# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

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# FORM 10-Q

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

**For the quarterly period ended September 30, 2024**

**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.

(Exact name of registrant as specified in its charter)

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

**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)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.01 par value | INN | New York Stock Exchange |
| Series E Cumulative Redeemable Preferred Stock, $0.01 par value | INN-PE | New York Stock Exchange |
| Series F Cumulative Redeemable Preferred Stock, $0.01 par value | INN-PF | New York Stock Exchange |

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.

| | | | |
|---|---|---|---|
| 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 October 25, 2024, the number of outstanding shares of common stock of Summit Hotel Properties, Inc. was 108,417,648.

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## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

**Summit Hotel Properties, Inc.**
**Condensed Consolidated Balance Sheets**
***(In thousands, except share amounts)***

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (Unaudited) | |
| **ASSETS** | | |
| Investments in lodging property, net | $ 2,669,478 | $ 2,736,975 |
| Investment in lodging property under development | 5,397 | 1,451 |
| Assets held for sale, net | 18,621 | 65,736 |
| Cash and cash equivalents | 51,698 | 37,837 |
| Restricted cash | 7,339 | 9,931 |
| Right-of-use assets, net | 33,454 | 34,814 |
| Trade receivables, net | 20,724 | 21,348 |
| Prepaid expenses and other | 16,647 | 8,865 |
| Deferred charges, net | 6,237 | 6,659 |
| Other assets | 7,688 | 15,632 |
| Total assets | $ 2,837,283 | $ 2,939,248 |
| **LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY** | | |
| Liabilities: | | |
| Debt, net of debt issuance costs | $ 1,336,095 | $ 1,430,668 |
| Lease liabilities, net | 24,879 | 25,842 |
| Accounts payable | 6,130 | 4,827 |
| Accrued expenses and other | 96,679 | 81,215 |
| Total liabilities | 1,463,783 | 1,542,552 |
| Commitments and contingencies (Note 11) | — | — |
| Redeemable non-controlling interests | 50,219 | 50,219 |
| Equity: | | |
| Preferred stock, $0.01 par value per share, 100,000,000 shares authorized: | | |
| 6.25% Series E - 6,400,000 shares issued and outstanding at September 30, 2024 and December 31, 2023 (aggregate liquidation preference of $160,861 at September 30, 2024 and December 31, 2023, respectively) | 64 | 64 |
| 5.875% Series F - 4,000,000 shares issued and outstanding at September 30, 2024 and December 31, 2023 (aggregate liquidation preference of $100,506 at September 30, 2024 and December 31, 2023, respectively) | 40 | 40 |
| Common stock, $0.01 par value per share, 500,000,000 shares authorized, 108,453,266 and 107,593,373 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively | 1,085 | 1,076 |
| Additional paid-in capital | 1,244,335 | 1,238,896 |
| Accumulated other comprehensive income | 4,959 | 10,967 |
| Accumulated deficit and distributions in excess of retained earnings | (339,047) | (339,848) |
| Total stockholders’ equity | 911,436 | 911,195 |
| Non-controlling interests | 411,845 | 435,282 |
| Total equity | 1,323,281 | 1,346,477 |
| Total liabilities, redeemable non-controlling interests and equity | $ 2,837,283 | $ 2,939,248 |

See Notes to the Condensed Consolidated Financial Statements

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Revenues:** | | | | |
| Room | $ 157,408 | $ 161,712 | $ 497,864 | $ 498,982 |
| Food and beverage | 9,272 | 9,949 | 30,174 | 30,848 |
| Other | 10,127 | 10,155 | 30,814 | 28,862 |
| Total revenues | 176,807 | 181,816 | 558,852 | 558,692 |
| **Expenses:** | | | | |
| Room | 37,286 | 37,510 | 111,303 | 112,207 |
| Food and beverage | 7,289 | 7,684 | 23,130 | 23,679 |
| Other lodging property operating expenses | 56,330 | 55,826 | 170,061 | 169,780 |
| Property taxes, insurance and other | 13,250 | 14,369 | 40,822 | 43,308 |
| Management fees | 2,728 | 4,177 | 12,059 | 13,974 |
| Depreciation and amortization | 36,708 | 37,882 | 109,965 | 112,300 |
| Corporate general and administrative | 7,473 | 8,126 | 24,488 | 25,225 |
| Transaction costs | 10 | — | 10 | 24 |
| Recovery of credit losses | — | (250) | — | (500) |
| Total expenses | 161,074 | 165,324 | 491,838 | 499,997 |
| Gain (loss) on disposal of assets, net | 22 | (16) | 28,439 | (336) |
| Operating income | 15,755 | 16,476 | 95,453 | 58,359 |
| **Other income (expense):** | | | | |
| Interest expense | (20,428) | (22,020) | (62,840) | (65,177) |
| Interest income | 450 | 474 | 1,473 | 1,190 |
| Gain on extinguishment of debt | — | — | 3,000 | — |
| Other income, net | 999 | 661 | 3,813 | 458 |
| Total other expense, net | (18,979) | (20,885) | (54,554) | (63,529) |
| (Loss) income from continuing operations before income taxes | (3,224) | (4,409) | 40,899 | (5,170) |
| Income tax expense (Note 13) | (332) | (1,360) | (2,924) | (1,679) |
| **Net (loss) income** | (3,556) | (5,769) | 37,975 | (6,849) |
| Less - Loss attributable to non-controlling interests | 3,908 | 4,955 | 362 | 9,306 |
| Net income (loss) attributable to Summit Hotel Properties, Inc. before preferred dividends | 352 | (814) | 38,337 | 2,457 |
| Less - Distributions to and accretion of redeemable non-controlling interests | (656) | (656) | (1,970) | (1,970) |
| Less - Preferred dividends | (3,968) | (3,968) | (11,906) | (11,906) |
| **Net (loss) income attributable to common stockholders** | $ (4,272) | $ (5,438) | $ 24,461 | $ (11,419) |
| **(Loss) income per common share:** | | | | |
| Basic | $ (0.04) | $ (0.05) | $ 0.23 | $ (0.11) |
| Diluted | $ (0.04) | $ (0.05) | $ 0.21 | $ (0.11) |
| **Weighted-average common shares outstanding:** | | | | |
| Basic | 106,033 | 105,650 | 105,891 | 105,510 |
| Diluted | 106,033 | 105,650 | 150,003 | 105,510 |

See Notes to the Condensed Consolidated Financial Statements

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Net (loss) income | $ (3,556) | $ (5,769) | $ 37,975 | $ (6,849) |
| **Other comprehensive (loss) income, net of tax:** | | | | |
| Changes in fair value of derivative financial instruments | (13,040) | 3,640 | (7,907) | 10,225 |
| Comprehensive (loss) income | (16,596) | (2,129) | 30,068 | 3,376 |
| Comprehensive loss attributable to non-controlling interests | 7,475 | 4,140 | 2,261 | 5,375 |
| Comprehensive (loss) income attributable to Summit Hotel Properties, Inc. | (9,121) | 2,011 | 32,329 | 8,751 |
| Distributions to and accretion on redeemable non-controlling interests | (656) | (656) | (1,970) | (1,970) |
| Preferred dividends and distributions | (3,968) | (3,968) | (11,906) | (11,906) |
| **Comprehensive (loss) income attributable to common stockholders** | $ (13,745) | $ (2,613) | $ 18,453 | $ (5,125) |

See Notes to the Condensed Consolidated Financial Statements

**Summit Hotel Properties, Inc.**
**Condensed Consolidated Statements of Changes in Equity and Redeemable Non-controlling Interests**
**For the Three Months Ended September 30, 2024 and 2023**
***(Unaudited)***
***(In thousands, except share amounts)***

| | Redeemable Non-controlling Interests | Shares of Preferred Stock | Preferred Stock | Shares of Common Stock | Common Stock | Additional Paid-In Capital | Accumulated Comprehensive Income (Loss) | Accumulated Deficit and Distributions | Stockholders' Equity | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at June 30, 2024** | $ 50,219 | 10,400,000 | $ 104 | 108,276,243 | $ 1,083 | $ 1,242,436 | $ 14,432 | $ (326,108) | $ 931,947 | $ 427,370 | $ 1,359,317 |
| Adjustment of redeemable non-controlling interests to redemption value | 656 | — | — | — | — | — | — | (656) | (656) | — | (656) |
| Contributions by non-controlling interest in joint venture | — | — | — | — | — | — | — | — | — | 134 | 134 |
| Common stock redemption of common units | — | — | — | 5,000 | — | 47 | — | — | 47 | (47) | — |
| Dividends and distributions on common stock and common units | — | — | — | — | — | — | — | (8,667) | (8,667) | (1,275) | (9,942) |
| Preferred dividends and distributions | (656) | — | — | — | — | — | — | (3,968) | (3,968) | — | (3,968) |
| Joint venture partner distributions | — | — | — | — | — | — | — | — | — | (6,862) | (6,862) |
| Equity-based compensation | — | — | — | 172,023 | 2 | 1,852 | — | — | 1,854 | — | 1,854 |
| Other comprehensive loss | — | — | — | — | — | — | (9,473) | — | (9,473) | (3,567) | (13,040) |
| Net income (loss) | — | — | — | — | — | — | — | 352 | 352 | (3,908) | (3,556) |
| **Balance at September 30, 2024** | $ 50,219 | 10,400,000 | $ 104 | 108,453,266 | $ 1,085 | $ 1,244,335 | $ 4,959 | $ (339,047) | $ 911,436 | $ 411,845 | $ 1,323,281 |
| | | | | | | | | | | | |
| **Balance at June 30, 2023** | $ 50,219 | 10,400,000 | $ 104 | 107,569,738 | $ 1,076 | $ 1,234,947 | $ 18,007 | $ (304,888) | $ 949,246 | $ 462,730 | $ 1,411,976 |
| Adjustment of redeemable non-controlling interests to redemption value | 656 | — | — | — | — | — | — | (656) | (656) | — | (656) |
| Common stock redemption of common units | — | — | — | 7,000 | — | 68 | — | — | 68 | (68) | — |
| Dividends and distributions on common stock and common units | — | — | — | — | — | — | — | (6,454) | (6,454) | (958) | (7,412) |
| Preferred dividends and distributions | (656) | — | — | — | — | — | — | (3,968) | (3,968) | — | (3,968) |
| Joint venture partner distributions | — | — | — | — | — | — | — | — | — | (4,518) | (4,518) |
| Equity-based compensation | — | — | — | — | — | 1,867 | — | — | 1,867 | — | 1,867 |
| Shares of common stock acquired for employee withholding requirements | — | — | — | (3,249) | — | (18) | — | — | (18) | — | (18) |
| Other comprehensive income | — | — | — | — | — | — | 2,825 | — | 2,825 | 815 | 3,640 |
| Net loss | — | — | — | — | — | — | — | (814) | (814) | (4,955) | (5,769) |
| **Balance at September 30, 2023** | $ 50,219 | 10,400,000 | $ 104 | 107,573,489 | $ 1,076 | $ 1,236,864 | $ 20,832 | $ (316,780) | $ 942,096 | $ 453,046 | $ 1,395,142 |

See Notes to the Condensed Consolidated Financial Statements

# Summit Hotel Properties, Inc.
## Condensed Consolidated Statements of Changes in Equity and Redeemable Non-controlling Interests
## For the Nine Months Ended September 30, 2024 and 2023
### *(Unaudited)*
### *(In thousands, except share amounts)*

| | Redeemable Non-controlling Interests | Shares of Preferred Stock | Preferred Stock | Shares of Common Stock | Common Stock | Additional Paid-In Capital | Accumulated Comprehensive Income (Loss) | Accumulated Deficit and Distributions | Stockholders' Equity | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2023** | $ 50,219 | 10,400,000 | $ 104 | 107,593,373 | $ 1,076 | $ 1,238,896 | $ 10,967 | $ (339,848) | $ 911,195 | $ 435,282 | $ 1,346,477 |
| Adjustment of redeemable non-controlling interests to redemption value | 1,970 | — | — | — | — | — | — | (1,970) | (1,970) | — | (1,970) |
| Contributions by non-controlling interest in joint venture | — | — | — | — | — | — | — | — | — | 356 | 356 |
| Common stock redemption of common units | — | — | — | 5,310 | — | 50 | — | — | 50 | (50) | — |
| Dividends and distributions on common stock and common units | — | — | — | — | — | — | — | (23,660) | (23,660) | (3,507) | (27,167) |
| Preferred dividends and distributions | (1,970) | — | — | — | — | — | — | (11,906) | (11,906) | (150) | (12,056) |
| Joint venture partner distributions | — | — | — | — | — | — | — | — | — | (17,825) | (17,825) |
| Equity-based compensation | — | — | — | 999,237 | 10 | 6,327 | — | — | 6,337 | — | 6,337 |
| Shares of common stock acquired for employee withholding requirements | — | — | — | (144,654) | (1) | (938) | — | — | (939) | — | (939) |
| Other comprehensive loss | — | — | — | — | — | — | (6,008) | — | (6,008) | (1,899) | (7,907) |
| Net income (loss) | — | — | — | — | — | — | — | 38,337 | 38,337 | (362) | 37,975 |
| **Balance at September 30, 2024** | $ 50,219 | 10,400,000 | $ 104 | 108,453,266 | $ 1,085 | $ 1,244,335 | $ 4,959 | $ (339,047) | $ 911,436 | $ 411,845 | $ 1,323,281 |
| | | | | | | | | | | | |
| **Balance at December 31, 2022** | $ 50,219 | 10,400,000 | $ 104 | 106,901,576 | $ 1,069 | $ 1,232,302 | $ 14,538 | $ (288,200) | $ 959,813 | $ 448,137 | $ 1,407,950 |
| Adjustment of redeemable non-controlling interests to redemption value | 1,970 | — | — | — | — | — | — | (1,970) | (1,970) | — | (1,970) |
| Sale of non-controlling interests in joint venture | — | — | — | — | — | — | — | — | — | 1,353 | 1,353 |
| Contributions by non-controlling interest in joint venture | — | — | — | — | — | — | — | — | — | 20,532 | 20,532 |
| Common stock redemption of common units | — | — | — | 7,000 | — | 68 | — | — | 68 | (68) | — |
| Dividends and distributions on common stock and common units | — | — | — | — | — | — | — | (17,161) | (17,161) | (2,555) | (19,716) |
| Preferred dividends and distributions | (1,970) | — | — | — | — | — | — | (11,906) | (11,906) | (161) | (12,067) |
| Joint venture partner distributions | — | — | — | — | — | — | — | — | — | (8,673) | (8,673) |
| Equity-based compensation | — | — | — | 848,942 | 8 | 5,905 | — | — | 5,913 | — | 5,913 |
| Shares of common stock acquired for employee withholding requirements | — | — | — | (184,029) | (1) | (1,387) | — | — | (1,388) | — | (1,388) |
| Other comprehensive income | — | — | — | — | — | — | 6,294 | — | 6,294 | 3,931 | 10,225 |
| Other | — | — | — | — | — | (24) | — | — | (24) | (144) | (168) |
| Net income (loss) | — | — | — | — | — | — | — | 2,457 | 2,457 | (9,306) | (6,849) |
| **Balance at September 30, 2023** | $ 50,219 | 10,400,000 | $ 104 | 107,573,489 | $ 1,076 | $ 1,236,864 | $ 20,832 | $ (316,780) | $ 942,096 | $ 453,046 | $ 1,395,142 |

See Notes to the Condensed Consolidated Financial Statements

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

| | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income (loss) | $ 37,975 | $ (6,849) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 109,965 | 112,300 |
| Amortization of debt issuance costs | 4,880 | 4,379 |
| Recovery of credit losses | — | (500) |
| Equity-based compensation | 6,337 | 5,913 |
| (Gain) loss on disposal of assets, net | (28,439) | 336 |
| Gain on extinguishment of debt | (3,000) | — |
| Non-cash interest income | (400) | (433) |
| Debt transaction costs | 647 | 352 |
| Other | 210 | 623 |
| Changes in operating assets and liabilities: | | |
| Trade receivables, net | 625 | (3,195) |
| Prepaid expenses and other | (4,853) | 6,645 |
| Accounts payable | 798 | 1,005 |
| Accrued expenses and other | 9,393 | 2,591 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 134,138 | 123,167 |
| **INVESTING ACTIVITIES** | | |
| Acquisitions of lodging properties | — | (44,614) |
| Improvements to lodging properties | (61,529) | (63,027) |
| Investment in lodging property under development | (3,946) | — |
| Proceeds from tax incentive | 9,896 | — |
| Proceeds from asset dispositions, net | 92,168 | 27,632 |
| Escrow deposits | (2,900) | — |
| Funding of real estate loans | — | (4,576) |
| Repayments of real estate loans | — | 250 |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 33,689 | (84,335) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from borrowings on revolving line of credit | 100,000 | 65,000 |
| Repayments of revolving line of credit | (100,000) | (65,000) |
| Principal payments on debt | (94,138) | (1,784) |
| Proceeds from the sale of non-controlling interests | — | 1,353 |
| Dividends and distributions paid on common stock and common units | (27,024) | (19,596) |
| Preferred dividends and distributions paid | (14,026) | (14,037) |
| Contributions by non-controlling interests in joint venture | 356 | 20,332 |
| Distributions to joint venture partners | (17,825) | (8,673) |
| Financing fees, debt transaction costs and other issuance costs | (2,962) | (10,272) |
| Repurchase of shares of common stock for withholding requirements | (939) | (1,388) |
| NET CASH USED IN FINANCING ACTIVITIES | (156,558) | (34,065) |
| Net change in cash, cash equivalents and restricted cash | 11,269 | 4,767 |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH** | | |
| Beginning of period | 47,768 | 61,808 |
| End of period | $ 59,037 | $ 66,575 |
| **RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH WITHIN THE CONDENSED CONSOLIDATED BALANCE SHEET TO THE AMOUNTS SHOWN IN THE STATEMENT OF CASH FLOWS ABOVE:** | | |
| Cash and cash equivalents | $ 51,698 | $ 55,307 |
| Restricted cash | 7,339 | 11,268 |
| **TOTAL CASH, CASH EQUIVALENTS AND RESTRICTED CASH** | $ 59,037 | $ 66,575 |

See Notes to the Condensed Consolidated Financial Statements

## NOTE 1 - DESCRIPTION OF BUSINESS

### *General*

Summit Hotel Properties, Inc. (the "Company") is a self-managed lodging property investment company that was organized in June 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 in June 2010. Unless the context otherwise requires, "we," "us," and "our" refer to the Company and its consolidated subsidiaries.

We focus on owning lodging properties with efficient operating models that generate strong margins and investment returns. At September 30, 2024, our portfolio consisted of 96 lodging properties with a total of 14,255 guestrooms located in 24 states. At September 30, 2024, we own 100% of the outstanding equity interests in 54 of the 96 lodging properties. We own a 51% controlling interest in 39 lodging properties through a joint venture that was formed in July 2019 with USFI G-Peak, Ltd. ("GIC"), a private limited company incorporated in the Republic of Singapore (the "GIC Joint Venture"). We also own 90% equity interests in two separate joint ventures (the "Brickell Joint Venture" and the "Onera Joint Venture"). The Brickell Joint Venture owns two lodging properties, and the Onera Joint Venture owns one lodging property.

At September 30, 2024, 86% of our guestrooms were located in the top 50 metropolitan statistical areas ("MSAs"), 91% were located within the top 100 MSAs, and over 99% of our guestrooms operate under premium franchise brands owned by Marriott® International, Inc. ("Marriott"), Hilton® Worldwide ("Hilton"), Hyatt® Hotels Corporation ("Hyatt"), and InterContinental® Hotels Group ("IHG").

Substantially all of our assets are held by, and all of our operations are conducted through, the Operating Partnership. Through a wholly-owned subsidiary, we are the sole general partner of the Operating Partnership. At September 30, 2024, we owned, directly and indirectly, approximately 87% of the Operating Partnership's issued and outstanding common units of limited partnership interest ("Common Units"), and all of the Operating Partnership's issued and outstanding 6.25% Series E and 5.875% Series F preferred units of limited partnership interest. NewcrestImage (as defined in *Note 5 - Debt* to the Condensed Consolidated Financial Statements) owns all of the issued and outstanding 5.25% Series Z Cumulative Perpetual Preferred Units (liquidation preference $25 per unit) of the Operating Partnership ("Series Z Preferred Units") as a result of the NCI Transaction (described in *Note 5 - Debt* to the Condensed Consolidated Financial Statements). We collectively refer to preferred units of limited partnership interests of our Operating Partnership as "Preferred Units."

Pursuant to the Operating Partnership's partnership agreement, we have full, exclusive and complete responsibility and discretion in the management and control of the Operating Partnership, including the ability to cause the Operating Partnership to enter into certain major transactions including acquisitions, dispositions, refinancings, to make distributions to partners, and to cause changes in the Operating Partnership's business activities.

We have elected to be taxed as a real estate investment trust ("REIT") for federal income tax purposes. To qualify as a REIT, we cannot operate or manage our lodging properties. Accordingly, all of our lodging properties are leased to our taxable REIT subsidiaries ("TRS Lessees" or "TRSs") and managed by professional third-party lodging property management companies.

## NOTE 2 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### *Basis of Presentation*

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 under the Securities Exchange Act of 1934, as amended, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Condensed Consolidated Financial Statements and reported amounts of revenues and expenses in the reporting period. Actual results could differ from those estimates. As interim statements, 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 and nine months ended September 30, 2024 may not be indicative of the results that may be expected for the full year of 2024. For further information, please read the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

The accompanying Condensed Consolidated Financial Statements consolidate the accounts of all entities in which we have a controlling financial interest, as well as variable interest entities, if any, for which the Company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated in the Condensed Consolidated Financial Statements.

We evaluate joint venture partnerships to determine if they should be consolidated based on whether the partners exercise joint control. For a joint venture where we exercise primary control and we also own a majority of the equity interests, we consolidate the joint venture partnership. We have consolidated the accounts of all of our joint venture partnerships in the accompanying Condensed Consolidated Financial Statements.

### *Use of Estimates*

Our Condensed Consolidated Financial Statements are prepared in conformity with GAAP, which requires us to make estimates based on assumptions about current and, for some estimates, future economic and market conditions that affect reported amounts and related disclosures in our Condensed Consolidated Financial Statements. Although our current estimates contemplate current and expected future conditions, as applicable, it is reasonably possible that actual conditions could significantly differ from our expectations, which could materially affect our consolidated financial position and results of operations.

### *Trade Receivables and Current Estimate of Credit Losses*

We grant credit to qualified guests, generally without collateral, in the form of trade accounts receivable. Trade receivables result from the rental of guestrooms and the sales of food, beverage, and banquet services and are payable under normal trade terms. Trade receivables also include credit and debit card transactions that are in the process of being settled. Trade receivables are stated at the amount billed to the guest and do not accrue interest. We regularly review the collectability of our trade receivables. A provision for losses is determined based on previous loss experience and current economic conditions. Our allowance for doubtful accounts was \$0.1 million at both September 30, 2024 and December 31, 2023. Bad debt expense was \$0.1 million and \$0.2 million for the three months ended September 30, 2024 and 2023, respectively, and \$0.3 million for each of the nine month periods ended September 30, 2024 and 2023.

### *Investments in Lodging Property, net*

The Company allocates the purchase price of acquired lodging properties based on the relative fair values 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 lodging business being acquired as part of the property acquisition. Acquired intangible assets that derive their values from real property, or an interest in real property, are inseparable from that real property or interest in real property, do not produce or contribute to the production of income other than consideration for the use or occupancy of space, and are recorded as a component of the related real estate asset in our Condensed Consolidated Financial Statements. We allocate the purchase price of acquired lodging properties to land, building and furniture, fixtures and equipment based on independent third-party appraisals.

Our lodging properties and related assets are recorded at cost, less accumulated depreciation and amortization. We capitalize 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 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.

We generally depreciate our lodging properties and related assets using the straight-line method over their estimated useful lives as follows:

| Classification | Estimated Useful Lives |
|---|---|
| Buildings and improvements | 6 to 40 years |
| Furniture, fixtures and equipment | 2 to 15 years |

We periodically re-evaluate asset lives based on current assessments of remaining utilization, which may result in changes in estimated useful lives. Such changes are accounted for prospectively and will increase or decrease future depreciation expense.

When depreciable property and equipment is retired or disposed, the related costs and accumulated depreciation are removed from the balance sheet and any gain or loss is reflected in current operations.

On a limited basis, we provide financing to developers of lodging properties for development projects. We evaluate these arrangements to determine if we participate in residual profits of the lodging property through the loan provisions or other agreements. Where we conclude that these arrangements are more appropriately treated as an investment in the real property, we reflect the loan in Investments in lodging property, net in our Condensed Consolidated Balance Sheets.

We monitor events and changes in circumstances for indicators that the carrying value of a lodging 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 lodging 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 lodging property sales, vi) significant negative industry or economic trends, and fair value less costs to sell of lodging properties held for sale relative to the contractual selling price. 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 the carrying amount of the asset is not recoverable, 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 net fair value.

***Assets Held for Sale***

We classify assets as Assets held for sale in the period in which certain criteria are met, including when the sale of the asset within one year is probable. Assets classified as Assets held for sale are no longer depreciated and are carried at the lower of carrying amount or its expected selling price less estimated costs of disposition (its fair value). We record a write-down when the carrying amounts of Assets held for sale exceed their fair value.

If we subsequently decide not to sell a long-lived asset (disposal group) classified in Assets held for sale, or if a long-lived asset (disposal group) no longer meets the Assets held for sale criteria, a long-lived asset (disposal group) is reclassified as Investments in lodging property, net in the period in which the Assets held for sale criteria are no longer met. A long-lived asset that is reclassified from Assets held for sale to Investments in lodging property, net is measured individually at the lower of either its:

i.) Carrying amount before it was classified as Assets held for sale, adjusted for any depreciation (amortization) expense or impairment losses that would have been recognized had the asset (group) been continuously classified as Investments in lodging property, net; or
ii.) Fair value at the date of the subsequent decision not to sell.

***Segment Disclosure***

Accounting Standards Codification (“ASC”) No. 280, *Segment Reporting*, establishes standards for reporting financial and descriptive information about an enterprise’s reportable segments. We have determined that we have one reportable operating segment for activities related to investing in real estate; thus, all required financial segment information is included in the Condensed Consolidated Financial Statements as a single operating segment because all of our lodging properties have similar economic characteristics, facilities, and services.

***Exchange or Modification of Debt***

We consider modifications or exchanges of debt as extinguishments in accordance with ASC No. 470, *Debt,* with gains or losses recognized in current earnings if the terms of the new debt and original instrument are substantially different. If the original and new debt instruments are substantially different, the original debt is derecognized and the new debt is initially recorded at fair value, with the difference recognized as an extinguishment gain or loss. Under an exchange or modification accounted for as a debt extinguishment, fees paid to the lenders are included in the gain or loss on extinguishment of debt. Costs incurred with third parties, such as legal fees, directly related to the exchange or modification are capitalized as deferred financing costs and amortized over the initial term of the new debt. Previously deferred fees and costs for existing debt are included in the calculation of gain or loss. Under an exchange or modification not accounted for as a debt extinguishment, fees paid to the lenders are reflected as additional debt discount and amortized as non-cash interest expense over the remaining initial term of the exchanged or modified debt. Furthermore, costs incurred with third parties, such as legal fees, directly related to the exchange or modification are expensed as incurred. Additionally, previously deferred fees and costs are amortized as non-cash interest expense over the remaining initial term of the exchanged or modified debt.

***Government Grants***

Government grants whose primary condition is for the purchase, construction or acquisition of long-term assets are accounted for in accordance with ASU 2021-10, *Government Assistance.* We record government grants in profit or loss on a systematic basis over the periods in which we recognize as expenses the related costs for which the grants are intended to compensate. Government grants related to assets are presented in our Condensed Consolidated Balance Sheets by deducting the grant in arriving at the carrying amount of the asset. Therefore, the grant is recognized in profit or loss over the life of the depreciable asset as a credit to depreciation expense.

***New Accounting Standards***

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280)*. ASU 2023-07 will improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. Although we operate only a single segment, ASU 2023-07 will require us to adhere to all disclosure requirements of the pronouncement which includes among other things, disclosures related to our chief operating decision maker. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The adoption of ASU 2023-07 will not have a material effect on our Consolidated Financial Statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The adoption of ASU 2023-09 will not have a material effect on our Consolidated Financial Statements.

***Reclassifications***

A lodging property with a carrying amount of approximately $8.0 million that was classified as Assets held for sale at December 31, 2023 has been reclassified to Investments in lodging property, net during the three months ended September 30, 2024 as the lodging property no longer meets the Assets held for sale criteria as of that date. We recorded additional depreciation expense of $0.2 million during the three months ended September 30, 2024 related to depreciation expense that would have been recognized had the lodging property been continuously classified as Investments in lodging property, net.

## NOTE 3 - INVESTMENTS IN LODGING PROPERTY, NET

### *Investments in Lodging Property, net*

Investments in lodging property, net is as follows (in thousands):

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Lodging buildings and improvements | $ 2,800,853 | $ 2,798,667 |
| Land | 374,213 | 375,413 |
| Furniture, fixtures and equipment | 281,758 | 269,682 |
| Construction in progress | 52,536 | 41,359 |
| Intangible assets | 32,267 | 39,954 |
| Real estate development loan, net | 4,576 | 4,176 |
| | 3,546,203 | 3,529,251 |
| Less accumulated depreciation and amortization | (876,725) | (792,276) |
| | $ 2,669,478 | $ 2,736,975 |

Depreciation and amortization expense related to our lodging properties (excluding amortization of franchise fees) was $36.5 million and $37.7 million for the three months ended September 30, 2024 and 2023, respectively, and $109.5 million and $111.9 million for the nine months ended September 30, 2024 and 2023, respectively.

During the three months ended September 30, 2024, the GIC Joint Venture received a $9.9 million tax incentive payment from the City of Dallas related to the NCI Transaction (described in *Note 5 - Debt* to the Condensed Consolidated Financial Statements). We recorded the payment as a reduction to the accounting basis of the related depreciable assets during the three months ended September 30, 2024.

### *Lodging Property Acquisitions*

We acquired the following properties during the nine months ended September 30, 2023 (in thousands):

| Date Acquired | Brand/Hotel Name | Location | Guestrooms | Purchase Price |
|---|---|---|---|---|
| June 2023 | Residence Inn by Marriott | Scottsdale, AZ | 120 | $ 29,000 |
| June 2023 | Nordic Lodge | Steamboat Springs, CO | 47 | 13,700 |
| Total | | | 167 | $ 42,700 |

All of the acquisitions completed during the nine months ended September 30, 2023 were recorded as asset acquisitions. As such, we allocated the aggregate purchase price paid for each transaction to the net assets acquired based on their relative fair values. In determining relative fair values, we made significant estimates regarding replacement costs for the buildings and furniture, fixtures and equipment, and judgments related to certain market assumptions. Acquisition costs related to the transactions have been capitalized as part of the recorded amounts of the acquired net assets.

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

| | Nine Months Ended September 30, 2023 |
|---|---|
| Land | $ 12,257 |
| Lodging buildings and improvements | 29,225 |
| Furniture, fixtures and equipment | 1,331 |
| Net assets acquired [1] | $ 42,813 |

(1) Net assets acquired during the nine months ended September 30, 2023 is based on an aggregate purchase price of $42.7 million plus transaction costs of $0.1 million. Additionally, during the nine months ended September 30, 2023, we capitalized $2.0 million related to contingent consideration paid to the seller of the Onera property in Fredericksburg, TX. See *Note 9 - Non-controlling Interests and Redeemable Non-controlling Interests* for details related to the Onera Joint Venture.

We did not acquire any lodging properties during the three and nine months ended September 30, 2024.

***Lodging Property Sales***

The properties sold during the nine months ended September 30, 2024 were as follows:

**Portfolio of Two Lodging Properties - New Orleans, LA**

In April 2024, we completed the sale of the 202-guestroom Courtyard by Marriott and the 208-guestroom SpringHill Suites by Marriott, both located in New Orleans, LA, for an aggregate selling price of $73.0 million, which resulted in a gain of approximately $28.3 million that was recorded in the nine months ended September 30, 2024.

**Hilton Garden Inn - Bryan (College Station), TX**

In April 2024, we completed the sale of the 119-guestroom Hilton Garden Inn - Bryan (College Station), TX for $11.0 million. The net selling price of the lodging property approximated its net book value on the closing date.

**Hyatt Place - Dallas (Plano), TX**

In February 2024, we completed the sale of the 127-guestroom Hyatt Place - Dallas (Plano), TX for $10.3 million. We recorded a nominal gain on the sale during the nine months ended September 30, 2024 upon closing the transaction.

The properties sold during the nine months ended September 30, 2023 were as follows:

**Sale of a Portfolio of Four Lodging Properties**

In May 2023, we completed the sale of four lodging properties (the "Sale Portfolio") for an aggregate gross selling price of $28.1 million. The properties sold include the following:

| Franchise/Brand | Location | Guestrooms |
|---|---|---|
| Hyatt Place | Chicago (Lombard/Oak Brook), IL | 151 |
| Hyatt Place | Chicago (Hoffman Estates), IL | 126 |
| Hilton Garden Inn | Minneapolis (Eden Prairie), MN | 97 |
| Holiday Inn Express & Suites | Minneapolis (Minnetonka), MN | 93 |
| | | 467 |

The sales proceeds approximated the net carrying amount of the Sale Portfolio at closing.

***Additional Lodging Property Disposition***

During the third quarter of 2024, we entered into a purchase and sale agreement to sell the 101-guestroom Four Points by Marriott San Francisco Airport hotel for an aggregate selling price of $17.7 million, at which time we reclassified the carrying value of the property to Assets held for sale, net. We closed on the sale of the property on October 23, 2024 according to the terms of the agreement and will recognize a gain of approximately $0.4 million in the fourth quarter of 2024.

***Assets Held for Sale, net***

Assets held for sale, net is as follows (in thousands):

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| ***Under Contract for Sale:*** | | |
| Four Points by Marriott - San Francisco, CA | $ 16,971 | $ — |
| Courtyard by Marriott and SpringHill Suites - New Orleans, LA | — | 43,504 |
| Hilton Garden Inn - Bryan (College Station), TX | — | 10,642 |
| Hyatt Place - Dallas (Plano), TX | — | 9,940 |
| Parcel of undeveloped land - San Antonio, TX | 1,225 | 1,225 |
| | 18,196 | 65,311 |
| ***Marketed for Sale:*** | | |
| Parcel of undeveloped land - Flagstaff, AZ | 425 | 425 |
| | $ 18,621 | $ 65,736 |

The parcel of undeveloped land in San Antonio, TX is currently under contract to sell, and the sale is expected to close in the first quarter of 2025.

***Intangible Assets***

Intangible assets, net is as follows (in thousands):

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| ***Indefinite-lived intangible assets:*** | | |
| Air rights | $ 10,754 | $ 10,754 |
| Other | 80 | 80 |
| | 10,834 | 10,834 |
| ***Finite-lived intangible assets:*** | | |
| Tax incentives | 12,063 | 19,750 |
| Key money | 9,370 | 9,370 |
| | 21,433 | 29,120 |
| Intangible assets | 32,267 | 39,954 |
| Less - accumulated amortization | (5,300) | (9,251) |
| Intangible assets, net | $ 26,967 | $ 30,703 |

We recorded amortization expense related to intangible assets of approximately $0.8 million and $1.0 million for the three months ended September 30, 2024 and 2023, respectively, and $2.9 million and $3.1 million for the nine months ended September 30, 2024 and 2023, respectively.

Future amortization expense related to intangible assets is as follows (in thousands):

| For the Year Ending December 31, | Amount |
|---|---|
| 2024 | $ 782 |
| 2025 | 1,564 |
| 2026 | 1,564 |
| 2027 | 1,374 |
| 2028 | 1,016 |
| Thereafter | 9,833 |
| | $ 16,133 |

## NOTE 4 — INVESTMENT IN REAL ESTATE LOANS

***Real Estate Development Loans***

**Onera Mezzanine Financing Loan**

In January 2023, we entered into an agreement with affiliates of Onera Opportunity Fund I, LP ("Onera") to provide a mezzanine financing loan of $4.6 million (the "Onera Mezzanine Loan") for the development of a glamping property in Wimberley, TX. The Onera Mezzanine Loan is secured by a second mortgage on the property and is subordinate to the senior lender for the development project. As of September 30, 2024, we have funded our entire $4.6 million commitment under the mezzanine financing loan. The loan matures 24 months from the closing date of the transaction and may be extended for an additional 12 months at the borrower's option. The borrower has exercised its option to extend the Onera Mezzanine Loan for an additional 12 months.

Additionally, we issued a $3.0 million letter of credit to the senior lender of the project as additional support for Onera's construction loan. We have not recorded a liability for this guarantee as we believe the likelihood of having to make any payment under this guarantee is remote. In the event that we fund any amount under this guarantee, we would have the right to recover any amount paid under the guarantee from Onera.

We also have an option to purchase 90% of the equity of the entity that owns the development property that became exercisable upon completion of construction in September 2024 (the "Onera Purchase Option"). The Onera Purchase Option is exercisable until the later of the first anniversary of the opening of the property or the date the Onera Mezzanine Loan is paid in full.

We recorded the estimated fair value of the Onera Purchase Option in Other assets and as a contra-asset to Investments in lodging property, net at its estimated fair value of $0.9 million on the transaction date using the Black-Scholes model. Our estimate of the fair value of the Onera Purchase Option under the Black-Scholes model requires judgment and estimates primarily related to the volatility of our stock price and expected levels of future dividends on our common stock.

The recorded amount of the Onera Purchase Option was amortized as non-cash interest income beginning in January 2023 using the straight-line method, which approximates the interest method, and through September 2024 when the Onera Purchase Option became exercisable. For each of the three month periods ended September 30, 2024 and 2023, we amortized $0.1 million of the carrying amount of the Onera Purchase Option as non-cash interest income, and for each of the nine month periods ended September 30, 2024 and 2023, we amortized $0.4 million of the carrying amount of the Onera Purchase Option as non-cash interest income.

## NOTE 5 - DEBT

At September 30, 2024, our indebtedness was comprised of borrowings under our 2023 Senior Credit Facility (as defined below), the 2024 Term Loan (as defined below), the GIC Joint Venture Credit Facility (as defined below), the GIC Joint Venture Term Loan (as defined below), the PACE loan (as defined below), the Convertible Notes (as defined below), and two loans secured by first priority mortgage liens on three lodging properties.

We have entered into interest rate swaps to fix the interest rates on a portion of our variable interest rate indebtedness. The weighted-average interest rate, after giving effect to our interest rate derivatives, for all borrowings was 5.25% at September 30, 2024 and 5.31% at December 31, 2023. There are currently no defaults under any of the Company's loan agreements.

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

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Revolving debt | $ 125,000 | $ 125,000 |
| Term loans | 871,037 | 910,000 |
| Convertible notes | 287,500 | 287,500 |
| Mortgage loans | 65,007 | 123,339 |
| | 1,348,544 | 1,445,839 |
| Unamortized debt issuance costs | (12,449) | (15,171) |
| Debt, net of debt issuance costs | $ 1,336,095 | $ 1,430,668 |

Our total fixed-rate and variable-rate debt, after consideration of our interest rate derivative agreements that are currently in effect, is as follows (in thousands):

| | September 30, 2024 | Percentage | December 31, 2023 | Percentage |
|---|---|---|---|---|
| Fixed-rate debt [1] | $ 905,977 | 67% | $ 956,414 | 66% |
| Variable-rate debt | 442,567 | 33% | 489,425 | 34% |
| | $ 1,348,544 | | $ 1,445,839 | |

(1) At September 30, 2024, debt related to our wholly-owned properties and our pro rata share of joint venture debt has a fixed-rate debt ratio of approximately 77% of our total pro rata indebtedness when taking into consideration interest rate swaps that are currently in effect.

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

| | September 30, 2024 | | December 31, 2023 | | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value | Valuation Technique |
| Convertible notes | $ 287,500 | $ 272,090 | $ 287,500 | $ 256,141 | Level 1 - Market approach |
| Mortgage loans | 18,477 | 17,632 | 68,915 | 60,883 | Level 2 - Market approach |
| | $ 305,977 | $ 289,722 | $ 356,415 | $ 317,024 | |

Detailed information about our debt at September 30, 2024 and December 31, 2023 is as follows (dollars in thousands):

| | | | | | Principal Balance Outstanding | |
|---|---|---|---|---|---|---|
| Lender | Interest Rate | Initial Maturity Date | Fully Extended Maturity Date | Number of Encumbered Properties | September 30, 2024 | December 31, 2023 |
| **OPERATING PARTNERSHIP DEBT:** | | | | | | |
| ***2023 Senior Credit Facility*** | | | | | | |
| Bank of America, N.A. | | | | | | |
| $400 Million Revolver (1) | 6.90% Variable | 6/21/2027 | 6/21/2028 | n/a | $ — | $ — |
| $200 Million Term Loan (1) | 7.25% Variable | 6/21/2026 | 6/21/2028 | n/a | 200,000 | 200,000 |
| Total Senior Credit Facility | | | | | 200,000 | 200,000 |
| | | | | | | |
| ***Term Loans*** | | | | | | |
| KeyBank National Association Term Loan (1) (2) | n/a | 2/14/2025 | 2/14/2025 | n/a | — | 225,000 |
| Regions Bank 2024 Term Loan Facility (1) | 7.25% Variable | 2/26/2027 | 2/26/2029 | n/a | 200,000 | — |
| | | | | | 200,000 | 225,000 |
| | | | | | | |
| ***Convertible Notes*** | 1.50% Fixed | 2/15/2026 | 2/15/2026 | n/a | 287,500 | 287,500 |
| | | | | | | |
| ***Secured Mortgage Indebtedness*** | | | | | | |
| MetaBank (2) | n/a | 7/1/2027 | 7/1/2027 | n/a | — | 42,611 |
| Bank of the Cascades (2) | n/a | 12/19/2024 | 12/19/2024 | n/a | — | 7,425 |
| | n/a | 12/19/2024 | 12/19/2024 | n/a | — | 7,425 |
| Total Mortgage Loans | | | | — | — | 57,461 |
| Total Operating Partnership Debt | | | | | 687,500 | 769,961 |
| | | | | | | |
| **JOINT VENTURE DEBT:** | | | | | | |
| ***Brickell Joint Venture Mortgage Loan*** | | | | | | |
| City National Bank of Florida | 8.11% Variable | 6/9/2025 | 6/9/2025 | 2 | 46,530 | 47,000 |
| | | | | | | |
| ***GIC Joint Venture Credit Facility and Term Loans*** | | | | | | |
| Bank of America, N.A. | | | | | | |
| $125 Million Revolver (3) | 7.53% Variable | 9/15/2027 | 9/15/2028 | n/a | 125,000 | 125,000 |
| $75 Million Term Loan (3) | 7.48% Variable | 9/15/2027 | 9/15/2028 | n/a | 75,000 | 75,000 |
| Bank of America, N.A. Term Loan (4) | 8.11% Variable | 1/13/2026 | 1/13/2027 | n/a | 396,037 | 410,000 |
| Wells Fargo | 4.99% Fixed | 6/6/2028 | 6/6/2028 | 1 | 12,593 | 12,785 |
| PACE loan | 6.10% Fixed | 7/31/2040 | 7/31/2040 | n/a | 5,884 | 6,093 |
| Total GIC Joint Venture Credit Facility and Term Loans | | | | 1 | 614,514 | 628,878 |
| Total Joint Venture Debt | | | | 3 | 661,044 | 675,878 |
| Total Debt | | | | 3 | $ 1,348,544 | $ 1,445,839 |

(1) The 2023 Senior Credit Facility and the Regions Bank 2024 Term Loan Facility are supported by a borrowing base of 53 unencumbered hotel properties.
(2) The KeyBank Term Loan was paid off with proceeds from the Regions Bank 2024 Term Loan. The MetaBank loan was paid off in June 2024. The Bank of the Cascades mortgage loan was comprised of two promissory notes which were repaid in May 2024.
(3) The $125 Million Revolver and the $75 Million Term Loan are secured by pledges of the equity in the entities and affiliated entities that own 13 lodging properties.
(4) The GIC Joint Venture Term Loan with Bank of America, N.A. is secured by pledges of the equity in the entities and affiliated entities that own 25 lodging properties and two parking garages.

**$600 Million Senior Credit and Term Loan Facility**

In June 2023, the Operating Partnership, as borrower, the Company, as parent guarantor, and each party executing the loan documentation as a subsidiary guarantor, entered into an amended and restated $600.0 million senior credit facility (the "2023 Senior Credit Facility") with Bank of America, N.A., as successor administrative agent, and a syndicate of lenders. The 2023 Senior Credit Facility is comprised of a $400.0 million revolver (the "$400 Million Revolver") and a $200.0 million term loan facility (the "$200 Million Term Loan"). The 2023 Senior Credit Facility has an accordion feature which allows the Company to increase the total commitments by an aggregate of up to $300.0 million.

At September 30, 2024, our $200 Million Term Loan was fully funded, and we had no outstanding borrowings under our $400 Million Revolver.

The $400 Million Revolver has a maturity date of June 2027, which may be extended by the Company for up to two consecutive six-month periods, subject to certain conditions, and the $200 Million Term Loan has a maturity date of June 2026, which may be extended by the Company for up to two consecutive 12-month periods, subject to certain conditions.

The 2023 Senior Credit Facility bears interest at the Secured Overnight Funding Rate ("SOFR"). The interest rate on the $400 Million Revolver is based on the higher of (i) a pricing grid ranging from 140 basis points to 240 basis points plus Adjusted Daily SOFR or Adjusted Term SOFR, depending on the Company's leverage ratio (as defined in the loan documents); and (ii) a pricing grid ranging from 40 basis points to 140 basis points over the Base Rate, depending on the Company's leverage ratio (as defined in the loan documents).

The interest rate on the $200 Million Term Loan is based on the higher of (i) a pricing grid ranging from 135 basis points to 235 basis points plus Adjusted Daily SOFR or Adjusted Term SOFR, depending on the Company's leverage ratio (as defined in the loan documents); and (ii) a pricing grid ranging from 35 basis points to 135 basis points over the Base Rate, depending on the Company's leverage ratio (as defined in the loan documents).

We are also required to pay an unused fee (the "Unused Fee") on the undrawn portion of the $400 Million Revolver. The Unused Fee is calculated on a daily basis on the unused amount of the $400 Million Revolver multiplied by (i) 0.25% per annum in the event that Revolver usage is greater than 50%, and (ii) 0.20% per annum in the event that Revolver usage is equal to or less than 50%. The Unused Fee is payable quarterly in arrears and on the final maturity date of the $400 Million Revolver.

The 2023 Senior Credit Facility requires the Company and certain subsidiaries to pledge to the secured parties all of the equity interests in the entities that own the 53 properties included in the borrowing base assets, the related TRS entities that lease each of the borrowing base assets, and all other subsidiaries of the borrower and the subsidiary guarantors, subject to certain exceptions. Borrowings are limited by the value of the pledged properties.

We are required to comply with various financial and other covenants to draw and maintain borrowings under the $400 Million Revolver.

***Amendment to the 2023 Senior Credit Facility***

In September 2024, we executed an amendment to the 2023 Senior Credit Facility. Under the amendment, we may elect at our sole discretion that the Unsecured Leverage Ratio (as defined in the loan documents) may exceed 60% but shall in no event exceed 65% for such fiscal quarter and the next three succeeding fiscal quarters (the “Unsecured Leverage Increase Period”). Once this one-time right has been exercised and after the Unsecured Leverage Increase Period expires, the 2023 Senior Credit Facility will revert back to the prior Unsecured Leverage Ratio pursuant to which the credit availability under the 2023 Senior Credit Facility will be limited to the 60% Unsecured Leverage Ratio for the remainder of the term of the 2023 Senior Credit Facility. We have not yet made the election under the amendment.

**2024 Term Loan**

In February 2024, our Operating Partnership, as borrower, the Company, as parent guarantor, and each party executing the term loan document as a subsidiary guarantor, entered into a $200 million senior unsecured term loan financing (the “2024 Term Loan”) with Regions Bank. Proceeds from the 2024 Term Loan financing and advances on our $400 Million Revolver were used to repay in full the Company’s $225 million term loan that was scheduled to mature in February 2025.

The 2024 Term Loan has an initial maturity date of February 2027 and can be extended for two 12-month periods by the Company, subject to certain conditions. At September 30, 2024, the 2024 Term Loan was fully funded.

We pay interest on advances at varying rates, based upon, at our option, either (i) daily, 1-, 3-, or 6-month SOFR (subject to a floor of 35 basis points), plus a SOFR adjustment equal to 10 basis points and an applicable margin between 135 and 235 basis points, depending upon our leverage ratio (as defined in the loan documents). We are required to pay other fees, including arrangement and administrative fees.

We are required to comply with various financial and other covenants to maintain borrowings under the 2024 Term Loan.

***Amendment to 2024 Term Loan***

In September 2024, we executed an amendment to the 2024 Term Loan. Under the amendment, we may elect at our sole discretion that the Unsecured Term Loan Leverage Ratio (as defined in the loan documents) may exceed 60% but shall in no event exceed 65% for such fiscal quarter and the next three succeeding fiscal quarters (the “Unsecured Term Loan Leverage Increase Period”). Once this one-time right has been exercised and after the Unsecured Term Loan Leverage Increase Period expires, the 2024 Term Loan will revert back to the prior Unsecured Term Loan Leverage Ratio pursuant to which the credit availability under the 2024 Term Loan will be limited to the 60% Unsecured Term Loan Leverage Ratio for the remainder of the term of the 2024 Term Loan. We have not yet made the election under the amendment.

**Convertible Senior Notes and Capped Call Options**

In January 2021, we entered into an underwriting agreement (the “Convertible Notes Offering”) pursuant to which the Company agreed to offer and sell an aggregate of $287.5 million of 1.50% convertible senior notes due in 2026 (the “Convertible Notes"). The net proceeds from the Convertible Notes Offering, after deducting underwriting discounts and commissions and offering expenses payable by the Company (including net proceeds from the full exercise by the underwriters of their over-allotment option to purchase additional Convertible Notes), were approximately $280.0 million before consideration of the Capped Call Transactions (as described below). These proceeds were used to pay the cost of the Capped Call Transactions and to partially repay outstanding obligations under our senior credit facility that was replaced by the 2023 Senior Credit Facility and another term loan.

The Convertible Notes bear interest at a rate of 1.50% per year, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2021. The Convertible Notes will mature on February 15, 2026 (the "Maturity Date"), unless earlier converted, purchased, or redeemed. Prior to August 15, 2025, the Convertible Notes will be convertible only upon certain circumstances and during certain periods. On or after August 15, 2025 and through the Maturity Date, holders may convert any of their Convertible Notes into shares of the Company's common stock, at the applicable conversion rate, unless the Convertible Notes have been previously purchased or redeemed by the Company. The Company recorded interest expense of $1.1 million for each of the three month periods ended September 30, 2024 and 2023, and $3.2 million for each of the nine month periods ended September 30, 2024 and 2023. The Company incurred debt issuance costs related to the Convertible Notes Offering of $7.6 million, of which $0.4 million was amortized as non-cash interest expense for each of the three month periods ended September 30, 2024 and 2023, respectively, and $1.1 million for each of the nine month periods ended September 30, 2024 and 2023. Including the amortization of the debt issuance costs, the effective interest rate on the Convertible Notes was approximately 2.00% for the three and nine month periods ended September 30, 2024 and 2023. The unamortized discount related to the Convertible Notes was $2.1 million and $3.2 million at September 30, 2024 and December 31, 2023, respectively.

The initial conversion rate of the Convertible Notes is 83.4028 shares of common stock per $1,000 principal amount of Convertible Notes, which is equivalent to an initial conversion price of $11.99 per share of common stock based on the 37.5% base conversion premium on the reference price of $8.72 per share. In no event will the conversion rate exceed 114.6788 shares of common stock per $1,000 principal amount of Convertible Notes, subject to certain adjustments defined in the Convertible Notes Offering. Commensurate with the declaration of dividends and distributions on our common stock and Common Units, respectively, on September 1, 2024, the conversion rate of the Convertible Notes was adjusted to 90.24 shares of common stock per $1,000 principal amount of Convertible Notes.

In January 2021, the Company entered into privately negotiated capped call transactions (the "Capped Call Transactions") with certain of the underwriters or their respective affiliates and another financial institution (the "Capped Call Counterparties"). The Capped Call Transactions initially cover, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes, the number of shares of common stock underlying the Convertible Notes. The Capped Call Transactions are generally expected to reduce the potential dilution to holders of shares of common stock upon conversion of the Convertible Notes or offset the potential cash payments that the Company could be required to make in excess of the principal amount of any converted Convertible Notes upon conversion thereof, with such reduction or offset subject to a cap.

The effective strike price of the Capped Call Transactions was initially $15.26, which represented a premium of 75.0% over the last reported sale price of our common stock on the New York Stock Exchange on January 7, 2021 and is subject to certain adjustments under the terms of the Capped Call transactions. The current strike price is $14.10 due to the adjustments related to the dividends paid during the period that the Capped Call securities have been outstanding.

**MetaBank Loan**

In June 2017, Summit Meta 2017, LLC, a subsidiary of our Operating Partnership, entered into a $47.6 million secured, non-recourse loan with MetaBank (the "MetaBank Loan"). In June 2024, the outstanding balance of the loan was $42.3 million at which time we repaid the MetaBank Loan for $39.1 million prior to its scheduled maturity date, which represented a discount of $3.2 million and resulted in a gain on extinguishment of debt of $3.0 million after legal fees and unamortized debt issuance costs that were written-off on the closing date. As a result of this repayment, the three lodging properties previously held as collateral for the MetaBank Loan were released.

**Bank of the Cascades**

In May 2024, we repaid the outstanding principal of the Bank of the Cascades loan that was scheduled to mature in December 2024 with no prepayment penalty. This repayment resulted in the release of the lodging property that was pledged as collateral for this mortgage loan.

**GIC Joint Venture Credit Facility**

In October 2019, Summit JV MR 1, LLC (the "Borrower"), as borrower, and Summit Hospitality JV, LP (the "Parent" or "GIC Joint Venture"), as parent of the Borrower, and each party executing the credit facility documentation as a subsidiary guarantor, entered into a $200.0 million credit facility (the "GIC Joint Venture Credit Facility") with Bank of America, N.A., as administrative agent and sole initial lender, and BofA Securities, Inc., as sole lead arranger and sole bookrunner. The Operating Partnership and the Company are not borrowers or guarantors of the GIC Joint Venture Credit Facility. The GIC Joint Venture Credit Facility is guaranteed by all of the Borrower's existing and future subsidiaries, subject to certain exceptions.

The GIC Joint Venture Credit Facility is comprised of a $125.0 million revolving credit facility (the "$125 Million Revolver") and a $75.0 million term loan (the "$75 Million Term Loan"). The GIC Joint Venture Credit Facility has an accordion feature which allows the GIC Joint Venture to increase the total commitments by up to $300.0 million, for aggregate potential borrowings of up to $500.0 million. At September 30, 2024, we had $125.0 million outstanding under the $125 Million Revolver and the $75 Million Term Loan was fully funded.

***Amendments to the GIC Joint Venture Credit Facility***

In February 2023, the Borrower entered into the Fifth Amendment to Credit Agreement to, among other things, convert the reference rate used in interest rate calculations from the London Interbank Offered Rate ("LIBOR") to adjusted term or daily SOFR (using a 10-basis point credit spread adjustment), with Borrower's option to borrow base rate advances, term SOFR advances or daily SOFR advances.

In September 2023, the GIC Joint Venture entered into an amendment to the GIC Joint Venture Credit Facility (the "GIC Joint Venture Credit Amendment"). The GIC Joint Venture Credit Amendment extends the maturity of the $125 Million Revolver and the $75 Million Term Loan to September 2027, which may be further extended by the Company for a single twelve-month period, subject to certain conditions.

The interest rate on the $125 Million Revolver is unchanged and is based on the higher of the following:

i. Daily SOFR or Term SOFR (1-month or 3-month), plus a SOFR adjustment of 0.10%, plus a margin of 2.15%, or,

ii. the applicable base rate, which is the greater of the administrative agent's prime rate, the federal funds rate plus 0.50%, and 1-month Term SOFR plus 1.00%, plus a base rate margin of 1.15%.

The interest rate on the $75 Million Term Loan is five basis points less than the interest rate on the $125 Million Revolver.

In addition, on a quarterly basis, we are required to pay a fee of 0.25% of the average unused amount of the GIC Joint Venture Credit Facility. We are also required to pay other fees, including customary arrangement and administrative fees.

The GIC Joint Venture Credit Amendment requires the GIC Joint Venture and certain subsidiaries to pledge to the secured parties all of the equity interests in the entities that own the 13 properties included in the borrowing base assets, the related TRS entities that lease each of the borrowing base assets, and all other subsidiaries of the borrower and the subsidiary guarantors, subject to certain exceptions.

**GIC Joint Venture Term Loan**

In January and March 2022, the Operating Partnership and the GIC Joint Venture closed on a transaction with NewcrestImage Holdings, LLC, a Delaware limited liability company, and NewcrestImage Holdings II, LLC, a Delaware limited liability company (together, "NewcrestImage"), to acquire a portfolio of 27 lodging properties, containing an aggregate of 3,709 guestrooms, and two parking structures containing 1,002 spaces, and various financial incentives for an aggregate purchase price of $822.0 million (the "NCI Transaction"). In connection with the NCI Transaction, in January 2022, Summit JV MR 2, LLC, Summit JV MR 3, LLC and Summit NCI NOLA BR 184, LLC (each of which is a subsidiary of the GIC Joint Venture, and are collectively, the "Term Loan Borrower"), the GIC Joint Venture, as parent guarantor, and each party executing the credit facility documentation as a subsidiary guarantor, entered into a $410.0 million senior secured term loan facility (the "GIC Joint Venture Term Loan") with Bank of America, N.A., as administrative agent and initial lender, Wells Fargo Bank, National Association, as syndication agent and an initial lender, and BofA Securities, Inc. and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners.

Neither the Operating Partnership nor the Company are borrowers or guarantors of the GIC Joint Venture Term Loan. The GIC Joint Venture Term Loan is guaranteed by the GIC Joint Venture and all of the Term Loan Borrower's existing and future subsidiaries, subject to certain exceptions.

The GIC Joint Venture Term Loan has an accordion feature that permits an increase in the total commitments by up to $190.0 million, for aggregate potential borrowings of up to $600.0 million. The GIC Joint Venture Term Loan will mature on January 13, 2026 and can be extended for one twelve-month period at the option of the GIC Joint Venture, subject to certain conditions.

At September 30, 2024, we had $396.0 million outstanding on the GIC Joint Venture Term Loan bearing interest at a floating rate of SOFR plus 2.75%.

The GIC Joint Venture Term Loan is secured primarily by a first priority pledge of the Term Loan Borrower's equity interests in the subsidiaries that hold a direct or indirect interest in 25 of the lodging properties and two parking facilities purchased in the NCI Transaction that constitute borrowing base assets. The GIC Joint Venture Term Loan contains terms, conditions, and covenants typical for similar credit facilities.

**PACE Loan**

As part of the NCI Transaction, a subsidiary of the GIC Joint Venture assumed a Property Assessed Clean Energy ("PACE") loan of approximately $6.5 million. The loan bears fixed interest at 6.10%, has an amortization period of 20 years, and matures on July 31, 2040. The PACE loan is secured by an assessment lien imposed by the County of Tarrant, TX for the benefit of the lender. At September 30, 2024, the outstanding balance of the PACE loan was $5.9 million.

**NOTE 6 - LEASES**

The Company has operating leases related to the land under certain lodging properties, conference centers, parking spaces, automobiles, our corporate office, and miscellaneous office equipment. These leases have remaining terms of one year to 73.8 years, some of which include options to extend the leases for additional years. The exercise of lease renewal options is at our sole discretion. At September 30, 2024 and December 31, 2023, the weighted-average operating lease term was approximately 32.1 years and 32.2 years, respectively. Certain leases also include options to purchase the leased property. At September 30, 2024 and December 31, 2023, our weighted-average incremental borrowing rate for leases was 4.8%.

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 restrictive covenants that materially affect our business. In addition, we lease certain owned real estate to third parties. We recorded gross third-party tenant income of $0.6 million for each of the three month periods ended September 30, 2024 and 2023, and $2.0 million during each of the nine month periods ended September 30, 2024 and 2023, which was recorded in Other income, net in our Condensed Consolidated Statement of Operations.

During each of the three month periods ended September 30, 2024 and 2023, the Company's total operating lease cost was $1.1 million, and the cash payments on operating leases were $1.0 million.

During each of the nine month periods ended September 30, 2024 and 2023, the Company's total operating lease cost was $3.4 million, and the cash payments on operating leases were $3.0 million.

Operating lease maturities at September 30, 2024 are as follows (in thousands):

| For the Year Ending December 31, | Amount |
|---|---|
| 2024 | $ 554 |
| 2025 | 2,252 |
| 2026 | 2,206 |
| 2027 | 2,249 |
| 2028 | 2,090 |
| Thereafter | 35,802 |
| Total lease payments (1) | 45,153 |
| Less: Imputed interest | (20,274) |
| Total | $ 24,879 |

(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 7 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Information about our derivative financial instruments at September 30, 2024 and December 31, 2023 is as follows (dollars in thousands):

| | | | | Notional Amount | | Fair Value | |
|---|---|---|---|---|---|---|---|
| Contract date | Effective Date | Expiration Date | Average Annual Effective Fixed Rate | September 30, 2024 | December 31, 2023 | September 30, 2024 | December 31, 2023 |
| **Operating Partnership:** | | | | | | | |
| June 11, 2018 | September 28, 2018 | September 30, 2024 | 2.86 % | $ 75,000 | $ 75,000 | $ — | $ 1,170 |
| June 11, 2018 | December 31, 2018 | December 31, 2025 | 2.92 % | 125,000 | 125,000 | 1,256 | 2,877 |
| July 26, 2022 | January 31, 2023 | January 31, 2027 | 2.60 % | 100,000 | 100,000 | 1,671 | 3,134 |
| July 26, 2022 | January 31, 2023 | January 31, 2029 | 2.56 % | 100,000 | 100,000 | 2,655 | 4,273 |
| Total Operating Partnership | | | | 400,000 | 400,000 | 5,582 | 11,454 |
| | | | | | | | |
| **GIC Joint Venture:** | | | | | | | |
| March 24, 2023 | July 1, 2023 | January 13, 2026 | 3.35 % | 100,000 | 100,000 | 329 | 1,250 |
| March 24, 2023 | July 1, 2023 | January 13, 2026 | 3.35 % | 100,000 | 100,000 | 330 | 1,254 |
| January 19, 2024 | October 1, 2024 | January 13, 2026 | 3.77 % | 100,000 (1) | — | (190) | — |
| Total GIC Joint Venture | | | | 300,000 | 200,000 | 469 | 2,504 |
| Total | | | | $ 700,000 | $ 600,000 | $ 6,051 | $ 13,958 |

(1) At December 31, 2023, we had interest rate swaps that were in effect with a notional amount totaling $600.0 million. In January, 2024, we executed one additional interest rate swap with a notional amount totaling $100.0 million that became effective on October 1, 2024.

At September 30, 2024, debt related to our wholly-owned properties and our pro rata share of joint venture debt has a fixed-rate debt ratio of approximately 77% of our total pro rata indebtedness when taking into consideration interest rate swaps that are currently in effect.

At September 30, 2024 and December 31, 2023, we had $600.0 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.

In January 2024, subsidiaries of the GIC Joint Venture that are the borrowers under the GIC Joint Venture Term Loan entered into a $100.0 million interest rate swap to fix one-month term SOFR until January 2026. The interest rate swap became effective on October 1, 2024 and has an expiration date of January 13, 2026. Pursuant to the interest rate swap, we will pay a fixed rate of 3.77% and receive the one-month term SOFR floating rate index.

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 September 30, 2024 all but one of our interest rate swaps were in an asset position and at December 31, 2023, all our interest rate swaps were in an asset position. Derivative assets related to our interest rate swaps are recorded in Other assets and derivative liabilities are recorded in Accrued expenses in our Condensed Consolidated Balance Sheets. 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 Accumulated other comprehensive income in our Condensed Consolidated Balance Sheets and are reclassified as 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 $4.4 million will be reclassified from Accumulated other comprehensive income and recorded as a decrease to Interest expense.

We characterize the realized and unrealized gain or loss related to derivative financial instruments designated as cash flow hedges as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Unrealized (loss) gain recognized in Accumulated other comprehensive income (loss) on derivative financial instruments | $ (9,380) | $ 7,229 | $ 3,093 | $ 18,074 |
| Gain reclassified from Accumulated other comprehensive income to Interest expense | $ 3,660 | $ 3,589 | $ 11,000 | $ 7,849 |
| Total interest expense and other finance expense presented in the Condensed Consolidated Statements of Operations in which the effects of cash flow hedges are recorded | $ 20,428 | $ 22,020 | $ 62,840 | $ 65,177 |

## NOTE 8 - EQUITY

### Common Stock

The Company is authorized to issue up to 500,000,000 shares of common stock, $0.01 par value per share ("Common Stock"). 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.

In May 2022, the Company and the Operating Partnership entered into an equity distribution agreement (the “Equity Distribution Agreement”) with a group of underwriters as sales agents for the Company, principals and with certain exceptions, forward sellers (collectively the “Managers”) and certain banks as forward purchasers, providing for the offer and sale of shares of the Company’s Common Stock, having a maximum aggregate offering price of up to $200.0 million through or to the Managers, as the Company’s sales agents or, if applicable, as forward sellers, or directly to the Managers, as principals (the “2022 ATM Program”). To date, we have not sold any shares of our Common Stock under the 2022 ATM Program.

Changes in Common Stock during the nine months ended September 30, 2024 and 2023 were as follows:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2024 | 2023 |
| Beginning shares of Common Stock outstanding | 107,593,373 | 106,901,576 |
| Common Unit redemptions | 5,310 | 7,000 |
| Grants under the Equity Plan (as defined below in *Note 12 - Equity-Based Compensation*) | 1,235,098 | 875,055 |
| Annual grants to independent directors | 127,491 | 113,141 |
| Performance share and other forfeitures | (363,352) | (139,254) |
| Shares acquired for employee withholding requirements | (144,654) | (184,029) |
| Ending shares of Common Stock outstanding | 108,453,266 | 107,573,489 |

### 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 89,600,000 is currently undesignated, 6,400,000 shares have been designated as 6.25% Series E Cumulative Redeemable Preferred Stock (the "Series E Preferred Stock") and 4,000,000 shares have been designated as 5.875% Series F Cumulative Redeemable Preferred Stock (the "Series F Preferred Stock").

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 maturity dates and are not subject to mandatory redemption or sinking fund requirements. The Series E Preferred Stock is redeemable by the Company at its election. The Company may not redeem the Series F Preferred Stock prior to August 12, 2026, except in limited circumstances relating to the Company’s continuing qualification as a REIT or in connection with certain changes in control. When redeemable, 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 dividends 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 Stock based on a defined formula, subject to a share cap, or alternative consideration. The share cap on each share of Series E Preferred Stock and Series F Preferred Stock is 3.1686 and 5.8275 shares of Common Stock, respectively, all subject to certain adjustments.

The Company pays dividends at an annual rate of $1.5625 for each Series E Preferred Stock and $1.46875 for each share of Series F Preferred Stock. Dividend payments are made quarterly in arrears on or about the last day of February, May, August, and November of each year.

## NOTE 9 - NON-CONTROLLING INTERESTS AND REDEEMABLE NON-CONTROLLING INTERESTS

### Non-controlling Interests in Operating Partnership

Pursuant to the limited partnership agreement of our Operating Partnership, the unaffiliated third parties who hold Common Units have the right to request that we 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. In the first quarter of 2022, in connection with the NCI Transaction, the Operating Partnership issued an aggregate of 15,864,674 Common Units as partial consideration for the purchase.

NewcrestImage and other unaffiliated third parties collectively owned 15,943,318 and 15,948,628 of Common Units at September 30, 2024 and December 31, 2023, respectively, which represents approximately 13% of the outstanding Common Units.

We classify outstanding Common Units held by unaffiliated third parties as Non-controlling interests, a component of equity in our Condensed Consolidated Balance Sheets. The portion of net income (loss) allocated to these Common Units is included on the Company’s Condensed Consolidated Statements of Operations as Net income (loss) attributable to non-controlling interests.

### Non-controlling Interests in Consolidated Joint Ventures

At September 30, 2024, the Company is a partner with a majority equity interest in the three joint ventures described below, which are consolidated in our Condensed Consolidated Financial Statements. The portion of net income (loss) allocated to these non-controlling interests is included on the Company’s Condensed Consolidated Statements of Operations as Loss attributable to non-controlling interests.

#### *GIC Joint Venture*

In July 2019, the Company entered into the GIC Joint Venture to acquire assets that align with the Company’s current investment strategy and criteria. The Company serves as general partner and asset manager of the GIC Joint Venture and has historically and in the future intends to invest 51% of the equity capitalization of the limited partnership, with GIC investing the remaining 49%. The Company earns fees for providing services to the GIC Joint Venture and has the potential to earn incentive fees based on the GIC Joint Venture achieving certain return thresholds. At September 30, 2024, the GIC Joint Venture owns 39 lodging properties containing 5,334 guestrooms in nine states.

The GIC Joint Venture owns the lodging properties through master REITs (the “Master REIT”) and subsidiary REITs (the “Subsidiary REIT”). All of the lodging properties owned by the GIC Joint Venture are leased to taxable REIT subsidiaries of the Subsidiary REITs (the “Subsidiary REIT TRSs”). To qualify as a REIT, the Master REIT and each Subsidiary REIT must meet all of the REIT requirements provided in the Internal Revenue Code, as amended. Taxable income related to the Subsidiary REIT TRSs is subject to federal, state and local income taxes at applicable tax rates.

***Brickell Joint Venture***

In June 2022, the Company entered into the Brickell Joint Venture to facilitate the exercise of a purchase option to acquire a 90% equity interest in the AC/Element Hotel in Miami, FL. Our joint venture partner, C-F Brickell, owns the remaining 10% equity interest in the Brickell Joint Venture. The Company has an option to purchase the remaining 10% equity interest in the Brickell Joint Venture from C-F Brickell in December 2026 with the exercise of a second purchase option at its market value on the exercise date. The Company serves as the managing member of the Brickell Joint Venture.

***Onera Joint Venture***

In October 2022, the Company entered into a joint venture with Onera (the "Onera Joint Venture"), developers of alternative accommodation properties, with the acquisition of a 90% equity interest in the Onera Joint Venture for $5.2 million in cash, plus additional contingent consideration of $1.8 million paid in September 2023. The $1.8 million contingent consideration paid represents our 90% pro rata share of the maximum increase in value of the property of $2.0 million as a result of the property outperforming a pre-established threshold over a twelve-month period after the closing of the transaction.

The Onera Joint Venture owns a 100% fee simple interest in real property and improvements located in Fredericksburg, TX. The property currently consists of 11 glamping lodging units. The Onera Joint Venture incurred $3.9 million of development costs during the nine months ended September 30, 2024, and $5.4 million from inception of the development related to the development of phase two of a property that is recorded as Investment in lodging property under development in our Condensed Consolidated Balance Sheets at September 30, 2024. The Company serves as the managing member of the Onera Joint Venture.

**Redeemable Non-controlling Interests**

In connection with the NCI Transaction, Summit Hotel GP, LLC, a wholly-owned subsidiary of the Company and the sole general partner of the Operating Partnership, on its own behalf as general partner of the Operating Partnership and on behalf of the limited partners of the Operating Partnership, on January 13, 2022, entered into the Tenth Amendment (the “Tenth Amendment”) to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, to provide for the issuance of up to 2,000,000 Series Z Preferred Units. The Series Z Preferred Units rank on a parity with the Operating Partnership’s 6.25% Series E and 5.875% Series F Preferred Units and holders will receive quarterly distributions at a rate of 5.25% per year. From issuance until the tenth anniversary of their issuance, the Series Z Preferred Units will be redeemable at the holder’s request at any time, or in connection with a change of control of the Company, for cash or shares of the Company’s 5.25% Series Z Cumulative Perpetual Preferred Stock (which will be designated and authorized following notice of redemption by holder of the Series Z Preferred Units) at the Company’s election, on a one-for-one basis. After the fifth anniversary of their issuance, the Company may redeem the Series Z Preferred Units for cash at a redemption amount of $25 per unit. For a 90-day period immediately following both the tenth and the eleventh anniversaries of their issuance or in connection with a change of control of the Company, the Series Z Preferred Units will be redeemable at the holder’s request for cash at a redemption amount of $25 per unit. In January 2022 and March 2022, in connection with the NCI Transaction, the Operating Partnership issued an aggregate of 2,000,000 Series Z Preferred Units as partial consideration for the purchase. At September 30, 2024, the redeemable Series Z Preferred Units issued in connection with the NCI Transaction are recorded as temporary equity and reflected as Redeemable non-controlling interests in our Condensed Consolidated Balance Sheets.

## NOTE 10 - FAIR VALUE MEASUREMENT

The following table presents information about our financial instruments measured at fair value on a recurring basis at September 30, 2024 and December 31, 2023. 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 September 30, 2024 using | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Interest rate swaps | $ — | $ 6,241 | $ — | $ 6,241 |
| Onera Purchase Option | — | — | 931 | 931 |
| **Liabilities:** | | | | |
| Interest rate swaps | — | 190 | — | 190 |

| | Fair Value Measurements at December 31, 2023 using | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Interest rate swaps | $ — | $ 13,958 | $ — | $ 13,958 |
| Onera Purchase Option | — | — | 931 | 931 |

The Onera Purchase Option does not have a readily determinable fair value. The fair value was estimated using the Black-Scholes model and was based on unobservable inputs for which there is little or no market information available. As such, we were required to develop assumptions to estimate the fair value of the Onera Purchase Option as follows (dollars in thousands):

| | |
|---|---|
| Exercise price | $ 8,206 |
| First option exercise date (1) | 10/1/2024 |
| Expected volatility | 52.20 % |
| Risk free rate | 4.15 % |
| Expected annualized equity dividend yield | — % |

(1) The first option exercise date is the date used for estimating the fair value of the purchase option. The Onera Purchase Option became exercisable in September 2024 when construction of the lodging development was complete and the property was open for business.

## NOTE 11 - COMMITMENTS AND CONTINGENCIES

### Franchise Agreements

All of our lodging properties (with the exception of the Onera Joint Venture property and the Nordic Lodge - Steamboat Springs, CO) operate under franchise agreements with major hotel franchisors. The initial terms of our franchise agreements generally range from 10 to 30 years with various extension provisions. Each franchisor receives franchise fees ranging from 3% to 6% of each lodging property’s room revenue, and some agreements require that we pay marketing fees of up to 4% of room revenue. In addition, some of these franchise agreements require that we deposit into a reserve fund for capital expenditures up to 5% of the lodging property's gross room revenue to ensure that we comply with the franchisor's standards and requirements. We also pay fees to our franchisors for services related to reservation and information systems. We expensed fees related to our franchise agreements of $13.3 million and $13.0 million for the three months ended September 30, 2024 and 2023, respectively, and $40.9 million and $40.0 million for the nine months ended September 30, 2024 and 2023, respectively.

**Management Agreements**

Our lodging properties operate pursuant to management agreements with various professional third-party management companies. The remaining terms of our management agreements range from month-to-month to 12 years and have various extension provisions. Each management company receives a base management fee, which is a percentage of total lodging property revenues. In addition, our lodging property management agreements generally provide that the lodging property manager can earn an incentive fee for hotel-level Earnings Before Interest, Taxes, Depreciation and Amortization over certain thresholds of a required investment return. In some cases, there are also monthly fees for certain services, such as accounting and shared services, based on the number of guestrooms. Generally, there are also incentive fees payable to our property managers based on attaining certain financial thresholds at lodging properties under their management. Management fee expenses were $2.7 million and $4.2 million for the three months ended September 30, 2024 and 2023, respectively, and $12.1 million and $14.0 million for the nine months ended September 30, 2024 and 2023, respectively. We executed amendments to certain property management agreements that resulted in lower property management fees for the three and nine months ended September 30, 2024.

**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 consolidated financial position or results of operations.

**NOTE 12 - EQUITY-BASED COMPENSATION**

Our currently outstanding equity-based awards were issued under the prior Summit Hotel Properties, Inc. 2011 Equity Incentive Plan, and the Summit Hotel Properties, Inc. 2024 Equity Incentive Plan effective May 22, 2024 (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. At September 30, 2024, we only have outstanding restricted stock awards. All of our outstanding equity-based awards are classified as equity awards.

**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:

| | Number of Shares | Weighted-Average Grant Date Fair Value (per share) | Aggregate Current Value (in thousands) |
|---|---|---|---|
| Non-vested at December 31, 2023 | 861,713 | $ 8.79 | $ 5,791 |
| Granted | 727,692 | 6.49 | |
| Vested | (369,312) | 9.24 | |
| Forfeited | (39,422) | 7.06 | |
| Non-vested at September 30, 2024 | 1,180,671 | $ 7.29 | $ 8,099 |

The awards granted to our non-executive employees prior to 2022 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 non-executive employees in 2022 and thereafter 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).

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 time-based restricted stock awards have the right to vote their unvested restricted 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:

| | Number of Shares | Weighted-Average Grant Date Fair Value (1) | Aggregate Current Value |
|---|---|---|---|
| | | (per share) | (in thousands) |
| Non-vested at December 31, 2023 | 1,056,272 | $ 11.93 | $ 7,098 |
| Granted | 507,406 | 7.40 | |
| Forfeited | (323,930) | 14.05 | |
| Non-vested at September 30, 2024 | 1,239,748 | $ 9.52 | $ 8,505 |

(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 cliff vest on the third anniversary of the grants based on our total shareholder return relative to the total shareholder return of companies within the Dow Jones U.S. Hotels Index (the "Index") at the end of the performance period or upon a change in control. The awards generally require continuous service during the performance 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 performance 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 performance-based restricted stock awards have the right to vote their unvested restricted shares of Common Stock and any dividends declared accrue and will be subject to the same vesting conditions as the performance awards. Further, if additional shares are earned based on our percentile ranking within the index, dividends will be paid as if the additional shares had been held throughout the entire performance period.

**Equity-Based Compensation Expense**

Equity-based compensation expense included in Corporate general and administrative expenses in the Condensed Consolidated Statements of Operations is as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Time-based restricted stock | $ 863 | $ 880 | $ 2,622 | $ 2,418 |
| Performance-based restricted stock | 991 | 987 | 2,948 | 2,740 |
| Director stock | — | — | 767 | 755 |
| | $ 1,854 | $ 1,867 | $ 6,337 | $ 5,913 |

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 forfeitures of time-based restricted stock.

Unrecognized equity-based compensation expense for all non-vested awards pursuant to our Equity Plan was $11.5 million at September 30, 2024 and will be recorded as follows (in thousands):

| | Total | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| Time-based restricted stock | $ 5,878 | $ 928 | $ 2,797 | $ 1,730 | $ 423 |
| Performance-based restricted stock | 5,636 | 991 | 2,904 | 1,512 | 229 |
| | $ 11,514 | $ 1,919 | $ 5,701 | $ 3,242 | $ 652 |

## NOTE 13 - INCOME TAXES

We have elected to be taxed as a REIT. As a REIT, we are generally not subject to corporate-level income taxes on taxable income we distribute to our stockholders.

Income related to our TRS Lessees is subject to federal, state and local taxes at applicable corporate tax rates. Our consolidated tax provision includes the income tax provision related to the operations of the TRS Lessees as well as state and local income taxes related to the Operating Partnership.

Where required, we account for federal and state income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for: i) the future tax consequences attributable to differences between carrying amounts of existing assets and liabilities based on GAAP and the respective carrying amounts for tax purposes, and ii) operating losses and tax-credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date of the change in tax rates. However, deferred tax assets are recognized only to the extent that it is more likely than not they will be realized based on consideration of available evidence. Valuation allowances are provided if, based upon the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

We consider all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance for deferred tax assets is needed. Certain of our TRS Lessees have incurred operating losses in the past and the realizability of our deferred tax assets as of September 30, 2024 is not reasonably assured. Therefore, we have recorded a valuation allowance against substantially all our deferred tax assets at September 30, 2024. We may reverse the valuation allowance in the future as additional evidence becomes available to support the realizability of the deferred tax assets.

The Company recorded income tax expense of $0.3 million and $1.4 million for the three months ended September 30, 2024 and 2023, respectively, and $2.9 million and $1.7 million for the nine months ended September 30, 2024 and 2023, respectively.

We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. In general, we are not subject to tax examinations by tax authorities for years before 2018. In the normal course of business, we are subject to examination by federal, state, and local jurisdictions where applicable. We had no unrecognized tax benefits at September 30, 2024. We expect no significant increase or decrease in unrecognized tax benefits due to changes in tax positions within the next year.

## NOTE 14 - EARNINGS PER SHARE

Basic earnings (loss) per share ("EPS") is computed by dividing net income (loss) available to common stockholders by the weighted-average number of shares of Common Stock outstanding for the period. We apply the two-class method of computing EPS, which requires the calculation of separate EPS amounts for participating securities. 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. Any anti-dilutive securities are excluded from the basic EPS calculation.

Diluted EPS is computed by dividing net income (loss) available to common stockholders, as adjusted for dilutive securities, by the weighted-average number of shares of Common Stock outstanding plus dilutive securities. Any anti-dilutive securities are excluded from the diluted EPS calculation. Potentially dilutive shares include unvested restricted share grants and unvested performance share grants, calculated using the treasury stock method or the if-converted method, shares of Common Stock issuable upon conversion of convertible debt and shares of Common Stock issuable upon conversion of Common Units of our Operating Partnership.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Numerator: | | | | |
| Net (loss) income attributable to common stockholders | $ (4,272) | $ (5,438) | $ 24,461 | $ (11,419) |
| Adjusted for: | | | | |
| Allocation of income to participating securities | — | — | (231) | — |
| Net (loss) income allocated to common stockholders - basic | (4,272) | (5,438) | 24,230 | (11,419) |
| Adjusted for: | | | | |
| Interest rate effect on assumed conversion of convertible debt | — | — | 3,244 | — |
| Adjustment for income allocated to dilutive participating securities | — | — | 3,864 | — |
| Net (loss) income allocated to common stockholders - diluted | $ (4,272) | $ (5,438) | $ 31,338 | $ (11,419) |
| | | | | |
| Denominator: | | | | |
| Weighted average common shares outstanding - basic | 106,033 | 105,650 | 105,891 | 105,510 |
| Adjusted for: | | | | |
| Dilutive effect of equity-based compensation awards | — | — | 2,551 | — |
| Effect of assumed conversion of convertible debt | — | — | 25,614 | — |
| Effect of assumed conversion of Operating Partnership units | — | — | 15,947 | — |
| Weighted average common shares outstanding - diluted | 106,033 | 105,650 | 150,003 | 105,510 |
| | | | | |
| Net (loss) income per share available to common stockholders: | | | | |
| Basic | $ (0.04) | $ (0.05) | $ 0.23 | $ (0.11) |
| Diluted | $ (0.04) | $ (0.05) | $ 0.21 | $ (0.11) |

The effect of the conversion of the Convertible Notes and the Common Units of the Operating Partnership has been included in the denominator of diluted earnings per share for the nine months ended September 30, 2024. Due to the net loss attributable to common stockholders for basic earnings per share for the three month periods ended September 30, 2024 and 2023, and the nine month period ended September 30, 2023, equity shares computed under the treasury stock method, shares issuable upon conversion of the Convertible Notes, and the effect of the conversion of Common Units of the Operating Partnership have been excluded from the number of shares used in calculating diluted loss per share as their inclusion would be antidilutive.

## NOTE 15 - SUPPLEMENTAL CASH FLOW INFORMATION

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. 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.

Supplemental cash flow information is as follows (in thousands):

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2024 | 2023 |
| Cash payments for interest | $ 60,269 | $ 59,836 |
| Insurance premium financing | $ — | $ 3,106 |
| Accrued acquisitions and improvements to lodging properties | $ 10,269 | $ 5,504 |
| Increase in carrying amount of lodging property related to contingent consideration | $ — | $ 200 |
| Cash payments for income taxes, net of refunds | $ 2,252 | $ 2,250 |
| Accrued and unpaid dividends | $ 143 | $ 120 |

## NOTE 16 - SUBSEQUENT EVENTS

### Hotel Property Disposition

In October 2024, we completed the sale of the 101-guestroom Four Points by Marriott San Francisco Airport hotel for $17.7 million, which resulted in a gain of approximately $0.4 million (see *Note 3 - Investments in Lodging Property, net*).

### Dividends

On October 24, 2024, our Board of Directors declared quarterly cash dividends and distributions of $0.08 per share on our Common Stock and per Common Unit of the Operating Partnership and cash dividends of $0.390625 per share of 6.25% Series E Preferred Stock and $0.3671875 per share of 5.875% Series F Preferred Stock. The Board of Directors also declared on behalf of the Operating Partnership, a cash distribution of $0.328125 per share of the Operating Partnership's unregistered 5.25% Series Z Cumulative Perpetual Preferred Units. The dividends and distributions are payable on November 29, 2024 to holders of record as of November 15, 2024.

## PART I - FINANCIAL INFORMATION

### 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, 2023, and our unaudited 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, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "forecast," "project," "potential," "continue," "likely," "will," "would" 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, performance or achievements. Factors that may cause actual results to differ materially from current expectations include, but are not limited to:

- global, national, regional and local economic and political conditions and events, including wars or potential hostilities, such as terrorist attacks, that may affect business transient, group and other travel or consumer behavior;
- macroeconomic conditions related to, and our ability to manage, inflationary pressures for labor, commodities, and other costs of our business;
- consumer purchasing power and overall behavior, or a potential recessionary environment, which could adversely affect our costs, liquidity, consumer confidence, and demand for travel and lodging;
- levels of spending for business and leisure travel;
- adverse changes in occupancy, average daily rate ("ADR") and revenue per available room ("RevPAR") and other lodging property operating metrics;
- potential changes in operations as a result of new regulations or changes in brand standards;
- 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;
- effects of infectious disease outbreaks or pandemics;
- default by borrowers to which we lend;
- supply and demand factors in our markets or sub-markets;
- the effect of alternative accommodations on our business;
- financial condition of, and our relationships with third-party property managers and franchisors;
- the degree and nature of our competition;
- increased interest rates or continued high rates of interest;
- increased renovation costs, which may cause actual renovation costs to exceed our current estimates;
- supply-chain disruption, which may reduce access to operating supplies or construction materials and increase related costs;
- changes in zoning laws;
- significant increases in the cost of real property taxes and/or insurance;
- risks associated with lodging property acquisitions, including the ability to ramp up and stabilize newly acquired lodging properties with limited or no operating history or that require substantial amounts of capital improvements for us to earn economic returns consistent with our expectations at the time of acquisition;
- risks associated with dispositions of lodging properties, including our ability to successfully complete the sale of lodging 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 or other federal and state taxing authorities;

- availability of and the abilities of our property managers and us to retain qualified personnel at our lodging properties and corporate offices;
- 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 property operator information technology networks as a result of cyber-attacks that are greater than insurance coverages or indemnities from service providers;
- our ability to effectively manage our joint ventures with our joint venture partners;
- current and future changes to the IRC;
- our ability to continue to effectively manage our Environmental, Social and Governance program to achieve expected social, environment and governance objectives and goals; 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, 2023.

Accordingly, there is no assurance that our expectations will be realized. Except as otherwise required by the federal securities laws, we disclaim any obligation 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 lodging property investment company that was organized in June 2010 and completed its initial public offering in February 2011. We focus on owning lodging properties with efficient operating models that generate strong margins and investment returns. Our lodging properties are typically located in markets with multiple demand generators such as corporate offices and headquarters, retail centers, airports, state capitols, convention centers, and leisure attractions. Substantially all of our assets are held by, and all of our operations are conducted through, our operating partnership, Summit Hotel OP, LP (the “Operating Partnership”). Through a wholly-owned subsidiary, we are the sole general partner of the Operating Partnership. At September 30, 2024, we owned, directly and indirectly, approximately 87% of the Operating Partnership’s issued and outstanding common units of limited partnership interest (“Common Units”), and all of the Operating Partnership’s issued and outstanding 6.25% Series E and 5.875% Series F preferred units of limited partnership interest. NewcrestImage Holdings, LLC and NewcrestImage Holdings II, LLC own all of the issued and outstanding 5.25% Series Z Cumulative Perpetual Preferred Units (liquidation preference $25 per unit) of the Operating Partnership ("Series Z Preferred Units"), which was issued as part of the NCI Transaction (as defined in "*Note 5 -Debt"* to the accompanying Condensed Consolidated Financial Statements). We collectively refer to preferred units of limited partnership interests of our Operating Partnership as "Preferred Units."

At September 30, 2024, our portfolio consisted of 96 lodging properties with a total of 14,255 guestrooms located in 24 states. We own our lodging properties in fee simple, except for seven lodging properties which are subject to ground leases or subleases. As of September 30, 2024, we own 100% of the outstanding equity interests in 54 of the 96 lodging properties. We own a 51% controlling interest in 39 lodging properties through a joint venture that was formed in July 2019 with USFI G-Peak, Ltd. ("GIC"), a private limited company incorporated in the Republic of Singapore (the “GIC Joint Venture”). We also own 90% equity interests in two separate joint ventures (the "Brickell Joint Venture" and the "Onera Joint Venture"). The Brickell Joint Venture owns two lodging properties, and the Onera Joint Venture owns one lodging property.

Our hotel properties primarily operate under premium franchise brands owned by Marriott® International, Inc. (“Marriott”), Hilton® Worldwide (“Hilton”), Hyatt® Hotels Corporation (“Hyatt”) and InterContinental® Hotels Group (“IHG”). We own one glamping property that operates under the independent brand of Onera Escapes ("Onera"), and the Nordic Lodge in Steamboat Springs, CO that we acquired in June 2023, which is an independent lodging property.

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 lodging properties. Accordingly, all of our lodging properties are leased to our taxable REIT subsidiaries ("TRS Lessees" or "TRSs"). All of our lodging properties are operated pursuant to lodging property management agreements between our TRS Lessees and professional, third-party lodging property management companies that are not affiliated with us as follows:

| Management Company | Number of Properties | Number of Guestrooms |
|---|---|---|
| Affiliates of Aimbridge Hospitality, LLC | 50 | 7,525 |
| OTO Development, LLC | 11 | 1,559 |
| Affiliates of Magna Hospitality Group, L.C. | 8 | 1,220 |
| Stonebridge Realty Advisors, Inc. and affiliates | 8 | 1,143 |
| Crestline Hotels & Resorts, LLC | 7 | 927 |
| Affiliates of Marriott, including Courtyard Management Corporation, SpringHill SMC Corporation and Residence Inn by Marriott, Inc. | 4 | 563 |
| White Lodging Services Corporation | 2 | 453 |
| Hersha Hospitality Management | 2 | 338 |
| Concord Hospitality Enterprises Company, LLC | 2 | 264 |
| InterContinental Hotel Group Resources, Inc., an affiliate of IHG | 1 | 252 |
| Blink Data Services, LLC | 1 | 11 |
| **Total** | 96 | 14,255 |

Our typical lodging property management agreement requires us to pay a base fee to our lodging property manager calculated as a percentage of lodging property revenues. In addition, our typical lodging property management agreements generally provide that the lodging property manager can earn an incentive fee for hotel-level Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") over certain thresholds of a required investment return to us. Our TRS Lessees may employ other lodging property managers in the future. We currently do not have any ownership or economic interest in any of the lodging property management companies engaged by our TRS Lessees. However, we have a purchase option to acquire a 10% to 15% equity interest in the entity that owns the Onera brand, which is an affiliate of Blink Data Services, LLC, if we reach certain investment thresholds in Onera-branded properties.

Our revenues are derived from lodging property operations and consist of room revenue, food and beverage revenue and other lodging property operations revenue. Revenues from our other lodging property operations consist of ancillary revenues related to parking, cancellation fees, meeting rooms and other guest services provided at certain of our lodging 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, and therefore hotel revenues, include changes in gross domestic product, corporate profits, capital investments, and employment. From a cost perspective, elevated inflation has been pervasive since 2022, increasing the cost of salaries, wages, supplies, material, freight, insurance and energy. Higher costs from broad inflationary pressures have been partially offset by lodging price increases.

During the nine months ended September 30, 2024, we experienced continued same-store revenue growth as a result of strong group travel and improvements in business transient demand which offset normalization in leisure demand. RevPAR growth decelerated in the third quarter of 2024 from the first half of the year, predominantly driven by the continued normalization of leisure demand over the summer months. The long-term outlook for the industry remains favorable as forecasted room night demand growth and increases in average daily rate, coupled with minimal supply growth, are expected to drive continued industry RevPAR growth over the next several years.

## Our Lodging Property Portfolio

According to current chain scales as defined by Smith Travel Research, Inc. ("STR"), as of September 30, 2024, six of our lodging properties with a total of 953 guestrooms are categorized as Upper-upscale hotels, 74 of our lodging properties with a total of 11,247 guestrooms are categorized as Upscale hotels and 14 of our lodging properties with a total of 1,998 guestrooms are categorized as Upper-midscale hotels. We have one lodging asset that is an 11-unit glamping property, and one 46-unit independent lodging property that are not categorized by STR. Lodging property information at September 30, 2024 is as follows:

| Franchise/Brand | Number of Lodging Properties | Number of Guestrooms |
|---|---|---|
| ***Marriott*** | | |
| Courtyard by Marriott | 16 | 2,847 |
| Residence Inn by Marriott | 16 | 2,256 |
| AC Hotel by Marriott | 6 | 1,026 |
| SpringHill Suites by Marriott | 6 | 775 |
| TownePlace Suites | 2 | 225 |
| Marriott | 1 | 165 |
| Fairfield Inn & Suites by Marriott | 1 | 140 |
| Element by Marriott | 1 | 108 |
| Four Points by Sheraton | 1 | 101 |
| **Total Marriott** | **50** | **7,643** |
| ***Hilton*** | | |
| Hampton Inn & Suites | 8 | 1,162 |
| Hilton Garden Inn | 7 | 1,075 |
| Homewood Suites | 3 | 369 |
| Embassy Suites | 2 | 346 |
| Canopy Hotel | 2 | 326 |
| DoubleTree by Hilton | 1 | 210 |
| **Total Hilton** | **23** | **3,488** |
| ***Hyatt*** | | |
| Hyatt Place | 13 | 1,893 |
| Hyatt House | 3 | 466 |
| **Total Hyatt** | **16** | **2,359** |
| ***IHG*** | | |
| Holiday Inn Express & Suites | 3 | 471 |
| Staybridge Suites | 1 | 121 |
| Hotel Indigo | 1 | 116 |
| **Total IHG** | **5** | **708** |
| ***Independent*** | | |
| Nordic Lodge | 1 | 46 |
| Onera | 1 | 11 |
| **Total Independent** | **2** | **57** |
| **Total** | **96** | **14,255** |

### Lodging Property Portfolio Activity

We continually evaluate alternatives to refine our portfolio 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 could have a material effect on our Condensed Consolidated Financial Statements.

See *"Note 3 - Investments in Lodging Property, net"* to the Condensed Consolidated Financial Statements for further information related to lodging property acquisitions and dispositions.

### Results of Operations

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

***Comparison of the Three Months Ended September 30, 2024 with the Three Months Ended September 30, 2023***

The following table contains key operating metrics for our portfolio for the three months ended September 30, 2024 compared with the three months ended September 30, 2023 (dollars in thousands, except ADR and RevPAR).

| | Three Months Ended September 30, | | | | Quarter-over-Quarter | | Quarter-over-Quarter | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | Dollar Change | | Percentage Change | |
| | Total Portfolio (96 properties) | Same-Store Portfolio (94 properties) | Total Portfolio (101 properties) | Same-Store Portfolio (94 properties) | Total Portfolio (96/101 properties) | Same-Store Portfolio (94 properties) | Total Portfolio (96/101 properties) | Same-Store Portfolio (94 properties) |
| **Revenues:** | | | | | | | | |
| Room | $ 157,408 | $ 155,903 | $ 161,712 | $ 155,648 | $ (4,304) | $ 255 | (2.7)% | 0.2 % |
| Food and beverage | 9,272 | 9,272 | 9,949 | 9,740 | (677) | (468) | (6.8)% | (4.8)% |
| Other | 10,127 | 10,073 | 10,155 | 9,835 | (28) | 238 | (0.3)% | 2.4 % |
| Total | $ 176,807 | $ 175,248 | $ 181,816 | $ 175,223 | $ (5,009) | $ 25 | (2.8)% | — % |
| **Expenses:** | | | | | | | | |
| Room | $ 37,286 | $ 36,815 | $ 37,510 | $ 35,537 | $ (224) | $ 1,278 | (0.6)% | 3.6 % |
| Food and beverage | 7,289 | 7,289 | 7,684 | 7,508 | (395) | (219) | (5.1)% | (2.9)% |
| Other lodging property operating expenses | 56,330 | 55,873 | 55,826 | 53,402 | 504 | 2,471 | 0.9 % | 4.6 % |
| Total | $ 100,905 | $ 99,977 | $ 101,020 | $ 96,447 | $ (115) | $ 3,530 | (0.1)% | 3.7 % |
| **Operational Statistics:** | | | | | | | | |
| Occupancy | 73.7 % | 73.8 % | 73.4 % | 74.5 % | n/a | n/a | 0.4 % | (1.0)% |
| ADR | $ 162.95 | $ 163.06 | $ 159.35 | $ 161.11 | $ 3.60 | $ 1.95 | 2.3 % | 1.2 % |
| RevPAR | $ 120.02 | $ 120.28 | $ 116.91 | $ 120.08 | $ 3.11 | $ 0.20 | 2.7 % | 0.2 % |

The portfolio information above for the three months ended September 30, 2024 and 2023 reflects operating results for various portions of each period for certain lodging properties as a result of the sales of lodging properties. The following table details how the disposition transactions affect each reporting period:

| | Transaction Date | Portion of Operating Results Included For the Three Months Ended September 30, 2024 | 2023 |
|---|---|---|---|
| **Sold Properties:** | | (Total Portfolio) | |
| Courtyard by Marriott and SpringHill Suites - New Orleans, LA | April 2024 | None | Full Period |
| Hilton Garden Inn - College Station, TX | April 2024 | None | Full Period |
| Hyatt Place - Dallas (Plano), TX | February 2024 | None | Full Period |
| Hyatt Place - Baltimore (Owings Mills), MD | December 2023 | None | Full Period |

Changes from the three months ended September 30, 2024 compared with the three months ended September 30, 2023 were due to the following:

- *Revenues and RevPAR*. Room revenues for our total portfolio during the third quarter of 2024 compared with the third quarter of 2023 decreased by $4.3 million as a result of a $0.3 million increase in same-store revenues driven by improving business transient and group demand which mitigated the effect of the normalization in leisure demand, offset by a $4.6 million decrease in room revenues due to the sale of four lodging properties during the nine months ended September 30, 2024 and the sale of one lodging property in December 2023. For the applicable periods, the number of properties in our total portfolio declined from 101 lodging properties at September 30, 2023 to 96 lodging properties at September 30, 2024.

  The 2.7% increase in RevPAR for our total portfolio during the third quarter of 2024 compared with the third quarter of 2023 was due to a 0.4% increase in occupancy and a 2.3% increase in ADR. The increase in RevPAR is partially the result of the sale of four lodging properties during the nine months ended September 30, 2024 and the sale of one lodging property in December 2023, all of which generally had lower nominal RevPAR than the remaining portfolio. On a same store basis, we experienced a decrease of 1.0% in occupancy and an increase of 1.2% in ADR in the third quarter of 2024, which resulted in a 0.2% increase in same-store RevPAR. See "*Industry Trends and Outlook*" for further information.

- *Room Expenses*. Room expenses for our total portfolio for the third quarter of 2024 compared with the third quarter of 2023 decreased $0.2 million as a result of a $1.3 million increase in same-store room expenses driven by increases in hourly wages combined with normalized staffing levels, offset by a $1.5 million decrease in room expenses due to the effect of the sale of four lodging properties during the nine months ended September 30, 2024 and the sale of one lodging property in December 2023.

- *Food and Beverage Revenues and Expenses.* The $0.7 million decrease in total portfolio food and beverage revenues during the third quarter of 2024 compared with the third quarter of 2023 was driven by a $0.5 million decrease in same-store food and beverage revenues as a result of a 1.0% decrease in occupancy, coupled with a $0.2 million decrease in food and beverage revenues as a result of the sale of four lodging properties during the nine months ended September 30, 2024 and the sale of one lodging property in December 2023.

  Total portfolio food and beverage expenses decreased by $0.4 million as a result of a $0.2 million decrease in same-store food and beverage expenses driven by lower same-store food and beverage revenues resulting from a 1.0% decrease in occupancy, and a $0.2 million decrease in food and beverage expenses due to the effect of the sale of four lodging properties during the nine months ended September 30, 2024 and the sale of one lodging property in December 2023.

- *Other Lodging Property Operating Revenues and Expenses.* Other lodging property and operating revenues for our total portfolio during the third quarter of 2024 compared with the third quarter of 2023 remained flat as a result of a $0.2 million increase in same-store other lodging property operating revenues driven by an increase in parking and resort fees, offset by a $0.2 million decline in other lodging property operating revenues due to the effect of the sale of four lodging properties during the nine months ended September 30, 2024 and the sale of one lodging property in December 2023.

The $0.5 million increase in other lodging property operating expenses for the total portfolio for the three months ended September 30, 2024 in comparison with the three months ended September 30, 2023 was attributable to a $2.5 million increase in same-store other lodging property operating expenses. This increase was driven by labor costs, credit card commissions, sales and marketing costs, and utilities. These increases were offset by a $2.0 million decrease in other lodging property operating expenses due to the effect of the sale of four lodging properties during the nine months ended September 30, 2024 and the sale of one lodging property in December 2023.

The following table includes other consolidated income and expenses for the three months ended September 30, 2024 compared with the three months ended September 30, 2023 (dollars in thousands):

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Dollar Change | Percentage Change |
| Property taxes, insurance and other | $ 13,250 | $ 14,369 | $ (1,119) | (7.8)% |
| Management fees | 2,728 | 4,177 | (1,449) | (34.7)% |
| Depreciation and amortization | 36,708 | 37,882 | (1,174) | (3.1)% |
| Corporate general and administrative | 7,473 | 8,126 | (653) | (8.0)% |
| Interest expense | 20,428 | 22,020 | (1,592) | (7.2)% |
| Other income, net | 999 | 661 | 338 | 51.1 % |
| Income tax expense | 332 | 1,360 | (1,028) | (75.6)% |

[1] Not meaningful.

Changes from the three months ended September 30, 2024 compared with the three months ended September 30, 2023 were due to the following:

- *Property Taxes, Insurance and Other.* The decrease in Property taxes, insurance and other during the three months ended September 30, 2024 is primarily due to an increase in property tax refunds of $0.6 million as a result of successful appeal efforts to reduce property tax assessments, coupled with a reduction of state franchise taxes and other tax accruals during the period of $0.5 million.

- *Management Fees.* Management fees decreased during the current period due to the effect of the sale of four lodging properties during the nine months ended September 30, 2024 and the sale of one lodging property in December 2023, and amendments to certain property management agreements that resulted in lower average management fees in the current period.

- *Depreciation and Amortization.* Depreciation and amortization decreased by $1.2 million during the three months ended September 30, 2024 compared to the three months ended September 30, 2023, primarily due to the effect of the sale of four lodging properties during the nine months ended September 30, 2024 and the sale of one lodging property in December 2023, partially offset by additional depreciation and amortization related to the reclassification of a lodging property from Assets held for sale and renovation costs incurred during the three months ended September 30, 2023 and thereafter.

- *Corporate General and Administrative.* Corporate general and administrative expenses decreased by $0.7 million during the three months ended September 30, 2024 primarily due to a decrease in legal and professional fees and corporate employee-related costs.

- *Interest Expense.* Interest expense decreased by $1.6 million during the three months ended September 30, 2024 primarily due to lower average outstanding debt for the current period compared with the three months ended September 30, 2023.

- *Other Income, net.* Other income, net for the three months ended September 30, 2024 consists primarily of $0.5 million of third-party tenant income, the realization of approximately $0.8 million of tax rebates related to the NCI Transaction during the period, partially offset by a net casualty loss of $0.2 million.

Other income, net for the three months ended September 30, 2023 consists primarily of $0.4 million of third-party tenant income, the realization of approximately $0.6 million of tax rebates related to the NCI Transaction during the period, partially offset by a net casualty loss of $0.4 million.

- *Income Tax Expense.* Income taxes in interim quarters are based on an estimated annual effective tax rate. The Company recorded a $0.3 million income tax expense during the three months ended September 30, 2024, which represents a decrease of $1.0 million when compared with the same period in the previous year. Seasonality in quarterly net income (loss), and changes in the forecasted earnings causes variability in income taxes recorded in each quarter.

***Comparison of the Nine Months Ended September 30, 2024 with the Nine Months Ended September 30, 2023***

The following table contains key operating metrics for our portfolio for the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023 (dollars in thousands, except ADR and RevPAR):

| | Nine Months Ended September 30, | | | | Dollar Change | | Percentage Change | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | | | | |
| | Total Portfolio (96 properties) | Same-Store Portfolio (94 properties) | Total Portfolio (101 properties) | Same-Store Portfolio (94 properties) | Total Portfolio (96/101 properties) | Same-Store Portfolio (94 properties) | Total Portfolio (96/101 properties) | Same-Store Portfolio (94 properties) |
| **Revenues:** | | | | | | | | |
| Room | $ 497,864 | $ 483,398 | $ 498,982 | $ 473,919 | $ (1,118) | $ 9,479 | (0.2)% | 2.0 % |
| Food and beverage | 30,174 | 29,912 | 30,848 | 30,089 | (674) | (177) | (2.2)% | (0.6)% |
| Other | 30,814 | 30,254 | 28,862 | 27,772 | 1,952 | 2,482 | 6.8 % | 8.9 % |
| Total | $ 558,852 | $ 543,564 | $ 558,692 | $ 531,780 | $ 160 | $ 11,784 | — % | 2.2 % |
| **Expenses:** | | | | | | | | |
| Room | $ 111,303 | $ 108,234 | $ 112,207 | $ 104,902 | $ (904) | $ 3,332 | (0.8)% | 3.2 % |
| Food and beverage | 23,130 | 22,895 | 23,679 | 22,870 | (549) | 25 | (2.3)% | 0.1 % |
| Other lodging property operating expenses | 170,061 | 165,493 | 169,780 | 160,289 | 281 | 5,204 | 0.2 % | 3.2 % |
| Total | $ 304,494 | $ 296,622 | $ 305,666 | $ 288,061 | $ (1,172) | $ 8,561 | (0.4)% | 3.0 % |
| **Operational Statistics:** | | | | | | | | |
| Occupancy | 74.3 % | 74.4 % | 72.6 % | 73.4 % | n/a | n/a | 2.3 % | 1.3 % |
| ADR | $ 168.75 | $ 168.35 | $ 166.10 | $ 167.80 | $ 2.65 | $ 0.55 | 1.6 % | 0.3 % |
| RevPAR | $ 125.42 | $ 125.22 | $ 120.53 | $ 123.22 | $ 4.89 | $ 2.00 | 4.1 % | 1.6 % |

The total portfolio information above for the nine months ended September 30, 2024 and 2023 reflects operating results for various portions of each period for certain lodging properties as a result of the sales and acquisitions of lodging properties. The following table details how the acquisition and disposition transactions affect each reporting period:

| | Transaction Date | Portion of Operating Results Included For the Nine Months Ended September 30, 2024 | 2023 |
|---|---|---|---|
| **Sold Properties:** | | (Total Portfolio) | |
| Courtyard by Marriott and SpringHill Suites - New Orleans, LA | April 2024 | Partial Period | Full Period |
| Hilton Garden Inn - College Station, TX | April 2024 | Partial Period | Full Period |
| Hyatt Place - Dallas (Plano), TX | February 2024 | Partial Period | Full Period |
| Hyatt Place - Baltimore (Owings Mills), MD | December 2023 | None | Full Period |
| Portfolio of Four Lodging Properties | May 2023 | None | Partial Period |
| **Acquired Properties:** | | | |
| Residence Inn - Scottsdale, AZ | June 2023 | Full Period | Partial Period |
| Nordic Lodge - Steamboat Springs, CO | June 2023 | Full Period | Partial Period |

Changes from the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023 were due to the following:

- *Revenues and RevPAR.* Room revenues for our total portfolio for the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023 decreased by $1.1 million as a result of a $10.6 million decrease in room revenues due to the net effect of the sale of four lodging properties during the nine months ended September 30, 2024 and five lodging properties in May and December 2023, all of which generally had lower nominal RevPAR than the remaining portfolio, and the acquisition of two lodging properties during the nine months ended September 30, 2023, partially offset by a $9.5 million increase in same-store revenues driven by improving business transient and group demand which mitigated the effect of the normalization in leisure demand. For the applicable periods, the number of properties in our total portfolio declined from 101 lodging properties at September 30, 2023 to 96 lodging properties at September 30, 2024.

  The 4.1% increase in RevPAR for our total portfolio for the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023 was due to a 2.3% increase in our occupancy and a 1.6% increase in ADR driven by improving business transient and group demand. On a same-store basis, the improvements in our business from business transient and group business resulted in an increase of approximately 1.3% in occupancy and a 0.3% increase in ADR during the nine months ended September 30, 2024, which resulted in a 1.6% increase in same-store RevPAR.

- *Room Expenses.* Room expenses for our total portfolio for the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023 decreased by $0.9 million as a result of a $3.3 million increase in same-store room expenses driven by a 1.3% increase in same-store occupancy, offset by a $4.2 million decline in room expenses due to the net effect of the sale of four lodging properties during the nine months ended September 30, 2024 and five lodging properties in May and December 2023, and the acquisition of two lodging properties during the nine months ended September 30, 2023.

- *Food and Beverage Revenues and Expenses.* Total portfolio food and beverage revenues for the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023 decreased by $0.7 million as a result of a $0.2 million decrease in same-store food and beverage revenues and a $0.5 million decrease in expenses due to the net effect of the sale of four lodging properties during the nine months ended September 30, 2024 and five lodging properties in May and December 2023, and the acquisition of two lodging properties during the nine months ended September 30, 2023.

  Total portfolio food and beverage expenses decreased by $0.5 million as a result of same-store food and beverage expenses remaining flat primarily due to a minimal decrease in same-store revenues, and a $0.5 million decrease in food and beverage expenses due to the net effect of the sale of four lodging properties during the nine months ended September 30, 2024 and five lodging properties in May and December 2023, and the acquisition of two lodging properties during the nine months ended September 30, 2023.

- *Other Revenues and Other Lodging Property Operating Expenses.* Other lodging property operating revenues for our total portfolio during the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023 increased by $2.0 million as a result of a $2.5 million increase in same-store other lodging property and operating revenues related to an increase in parking and resort fees due to higher occupancy, partially offset by a $0.5 million decrease in other lodging property operating revenues driven by the net effect the sale of four lodging properties during the nine months ended September 30, 2024 and five lodging properties in May and December 2023, and the acquisition of two lodging properties during the nine months ended September 30, 2023.

  The $0.3 million increase in other lodging property operating expenses for the total portfolio for the nine months ended September 30, 2024 in comparison with the nine months ended September 30, 2023 was driven by increased labor costs, credit card commissions, sales and marketing costs, and utilities. These increases were partially offset by a $4.9 million decrease in other lodging property operating expenses due to the net effect of the sale of four lodging properties during the nine months ended September 30, 2024 and five lodging properties in May and December 2023, and the acquisition of two lodging properties during the nine months ended September 30, 2023.

The following table includes other consolidated income and expenses for the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023 (dollars in thousands):

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Dollar Change | Percentage Change |
| Property taxes, insurance and other | $ 40,822 | $ 43,308 | $ (2,486) | (5.7)% |
| Management fees | 12,059 | 13,974 | (1,915) | (13.7)% |
| Depreciation and amortization | 109,965 | 112,300 | (2,335) | (2.1)% |
| Corporate general and administrative | 24,488 | 25,225 | (737) | (2.9)% |
| Gain (loss) on disposal of assets, net | 28,439 | (336) | 28,775 | nm[1] |
| Interest expense | 62,840 | 65,177 | (2,337) | (3.6)% |
| Interest income | 1,473 | 1,190 | 283 | 23.8 % |
| Gain on extinguishment of debt | 3,000 | — | 3,000 | nm[1] |
| Other income, net | 3,813 | 458 | 3,355 | nm[1] |
| Income tax expense | 2,924 | 1,679 | 1,245 | 74.2 % |

[1] Not meaningful.

Changes from the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023 were due to the following:

- *Property Taxes, Insurance and Other.* The $2.5 million decrease in Property taxes, insurance and other during the nine months ended September 30, 2024 is primarily due to an increase in property tax refunds of $1.4 million as a result of successful appeal efforts to reduce property tax assessments, coupled with a reduction of state franchise taxes and other tax accruals during the period of $1.1 million.

- *Management Fees.* Management fees decreased during the nine months ended September 30, 2024 due to the net effect of the sale of four lodging properties during the nine months ended September 30, 2024 and five lodging properties in May and December 2023, and the acquisition of two lodging properties during the nine months ended September 30, 2023, and amendments to certain property management agreements that resulted in lower property management fees for the nine months ended September 30, 2024.

- *Depreciation and Amortization.* Depreciation and amortization decreased by $2.3 million during the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023 primarily due to the sale of four lodging properties during the nine months ended September 30, 2024 and five lodging properties in May and December 2023, partially offset by an increase in depreciation and amortization from the reclassification of a lodging property from Assets held for sale and the acquisition of two lodging properties during the nine months ended September 30, 2023.

- *Corporate General and Administrative.* Corporate general and administrative expenses decreased by $0.7 million during the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023 due to a decrease in legal and professional fees of $1.0 million, partially offset by a $0.3 million increase in corporate employee-related costs.

- *Gain (loss) on Disposal of Assets, net*. Gain (loss) on disposal of assets, net of $28.8 million for the nine months ended September 30, 2024 was primarily the result of a $28.3 million gain recorded on the sale of a portfolio of two lodging properties in New Orleans, LA during the nine months ended September 30, 2024.

- *Interest Expense.* Interest expense decreased by $2.3 million during the nine months ended September 30, 2024 primarily due to lower average outstanding debt for the current period compared with the same period of the prior year.

- *Gain on Extinguishment of Debt.* The gain on extinguishment of debt for the nine months ended September 30, 2024 was the result of the repayment of the MetaBank Loan (as defined in "*Note 5 - Debt*" to the accompanying Condensed Consolidated Financial Statements) in June 2024 prior to its scheduled maturity date, which resulted in a gain on extinguishment of debt of $3.0 million after legal fees and unamortized debt issuance costs that were written-off on the closing date.

- *Other Income, net.* Other income, net for the nine months ended September 30, 2024 consists primarily of third-party tenant income of $1.7 million, the realization of $1.5 million of tax rebates related to the NCI Transaction (as defined in "*Note 5 - Debt*" to the accompanying Condensed Consolidated Financial Statements) during the period, and net casualty income of $0.6 million.

  Other income, net for the nine months ended September 30, 2023 consists primarily of third-party tenant income of $1.1 million and the realization of $1.5 million of tax rebates related to the NCI Transaction during the period, partially offset by net casualty losses of $1.9 million, and other costs of $0.3 million.

- *Income Tax Expense*. Income taxes in interim quarters are based on an estimated annual effective tax rate. The Company recorded $2.9 million in income tax expense for the nine months ended September 30, 2024, which represents an increase of $1.2 million from the nine months ended September 30, 2023. Seasonality in quarterly net income (loss), and changes in the forecasted earnings causes variability in income taxes recorded in each quarter.

## 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 ("EBITDA*re*") and Adjusted EBITDA*re* (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 the National Association of Real Estate Investment Trusts ("Nareit"), FFO represents net income or loss (computed in accordance with GAAP), excluding preferred dividends, gains (or losses) from sales of real property, impairment losses on real estate assets, items classified by GAAP as extraordinary, the cumulative effect of changes in accounting principles, plus depreciation and amortization related to real estate assets, and adjustments for unconsolidated partnerships, and joint ventures. 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 Stock and Common Units. We present FFO and AFFO because we consider FFO and AFFO important supplemental measures of our operational performance and believe they are 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, which is de minimus. 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 alternatives to net income (loss) (computed in accordance with GAAP), as an indicator of our liquidity, nor are they indicative of funds available to meet 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 an unaudited reconciliation of our Net (loss) income, determined in accordance with GAAP, to FFO and AFFO (in thousands, except per share/unit amounts):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net (loss) income | $ (3,556) | $ (5,769) | $ 37,975 | $ (6,849) |
| Preferred dividends | (3,968) | (3,968) | (11,906) | (11,906) |
| Distributions to and accretion of redeemable non-controlling interests | (656) | (656) | (1,970) | (1,970) |
| Loss related to non-controlling interest in consolidated joint ventures | 3,274 | 4,442 | 4,011 | 8,093 |
| Net (loss) income applicable to Common Stock and Common Units | (4,906) | (5,951) | 28,110 | (12,632) |
| Real estate-related depreciation | 35,721 | 36,697 | 106,590 | 108,751 |
| (Gain) loss on disposal of assets and other dispositions, net | (22) | 16 | (28,439) | 384 |
| Adjustments related to non-controlling interests in consolidated joint ventures | (7,658) | (8,093) | (22,704) | (23,911) |
| FFO applicable to Common Stock and Common Units | 23,135 | 22,669 | 83,557 | 72,592 |
| Recoveries of credit losses | — | (250) | — | (500) |
| Amortization of debt issuance costs | 1,640 | 1,594 | 4,880 | 4,379 |
| Amortization of franchise fees | 169 | 153 | 494 | 439 |
| Amortization of intangible assets, net | 698 | 911 | 2,520 | 2,733 |
| Equity-based compensation | 1,854 | 1,867 | 6,337 | 5,913 |
| Transaction costs and other | 10 | — | 10 | 24 |
| Debt transaction costs | 66 | 90 | 647 | 418 |
| Gain on extinguishment of debt | — | — | (3,000) | — |
| Non-cash interest income, net | (134) | (134) | (400) | (397) |
| Non-cash lease expense, net | 110 | 106 | 332 | 368 |
| Casualty loss (gain) | 244 | 380 | (637) | 1,851 |
| Other non-cash items, net | 604 | — | 963 | 768 |
| Adjustments related to non-controlling interests in consolidated joint ventures | (786) | (840) | (1,727) | (2,631) |
| AFFO applicable to Common Stock and Common Units | $ 27,610 | $ 26,546 | $ 93,976 | $ 85,957 |
| FFO per share of Common Stock and Common Units | $ 0.19 | $ 0.19 | $ 0.67 | $ 0.59 |
| AFFO per share of Common Stock and Common Units | $ 0.22 | $ 0.22 | $ 0.76 | $ 0.70 |
| Weighted-average diluted shares of Common Stock and Common Units: | | | | |
| FFO[(1)] and AFFO [(1)] | 124,580 | 122,513 | 124,389 | 122,312 |

(1) The weighted-average diluted shares of Common Stock and Common Units used to calculate FFO and AFFO per share of Common Stock and Common Units for the three months ended September 30, 2024 and the three and nine months ended September 30, 2023 includes the dilutive effect of our outstanding restricted stock awards. These shares were excluded from our weighted-average shares outstanding used to calculate net loss per share because they would have been antidilutive. The weighted-average shares of Common Stock and Common Units used to calculate FFO and AFFO per share of Common Stock and Common Units for the three and nine months ended September 30, 2024 and 2023 exclude the potential dilution related to our Convertible Notes as we intend to settle the principal value of the Convertible Notes in cash.

The following is an unaudited reconciliation of weighted-average diluted shares of Common Stock to non-GAAP weighted-average diluted shares of Common Shares and Common Units for FFO and AFFO (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Weighted average common shares outstanding - diluted | 106,033 | 105,650 | 150,003 | 105,510 |
| Adjusted for: | | | | |
| Non-GAAP adjustment for restricted stock awards | 2,604 | 893 | — | 828 |
| Non-GAAP adjustment for dilutive effects of Common Units | 15,943 | 15,970 | — | 15,974 |
| Non-GAAP adjustment for dilutive effect of shares of Common Stock issuable upon conversion of convertible debt (1) | — | — | (25,614) | — |
| Non-GAAP weighted diluted share of Common Stock and Common Units | 124,580 | 122,513 | 124,389 | 122,312 |

(1) The weighted-average shares of Common Stock and Common Units used to calculate FFO and AFFO per share of Common Stock and Common Units for the three and nine months ended September 30, 2024 and 2023 exclude the potential dilution related to our Convertible Notes as we intend to settle the principal amount of the Convertible Notes in cash.

AFFO applicable to shares of Common Stock and Common Units increased by $1.1 million for the three months ended September 30, 2024 in comparison with the three months ended September 30, 2023 due to lower interest expense, partially offset by a decline in hotel EBITDA of $0.6 million related to the net effect of the disposition of four lodging properties during the nine months ended September 30, 2024 and one lodging property in December 2023, and the acquisition of two lodging properties during the nine months ended September 30, 2023.

AFFO applicable to shares of Common Stock and Common Units increased by $8.0 million for the nine months ended September 30, 2024 in comparison with the three and nine months ended September 30, 2023 due to modest growth in RevPAR, expense management, and lower interest expense. The increase was also the result of the net effect on hotel EBITDA from the acquisition and disposition activities as described below under Adjusted EBITDA*re* for the nine months ended September 30, 2024.

***EBITDA, EBITDA*re *and Adjusted EBITDA*re**

*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.

*EBITDA*re *and Adjusted EBITDA*re

EBITDA*re* 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. EBITDA*re* 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.

EBITDA*re*, 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 EBITDA*re* 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 EBITDA*re* when evaluating our performance, such as adjustments related to the provision for credit losses, 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 EBITDA*re*, 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 an unaudited reconciliation of our Net (loss) income, determined in accordance with GAAP, to EBITDA, EBITDA*re* and Adjusted EBITDA*re*, (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net (loss) income | $ (3,556) | $ (5,769) | $ 37,975 | $ (6,849) |
| Depreciation and amortization | 36,708 | 37,882 | 109,965 | 112,300 |
| Interest expense | 20,428 | 22,020 | 62,840 | 65,177 |
| Interest income on cash deposits | (145) | (150) | (566) | (390) |
| Income tax expense | 332 | 1,360 | 2,924 | 1,679 |
| EBITDA | 53,767 | 55,343 | 213,138 | 171,917 |
| (Gain) loss on disposal of assets and other dispositions, net | (22) | 16 | (28,439) | 384 |
| EBITDA*re* | 53,745 | 55,359 | 184,699 | 172,301 |
| Recoveries of credit losses | — | (250) | — | (500) |
| Amortization of key money liabilities | (120) | (121) | (362) | (378) |
| Equity-based compensation | 1,854 | 1,867 | 6,337 | 5,913 |
| Transaction costs and other | 10 | — | 10 | 24 |
| Debt transaction costs | 66 | 90 | 647 | 418 |
| Gain on extinguishment of debt | — | — | (3,000) | — |
| Non-cash interest income, net | (134) | (134) | (400) | (397) |
| Non-cash lease expense, net | 110 | 106 | 332 | 368 |
| Casualty loss (gain) | 244 | 380 | (637) | 1,851 |
| Loss related to non-controlling interest in consolidated joint ventures | 3,274 | 4,442 | 4,011 | 8,093 |
| Other non-cash items, net | 604 | — | 966 | 705 |
| Adjustments related to non-controlling interests in consolidated joint ventures | (14,313) | (15,424) | (42,542) | (44,760) |
| Adjusted EBITDA*re* | $ 45,340 | $ 46,315 | $ 150,061 | $ 143,638 |

The $1.0 million decrease in Adjusted EBITDA*re* for the three months ended September 30, 2024 in comparison with the three months ended September 30, 2023 was primarily the result of the disposition of four lodging properties during the nine months ended September 2024 and one lodging property in December 2023, which resulted in a decline in hotel EBITDA of $0.6 million, and a decrease in same-store hotel EBITDA driven by flat revenue and modest expense growth.

The $6.4 million increase in Adjusted EBITDA*re* for the nine months ended September 30, 2024 in comparison with the nine months ended September 30, 2023 was due to modest growth in RevPAR from improving demand for business transient and group travel which mitigated the effect of the normalization in leisure demand as well as expense management. The increase in Adjusted EBITDA*re* was partially offset by a decrease in hotel EBITDA of $0.2 million from net effect of the sale of four lodging properties during the nine months ended September 30, 2024 and five lodging properties in May and December 2023, and the acquisition of two lodging properties during the nine months ended September 30, 2023.

**Liquidity and Capital Resources**

Our short-term cash obligations consist primarily of operating expenses and other expenditures directly associated with our lodging properties, recurring maintenance and capital expenditures necessary to maintain our lodging properties in accordance with internal and brand standards, capital expenditures to improve our lodging properties, interest payments, settlement of interest rate swaps, scheduled principal payments on outstanding indebtedness, restricted cash funding obligations, our joint venture acquisitions and capital requirements, contractual lease payments, corporate overhead, and dividends and distributions to our stockholders and unitholders when declared and paid. Our corporate overhead primarily consists of employee compensation expenses, professional fees, corporate insurance and rent expenses. Cash requirements for our corporate overhead expenses (excluding non-cash equity-based compensation), which are generally paid from operating cash flows, were $18.2 million and $19.3 million, for the nine months ended September 30, 2024 and 2023, respectively. We generally expect our corporate overhead expenses to remain consistent with the level of our operating activities and market conditions for goods and services.

Our long-term cash obligations consist primarily of dividends and distributions, scheduled debt payments, including maturing loans, capital required for renovations and other non-recurring capital expenditures that periodically are made with respect to our lodging properties, and lease obligations.

Our sources of cash are primarily from operating cash flows, sales of lodging properties, principal and interest payments from borrowers on notes receivable, and debt financing.

To satisfy the requirements for qualification as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute annually at least 90% of our REIT taxable income to our stockholders, determined without regard to the deduction for dividends paid and excluding any net capital gains. We intend to distribute a sufficient amount of our taxable income to maintain our status as a REIT and to avoid tax on undistributed income. Because we anticipate distributing a substantial amount of our available cash from operations, if sufficient funds are not available to us from lodging property dispositions, our senior revolving credit and term loan facilities and other loans, we may need to raise additional capital to grow our business.

**Outstanding Indebtedness**

At September 30, 2024, we had no borrowings under our $400 Million Revolver, $200.0 million outstanding on our $200 Million Term Loan, and $200.0 million outstanding on our 2024 Term Loan (each of such credit facilities are defined in "*Note 5 - Debt*" to the accompanying Condensed Consolidated Financial Statements). Each of the credit facilities was supported by the 53 lodging properties included in the credit facility borrowing base. We also had $287.5 million of Convertible Notes (as defined in "*Note 5 - Debt*" to the accompanying Condensed Consolidated Financial Statements) outstanding.

At September 30, 2024, the GIC Joint Venture had $200.0 million outstanding under the GIC Joint Venture Credit Facility (as defined in "*Note 5 - Debt*" to the accompanying Condensed Consolidated Financial Statements), which included borrowings of $75.0 million on its $75 Million Term Loan and $125.0 million on its $125 Million Revolver. The GIC Joint Venture Credit Facility is secured primarily by a first priority pledge of the equity interests in the subsidiaries that own the 13 lodging property borrowing base assets, and the related TRS entities, which wholly own the TRS Lessees. See "*Note 5 - Debt*" to the accompanying Condensed Consolidated Financial Statements for additional information.

To complete the NCI Transaction during the first quarter of 2022, the GIC Joint Venture entered into the $410.0 million GIC Joint Venture Term Loan (as defined in "*Note 5 - Debt*" to the accompanying Condensed Consolidated Financial Statements) that was originally secured by the 27 lodging properties and two parking garages acquired in the transaction, and assumed a Property Assessed Clean Energy ("PACE") loan totaling $6.5 million. The outstanding balance of the PACE loan is $5.9 million at September 30, 2024.

Additionally, the GIC Joint Venture has a mortgage loan outstanding totaling $12.6 million at September 30, 2024 related to the acquisition of the Embassy Suites in Tucson, AZ in December 2021.

In June 2017, Summit Meta 2017, LLC, a subsidiary of our Operating Partnership, entered into a $47.6 million secured, non-recourse loan with MetaBank (the "MetaBank Loan"). In June 2024, the outstanding balance of the loan was $42.3 million, at which time we repaid the MetaBank Loan for $39.1 million prior to its scheduled maturity date, which represented a discount of $3.2 million and resulted in a gain on extinguishment of debt of $3.0 million after legal fees and unamortized debt issuance costs that were written-off on the closing date. As a result of this repayment, the three lodging properties previously held as collateral for the MetaBank Loan were released.

For more information concerning our indebtedness, see "*Note 5 - Debt*" to the accompanying Condensed Consolidated Financial Statements

At September 30, 2024, we have scheduled debt principal amortization payments during the next twelve months totaling $2.1 million. Additionally, our City National Bank of Florida loan with a current principal balance of $46.5 million matures in June 2025. We expect to refinance this loan prior to maturity. Currently, we have the capacity to pay scheduled principal payments using cash on hand or draws under our $400 Million Revolver. Our outstanding indebtedness requires us to comply with various financial and other covenants. We are in compliance with our various financial and other covenants and expect to continue to be in compliance over the next four quarters.

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 equity pledges, debt secured by first priority mortgage liens on certain lodging 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.

A summary of our debt at September 30, 2024 is as follows (dollars in thousands):

| Lender | Interest Rate | Initial Maturity Date | Fully Extended Maturity Date | Number of Encumbered Properties | Principal Amount Outstanding |
|---|---|---|---|---|---|
| **OPERATING PARTNERSHIP DEBT:** | | | | | |
| ***2023 Senior Credit Facility*** | | | | | |
| Bank of America, NA | | | | | |
| $400 Million Revolver [1] | 6.90% Variable | 6/21/2027 | 6/21/2028 | n/a | $ — |
| $200 Million Term Loan [1] | 7.25% Variable | 6/21/2026 | 6/21/2028 | n/a | 200,000 |
| Total Senior Credit Facility | | | | | 200,000 |
| | | | | | |
| ***Term Loans*** | | | | | |
| Regions Bank 2024 Term Loan Facility [1] | 7.25% Variable | 2/26/2027 | 2/26/2029 | n/a | 200,000 |
| ***Convertible Notes*** | 1.50% Fixed | 2/15/2026 | 2/15/2026 | n/a | 287,500 |
| | | | | | 687,500 |
| **JOINT VENTURE DEBT:** | | | | | |
| ***Brickell Joint Venture Mortgage Loan*** | | | | | |
| City National Bank of Florida | 8.11% Variable | 6/9/2025 | 6/9/2025 | 2 | 46,530 |
| ***GIC Joint Venture Credit Facility and Term Loans*** | | | | | |
| Bank of America, N.A. | | | | | |
| $125 Million Revolver [2] | 7.53% Variable | 9/15/2027 | 9/15/2028 | n/a | 125,000 |
| $75 Million Term Loan [2] | 7.48% Variable | 9/15/2027 | 9/15/2028 | n/a | 75,000 |
| Bank of America, N.A. Term Loan [3] | 8.11% Variable | 1/13/2026 | 1/13/2027 | n/a | 396,037 |
| Wells Fargo | 4.99% Fixed | 6/6/2028 | 6/6/2028 | 1 | 12,593 |
| PACE loan | 6.10% Fixed | 7/31/2040 | 7/31/2040 | n/a | 5,884 |
| Total GIC Joint Venture Credit Facility and Term Loans | | | | 1 | 614,514 |
| Total Joint Venture Debt | | | | 3 | 661,044 |
| Total Debt | | | | 3 | $ 1,348,544 |

(1) The 2023 Senior Credit Facility and the 2024 Term Loan Facility are supported by a borrowing base of 53 unencumbered hotel properties.
(2) The $125 Million Revolver and the $75 Million Term Loan are secured by pledges of the equity in the entities and affiliated entities that own 13 lodging properties.
(3) The GIC Joint Venture Term Loan is secured by pledges of the equity in the entities and affiliated entities that own 25 lodging properties and two parking garages.

## Capital Expenditures

During the nine months ended September 30, 2024, we funded $61.5 million in capital expenditures ($52.1 million on a pro rata basis) at our lodging properties. We anticipate spending approximately $75.0 million to $85.0 million on capital expenditures on a pro rata basis during 2024. We expect to fund these expenditures through a combination of cash flows from operations and borrowings on our $400 Million Revolver, or other potential sources of capital, to the extent available to us.

## Cash Flows

Unaudited cash flow information is as follows (in thousands):

| | Nine Months Ended September 30, | | |
|---|---|---|---|
| | 2024 | 2023 | Change |
| Net cash provided by operating activities | $ 134,138 | $ 123,167 | $ 10,971 |
| Net cash provided by (used in) investing activities | 33,689 | (84,335) | 118,024 |
| Net cash used in financing activities | (156,558) | (34,065) | (122,493) |
| Net change in cash, cash equivalents and restricted cash | $ 11,269 | $ 4,767 | $ 6,502 |

Changes from the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023 were due to the following:

- *Cash provided by operating activities.* Cash provided by operating activities for the nine months ended September 30, 2024 was the result of net income of $128.2 million, after adjusting for non-cash items such as depreciation and amortization and equity-based compensation, and a net change in working capital of $6.0 million. Cash provided by operating activities for the nine months ended September 30, 2023 was the result of net income of $116.1 million, after adjusting for non-cash items such as depreciation and amortization and equity-based compensation, and a net change in working capital of $7.0 million.

- *Cash provided by (used in) investing activities.* The increase in cash provided by investing activities was primarily due to the sale of four lodging properties during the nine months ended September 30, 2024 and the realization of a $9.9 million tax incentive related to the NCI Transaction during the nine months ended September 30, 2024, partially offset by $65.5 million of renovation and development expenditures.

  Cash used in investing activities for the nine months ended September 30, 2023 was due to the acquisitions of the Residence Inn by Marriott - Scottsdale, AZ and the Nordic Lodge - Steamboat Springs, CO in June 2023, the funding of the Onera Mezzanine Loan (as defined in "*Note 4 - Investment in Real Estate Loans"* to the accompanying Consolidated Financial Statements) of $4.6 million, and $63.0 million of renovation expenditures, partially offset by the sale of four lodging properties during the nine months ended September 30, 2023.

- *Cash used in financing activities.* Cash used in financing activities for the nine months ended September 30, 2024 was primarily related to the repayment of the MetaBank and Bank of the Cascades term loans with an aggregate total of $94.1 million, the payment of dividends and distributions of approximately $58.9 million, financing costs of approximately $3.0 million related to the 2024 Term Loan and our GIC Joint Venture Credit Facility, and $0.9 million related to shares acquired for employee withholding requirements.

  Cash used in financing activities for the nine months ended September 30, 2023 was primarily the net result of contributions by our GIC Joint Venture partner of $20.3 million, offset by financing fees of approximately $10.3 million related to the amendment of our prior senior credit facility that was in effect during the nine months ended September 30, 2023 and was replaced by the 2024 Senior Credit Facility, dividends and distributions of approximately $42.3 million, and $1.4 million related to shares acquired for employee withholding requirements.

**Critical Accounting Policies**

For critical accounting policies, see *"Note 2 - Basis of Presentation and Significant Accounting Policies"* to the accompanying Condensed Consolidated Financial Statements and our Annual Report on Form 10-K for the year ended December 31, 2023.

**Cybersecurity**

The hospitality industry and certain of the major brand and franchise companies have in the past experienced cybersecurity breaches. We are not aware of any material cybersecurity losses at any of our properties. Cybersecurity risks at our lodging properties are managed through our franchisors and property management companies. An important part of our cybersecurity risk mitigation efforts includes maintaining cybersecurity insurance and indemnifications in certain of our property management agreements. Our Board of Directors, primarily through the Audit Committee, oversees management's approach to managing cybersecurity risks.

**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. All of our outstanding loans are now indexed to the Secured Overnight Funding Rate ("SOFR"), and therefore, our primary interest rate exposure is to SOFR. We primarily use derivative financial instruments to manage interest rate risk.

At September 30, 2024, we were party to seven interest rate derivative agreements, pursuant to which we received variable-rate payments in exchange for making fixed-rate payments (dollars in thousands):

| Contract date | Effective Date | Expiration Date | Average Annual Effective Fixed Rate | Notional Amount |
|---|---|---|---|---|
| **Operating Partnership:** | | | | |
| June 11, 2018 | September 28, 2018 | September 30, 2024 | 2.86 % | $ 75,000 |
| June 11, 2018 | December 31, 2018 | December 31, 2025 | 2.92 % | 125,000 |
| July 26, 2022 | January 31, 2023 | January 31, 2027 | 2.60 % | 100,000 |
| July 26, 2022 | January 31, 2023 | January 31, 2029 | 2.56 % | 100,000 |
| Total Operating Partnership | | | | 400,000 |
| | | | | |
| **GIC Joint Venture:** | | | | |
| March 24, 2023 | July 1, 2023 | January 13, 2026 | 3.35 % | 100,000 |
| March 24, 2023 | July 1, 2023 | January 13, 2026 | 3.35 % | 100,000 |
| January 19, 2024 | October 1, 2024 | January 13, 2026 | 3.77 % | 100,000 |
| Total GIC Joint Venture | | | | 300,000 |
| Total | | | | $ 700,000 |

At September 30, 2024, after giving effect to our interest rate derivative agreements, $906.0 million, or 67%, of our consolidated debt had fixed interest rates and $442.6 million, or 33%, had variable interest rates. At September 30, 2024, debt related to our wholly-owned properties and our pro rata share of joint venture debt has a fixed-rate debt ratio of approximately 77% of our total pro rata indebtedness when taking into consideration interest rate swaps that are currently in effect.

Taking into consideration our existing interest rate swaps, an increase or decrease in interest rates of 1.0% would decrease or increase, respectively, our cash flows by approximately $4.4 million per year. See "*Note 7 - Derivative Financial Instruments and Hedging"* to the accompanying Condensed Consolidated Financial Statements for additional information.

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 a few years ago. At September 30, 2024, we have scheduled debt principal amortization payments during the next twelve months totaling $2.1 million. Additionally, our City National Bank of Florida loan with a current principal balance of $46.5 million matures in June 2025. We expect to refinance this loan prior to maturity.

In January 2024, subsidiaries of the GIC Joint Venture that are the borrowers under the GIC Joint Venture Term Loan entered into a $100.0 million interest rate swap to fix one-month term SOFR until January 2026. The interest rate swap has an effective date of October 1, 2024 and a termination date of January 13, 2026. Pursuant to the interest rate swap, we will pay a fixed rate of 3.77% and receive the one-month term SOFR floating rate index.

## Item 4. Controls and Procedures.

### Controls and Procedures

#### *Disclosure Controls and Procedures*

Our management team evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of September 30, 2024. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Security Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

#### *Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting during the three-month period covered by this Quarterly Report on Form 10-Q, which were identified in connection with management’s evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## 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, 2023.

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

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

During the quarter ended September 30, 2024, there were no adoptions, modifications, or terminations by directors or officers of Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements, each as defined in Item 408 of Regulation S-K.

## Item 6. Exhibits.

The following exhibits are filed as part of this report:

| Exhibit Number | Description of Exhibit |
|---|---|
| 31.1† | Certification of Chief Executive Officer of Summit Hotel Properties, Inc. pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2† | 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. |
| 32.1†† | 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. |
| 32.2†† | 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. |
| 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 | Inline XBRL Taxonomy Extension Schema Document (1) |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document (1) |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document (1) |
| 101.LAB | Inline XBRL Taxonomy Extension Labels Linkbase Document (1) |
| 101.PRE | Inline XBRL Taxonomy Presentation Linkbase Document (1) |
| 104 | Cover Page Interactive Data File (the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) |

† - 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: November 4, 2024

By: /s/ William H. Conkling

William H. Conkling
Executive Vice President and Chief Financial Officer
(principal financial officer)