

Summit Hotel OP, LP  
Form 10-Q  
November 07, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

\_\_\_\_\_  
FORM 10-Q  
\_\_\_\_\_

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-35074 (Summit Hotel Properties, Inc.)

Commission File Number: 001-54273 (Summit Hotel OP, LP)

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

Maryland (Summit Hotel Properties, Inc.)  
Delaware (Summit Hotel OP, LP)  
(State or other jurisdiction  
of incorporation or organization)

27-2962512 (Summit Hotel Properties, Inc.)  
27-0617340 (Summit Hotel OP, LP)  
(I.R.S. Employer Identification No.)

2701 South Minnesota Avenue, Suite 2  
Sioux Falls, SD 57105  
(Address of principal executive offices, including zip code)

(605) 361-9566  
(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.

Summit Hotel Properties, Inc.  Yes  No

Summit Hotel OP, LP  Yes  No

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

Summit Hotel Properties, Inc.  Yes  No

Summit Hotel OP, LP  Yes  No

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

Summit Hotel Properties, Inc.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

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Summit Hotel OP, LP

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Summit Hotel Properties, Inc.  Yes  No

Summit Hotel OP, LP  Yes  No

As of November 1, 2012, the number of outstanding shares of common stock of Summit Hotel Properties, Inc. was 46,159,652 and the number of outstanding units of partnership interest in Summit Hotel OP, LP designated as "Common Units" was 5,226,375, excluding Common Units held by Summit Hotel Properties, Inc. and its wholly owned subsidiary which is the general partner of Summit Hotel OP, LP.

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## EXPLANATORY NOTE

This report combines the Quarterly Reports on Form 10-Q for the three months ended September 30, 2012 of Summit Hotel Properties, Inc., a Maryland corporation, and Summit Hotel OP, LP, a Delaware limited partnership.

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

“Summit REIT” mean Summit Hotel Properties, Inc., a Maryland corporation;

“Summit OP” or “our operating partnership” mean Summit Hotel OP, LP, a Delaware limited partnership, our operating partnership, and its consolidated subsidiaries; and

“we,” “our,” “us,” “our company” or “the company” mean Summit REIT, Summit OP and their consolidated subsidiaries taken together as one enterprise. When this report discusses or refers to activities occurring prior to February 14, 2011, the date on which our operations commenced, these references refer to our predecessor.

Summit REIT is the sole member of Summit Hotel GP, LLC, a Delaware limited liability company, which is the sole general partner (the “General Partner”) of Summit OP. As of September 30, 2012, Summit REIT owned approximately 83.8% of the issued and outstanding common units of partnership interest of Summit OP (“Common Units”), including the sole general partnership interest held by the General Partner. As of September 30, 2012, Summit REIT owned 100% of the issued and outstanding 9.25% Series A Cumulative Redeemable Preferred Units of Summit OP (“Series A Preferred Units”). As the sole member of the General Partner, Summit REIT has exclusive control of Summit OP’s day-to-day management. The remaining Common Units of Summit OP are owned by third parties.

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

it enhances investors’ understanding of Summit REIT and Summit OP by enabling investors to view the business as a whole in the same manner as management views and operates the business;

it eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both Summit REIT and Summit OP; and

it creates time and cost efficiencies for both companies through the preparation of one combined report instead of two separate reports.

We believe it is important to understand the few differences between Summit REIT and Summit OP in the context of how Summit REIT and Summit OP operate as a consolidated company. Summit REIT has elected to be taxed as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”), commencing with its short taxable year ended December 31, 2011.

As of September 30, 2012, Summit REIT’s only material assets were its ownership of Common Units and Series A Preferred Units of Summit OP and its ownership of the membership interests in the General Partner. As a result, Summit REIT does not conduct business itself, other than controlling, through the General Partner, Summit OP, raising capital through issuances of equity securities from time to time and guaranteeing certain debt of Summit OP and its subsidiaries. Summit OP and its subsidiaries hold all the assets of the consolidated company. Except for net proceeds from securities issuances by Summit REIT, which are contributed to Summit OP in exchange for partnership units of Summit OP, Summit OP and its subsidiaries generate capital from the operation of our business and through borrowings and the issuance of partnership units of Summit OP.



Stockholders' equity, partners' capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of Summit REIT and those of Summit OP. As of September 30, 2012, Summit OP's capital interests include Common Units, representing general and limited partnership interests, and Series A Preferred Units. The Common Units owned by limited partners other than Summit REIT and its subsidiaries are accounted for in partners' capital in Summit OP's consolidated financial statements and (within stockholders' equity) as noncontrolling interests in Summit REIT's consolidated financial statements.

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

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

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

“the LLC” refer to Summit Hotel Properties, LLC and references to “our predecessor” include the LLC and its consolidated subsidiaries;

“our TRSs” refer to Summit Hotel TRS, Inc., a Delaware corporation, and Summit Hotel TRS II, Inc., a Delaware corporation, and any other taxable REIT subsidiaries (“TRSs”) that we may form in the future;

“our TRS lessees” refer to the wholly owned subsidiaries of our TRSs that lease our hotels from Summit OP or subsidiaries of Summit OP; and

“The Summit Group” refer to The Summit Group, Inc., our predecessor's hotel management company, Company Manager and former Class C Member, which is wholly owned by our Executive Chairman, Kerry W. Boekelheide.

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements.

SUMMIT HOTEL PROPERTIES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 30, 2012 (UNAUDITED) AND DECEMBER 31, 2011

	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	\$10,287,841	\$10,537,132
Restricted cash	4,275,143	1,464,032
Trade receivables	6,666,212	3,424,630
Prepaid expenses and other	4,390,302	4,268,393
Land held for development	19,006,473	20,294,973
Property and equipment, net	572,525,464	498,876,238
Deferred charges and other assets, net	8,986,646	8,923,906
Deferred tax benefit	2,708,849	2,195,820
Other assets	4,257,462	4,019,870
<b>TOTAL ASSETS</b>	<b>\$633,104,392</b>	<b>\$554,004,994</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$1,254,050	\$1,670,994
Derivative liabilities	522,564	-
Accrued expenses	17,723,139	15,781,577
Mortgages and notes payable	312,250,257	217,103,728
<b>TOTAL LIABILITIES</b>	<b>331,750,010</b>	<b>234,556,299</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
Preferred stock, \$.01 par value per share (liquidation preference of \$50,385,417), 100,000,000 shares authorized, 2,000,000 issued and outstanding	20,000	20,000
Common stock, \$.01 par value per share, 450,000,000 shares authorized, 31,501,219 and 27,278,000 issued and outstanding, respectively	315,012	272,780
Additional paid-in capital	285,168,804	288,902,331
Accumulated other comprehensive income (loss)	(430,921 )	-
Accumulated deficit and distributions	(24,813,858 )	(11,020,151 )
Total stockholders' equity	260,259,037	278,174,960
Noncontrolling interest	41,095,345	41,273,735
<b>TOTAL EQUITY</b>	<b>301,354,382</b>	<b>319,448,695</b>

TOTAL LIABILITIES AND EQUITY	\$633,104,392	\$554,004,994
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(See Notes to Condensed Consolidated Financial Statements)

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SUMMIT HOTEL PROPERTIES, INC. AND SUMMIT HOTEL  
PROPERTIES, LLC (PREDECESSOR)  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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