites - Charleston, WV and the Holiday Inn Express - Charleston, WV, for an aggregate sales price of \$11.6 million. The sale of these properties resulted in the realization of an aggregate gain of \$4.2 million.

On April 17, 2019, we completed the sale of six hotel properties for a gross aggregate sales price of \$135.0 million, or a net aggregate sales price of \$133.0 million after a buyer credit of \$2.0 million. The sale resulted in a net gain of approximately \$36.6 million, which will be recorded in the second quarter of 2019.

See “Note 3 - Investment in Hotel Properties, net” to the Condensed Consolidated Financial Statements for additional information concerning our asset development and dispositions.

Results of Operations

The comparisons that follow should be reviewed in conjunction with the unaudited interim Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

Comparison of the Three Months Ended March 31, 2019 with the Three Months Ended March 31, 2018

	For the Three Months Ended March 31,				Quarter-over-Quarter		Quarter-over-Quarter			
	2019		2018		Dollar Change		Percentage/Basis Point Change			
	Total Portfolio (75 hotels)	Same-Store Portfolio (73 hotels)	Total Portfolio (83 hotels)	Same-Store Portfolio (73 hotels)	Total Portfolio (75/83 hotels)	Same-Store Portfolio (73 hotels)	Total Portfolio (75/83 hotels)	Same-Store Portfolio (73 hotels)		
Revenues:										
Room	\$ 128,100	\$ 123,598	\$ 129,572	\$ 120,398	\$ (1,472)	\$ 3,200	(1.1)%	2.7	%	
Food and beverage	6,162	5,999	6,329	5,910	(167)	89	(2.6)%	1.5	%	
Other	4,690	4,642	4,298	4,233	392	409	9.1 %	9.7	%	
Total	\$ 138,952	\$ 134,239	\$ 140,199	\$ 130,541	\$ (1,247)	\$ 3,698	(0.9)%	2.8	%	
Expenses:										
Room	\$ 27,840	\$ 26,719	\$ 29,005	\$ 26,941	\$ (1,165)	\$ (222)	(4.0)%	(0.8)	%	
Food and beverage	4,600	4,503	4,999	4,620	(399)	(117)	(8.0)%	(2.5)	%	
Other hotel operating expenses	39,797	38,511	39,458	36,684	339	1,827	0.9 %	5.0	%	
Total	\$ 72,237	\$ 69,733	\$ 73,462	\$ 68,245	\$ (1,225)	\$ 1,488	(1.7)%	2.2	%	
Operational Statistics:										
Occupancy	76.4	% 76.2	% 76.3	% 76.0	% n/a	n/a	12	bps	22	bps
ADR	\$ 160.80	\$ 160.73	\$ 154.22	\$ 157.16	\$ 6.58	\$ 3.57	4.3	%	2.3	%
RevPAR	\$ 122.81	\$ 122.50	\$ 117.60	\$ 119.42	\$ 5.21	\$ 3.08	4.4	%	2.6	%

Revenue. The \$1.2 million decline in total portfolio revenues for the three months ended March 31, 2019 compared to the same period of 2018 is the result of a decline in revenues of \$9.3 million related to properties sold after December 31, 2017, partially offset by incremental revenues of \$4.4 million generated as a result of the acquisition of one hotel

and the opening of another hotel in 2018 (the “2018 Acquisitions”) and an increase in same-store revenues of \$3.7 million.

The 4.4% increase in RevPAR for the total portfolio for the three months ended March 31, 2019 compared to the same period of 2018 is the result of the purchase of higher RevPAR hotel properties with the 2018 Acquisitions, which produced an aggregate RevPAR of \$147.93 for the three months ended March 31, 2019, and the sale of lower RevPAR hotels since March 31, 2018, which produced an aggregate RevPAR of \$98.02 for the three months ended March 31, 2018.

Expenses. The \$1.2 million decrease in total portfolio expenses for the three months ended March 31, 2019 compared to the same period of 2018 is the result of a decline in expenses of \$4.9 million related to properties sold after December 31, 2017, partially offset by incremental expenses of \$2.2 million due to the 2018 Acquisitions and an increase in same-store expenses of \$1.5 million. The increase in same-store expenses for the three months ended March 31, 2019 compared to the same period of 2018 were primarily driven by increased brand-related fees.

Depreciation and amortization. Depreciation and amortization expenses increased \$0.3 million, or 1.1%, in the three months ended March 31, 2019, primarily due to incremental depreciation expense associated with the 2018 Acquisitions, partially offset by a decline in depreciation expense related to properties sold after December 31, 2017.

Corporate, general and administrative. Corporate general and administrative expenses decreased by \$0.6 million, or 9.3%, during the three months ended March 31, 2019 compared with the three months ended March 31, 2018, primarily due to a decline in stock-based compensation.

Gain on disposal of assets, net. Gain on disposal of assets, net increased \$4.2 million for the three months ended March 31, 2019 compared to the same period of 2018 due to the sale of two hotels during the three months ended March 31, 2019 for a net gain of \$4.2 million.

Other income, net. Other income, net increased by \$0.5 million during the three months ended March 31, 2019 compared with the three months ended March 31, 2018 primarily due to an increase in Investment in real estate loans, net that resulted in additional interest income during the three months ended March 31, 2019 of approximately \$0.3 million.

Non-GAAP Financial Measures

We disclose certain “non-GAAP financial measures,” which are measures of our historical financial performance. Non-GAAP financial measures are financial measures not prescribed by Generally Accepted Accounting Principles (“GAAP”). These measures are as follows: (i) Funds From Operations (“FFO”) and Adjusted Funds from Operations (“AFFO”), (ii) Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”), Earnings before Interest, Taxes, Depreciation and Amortization for Real Estate (“EBITDAre”) and Adjusted EBITDAre (as described below). We caution investors that amounts presented in accordance with our definitions of non-GAAP financial measures may not be comparable to similar measures disclosed by other companies, since not all companies calculate these non-GAAP financial measures in the same manner. Our non-GAAP financial measures should be considered along with, but not as alternatives to, net income (loss) as a measure of our operating performance. Our non-GAAP financial measures 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 our non-GAAP financial measures 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 measure prescribed by GAAP such as net income (loss).

FFO and AFFO

As defined by 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. AFFO represents FFO excluding amortization of deferred financing costs, franchise fees, equity-based compensation expense, debt transaction costs, premiums on redemption of preferred shares, losses from net casualties, non-cash lease expense, non-cash interest income and non-cash income tax related adjustments to our deferred tax assets. Unless otherwise indicated, we present FFO and AFFO applicable to our common shares and common units. We present FFO and

AFFO because we consider FFO and AFFO 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 and AFFO when reporting their results. FFO and AFFO are 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 and AFFO exclude depreciation and amortization related to real estate assets, gains and losses from real property dispositions and impairment losses on real estate assets, FFO and AFFO provide performance measures that, when compared year over year, reflect 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 slightly from the computation of Nareit-defined FFO related to the reporting of corporate depreciation and amortization expense. Our computation of FFO may also differ from the methodology for calculating FFO used by other equity REITs and, accordingly, may not be comparable to such other REITs. FFO and AFFO 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 Quarterly Report on Form 10-Q, FFO is based on our computation of FFO and not the computation of Nareit-defined FFO unless otherwise noted.

The following is a reconciliation of our GAAP net income to FFO and AFFO for the three months ended March 31, 2019 and 2018 (in thousands, except per share/unit amounts):

	For the Three Months Ended March 31,	
	2019	2018
Net income	\$ 12,900	\$ 9,691
Preferred dividends	(3,709)	(5,543)
Premium on redemption of preferred stock	—	(3,277)
Net income applicable to common shares and common units	9,191	871
Real estate-related depreciation	25,425	25,123
(Gain) loss on disposal of assets, net	(4,166)	43
FFO applicable to common shares and common units	30,450	26,037
Amortization of lease-related intangible assets, net	35	181
Amortization of deferred financing costs	381	494
Amortization of franchise fees	111	123
Equity-based compensation	1,352	2,227
Debt transaction costs	713	88
Premium on redemption of preferred stock	—	3,277
Non-cash interest income	(507)	(509)
Non-cash lease expense, net	156	—
Casualty (recoveries) losses, net	(427)	218
AFFO applicable to common shares and common units	\$ 32,264	\$ 32,136
Weighted average diluted common shares/common units ⁽¹⁾	104,198	104,403
FFO per common share/common unit	\$ 0.29	\$ 0.25
AFFO per common share/common unit	\$ 0.31	\$ 0.31

(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.

AFFO applicable to common shares and common units increased \$0.1 million, or 0.4%, over the prior year despite the disposition of hotel properties due to an increase in AFFO from same-store properties, acquired higher RevPAR properties, and the effect of lower preferred dividends as a result of the redemption of \$85.0 million of preferred stock during the three months ended March 31, 2018, offset by increases in interest expense.

EBITDA, EBITDAre and Adjusted EBITDAre

EBITDA

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 team

also uses EBITDA as one measure in determining the value of acquisitions and dispositions.

EBITDAre and Adjusted EBITDAre

EBITDAre is based on EBITDA and is expected to provide additional relevant information about REITs as real estate companies in support of growing interest among generalist investors. EBITDAre is intended to be a supplemental non-GAAP performance measure that is independent of a company's capital structure and will provide a uniform basis to measure the enterprise value of a company compared to other REITs.

EBITDAre, as defined by Nareit, is calculated as EBITDA, excluding: (i) loss and gains on disposition of property and (ii) asset impairments, if any. We believe EBITDAre 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.

We make additional adjustments to EBITDAre when evaluating our performance because we believe that the exclusion of certain additional non-recurring or certain non-cash items described below provides useful supplemental information to investors regarding our ongoing operating performance. We believe that the presentation of Adjusted EBITDAre, when combined with the primary GAAP presentation of net income, 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.

The following is a reconciliation of our GAAP net income to EBITDA, EBITDAre and Adjusted EBITDAre for the three months ended March 31, 2019 and 2018 (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
Net income	\$12,900	\$9,691
Depreciation and amortization	25,536	25,246
Interest expense	10,852	9,329
Interest income	(69)	(27)
Income tax expense	350	260
EBITDA	49,569	44,499
(Gain) loss on disposal of assets, net	(4,166)	43
EBITDAre	45,403	44,542
Amortization of lease-related intangible assets, net	35	181
Equity-based compensation	1,352	2,227
Debt transaction costs	713	88
Non-cash interest income	(507)	(509)
Non-cash lease expense, net	156	—
Casualty (recoveries) losses, net	(427)	218
Adjusted EBITDAre	\$46,725	\$46,747

Adjusted EBITDAre was \$46.7 million for the three months ended March 31, 2019 and 2018, despite the disposition of hotel properties, as decreased revenues from the disposition of properties were offset by an increase in same-store revenues and decreased operating expenses.

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, hotel development costs, acquisitions, interest payments, settlement of interest rate swaps, scheduled principal payments on outstanding indebtedness, restricted cash funding obligations, corporate overhead, 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, dividend distributions, and scheduled debt payments, including maturing loans.

To satisfy the requirements for qualification as a REIT, we must meet a number of organizational and operational requirements, including 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. Because we anticipate distributing a substantial amount of our available cash from operations, if sufficient funds are not available to us from hotel dispositions, our senior unsecured revolving credit and term loan facilities 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 \$400 Million Revolver, 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, hotel development costs, and cost of required capital improvements by borrowing under our \$400 Million Revolver, assuming mortgage debt from the seller on acquired hotels, 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 various credit facilities and other sources of funds available to us will be sufficient to meet our ongoing liquidity requirements for at least the next 12 months.

On March 19, 2019, we had a mortgage loan of \$26.2 million that was secured by four hotel properties. We defeased \$6.3 million of the principal to have the encumbrance released on one property, the Hyatt Place in Arlington, TX, to facilitate the sale of the property. As a result of this transaction, we recorded debt transaction costs of \$0.6 million during the three months ended March 31, 2019, primarily related to the debt defeasance premium.

On April 11, 2019, we repaid a \$10.6 million mortgage loan with U.S. Bank to release the encumbrance on the Hampton Inn in Goleta, CA to facilitate the sale of the property. On April 24, 2019, we repaid a mortgage loan with Compass Bank totaling \$21.9 million. As a result of these transactions, we recorded debt transaction costs of \$1.0 million in the second quarter of 2019.

We have made three mezzanine construction loans totaling \$29.6 million as of March 31, 2019 for the development of three hotel properties. These three real estate loans closed in the fourth quarter of 2017 and each has a stated interest rate of 8.0% and an initial term of approximately three years. As of March 31, 2019, we have funded the full amount of \$29.6 million.

Outstanding Indebtedness

At April 24, 2019, we had borrowed \$225.0 million on our senior unsecured credit and term loan facility, which included borrowings of \$200.0 million on our \$200 Million Term Loan and \$25.0 million on our \$400 Million Revolver. Additionally, we had \$225.0 million outstanding on our 2017 Term Loan and \$225.0 million outstanding on our 2018 Term Loan. Each of the credit facilities were supported by the 50 hotel properties included in the credit facility borrowing base. In addition, we have four hotels unencumbered by mortgage debt that are available to be used for collateral for future loans.

At March 31, 2019, we have scheduled debt principal amortization payments during the next 12 months totaling \$4.2 million and no debt maturities during the next 12 months. Although we believe that we will have the capacity to pay these scheduled principal debt payments or that we will be able to fund them using draws under our \$400 Million Revolver, 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 meeting certain financial covenants. At March 31, 2019, we were in compliance with all of our covenants under the senior unsecured credit and term loan facility.

We intend to secure or assume term loan financing or use our \$400 Million Revolver, together with other sources of financing, for use in debt repayments, funding future acquisitions, hotel development costs, 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 6.5x. 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. We believe that we will have adequate liquidity to meet the 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.

See "Note 4 - Debt" to the Condensed Consolidated Financial Statements for additional information concerning our financial arrangements.

Lender	Interest Rate	Amortization Period (Years)	Maturity Date	Number of Encumbered Properties	Principal Amount Outstanding
<i>\$600 Million Senior Unsecured Credit Facility</i>					
Deutsche Bank AG New York Branch					
\$400 Million Revolver	4.14% Variable	n/a	March 31, 2023	n/a	\$ 125,000
\$200 Million Term Loan	4.09% Variable	n/a	April 1, 2024	n/a	200,000
Total Senior Unsecured Credit Facility					325,000
<i>Unsecured Term Loans</i>					
KeyBank National Association					
Term Loan	4.09% Variable	n/a	November 25, 2022	n/a	225,000
KeyBank National Association					
Term Loan	4.39% Variable	n/a	February, 14, 2025	n/a	225,000
<i>Secured Mortgage Indebtedness</i>					
MetaBank					
	4.44% Fixed	25	July 1, 2027	3	47,640
KeyBank National Association					
	4.46% Fixed	30	February 1, 2023	3	19,812
	4.52% Fixed	30	April 1, 2023	3	20,330
	4.30% Fixed	30	April 1, 2023	3	19,662
	4.95% Fixed	30	August 1, 2023	2	35,230
Bank of the Cascades					
	4.49% Variable	25	December 19, 2024	1	(1) 8,690
	4.30% Fixed	25	December 19, 2024	—	(1) 8,690
Compass Bank ⁽²⁾					
	4.89% Variable	25	May 6, 2020	3	21,996
U.S. Bank, NA ⁽³⁾					
	6.13% Fixed	25	November 11, 2021	1	10,636
Total Mortgage Loans					192,686

Edgar Filing: Summit Hotel Properties, Inc. - Form 10-Q

Total Debt	19	\$ 967,686
------------	----	------------

(1)

We are exposed to interest rate risk through our variable-rate debt. We manage this risk primarily by managing the amount, sources, and duration of our debt funding and through the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage our exposure to known or expected cash payments related to our variable-

33

rate debt. During the three months ended March 31, 2019, the fair value of our interest rate swaps declined \$5.6 million due to a continued flattening of the forward yield curve. This shift in the yield curve is primarily related to reduced global and domestic growth outlooks and ongoing geopolitical risks. Each interest rate swap fixes the interest rates on portions of our variable interest rate unsecured indebtedness and converts LIBOR from a floating rate to average fixed rates ranging from 1.98% to 2.93%.

Capital Expenditures

During the three months ended March 31, 2019, we funded \$17.2 million in capital expenditures at our hotel properties. We anticipate spending an estimated \$22.8 million to \$42.8 million on capital expenditures in the remainder of 2019. We expect to fund these expenditures through a combination of cash provided by operations, working capital, borrowings under our \$400 Million Revolver, or other potential sources of capital, to the extent available to us.

Cash Flows

	For the Three Months Ended March 31,		
	2019	2018	Change
	<i>(in thousands)</i>		
Net cash provided by operating activities	\$30,240	\$37,746	\$(7,506)
Net cash used in investing activities	(10,316)	(22,766)	12,450
Net cash used in financing activities	(21,541)	(6,069)	(15,472)
Net change in cash, cash equivalents and restricted cash	\$(1,617)	\$8,911	\$(10,528)

The decrease in net cash provided by operating activities of \$7.5 million for the three months ended March 31, 2019 compared with the three months ended March 31, 2018 primarily resulted from a decrease in net income, after adjusting for non-cash items, of \$1.1 million due to net disposition activity and changes in net working capital of \$6.4 million due to timing.

The decrease in net cash used in investing activities of \$12.5 million for the three months ended March 31, 2019 compared with the three months ended March 31, 2018 is primarily due to an increase in proceeds from asset dispositions of \$11.3 million.

The increase in net cash used in financing activities of \$15.5 million for the three months ended March 31, 2019 compared with the three months ended March 31, 2018 is primarily due to a decrease in net borrowings of \$105.3 million, partially offset by the redemption of preferred shares of \$85.0 million during the three months ended March 31, 2018 and a decrease in dividends of \$2.1 million as a result of the redemption of \$85.0 million of preferred stock during the three months ended March 31, 2018.

Contractual Obligations

The following table outlines the timing of required payments related to our long-term debt and other contractual obligations at March 31, 2019 (in thousands):

	Payments Due By Period				
	Total	Less than One Year	One to Three Years	Four to Five Years	More than Five Years
Debt obligations ⁽¹⁾	\$967,686	\$4,249	\$39,781	\$541,838	\$381,818
Currently projected interest ⁽²⁾	196,084	41,650	81,685	56,880	15,869
Operating lease obligations ⁽³⁾	36,656	2,174	3,929	2,314	28,239
Purchase obligations ⁽⁴⁾	11,899	11,899	—	—	—
Total	\$1,212,325	\$59,972	\$125,395	\$601,032	\$425,926

(1) Amounts shown include amortization of principal and debt maturities.

(2) Interest payments on our variable rate debt have been estimated using the interest rates in effect at March 31, 2019, after giving effect to our interest rate swaps.

(3) Amounts consist primarily of non-cancelable ground lease and corporate office lease obligations.

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

Critical Accounting Policies

For critical accounting policies, see "Note 2 - Summary of Significant Accounting Policies" to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about 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 derivative financial instruments to manage interest rate risk.

Our interest rate derivatives are based on USD-LIBOR. In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee ("AARC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to USD-LIBOR. The Company has material contracts that are indexed to USD-LIBOR and is monitoring this activity and evaluating the related risks.

At March 31, 2019, we were party to four interest rate derivative agreements pursuant to which we receive variable-rate payments in exchange for making fixed-rate payments (dollars in thousands):

Contract date	Effective Date	Expiration Date	Notional Amount March 31, 2019
October 2, 2017	January 29, 2018	January 31, 2023	\$ 100,000
October 2, 2017	January 29, 2018	January 31, 2023	100,000
June 11, 2018	September 28, 2018	September 30, 2024	75,000
June 11, 2018	December 31, 2018	December 31, 2025	125,000
			\$400,000

At March 31, 2019, considering our interest rate derivative agreements that are currently effective, \$562.0 million, or 58.1%, of our debt had fixed interest rates and \$405.7 million, or 41.9%, had variable interest rates. At December 31, 2018, after giving effect to our interest rate derivative agreements, \$569.1 million, or 59.0%, of our debt had fixed interest rates and \$395.9 million, or 41.0%, had variable interest rates. Taking into consideration our existing interest rate swaps, an increase in interest rates of 1.0% would decrease our cash flows by approximately \$4.1 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 March 31, 2019, we have scheduled debt principal amortization payments during the next 12 months totaling \$4.2 million and no debt maturities during the next 12 months.

Item 4. Controls and Procedures.**Controls and Procedures**

PART II — OTHER INFORMATION**Item 1. Legal Proceedings.**

We are involved from time to time in litigation arising in the ordinary course of business; however, there are currently no pending legal actions that we believe would have a material adverse effect on our financial position or results of operations.

Item 1A. Risk Factors.

There have been no material changes from the risk factors disclosed in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table represents shares retained by the Company for employee taxes due upon vesting of equity awards during the three months ended March 31, 2019:

Period	Total Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2019 - January 31, 2019	—	\$—	—	—
February 1, 2019 - February 28, 2019	—	\$—	—	—
March 1, 2019 - March 31, 2019	73,892	\$11.29	—	—
Total	73,892	\$11.29	—	—

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following exhibits are filed as part of this report:

Exhibit Number	Description of Exhibit
<u>31.1</u> †	<u>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.</u>
<u>31.2</u> †	<u>Certification of Chief Financial 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.</u>
<u>32.1</u> ††	<u>Certification of Chief Executive Officer of 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.</u>
<u>32.2</u> ††	<u>Certification of Chief Financial Officer of 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.</u>
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document ⁽¹⁾
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document ⁽¹⁾
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document ⁽¹⁾
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document ⁽¹⁾
101.PRE	XBRL Taxonomy Presentation Linkbase Document ⁽¹⁾

† - Filed herewith

†† - Furnished herewith

(1) - Submitted electronically herewith

SIGNATURES

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

SUMMIT HOTEL PROPERTIES, INC. (registrant)

Date: May 1, 2019 By: /s/ Jonathan P. Stanner

Jonathan P. Stanner

Executive Vice President, Chief Financial Officer and Treasurer

(principal financial officer)