

INNSUITES HOSPITALITY TRUST

Form PREM14A

April 21, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of**

**the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

**INNSUITES HOSPITALITY TRUST**

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Preliminary Copy, Subject to Completion, Dated as of April 21, 2014**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the 2014 Annual Meeting of Shareholders of InnSuites Hospitality Trust (referred to as “we,” “or” or the “Trust”) will be held at the InnSuites Hospitality Trust Corporate Office located at 1625 E. Northern Avenue, Suite 105, Phoenix, Arizona 85020 (phone: 602-944-1500) on Friday, June 27, 2014, at 10:00 A.M., local time, for the purpose of considering and acting upon the following matters:

1. The election of the Trustees named in this Proxy Statement and recommended by the Board of Trustees (listed as Proposal No. 1 on the Proxy Card);

2. Approval of the issuance of our Shares of Beneficial Interest as consideration for our acquisition of 51% of the partnership interests of Fort Worth/Dallas Suite Hospitality Partnership operating a hotel in the Fort Worth/Dallas area known as Hotel Trinity (listed as Proposal No. 2 on the Proxy Card).

These items of business are more fully described in our proxy statement accompanying this notice. Shareholders of the Trust of record at the close of business on May 16, 2014 are entitled to vote at the 2014 Annual Meeting of Shareholders and any adjournments or postponements thereof.

All shareholders are cordially invited to attend the meeting in person. However, to insure your representation at the meeting, please sign and return the enclosed proxy card as promptly as possible in the postage prepaid envelope enclosed for your convenience. Any shareholder attending the meeting may vote in person even if he or she has returned a proxy card.

By order of the Board of Trustees

/s/ MARC E. BERG

Phoenix, Arizona Secretary

May 20, 2014

**Shareholders are requested to complete, date, sign and return the enclosed Proxy Card in the envelope provided, which requires no postage if mailed in the United States.**

**Important Notice Regarding the Availability of Proxy Materials**

**for the Annual Meeting of Shareholders to be held on June 27, 2014:**

**The Proxy Statement, Proxy Card and Annual Report on Form 10-K for the fiscal year ended January 31, 2014 are available at our Internet website at [www.innsuitestrust.com](http://www.innsuitestrust.com).**

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**Preliminary Copy, Subject to Completion, Dated as of April 21, 2014**

InnSuites Hotels Centre

1625 E. Northern Avenue, Suite 105

Phoenix, Arizona 85020

**PROXY STATEMENT**

**Proxy Solicitation**

The accompanying proxy is solicited by our Board of Trustees for use at the 2014 Annual Meeting of Shareholders (the "Annual Meeting") to be held on Friday, June 27, 2014, and any adjournments or postponements thereof. In addition to the solicitation of proxies by mail, our Trustees, officers and regular employees may also solicit the return of proxies by regular or electronic mail, facsimile, telephone or personal contact, for which they will not receive additional compensation. We have retained Georgeson Inc., 480 Washington Blvd., Jersey City, NJ 07310, to assist in the solicitation of proxies for an estimated fee of \$1,500. We will pay all costs of soliciting proxies and will reimburse brokers or other persons holding our Shares of Beneficial Interest, no par value per share ("Shares of Beneficial Interest" or "Shares"), in their names or in the names of their nominees for their reasonable expenses in forwarding proxy materials to the beneficial owners of such Shares.

**General Information**

Shareholders of record at the close of business on May 16, 2014 (the record date) will be entitled to vote at the Annual Meeting and at any adjournments or postponements thereof. As of that date, there were 9,068,055 Shares issued and outstanding. Each outstanding Share is entitled to one vote on all matters that properly come before the Annual Meeting. A majority of the issued and outstanding Shares must be represented at the Annual Meeting in person or by proxy in order to constitute a quorum for the transaction of business.



Shares represented by properly executed proxy cards will be voted in accordance with the specifications made thereon. If no specification is made, proxies will be voted **“FOR”** the election of each of the Trustee nominees named herein, **“FOR”** Proposal No. 2, issuance of our Shares of Beneficial Interest for our acquisition of 51% of the partnership interests of Fort Worth/Dallas Suite Hospitality (“Fort Worth/Dallas Partnership”), and in the discretion of the persons voting the Shares represented by proxies if any other business properly comes before the meeting. The election of each Trustee requires the affirmative vote of the holders of at least a majority of the issued and outstanding Shares entitled to vote present in person or by proxy at the Annual Meeting. The approval of Proposal No. 2 requires the affirmative vote of the holders of a majority of the Shares cast at the Annual Meeting.

Abstentions, but not “broker non-votes,” will be tabulated in determining the votes present at the Annual Meeting for purposes of determining a quorum. If your Shares are held in street name and you do not provide voting instructions to the brokerage firm that holds your shares, the brokerage firm can, in its discretion, vote your uninstructed Shares only on matters on which it is permitted to exercise authority (“routine” matters). A “broker non-vote” occurs when a broker, bank or other holder of record holding Shares for a beneficial owner does not vote on a particular proposal because it does not have discretionary voting power for that particular item, or chooses not to vote, and has not received instructions from the beneficial owner. Brokers may not exercise their discretion to vote uninstructed Shares for the election of the Trustees or the approval of Proposal No. 2 because these matters are not considered routine. Therefore, if your Shares are to be represented by a broker at the Annual Meeting, you must give specific instructions to your broker for your Shares to be voted on the election of the Trustees or Proposal No. 2. On Proposal No. 1, abstentions will have the same effect as votes against a Trustee, as each abstention will be one less vote for the Trustee nominee. “Broker non-votes” will have no effect on the election of Trustees. Abstentions will be counted as votes cast and will count as votes “against” Proposal No. 2; “broker non-votes” will have no effect on Proposal No. 2.

This Proxy Statement and the accompanying form of proxy are first being mailed to our shareholders on or about May 20, 2014. We are also mailing with this Proxy Statement our Annual Report to Shareholders for the fiscal year ended January 31, 2014.

No appraisal rights are available under Ohio law or under our Declaration of Trust to any shareholder who dissents from any proposal described in this Proxy Statement.

A proxy may be revoked at any time before a vote is taken or the authority granted is otherwise exercised. Revocation may be accomplished by the execution of a later proxy with regard to the same Shares, by giving notice in writing to our Secretary, or at the Annual Meeting.

### **Electronic Access to Future Proxy Materials**

If you are a registered shareholder and would like to reduce the costs incurred by us in mailing proxy materials, you may consent to accessing all future shareholder communications (*e.g.*, proxy materials, annual reports and interim communications) over the Internet instead of receiving copies in the mail. If you choose electronic access to future shareholder, we will discontinue mailing future shareholder communications to you but you will receive a proxy card in the mail with instructions containing the Internet address to access shareholder communications. If you provide your consent, there is no cost to you for this service other than charges you may incur from your Internet provider, telephone and/or cable company. Once you provide your consent, it will remain in effect until you inform us otherwise. If your Shares are held through a bank, broker, trustee or another nominee, check the information provided by that entity for instructions on how to choose to access future shareholder communications over the Internet.

### **Overview of the Acquisition**

On March 24, 2014, the Trust entered into a Partnership Interests Purchase Agreement (the “Purchase Agreement”) with Suite Hotels, LLC (the “Seller”), an affiliate of James F. Wirth (also referred to in this proxy statement as “Mr. Wirth”), our Chairman of the Board of Trustees, Chief Executive Officer and largest shareholder, to purchase 51% of the partnership interests of Fort Worth/Dallas Partnership, upon the terms and conditions set forth in the Purchase Agreement. Fort Worth/Dallas Partnership is in the hospitality business and operates a 168-suite hotel in the Fort Worth/Dallas area known as Hotel Trinity. The Purchase Agreement and the acquisition contemplated by the Purchase Agreement were unanimously approved by independent trustees of the Trust.

As consideration for the purchase of the 51% of the partnership interests of Fort Worth/Dallas Partnership, the Trust agreed to pay to the Seller an aggregate purchase price of 51% of the book value of the Net Assets of Fort Worth/Dallas Partnership as of January 31, 2014 (the “Purchase Price”). The “Net Assets” means the total book value of the assets of Fort Worth/Dallas Partnership less any outstanding book value of all of Fort Worth/Dallas Partnership’s liabilities. The liabilities of \$690,453 include a mortgage of \$492,184 on Hotel Trinity held by American First National Bank (the “Hotel Trinity Lender”). The Trust agreed to pay to the Seller at the Purchase Price the equivalent value of the Trust’s Shares of Beneficial Interest. The number of the Trust’s Shares of Beneficial Interest to be issued to the Seller will be determined by dividing the Purchase Price by the average daily closing price of the Shares of Beneficial Interest during the month of January 2014. The Trust expects to issue approximately 530,791 Shares of Beneficial Interests to the Seller for the purchase of the 51% of the partnership interests of Fort Worth/Dallas Partnership.

The parties to the Purchase Agreement made representations, warranties and covenants that are customary for such agreements. The consummation of the acquisition depends upon the satisfaction or waiver of a number of certain customary closing conditions, and approvals. In addition, the consummation of the acquisition is subject to obtaining a consent for the acquisition from the Hotel Trinity Lender and the approval by the Trust's shareholders of the issuance of Shares of Beneficial Interest as consideration for the acquisition (Proposal No. 2), which approval we are seeking at the Annual Meeting.

The foregoing description of the Purchase Agreement is not complete and is qualified in its entirety to the full and complete terms of such agreement, which is attached as Annex A to this proxy statement and is incorporated herein by reference. In addition, in connection with the contemplated acquisition described above, on March 24, 2014, the RRF Limited Partnership Agreement was amended to eliminate the requirement for the Trust to contribute its 51% of the partnership interests of Fort Worth/Dallas Partnership, when and if acquired, to RRF Limited Partnership (the "Partnership") in exchange of additional general partner interests in the Partnership. As of March 24, 2014, the Trust was the sole general partner and owned a 72.04% general partner interest in the Partnership.

The acquisition is expected to close in late June 2014. If shareholders do not approve Proposal No. 2, the acquisition will not be consummated, in which case the Trust expects it will be unable to maintain its listing on the NYSE MKT LLC (f/k/a AMEX) (the "NYSE MKT"). If delisted from the NYSE MKT, the Trust does not currently intend to seek listing on any other stock exchange and, in either case, would be unlikely to qualify for such listing.

## QUESTIONS AND ANSWERS ABOUT THE ACQUISITION AND THIS MEETING

This section provides brief answers to questions you may have about the acquisition and this Annual Meeting. For more complete responses and for additional information, please read this proxy statement in its entirety.

### **Q: When and where is the Annual Meeting?**

**A:** The Annual Meeting will be held on Friday June 27, 2014, at 10:00 A.M, local time, at the InnSuites Hospitality Trust Corporate Office, 1625 E. Northern Avenue, Suite 105, Phoenix, Arizona 85020.

### **Q: What are shareholders voting on?**

*Proposal No. 1* — Election of three Trustees (Steven Robson, Pamela Barnhill and Cynthia Ketcherside) whose terms will expire at the 2017 Annual Meeting of Shareholders and election of one Trustee (Larry Pelegrin) whose term will expire at the 2015 Annual Meeting of Shareholders; and

*Proposal No. 2* — Approval of Issuance of Our Shares of Beneficial Interest as Consideration for the Acquisition of 51% of the Partnership Interests of Fort Worth/Dallas Partnership Operating Hotel Trinity.

### **Q: Why are we seeking shareholder approval for Proposal No. 2?**

We are subject to the NYSE MKT's listing requirements. Under Section 712(a) of the NYSE MKT Company Guide, we must seek shareholder approval as a prerequisite to listing additional shares to be issued as consideration for an acquisition of the securities or assets of another company when (1) any director, officer or 5% or greater shareholder of the Trust has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the acquisition and (2) the potential issuance of our Shares of Beneficial Interest in connection with the acquisition would result in an increase in our outstanding Shares of Beneficial Interest of 5% or more.

### **Q: What vote is required to approve Proposal No. 2?**

**A:** The approval of Proposal No. 2 requires the affirmative vote of the holders of a majority of the Shares of Beneficial Interest cast at the Annual Meeting.

**Q:**

**What is the total value of the acquisition consideration for 51% of the partnership interests of Fort Worth/Dallas Partnership?**

**A:** Under the terms of the Purchase Agreement, we expect to pay the Seller, which is the seller of the 51% of the partnership interests of Fort Worth/Dallas Partnership and an affiliate of Mr. Wirth, Chairman of our Board of Trustees, Chief Executive Officer and largest shareholder, the sum of approximately \$847,992 at closing, paid by the issuance of approximately 530,791 Shares of Beneficial Interest of the Trust at an average daily closing price of the Shares of Beneficial Interest during the month of January 2014 of \$1.5976 per Share. See “Overview of the Acquisition and the Purchase Agreement” for additional information regarding the consideration for the acquisition.

**Q: How will the share ownership of the Trust’s largest shareholder change in the acquisition?**

**A:** Mr. Wirth is our Chairman of the Board of Trustees, Chief Executive Officer and largest shareholder. Mr. Wirth and his family members, including Pamela J. Barnhill (also referred to in this proxy statement as “Ms. Barnhill”), our Vice-Chairman of the Board of Trustees, President and Chief Operating Officer, own 100% of the Seller, the seller of the 51% of the partnership interests of Fort Worth/Dallas Partnership. If the acquisition is completed, we expect the Seller will receive approximately 530,791 Shares of Beneficial Interest of the Trust on the closing date.

Mr. Wirth and his family members would be deemed to be the beneficial owners of all of these Shares as a result of his ownership interest in the Seller. Accordingly, we expect Mr. Wirth’s share ownership in the Trust will increase from approximately 56.13% currently to approximately 58.55% at closing.

**Q: What will happen to the other shareholders of the Trust?**

**A:** Each Share of Beneficial Interest of the Trust currently outstanding will remain outstanding and you will continue to hold the Shares that you currently own. However, because upon consummation of the acquisition we will be issuing additional Shares of Beneficial Interest of the Trust to the Seller as acquisition consideration, each existing Share of Beneficial Interest will represent a smaller ownership percentage of a larger company. Prior to the consummation of the acquisition, our shareholders, excluding Mr. Wirth, own approximately 43.87% of our outstanding Shares of Beneficial Interest and on the closing date of the acquisition will own approximately 41.45% of our outstanding Shares of Beneficial Interest.

**Q: Has the Board of Trustees made a recommendation on how I should vote on Proposal No. 2?**

Yes. Both the Audit Committee of our Board of Trustees and independent members of our Board of Trustees have reviewed the terms and conditions of this transaction and have recommended to our shareholders that they vote **A:** “FOR” the approval of the issuance of Shares of Beneficial Interest of the Trust as acquisition consideration. The reasons for our Board’s recommendation are discussed in detail in “Proposal No. 2 — Reasons for the Acquisition and Recommendations of Our Board of Trustees.”

**Q: Have the partners and the administrative partner of Fort Worth/Dallas Partnership approved the acquisition?**

**A:** Yes. The partners and the administrative partner of Fort Worth/Dallas Partnership have approved the acquisition in accordance with its governing documents.

**Q: What approvals are necessary to complete the acquisition?**

**A:** The acquisition is subject to the filing of this proxy statement with the Securities and Exchange Commission (the “SEC”), the Hotel Trinity Lender’s consent to the acquisition, and your approval of Proposal No. 2. In addition, the Trust may seek approval of the NYSE MKT for the listing of additional Shares to be issued as acquisition consideration on the NYSE MKT.

**Q: When do you expect the acquisition to be completed?**

**A:** We are working towards completing the acquisition as quickly as possible. If shareholder approval of Proposal No. 2 is obtained at the Annual Meeting and the Hotel Trinity Lender consents to our acquisition, we expect to complete the acquisition in late June 2014, prior to our deadline for regaining compliance with the NYSE MKT’s continued listing requirements on July 8, 2014.

**Q: Where can I find more information about Fort Worth/Dallas Partnership (Hotel Trinity)?**

**A:** You can find information about Fort Worth/Dallas Partnership under “Information About Fort Worth/Dallas Partnership” in this proxy statement and in Annex C to this proxy statement. Because Fort Worth/Dallas Partnership is a private company that does not file reports with the SEC, there is limited publicly available information about Fort Worth/Dallas Partnership other than what has been provided in this proxy statement.

You can find more information about the Trust under “Information About the Trust” in this proxy statement, in Annex B to this proxy statement, and in the Form 10-K filed with the SEC for the period ended January 31, 2014.

**Q: Are there any risks I should consider in deciding whether to vote to approve the issuance of Shares of Beneficial Interest as acquisition consideration?**

A: Yes. In evaluating the approval of the issuance of our Shares of Beneficial Interest as acquisition consideration, you should carefully consider the information discussed in “Proposal No. 2 – Reasons for the Acquisition and Recommendations of the Board of Trustees” and “Cautionary Statement Regarding Forward-Looking Statements” and other considerations described in this proxy statement.

**Q: Who will be the Board of Trustees and management of the Trust after the acquisition?**

A: We presently have no plans to change the composition of our Board of Trustees or to change any of our executive officers as a result of the acquisition.

**Q: Will shareholders of the Trust have appraisal rights?**

A: Under Ohio law, holders of our Shares of Beneficial Interest are not entitled to dissenters’ or appraisal rights in connection with the acquisition.

**Q: Who is entitled to vote?**

A: Our record date is May 16, 2014. Only holders of our Shares of Beneficial Interest as of the close of business on May 16, 2014 are entitled to vote. Each Share of Beneficial Interest is entitled to one vote.

**Q: How do I vote?**

A: Sign and date each proxy card you receive and return it in the prepaid envelope. If you do not mark any selections, your proxy card will be voted in favor of the proposals. You have the right to revoke your proxy any time before the meeting by:

• notifying our secretary;

• voting in person; or

• returning a later-dated proxy.

If you return your signed proxy card, but do not indicate your voting preferences, our proxy holders Marc Berg or Adam Remis will vote “FOR” the proposals included in this proxy statement on your behalf.





**Q: Who will count the vote?**

**A:** Representatives of Registrar and Transfer Company, our transfer agent, will tabulate the votes. A designee from Registrar and Transfer Company will be responsible for reviewing the vote count as election inspector.

**Q: What Shares of Beneficial Interest are included on the proxy card and what does it mean if I get more than one proxy card?**

**A:** The number of Shares of Beneficial Interest printed on your proxy card(s) represents all your Shares under a particular registration. Receipt of more than one proxy card means that your shares are registered differently and are in more than one account. Sign and return all proxy cards to ensure that all your shares are voted.

**Q: What is a quorum?**

**A:** As of the record date, 9,068,055 Shares of Beneficial Interest were outstanding. A majority of the outstanding Shares, present or represented by proxy, constitutes a quorum for the purpose of adopting a proposal at the Annual Meeting. If you submit a properly executed proxy card, you will be considered part of the quorum. “Broker non-votes” will not be part of the voting power present and will not be counted in determining whether or not a quorum is present. A “broker non-vote” occurs when a broker holding stock in “street name” indicates on the proxy card that it does not have discretionary authority to vote on a particular matter.

**Q: Who can attend the Annual Meeting?**

**A:** All shareholders as of the record date, May 16, 2014, can attend.

**Q: What percentage of Shares of Beneficial Interest are our Trustees and executive officers entitled to vote at the Annual Meeting?**

**A:** Together, they are entitled to vote 5,624,721 shares, or 62.85% of the Shares of Beneficial Interest entitled to vote at the Annual Meeting. Our Trustees and executive officers have indicated their intent to vote all of their Shares of Beneficial Interest “FOR” the approval of the proposals contained in this proxy statement. (Please see “Ownership of Shares” for more details.)

**Q: Who is our largest shareholder?**

**A:** Mr. Wirth, our Chairman of the Board of Trustees, Chief Executive Officer and largest shareholder, owns 5,089,632 Shares of our Beneficial Interest as of the record date, or 56.13% of the Shares entitled to vote at the

Annual Meeting.

**Q: Who is sending this proxy statement?**

**A:** This proxy statement is being mailed in connection with the solicitation of proxies by our Board of Trustees.

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## **SUMMARY TERM SHEET REGARDING**

### **THE ACQUISITION**

*This summary highlights selected information from this proxy statement concerning our proposed acquisition of 51% of the partnership interests of Fort Worth/Dallas Partnership operating Hotel Trinity and may not contain all of the information that is important to you. To understand the proposed acquisition more fully, including the issuance of our Shares of Beneficial Interest related to the acquisition, and for more complete descriptions of the terms and conditions of the acquisition, you should read carefully this entire proxy statement, including especially the sections in this proxy statement entitled:*

*•“Proposal No. 2 — Approval of Issuance of Our Shares of Beneficial Interest as Consideration for the Acquisition of 51% of the Partnership Interests of Fort Worth/Dallas Partnership Operating Hotel Trinity”;*

*•“Material Terms of the Purchase Agreement”;*

*•“Information About the Trust” below, in Annex B and in the accompanying Form 10-K for the fiscal year ended January 31, 2014;*

*•“Information About Fort Worth/Dallas Partnership and Hotel Trinity” below and in Annex C;*

*•“Unaudited Pro Forma Consolidated Financial Data of the Trust and Fort Worth/Dallas Partnership (Hotel Trinity)” in Annex D; and*

*•“Appraisal of Hotel Trinity” in Annex E;*

*as well as other sections in this proxy statement related to Proposal No. 2, the Purchase Agreement and other documents attached to this proxy statement as Annexes. For a more complete discussion of any of the following topics, please refer to the sections and annexes indicated above.*

### **Information About the Trust**

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The Trust owns interests as of January 31, 2014, directly and through the Partnership, in five hotels with an aggregate of 843 suites in Arizona, southern California and New Mexico (the “Hotels”). The Hotels operate under the trade name “InnSuites Hotels.”

Full service hotels often contain full-service facilities with a large volume of full service accommodations, on-site full service restaurant(s), and a variety of on-site amenities such as swimming pools, a health club, children’s activities, ballrooms and on-site conference facilities. Moderate or limited service hotels are small to medium-sized hotel establishments that offer a limited amount of on-site amenities. Most moderate or limited service establishments may still offer full service accommodations but lack leisure amenities such as an on-site restaurant or a swimming pool. We consider one of our Tucson, Arizona hotels and our hotel located in Albuquerque, New Mexico, a moderate or limited service establishment. All of our other properties are full-service hotels.

The Trust is the sole general partner of the Partnership and owned 72.04% interest in the Partnership as of January 31, 2014 and 2013. The Trust’s weighted average ownership for the years ended January 31, 2014 and 2013 was 72.04%. As of January 31, 2014, the Partnership owned 100% of one InnSuites® hotel located in Tucson, Arizona, owned a 51.00% interest in another InnSuites® hotel located in Tucson, Arizona, and together with the Trust controlled a 61.60% interest in an InnSuites® hotel located in Ontario, California. The Trust owns and operates a Yuma, Arizona hotel property directly, which it acquired from the Partnership on January 31, 2005, and owns a direct 50.85% interest in an InnSuites® hotel located in Albuquerque, New Mexico.

Our contact information is as follows:

InnSuites Hospitality Trust

1625 E. Northern Avenue, Suite #105

Phoenix, Arizona 85020

(602) 944-1500

[www.innsuitestrust.com](http://www.innsuitestrust.com)

### **Information About Fort Worth/Dallas Partnership and Hotel Trinity**

Fort Worth/Dallas Partnership owns and operates a 168-unit boutique studio and suite hotel property (d/b/a Hotel Trinity InnSuites Dallas Fort Worth, “Hotel Trinity”) in Fort Worth, Texas, which offers services such as free hot breakfast buffets and complimentary afternoon social hours plus amenities, such as microwave ovens, refrigerators, free high speed high capacity hard wired and wireless internet access and coffee makers in each studio or two-room suite.



Fort Worth/Dallas Partnership was formed in Arizona in May 2000 for the purpose of purchasing and operating Hotel Trinity. Hotel Trinity is managed by InnSuites Hotels, Inc., with which the Partnership also has a trademark license agreement for the use of the trade name “InnSuites” and “InnSuites Boutique Hotel Collection” (IBC). In addition, InnSuites Hotels, Inc. provides reservations services to the Partnership. Mr. Wirth, our Chairman of the Board of Trustees, Chief Executive Officer and largest shareholder, and his family members own a majority of interest in Fort Worth/Dallas Partnership.

Our contact information is as follows:

Fort Worth/Dallas Suite Hospitality Partnership and Hotel Trinity

1625 E. Northern Avenue, Suite #105

Phoenix, Arizona 85020

(602) 944-1500

[www.innsuites.com/fortworth](http://www.innsuites.com/fortworth)

Any information available on the websites referenced in this proxy statement shall not be deemed to be incorporated into this proxy statement.

### **Reasons for the Proposed Acquisition and Recommendations of our Audit Committee and of our Board of Trustees**

The Audit Committee of our Board of Trustees has considered Mr. Wirth’s interest in the acquisition and has unanimously approved the proposed acquisition. In addition, with the exception of Mr. Wirth and Marc E. Berg, who abstained from voting due to Mr. Wirth’s interest in the acquisition and because they are not considered to be independent Trustees of the Trust due to their employment with the Trust, our Board of Trustees has unanimously determined that the terms of the acquisition are fair and reasonable to the Trust and our shareholders and approved the proposed acquisition and the issuance of our Shares of Beneficial Interest as consideration for the acquisition. Our Board recommends that you vote “FOR” the issuance of our Shares of Beneficial Interest as consideration for our acquisition of 51% of the partnership interests of Fort Worth/Dallas Partnership. Subject to shareholder approval of Proposal No. 2 at the Annual Meeting, the Audit Committee and the Board believe that the acquisition will increase our equity, enabling us, together with additional property syndications of our Albuquerque, Tucson and Ontario entities described below, to regain compliance with Section 1003(a)(iii) of the NYSE MKT Company Guide, which requires the Trust to have shareholders’ equity of at least \$6.0 million. This is the highest equity threshold required by the NYSE MKT, which applies to the Trust because the Trust had net losses in five consecutive fiscal years as of

January 31, 2013. The material factors that our Audit Committee and our independent Trustees relied upon in evaluating the acquisition and making a recommendation to shareholders are described below in this proxy statement.

### **Overview of the Acquisition and the Purchase Agreement**

The purchase agreement is attached as Annex A to this proxy statement. We encourage you to read the purchase agreement because it is the legal document that governs the acquisition.

*Transaction Structure.* The acquisition will be structured as a purchase of 51% of the partnership interests of Fort Worth/Dallas Partnership. The Seller, which owns 51% of the partnership interests of Fort Worth/Dallas Partnership, will sell all of its interests in Fort Worth/Dallas Partnership to the Trust. The ultimate effect of the acquisition is that we will acquire 51% of Fort Worth/Dallas Partnership.

*Consideration to Be Paid.* As consideration for the purchase of the 51% of the partnership interests of Fort Worth/Dallas Partnership, we will pay to the Seller an aggregate purchase price of 51% of the book value of the Net Assets of Fort Worth/Dallas Partnership as of the January 31, 2014 (the "Purchase Price"). The "Net Assets" means the total book value of the assets of Fort Worth/Dallas Partnership less any outstanding book value of all of Fort Worth/Dallas Partnership's liabilities. The liabilities of \$690,453 include a mortgage of \$492,184 on Hotel Trinity held by the Hotel Trinity Lender. We will pay to the Seller at the Purchase Price the equivalent value of the Shares of Beneficial Interest of the Trust. The number of Shares to be issued will be determined by dividing the Purchase Price by the average daily closing price of the Shares of Beneficial Interest during the month of January 2014 (that is, \$1.5976 per Share). We expect to issue approximately 530,791 Shares of Beneficial Interest to the Seller for the purchase of the 51% of the partnership interests of Fort Worth/Dallas Partnership.

*Issuance of Shares.* Subject to shareholder approval and the Hotel Trinity Lender's consent, the consideration for 51% of the partnership interests of Fort Worth/Dallas Partnership, which is to be paid at closing, will be paid by the issuance of approximately 530,791 Shares of Beneficial Interest of the Trust at an average daily closing price of Shares of Beneficial Interest during the month of January 2014 of \$1.5976 per share. As of January 31, 2014, the Net Assets of Fort Worth/Dallas Partnership was \$1,662,728. The Trust is purchasing 51% of the Net Assets of Fort Worth/Dallas Partnership, so the Purchase Price is \$847,991, payable in Shares of Beneficial Interest.

*Conditions to the Consummation of the Acquisition.* The consummation of the acquisition depends upon the satisfaction or waiver of a number of customary closing conditions, including the Hotel Trinity Lender's consent to the acquisition and approval of Proposal No. 2 by our shareholders.





*Termination of the Purchase Agreement.* The Purchase Agreement may be terminated unilaterally under various circumstances. Those circumstances include our failure to obtain shareholder approval or Hotel Trinity Lender's consent.

*Expenses and Termination Fee.* The parties will bear their own expenses regardless of whether the acquisition is consummated.

### **Interests of Certain Persons in Matters to be Acted Upon**

Mr. Wirth, our Chairman of the Board of Trustees, Chief Executive Officer and largest shareholder, is a managing member of the Seller and with his family members, including Ms. Barnhill, our Vice-Chairman of the Board of Trustees, President and Chief Operating Officer, owns 100% of the Seller. If the acquisition is completed, Mr. Wirth and his family members will receive approximately 530,791 additional Shares of Beneficial Interest of the Trust on the closing date. Mr. Wirth will be deemed to be the beneficial owner of all of these Shares as a result of his ownership interest in the Seller. Mr. Wirth's share ownership in the Trust will increase from approximately 56.13% currently to approximately 58.55% after completion of the acquisition. As our largest shareholder, Chief Executive Officer and Chairman of the Board, Mr. Wirth will continue to have significant influence over matters requiring approval of our shareholders, including the election and removal of Trustees, and over the outcome of corporate actions, including a change in control of the Trust, a business combination involving the Trust, the incurrence of indebtedness, the issuance of equity securities and the payment of dividends.

### **Effect on Our Existing Shareholders**

*Dilution of Pre-Transaction Shareholders.* The issuance of the Shares of Beneficial Interest underlying the payment of the consideration amount will result in a dilution in the ownership percentage of Shares of Beneficial Interest held by our current shareholders. As of the record date for this Annual Meeting, there were 9,068,055 Shares of Beneficial Interest issued and outstanding. Based on our outstanding Shares as of the record date and based on the issuance of the number of shares as the acquisition consideration delivered at closing, following the acquisition, Mr. Wirth and his family members will own approximately 68.69%, and our pre-transaction shareholders will own approximately 31.31%, of our outstanding Shares of Beneficial Interest.

*Appraisal and Dissenters' Rights.* You have no appraisal or dissenters' rights with respect to the acquisition.

### **Management Following the Acquisition**

We presently have no plans to change the composition of our Board of Trustees or to change any of our executive officers as a result of the acquisition.

**Risk Factors Relating to the Proposed Acquisition and Our Business**

You should review carefully various risks relating to the proposed acquisition and our business that are listed under “Proposal No. 2” in this proxy statements. These risks could have a material adverse effect on the Trust and are not the only risks that we face. You should also carefully review “Cautionary Statement Regarding Forward-Looking Statements” in this proxy statement.

## CAUTIONARY STATEMENT REGARDING

### FORWARD-LOOKING STATEMENTS

Certain statements in this proxy statement, including statements containing the phrases “believes,” “intends,” “expects,” “anticipates,” “predicts,” “projects,” “will be,” “should be,” “looking ahead,” “may” or similar words, constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We intend that such forward-looking statements be subject to the safe harbors created by such Act. These forward-looking statements include statements regarding our intent, belief or current expectations, those of our Board of Trustees or our officers in respect of (i) the declaration or payment of dividends; (ii) the leasing, management or operation of the Hotels; (iii) the adequacy of reserves for renovation and refurbishment; (iv) our financing plans; (v) our position regarding investments, acquisitions, developments, financings, conflicts of interest and other matters; (vi) our plans and expectations regarding future sales of hotel properties; (vii) trends affecting our or any Hotel’s financial condition or results of operations; and (viii) the proposed acquisition.

These forward-looking statements reflect our current views in respect of future events and financial performance, but are subject to many uncertainties and factors relating to the operations and business environment of the Hotels that may cause our actual results to differ materially from any future results expressed or implied by such forward-looking statements. Examples of such uncertainties include, but are not limited to:

- our ability to integrate Fort Worth/Dallas Partnership’s operations into a cohesive operating unit with ours in a timely manner;
- the ability of Fort Worth/Dallas Partnership to be profitable;
- the accuracy of the assumptions underlying the appraisal of Hotel Trinity;
- local, national or international economic and business conditions, including, without limitation, conditions that may, or may continue to, affect public securities markets generally, the hospitality industry or the markets in which we operate or will operate;
- fluctuations in hotel occupancy rates and changes in room rental rates that may be charged by us in response to market rental rate changes or otherwise;
- our ability to timely meet financial obligations, including present and future debt obligations, all refinance due dates and extension of our line of credit;
- seasonality of our business;
- our ability to sell any of our Hotels at market value, listed sale price or at all;
- interest rate fluctuations;
- changes in governmental regulations, including federal income tax laws and regulations;
- competition;
- any changes in our financial condition or operating results due to acquisitions or dispositions of hotel properties;
  - insufficient resources to pursue our current strategy;
- concentration of our investments in the InnSuites Hotels® brand;
- the financial condition of franchisors, brand membership companies and travel related companies;

our ability to develop and maintain positive relations with current “Best Western Plus” or “Best Western” and potential future franchisors or brand membership companies;  
real estate and hospitality market conditions and hospitality industry factors;  
our ability to carry out our strategy, including our strategy regarding IBC Hotels;  
the Trust’s ability to remain listed on the NYSE MKT;  
effectiveness of the Trust’s software program and data breaches;  
terrorist attacks or other acts of war, outbreaks of communicable diseases, natural disasters, epidemics, airline strikes, transportation and fuel price increases and severe weather;  
loss of key personnel; and  
other risk factors described under “Risk Factors Relating to the Proposed Acquisition and Our Business” and “Proposal No. 2 – Reasons for the Acquisition and Recommendations of Our Board of Trustees” in this proxy statement.

We do not undertake any obligation to update publicly or revise any forward-looking statements whether as a result of new information, future events or otherwise. Pursuant to Section 21E (b) (2) (E) of the Securities Exchange Act of 1934, as amended, the qualifications set forth hereinabove are inapplicable to any forward-looking statements relating to the operations of the Partnership.

Copies of our SEC filings are available from the SEC or may be obtained upon request from us. We do not undertake any obligation to update the information contained herein, which speaks only as of this date, other than as required by law.

## **PROPOSAL NO. 1 – ELECTION OF TRUSTEES**

On March 20, 2014, our Board of Trustees expanded the size of the Board to seven Trustees. Larry Pelegrin, who has served as a Trustee of the Trust since August 2005, has expressed his intention to potentially retire after another year of service as a Trustee. In light of Mr. Pelegrin's potential retirement and the Board's desire to benefit from additional expertise on the Board, on March 24, 2014, the Board appointed two additional Trustees to the Board, effective immediately, and rebalanced the classes of Trustees in an effort to accommodate Mr. Pelegrin's retirement and to keep the classes of Trustees approximately equal.

On March 24, 2014, effective immediately, the Board appointed Cynthia Ketcherside and Ms. Barnhill, President and Chief Operating Officer of the Trust, as Trustees to the class of Trustees whose terms expire at the 2014 Annual Meeting of Shareholders (the "Annual Meeting"). Ms. Barnhill was also appointed as Vice Chairperson of the Trust. In addition, on that same day, Mr. Pelegrin resigned from the class of Trustees whose terms expire at the Annual Meeting and was immediately appointed to the class of Trustees whose terms expire at the 2015 Annual Meeting of Shareholders. The Board has determined that Mr. Pelegrin will continue to serve as an "audit committee financial expert." The Board has further determined Ms. Ketcherside to be an independent Trustee and a committee member in accordance with the NYSE MKT's listing standards.

At the Annual Meeting, three Trustees (Steven Robson, Pamela Barnhill and Cynthia Ketcherside) will stand for election to serve for terms of three years expiring at the 2017 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified. In addition, following re-balancing of the classes of the Trustees by the Board, Mr. Pelegrin is standing for election to serve as a Trustee for the remainder of his term expiring at the 2015 Annual Meeting of Shareholders and until his successor is duly elected and qualified. Mr. Robson has been a Trustee since June 1998, and both Ms. Barnhill and Ketcherside have been Trustees since March 24, 2014 and are standing for re-election at the Annual Meeting. The Governance and Nominating Committee identified Ms. Barnhill and Ketcherside as Trustee candidates by recommendations from the Chief Executive Officer and members of the Governance and Nominating Committee.

Unless a shareholder requests that a proxy be voted against either of the nominees for Trustees in accordance with the instructions set forth on the proxy card, Shares represented by proxies solicited hereby will be voted "FOR" the election of Messrs. Pelegrin and Robson and Ms. Barnhill and Ketcherside as Trustees. These nominees have consented to being named in this proxy statement and to serve if elected. Should any nominee subsequently decline or be unable to accept such nomination or to serve as a Trustee, an event that the Board of Trustees does not currently expect, the persons voting the Shares represented by proxies solicited hereby may vote such Shares for substitute nominee(s) in their discretion.

Our Board of Trustees currently has seven members and is divided into three classes, as follows:

three Trustees in the class whose terms expire at the 2014 Annual Meeting of Shareholders;

two Trustees in the class whose terms expire at the 2015 Annual Meeting of Shareholders; and

two Trustees in the class whose term expires at the 2016 Annual Meeting of Shareholders.

Each of the Trustees serves for three years and until his or her successor is duly elected and qualified. The Board of Trustees has determined that a majority of the Trustees, Messrs. Kutasi, Robson and Pelegrin and Ms. Ketcherside, are “independent,” as defined by the NYSE MKT’s listing standards, for purposes of serving on the Board of Trustees and each committee of which they are a member. Messrs. Wirth and Berg and Ms. Barnhill are executive officers of the Trust and are, therefore, not “independent.” Except as described under “Certain Transactions” below, there were no transactions, relationships or arrangements in fiscal year 2014 that required review by the Board for purposes of determining Trustee independence. We request that all of our Trustees attend our Annual Meetings of Shareholders. All then-current directors, Messrs. Wirth, Berg, Kutasi, Pelegrin and Robson, were present at the 2013 Annual Meeting of Shareholders.

**Our Board of Trustees recommends that you vote “FOR” the election of Mr. Pelegrin, Mr. Robson, Ms. Barnhill and Ms. Ketcherside.**

**BOARD OF TRUSTEES AND EXECUTIVE OFFICERS**

**Nominees, Trustees and Executive Officers**

The biographies of Mr. Pelegrin, Mr. Robson, Ms. Barnhill and Ms. Ketcherside and the biographies of each of the Trustees whose terms in office will continue after the Annual Meeting are set forth below. The information concerning our Trustees and executive officers set forth below is based in part on information received from the respective Trustees and executive officers and in part on our records. The information below sets forth the name, age, term of office, outside directorships and principal business experience for each nominee for Trustee, continuing Trustee and executive officer of the Trust and includes the specific experience, qualifications, attributes and skills that led to the conclusion that each Trustee should serve on our Board of Trustees, in light of the Trust’s business and structure.

**Principal Occupations During Past**

**Five Years, Age as of May 16, 2014**

**Trustee**

**Name  
Nominees Whose  
Terms, if Elected,  
Will Expire in 2017**

**and Directorships Held**

**Since**

Steven S.  
Robson(1)(2)(3)(5)

Owner of Scott Homes, residential real estate developers. Age: 58.

June  
16,  
1998

Mr. Robson has strategic leadership and residential real estate development experience as well as experience in negotiating complex transactions and maintaining mission, vision and values. In addition, Mr. Robson has served on our Board for more than 15 years.

Pamela J. Barnhill

Vice-Chairman of the Board of Trustees since March 24, 2014 and President and Chief Operating Officer of the Trust since February 1, 2012. Ms. Barnhill joined the Trust in 2002 as General Manager and progressed with the Trust through roles in revenue management, operations, sales and trademark licensing. Prior to joining the Trust, Ms. Barnhill’s career included roles with Motorola Semiconductor, Franchise Finance Corporation of America (FFCA) and Pittiglio, Rabin, Todd & McGrath (PRTM) Management Consulting. She has served as a Board Member for the Independent Lodging Industry Association since 2011. She earned a Masters of Business Administration (MBA) from Carnegie Mellon University, and a Bachelor of Arts in Economics and Mathematics cum laude with honors from the University of Arizona. Age: 40.

March  
24,  
2014

Ms. Barnhill was selected to be a Trustee on March 24, 2014 based on her extensive knowledge and expertise in sales, marketing and our operations. As President of the Trust and leading the IBC Hotels efforts, Ms. Barnhill brings a unique perspective to our Board of Trustees.

Ms. Ketcherside has more than 25 years of executive management experience. Experience evolved from sales and marketing management positions into the position as President and Chief Executive Officer of Ms. Ketcherside's family business, in which role she oversaw the operations and negotiated the sale of the business to a national company. Since September 2011, Ms. Ketcherside has served as Director of Business Development for Vantage Mobility International, a manufacturer of wheelchair van conversions. Prior to Vantage Mobility International, Ms. Ketcherside was the Executive Director and Chief Executive Officer of notMYkid, a non-profit organization. From January 2005 – February 2010, Ms. Ketcherside was Managing Director of JC's Glass, a family business which was sold to IGD Industries – Safelite. Age: 55.

Ms. Ketcherside's sales and marketing expertise is expected to help us grow IBC Hotels.



**Nominee Whose Term,  
if Elected, Will Expire  
in 2015**

|                               |  |                    |
|-------------------------------|--|--------------------|
| Larry<br>Pelegrin(1)(2)(3)(4) | Retired marketing executive with an extensive background in travel industry automation systems and call center sales. Director of Sales and Marketing of ARINC, a provider of transportation communications services, from 1994 to 2000. Previous employment included senior marketing positions with Best Western International and Ramada Inns. Age: 76. | August<br>25, 2005 |
|-------------------------------|--|--------------------|

Mr. Pelegrin has 40 years of operational, marketing and sales, management and financial experience in the hotel, airline, travel and computer industries.

**Trustees Whose Terms  
Expire in 2016**

|                                       |   |                     |
|---------------------------------------|---|---------------------|
| Leslie (Les) T.<br>Kutasi(1)(2)(3)(6) | Founder and President of Trend-Tex International, a multi-line textile sales and marketing company, since 2000. In 1996, Mr. Kutasi founded Pacesetter Fabrics, LLC, a start-up textile importer and converter, and served as its Chief Executive Officer until 2000. Prior to that, he served as President of California Textile Sales from 1990 to 1996 and Director of Sales of Lorber Industries from 1988 to 1989. Mr. Kutasi has been a member of World Presidents Organization Inc. (WPO Arizona) since 2006. Age: 64. | January<br>31, 2013 |
|---------------------------------------|---|---------------------|

Mr. Kutasi has more than 35 years of residential real estate and investment experience that is valuable to our Board.

|                |   |                     |
|----------------|---|---------------------|
| James F. Wirth | Chairman and Chief Executive Officer of the Trust since January 30, 1998, also serving as President of the Trust until February 1, 2012. Manager and primary owner (together with his affiliates) of Rare Earth Financial, L.L.C. and affiliated entities, owners and operators of hotels, since 1980. Age: 68. | January<br>30, 1998 |
|----------------|---|---------------------|

Mr. Wirth has significant real estate and hotel industry experience and extensive experience with the Trust. He also has a significant investment in our Shares of Beneficial Interest, which we believe provides him with a strong incentive to advance shareholder interests. In addition, Mr. Wirth has served on our Board for over 15 years.

**Trustee Whose Term  
Expires in 2015**

|              |   |                     |
|--------------|---|---------------------|
| Marc E. Berg | Executive Vice President, Secretary and Treasurer of the Trust since February 10, 1999. Vice President – Acquisitions of the Trust from December 16, 1998 to February 10, 1999. Consultant to InnSuites Hotels since 1989. Age: 61. | January 30,<br>1998 |
|--------------|---|---------------------|

Mr. Berg has in-depth familiarity with the operations of the Trust and extensive experience in property acquisitions. In addition, Mr. Berg has served on our Board for over 15 years.

- 
- 1 Member of the Audit Committee.
  - 2 Member of the Compensation Committee.
  - 3 Member of the Governance and Nominating Committee.
  - 4 Chair of the Audit Committee.
  - 5 Chair of the Compensation Committee.
  - 6 Chair of the Governance and Nominating Committee.

## Other Current Executive Officer

Adam B. Remis, MSIM, CPA, CISA  
Chief Financial Officer of the Trust since March 18, 2013. Mr. Remis has almost 20 years of combined accounting, audit, tax and technology consulting experience. His clients have included Palm, Pioneer North America, Meritage Homes, Mesa Airlines, Choice Hotels and InnSuites. From September 2008 to March 2013, Mr. Remis served as Senior Manager at Khalsa McBrearty Accountancy, LP, where he managed financial audit and tax compliance engagements. From April 2006 to September 2008, he served as Director of Technology – Internal Audit at American Express, leading a team of auditors to review information systems and technology infrastructure controls, and from 2002 to April 2006, Mr. Remis was Engagement Manager at Jefferson Wells, where he managed Sarbanes-Oxley engagements. Prior to that, he was at Deloitte & Touche. Mr. Remis has a Master of Science in Information Management from Arizona State University and a Bachelor of Science degree in Quantitative Economic Decision Sciences from the University of California, San Diego. In February 1997, Mr. Remis became a CPA and was admitted to practice in the State of Arizona. He also holds a Certified Information Systems Auditor (CISA) certification from the Information Systems Audit and Controls Association (ISACA). Mr. Remis has previously served as President of the local Arizona chapter of ISACA and continues to serve as a member of its Board of Directors. Age: 46.

Ms. Barnhill, our Vice-Chairman of the Board, President and Chief Operating Officer, is Mr. Wirth's daughter. There are no other family relationships that require disclosure pursuant to the SEC's rules, and none of our Trustees or executive officers were nominated, elected or appointed to their positions pursuant to any arrangement or understanding between them and any other person.

The Board of Trustees held seven meetings during fiscal year 2014. Messrs. Pelegrin and Robson, nominees, were members of the Board of Trustees during fiscal year 2014, and Ms. Barnhill, another nominee, attended all Board of Trustees meetings during fiscal year 2014 as the Trust's President. Ms. Ketcherside did not attend any Board of Trustees meetings until her appointment on March 24, 2014.

## Trustee Nominations and Qualifications

The Governance and Nominating Committee expects to identify nominees to serve as our Trustees primarily by accepting and considering the suggestions and nominee recommendations made by members of the Board of Trustees and our management and shareholders. Nominees for Trustees are evaluated based on their character, judgment, independence, financial or business acumen, diversity of experience, ability to represent and act on behalf of all of our shareholders, and the needs of the Board of Trustees. In accordance with its charter, the Governance and Nominating Committee discusses diversity of experience as one of many factors in identifying nominees for Trustee, but does not have a policy of assessing diversity with respect to any particular qualities or attributes. Two of the current Trustees are women but the Governance and Nominating Committee has not identified any specific attributes that the Committee would desire to diversify on the Board. In general, before evaluating any nominee, the Governance and Nominating Committee first determines the need for additional Trustees to fill vacancies or expand the size of the

Board of Trustees and the likelihood that a nominee can satisfy the evaluation criteria. The Governance and Nominating Committee would expect to re-nominate incumbent Trustees who have served well on the Board of Trustees and express an interest in continuing to serve. Our Board of Trustees is satisfied that the backgrounds and qualifications of our Trustees, considered as a group, provide a mix of experience, knowledge and abilities that allows our Board to fulfill its responsibilities.

The Governance and Nominating Committee will consider shareholder recommendations for Trustee nominees. A shareholder who wishes to suggest a Trustee nominee for consideration by the Governance and Nominating Committee should send a resume of the nominee's business experience and background to Les Kutasi, Chairman of the Governance and Nominating Committee, InnSuites Hospitality Trust, 1625 E. Northern Avenue, Suite 105, Phoenix, Arizona 85020. The mailing envelope and letter must contain a clear notation indicating that the enclosed letter is a "Shareholder-Board of Trustees Nominee."

### **Leadership Structure of the Board of Trustees**

Our Second Amended and Restated Declaration of Trust, as amended, provides that the Trustees shall annually elect a Chairman who shall be the principal officer of the Trust. Mr. Wirth has served as Chairman of our Board of Trustees and our Chief Executive Officer since January 30, 1998. Our Board of Trustees has determined that the Trust has been well-served by this structure of combined Chairman and Chief Executive Officer positions and that this structure facilitates strong and clear leadership, with a single person setting the tone of the organization and having the ultimate responsibility for all of the Trust's operating and strategic functions, thus providing unified leadership and direction for the Board of Trustees and the Trust's executive management. Our Chairman also has a significant investment in our Shares, which we believe provides him with a strong incentive to advance shareholder interests.

The Trust does not have a lead independent Trustee, but receives strong leadership from all of its members. Our Board Committees consist of only independent members, and our independent Trustees meet at least annually in executive session without the presence of non-independent Trustees and management. In addition, our Trustees take active and substantial roles in the activities of our Board of Trustees at the full Board meetings. Our Trustees are able to propose items for Board meeting agendas, and the Board's meetings include time for discussion of items not on the formal agenda. Our Board believes that this open structure, as compared to a system in which there is a designated lead independent trustee, facilitates a greater sense of responsibility among our Trustees and facilitates active and effective oversight by the independent Trustees of the Trust's operations and strategic initiatives, including any risks.

## **The Board's Role in Risk Oversight**

Our management devotes significant attention to risk management, and our Board of Trustees is engaged in the oversight of this activity, both at the full Board and at the Board Committee level. The Board's role in risk oversight does not affect the Board's leadership structure. However, our Board's leadership structure supports such risk oversight by combining the Chairman position with the Chief Executive Officer position (the person with primary corporate responsibility for risk management).

Our Board's role in the Trust's risk oversight process includes receiving reports from members of senior management on areas of material risk to the Trust, including operational, financial, legal and regulatory and strategic risks. The Board of Trustees requires management to report to the full Board (or an appropriate Committee) on a variety of matters at regular meetings of the Board and on an as-needed basis, including the performance and operations of the Trust and other matters relating to risk management. The Audit Committee also receives regular reports from the Trust's independent registered public accounting firm on internal control and financial reporting matters. In addition, pursuant to its charter, the Audit Committee is tasked with reviewing with the Trust's counsel major litigation risks as well as compliance with applicable laws and regulations, discussing with management its procedures for monitoring compliance with the Trust's code of conduct, and discussing significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. These reviews are conducted in conjunction with the Board's risk oversight function and enable the Board to review and assess any material risks facing the Trust.

Our Board also works to oversee risk through its consideration and authorization of significant matters, such as major strategic, operational and financial initiatives and its oversight of management's implementation of those initiatives. The Board periodically reviews with management its strategies, techniques, policies and procedures designed to manage these risks. Under the overall supervision of our Board, management has implemented a variety of processes, procedures and controls to address these risks.

## **Communications with the Board of Trustees**

Shareholders and other interested parties who wish to communicate with the Board of Trustees or any individual member thereof may do so by writing to the Secretary, InnSuites Hospitality Trust, 1625 E. Northern Avenue, Suite 105, Phoenix, Arizona 85020. The mailing envelope and letter must contain a clear notation indicating that the enclosed letter is an "Interested Party-Board of Trustees Communication." The Secretary will review all such correspondence and regularly forward to the Board of Trustees a log and summary of all such correspondence and copies of all correspondence that, in the opinion of the Secretary, deals with the functions of the Board of Trustees or Committees thereof or that he otherwise determines requires their attention. Trustees may at any time review a log of all correspondence received by us that is addressed to members of the Board of Trustees and request copies of any such correspondence. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of our accounting department and handled in accordance with procedures established by the Audit

Committee for such matters.

## **BOARD COMMITTEES**

All incumbent Trustees attended 100% of the meetings held by the Board of Trustees and the Committees on which the Trustee served during fiscal year 2014. The independent Trustees meet at least annually in executive session without the presence of non-independent Trustees and management.

### **Audit Committee**

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent auditors, including reviewing the scope and results of audit and non-audit services. The Audit Committee also reviews internal accounting controls and assesses the independence of our auditors. In addition, the Audit Committee has established procedures for the receipt, retention and treatment of any complaints received by us regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by our employees of any concerns regarding accounting or auditing matters. The Audit Committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties. The Audit Committee met four times during fiscal year 2014.

All members of the Audit Committee are “independent,” as such term is defined by the SEC’s rules and the NYSE MKT’s listing standards. The Board of Trustees has determined that Mr. Pelegrin, a member of our Audit Committee, qualifies as an “audit committee financial expert” under applicable SEC rules. We have posted our Amended and Restated Audit Committee Charter on our Internet website at [www.innsuitestrust.com](http://www.innsuitestrust.com).

### *Audit Committee Report*

The Audit Committee of the Board of Trustees has reviewed and discussed the audited financial statements included in the Trust's Annual Report on Form 10-K for the fiscal year ended January 31, 2014 with the management of the Trust. In addition, the Audit Committee has discussed with Semple, Marchal & Cooper, LLP ("Semple, Marchal & Cooper"), the independent registered public accounting firm of the Trust, the matters required to be discussed by the Auditing Standard No. 16, *Communications with Audit Committees*. The Audit Committee has also received and reviewed the written disclosures and the letter from Semple, Marchal & Cooper required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence, and has discussed with Semple, Marchal & Cooper its independence from the Trust, including the compatibility of any non-audit services with Semple, Marchal & Cooper's independence. The Audit Committee has also pre-approved the fees to be charged to the Trust by its independent auditors for audit and non-audit services.

Based on the foregoing, the Audit Committee recommended that such audited financial statements be included in the Trust's Annual Report for the fiscal year ended January 31, 2014.

*By the Audit Committee of the Board of Trustees:*

*Larry Pelegrin, Chairman*

*Steven S. Robson*

*Les T. Kutasi*

*Cynthia Ketcherside*

### **Compensation Committee**

The Compensation Committee has the responsibility of determining the compensation of the Chief Executive Officer and all of our other officers, advising the Board of Trustees on the adoption and administration of employee benefit and compensation plans and administering our 1997 Stock Incentive and Option Plan. A description of the Compensation Committee's processes and procedures for the consideration and determination of executive officer compensation is included in this Proxy Statement under "Compensation of Trustees and Executive Officers – Executive Compensation Overview." The Compensation Committee met one time during fiscal year 2014.

All members of the Compensation Committee are “independent,” as such term is defined by the SEC’s rules and the NYSE MKT’s listing standards. We have posted our Amended and Restated Compensation Committee Charter on our Internet website at [www.innsuitestrust.com](http://www.innsuitestrust.com).

### **Governance and Nominating Committee**

The Governance and Nominating Committee has the responsibility of screening and nominating candidates for election as Trustees and recommending Committee members for appointment by the Board of Trustees. See “Board of Trustees and Executive Officers – Trustee Nominations and Qualifications” above for more information on how shareholders can nominate Trustee candidates, as well as information regarding how Trustee candidates are identified and evaluated. The Governance and Nominating Committee also advises the Board of Trustees with respect to governance issues and trusteeship practices, including determining whether Trustee candidates and current Trustees meet the criteria for independence required by the NYSE MKT and the SEC. The Governance and Nominating Committee met once during fiscal year 2014.

All members of the Governance and Nominating Committee are “independent,” as such term is defined by the SEC’s rules and NYSE MKT listing standards. We have posted our Governance and Nominating Committee Charter on our Internet website at [www.innsuitestrust.com](http://www.innsuitestrust.com).



## COMPENSATION OF TRUSTEES AND EXECUTIVE OFFICERS

### Executive Compensation Overview

The following overview relates to the compensation of our executive officers listed in the Summary Compensation Table set forth below during fiscal year 2014.

### *Overview of the Compensation Committee*

The Compensation Committee of the Board of Trustees is comprised of three independent Trustees. The Committee sets the principles and strategies that serve to guide the design of the compensation programs for our executive officers. The Committee annually evaluates the performance of our Chief Executive Officer, Chief Financial Officer, Executive Vice President and our President and Chief Operating Officer (our executive officers). Taking into consideration the factors set forth below, the Committee then approves their compensation levels, including any bonuses. The Committee does not use an independent compensation consultant to assist it with its responsibilities. The Committee does consider input from the Chief Executive Officer when determining compensation for the other executive officers.

### *Compensation Philosophy and Objectives*

Under the supervision of the Compensation Committee, we have developed and implemented compensation policies, plans and programs that seek to enhance our ability to recruit and retain qualified management and other personnel. In developing and implementing compensation policies and procedures, the Compensation Committee seeks to provide rewards for the long-term value of an individual's contribution to the Trust. The Compensation Committee seeks to develop policies and procedures that offer both recurring and non-recurring, and both financial and non-financial, incentives.

Compensation for our executive officers has two main monetary components, salary and bonus, as well as a benefits component. Any bonus generally consists of cash. This decision was a result of discussions with our executive officers regarding the sufficiency of our executive officers' current Share ownership and the restrictions upon transfer of Shares held by our executive officers due to their affiliate status.

Our compensation program does not rely to any significant extent on broad-based benefits or perquisites. The benefits offered to our executive officers are those that are offered to all of our full-time employees. We do not offer our executive officers any perquisites.

Our management and the Compensation Committee work in a cooperative fashion. Management advises the Compensation Committee on compensation developments, compensation packages and our overall compensation program. The Compensation Committee then reviews, modifies, if necessary, and approves the compensation packages for our executive officers.

### *Elements of Compensation*

In setting the compensation for each executive officer, the Compensation Committee considers (i) the responsibility and authority of each position relative to other positions within the Trust, (ii) the individual performance of each executive officer, (iii) the experience and skills of the executive officer, and (iv) the importance of the executive officer to the Trust.

### *Base Salary*

We pay base salaries to our executive officers in order to provide a level of assured compensation reflecting an estimate of the value in the employment market of the executive officer's skills, the demands of his or her position and the relative size of the Trust. In establishing base salaries for our executive officers, the Compensation Committee considers our overall performance and the performance of each individual executive officer, as well as market forces and other general factors believed to be relevant, including time between salary increases, promotion, expansion of responsibilities, advancement potential, and the execution of special or difficult projects. Additionally, the Compensation Committee takes into account the relative salaries of the executive officers and determines what it believes are appropriate compensation level distinctions between and among the executive officers, including between the Chief Executive Officer and the Chief Financial Officer and among the other executive officers. Although the Compensation Committee considers our financial performance, there is no specific relationship between achieving or failing to achieve budgeted estimates, the performance of our Shares or our financial performance and the annual salaries determined by the Compensation Committee for any of our executive officers. No specific weight is attributed to any of the factors considered by the Compensation Committee; the Compensation Committee considers all factors and makes a subjective determination based upon the experience of its members and the recommendations of our management.

Based upon a review of Mr. Wirth's performance and upon the recommendation of the Compensation Committee, for fiscal years 2014 and 2013, Mr. Wirth's annual base salary remained set at \$153,000. The Compensation Committee does not rely on any particular set of financial or non-financial factors, measures or criteria when determining the compensation offered to Mr. Wirth. The Compensation Committee does consider Mr. Wirth's substantial Share ownership when setting his base salary. During fiscal years in 2014 and 2013, Mr. Wirth voluntarily reduced his salary to \$90,818 and \$86,437, respectively, in both cases by reducing the number of hours worked per year due to the economic environment.

For fiscal year 2013 and fiscal year 2014 through February 22, 2013, the Compensation Committee set the base salary for Ms. Barnhill, our President and Chief Operating Officer, at \$100,000, which was voluntarily reduced to \$79,309 in fiscal year 2013 by reducing the number of hours worked per year due to the economic environment. On February 23, 2013, the Compensation Committee set the base salary for Ms. Barnhill, at \$120,000 plus a minimum yearly bonus of \$5,000 in recognition of her additional responsibilities. Ms. Barnhill's expanded responsibilities include continuation of work to increase hotel operations, including continued emphasis on revenue management, cost control and all areas of marketing, including Internet marketing.

Appointed as our Chief Financial Officer on March 18, 2013, Mr. Remis receives an annual base salary of \$139,000 and was entitled to a discretionary first fiscal year bonus of at least \$5,000 pursuant to an employment offer letter. During fiscal year 2014, Mr. Remis earned \$121,625 as his salary was prorated based on his start date. Mr. Remis was paid a discretionary bonus of \$4,600 and a quarterly incentive bonus of \$400, as described below.

During fiscal years 2014 and 2013, the Compensation Committee kept Mr. Berg's base salary frozen at \$98,000, which was reduced to \$58,226 and \$79,222, respectively, by reducing the number of hours worked per year due to the economic environment.

### *Bonuses*

Our executive officers are eligible to receive cash bonuses under the General Manager Bonus Plan equal to 10% of the aggregate cash bonuses received by the general managers of all of our hotels, regardless of region. The general managers receive a bonus based on the achievement of budgeted gross operating profit (total revenues less operating expenses) ("GOP") at their hotel on a quarterly and annual basis. Under the plan, if the hotel's actual quarterly and annual GOP exceeds the budgeted GOP, each general manager is eligible for a potential maximum annual bonus of \$20,000, consisting of a potential maximum quarterly bonus of \$2,000 per quarter and a potential maximum year-end bonus of \$12,000.

Quarterly General Manager GOP Bonus Potential:

Percentage of Budgeted Quarterly GOP Achieved Cash Bonus

|               |         |
|---------------|---------|
| Less than 95% | \$0     |
| 95%           | \$500   |
| 98%           | \$1,000 |
| 102%          | \$1,500 |
| 106% or more  | \$2,000 |

Year-End General Manager GOP Bonus Potential:

Percentage of Budgeted Annual GOP Achieved Cash Bonus

|               |          |
|---------------|----------|
| Less than 95% | \$0      |
| 95%           | \$1,000  |
| 98%           | \$2,000  |
| 102%          | \$5,000  |
| 106%          | \$9,000  |
| 108% or more  | \$12,000 |

In fiscal year 2014, each of our executive officers received an annual cash bonus equal to 10% of the aggregate cash bonuses received by the general managers of all of our hotels, regardless of region. In addition, as a discretionary bonus, Mr. Berg were awarded \$10,000 and \$500 during fiscal year 2014 and 2013, respectively for successfully negotiating refinances of our properties. The general manager aggregate cash bonuses for fiscal year 2014 were as follows:

| Period         | GM<br>Aggregate<br>Cash<br>Bonus |
|----------------|----------------------------------|
| First Quarter  | \$ 0                             |
| Second Quarter | \$ 2,000                         |
| Third Quarter  | \$ 2,000                         |
| Fourth Quarter | \$ 0                             |
| Year End       | \$ 0                             |

Accordingly, each of our executive officers received a cash bonus of \$400 for fiscal year 2014.

*Benefits and Other Compensation*

We maintain broad-based benefits that are provided to all employees, including health and dental insurance, life insurance and a 401(k) plan. We also have a mandatory matching contribution for our 401(k) plan. We do not have a pension plan. Our executive officers are eligible to participate in all of our employee benefit plans, in each case on the same basis as our other employees.

**Fiscal Year 2014 Summary Compensation Table**

The table below shows individual compensation information earned by or paid to our executive officers for our fiscal years ended January 31, 2014 and 2013:

| Name and Principal Position  | Fiscal Year | Fiscal Salary (\$) | Bonus (\$) | Non-Equity Incentive Plan Compensation (\$) | All Other Compensation (\$) (1) | Total Compensation (\$) |
|--|-------------|--------------------|------------|---|---------------------------------|-------------------------|
| James F. Wirth<br>Chief Executive Officer  | 2014        | \$90,818           | \$-        | \$ 400                                      | \$ 500                          | \$91,718                |
|  | 2013        | \$86,437           | \$-        | \$ 1,550                                    | \$ 500                          | \$88,487                |
| Adam B. Remis<br>Chief Financial Officer   | 2014        | \$117,788          | \$4,600    | \$ 400                                      | \$ 500                          | \$123,288               |
|  | 2013        | \$-                | \$-        | \$ -  | \$ -                            | \$-                     |
| Marc E. Berg,<br>Executive Vice President  | 2014        | \$58,226           | \$10,000   | \$ 400                                      | \$ -                            | \$68,626                |
|  | 2013        | \$79,222           | \$500      | \$ 1,550                                    | \$ -                            | \$81,272                |
| Pamela J. Barnhill (2)<br>Vice Chairperson, President and Chief<br>Operating Officer | 2014        | \$119,208          | \$4,600    | \$ 400                                      | \$ 3,198                        | \$127,406               |
|  | 2013        | \$79,309           | \$-        | \$ 1,550                                    | \$ 500                          | \$81,359                |

(1) Matching contributions made under our 401(k) plan to our executive officers with a maximum of \$500 per calendar year.

(2) Ms. Barnhill was the guarantor for the Trust's corporate purchase cards as described in the "Certain Transactions – Guarantees" section below. The corporate purchase cards provide American Express Membership Rewards to Ms. Barnhill. For the fiscal year ended January 31, 2014, Ms. Barnhill received 269,782 American Express Membership Rewards with an estimated value of \$ 2,698, which is included in all other compensation.

During fiscal years 2014 and 2013, we did not issue any Shares to our executive officers and did not grant any stock options or any other equity-based awards. None of our executive officers owned any stock options, or had any outstanding unvested Shares, as of January 31, 2014.

**Indemnification Agreements**

We have entered into indemnification agreements with all of our executive officers and Trustees. The agreements provide for indemnification against all liabilities and expenses reasonably incurred by an officer or Trustee in connection with the defense or disposition of any suit or other proceeding, in which he or she may be involved or with which he or she may be threatened, while in office or thereafter, because of his or her position at the Trust. There is no indemnification for any matter as to which an officer or Trustee is adjudicated to have acted in bad faith, with willful misconduct or reckless disregard of his or her duties, with gross negligence, or not in good faith in the reasonable belief that his or her action was in our best interests. We may advance payments in connection with indemnification under the agreements. The level of indemnification is to the full extent of the net equity based on appraised and/or market value of the Trust.

### **Potential Payments Upon Change in Control**

We do not have employment agreements with our executive officers. Upon a change in control, our 1997 Stock Incentive and Option Plan provides for the acceleration of vesting of restricted Shares. However, if a change in control had occurred on January 31, 2014, none of our executive officers would have received any payment under the Plan upon a change in control because none had any awards outstanding as of that date.

**Fiscal Year 2014 Trustee Compensation**

The table below shows individual compensation information for our non-employee Trustees for our fiscal year ended January 31, 2014. Ms. Ketcherside did not serve as a Trustee during our fiscal year 2014. Ms. Barnhill also did not serve as a Trustee during our fiscal year 2014 and, in either case, will not receive additional compensation for her service as a Trustee since she is our executive officer. Compensation information for Messrs. Wirth and Berg, who do not receive additional compensation for their service as Trustees, is included in the Summary Compensation Table above:

| Name             | Fees                                 |  | Total<br>(\$) |
|------------------|--------------------------------------|--|---------------|
|                  | Earned<br>or Paid<br>in Cash<br>(\$) | Stock<br>Awards<br>(\$) <sup>(1)</sup> |               |
| Larry Pelegrin   | \$ -                                 | \$ 10,260                              | \$ 10,260     |
| Steven S. Robson | \$ -                                 | \$ 10,260                              | \$ 10,260     |
| Les Kutasi       | \$ -                                 | \$ 10,260                              | \$ 10,260     |

(1) The dollar amounts shown in the Stock Awards column reflect the aggregate grant date fair value of restricted Shares computed in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718. For a discussion of assumptions we made in valuing restricted Shares, see Note 2, “Summary of Significant Accounting Policies – Stock-Based Compensation,” in the notes to our consolidated financial statements contained in our Annual Reports on Form 10-K for the fiscal years ended January 31, 2014 and 2013.

We compensate our non-employee Trustees for their services through grants of restricted Shares. On February 1, 2013, we issued 6,000 restricted Shares (with the aggregate grant date fair value of \$10,260 per grant) to each Trustee, other than Messrs. Wirth and Berg, as compensation for services rendered during fiscal year 2014. The aggregate grant date fair value of these Shares is shown in the table above. These restricted Shares vested in equal monthly amounts during our fiscal year 2014. As of January 31, 2014, Messrs. Kutasi, Pelegrin and Robson did not hold any unvested Shares. As compensation for our fiscal year 2015, on February 3, 2014, we issued 6,000 additional restricted Shares (with the aggregate grant date fair value of \$9,060 per grant) to each Messrs. Kutasi, Pelegrin and Robson, which Shares will vest in equal monthly amounts during our fiscal year ending on January 31, 2015. On March 24, 2014, Ms. Ketcherside was appointed to our Board of Trustees. As compensation for Ms. Ketcherside’s services during our fiscal year 2015, we issued 5,145 restricted Shares with the aggregate grant date fair value of \$9,570.



We do not pay our Trustees an annual cash retainer, per meeting fees or additional compensation for serving on a Committee or as a Committee Chair.

## **CERTAIN TRANSACTIONS**

### **Management and Licensing Agreements**

Under its management agreements, InnSuites Hotels, our wholly-owned subsidiary, manages the daily operations of the three hotels owned by affiliates of Mr. Wirth, our Chairman of the Board of Trustees, Chief Executive Officer and largest shareholder. These agreements have no expiration date and may be cancelled by either party with 90-days written notice or 30-days written notice in the event the property changes ownership. In fiscal year 2014, InnSuites Hotels received 2.5% of room revenue (aggregate fees of \$189,299) from these hotels in exchange for management services and a monthly accounting fee of \$2,000 per hotel.

In fiscal year 2014, InnSuites Hotels also received aggregate reservation fees of \$49,358 from the hotels owned by Mr. Wirth's affiliates. These fees were based on a set dollar amount per reservation for reservations taken at the InnSuites Hotels reservations center for the hotels owned by Mr. Wirth's affiliates.

### **Restructuring Agreements**

#### *Albuquerque Suite Hospitality Restructuring Agreement – Sale of Ownership Interests*

On July 22, 2010, the Board of Trustees unanimously approved, with Mr. Wirth abstaining, for the Partnership to enter into an agreement with Rare Earth Financial, LLC ("Rare Earth"), an affiliate of Mr. Wirth, to sell units in Albuquerque Suite Hospitality, LLC (the "Albuquerque entity"), which owns and operates the Albuquerque, New Mexico hotel property. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase at least 49% of the membership interests in the Albuquerque entity and the parties agreed to restructure the operating agreement of the Albuquerque entity. A total of 400 units were available for sale for \$10,000 per unit, with a two-unit minimum subscription. On September 24, 2010, the parties revised the Amended and Restated Operating Agreement to name Rare Earth as the administrative member of the Albuquerque entity in charge of the day-to-day management.

On December 9, 2013, the Trust entered into an updated restructuring agreement with Rare Earth to allow for the sale of additional interest units in the Albuquerque entity for \$10,000 per unit. Under the updated restructuring agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 150 (and potentially up to 190 if the over-allotment is exercised) units. As of January 31, 2014 and per the updated restructuring agreement, the Trust agreed to hold at least 50.1% of the outstanding limited partnership units in the Albuquerque entity, on a

post-transaction basis and intends to maintain this minimum ownership percentage through the purchase of units under this offering. The Board of Trustees approved this restructuring on December 9, 2013. The limited partnership interests in the Albuquerque entity are allocated to three classes with differing cumulative discretionary priority distribution rights through December 31, 2015 at which point it is anticipated the hotel will be owned free and clear. Class A units are owned by unrelated third parties and have first priority for distributions. Class B units are owned by the Trust and have second priority for distributions. Class C units are owned by Rare Earth or other affiliates of Mr. Wirth and have the lowest priority for distributions from the Albuquerque entity. Priority distributions of \$700 per unit per year are cumulative until December 31, 2015; however, after December 31, 2015 Class A unit holders continue to hold a preference on distributions over Class B and Class C unit holders.

If certain triggering events related to the Albuquerque entity occur prior to the payment of all accumulated distributions to its members, such accumulated distributions will be paid out of any proceeds of the event before general distribution of the proceeds to the members. In the event that funds generated from a triggering event are insufficient to pay the total amount of all such accumulated distributions owed to the members, all Class A members will participate pro rata in the funds available for distribution to them until paid in full, then Class B, and then Class C. After all investors have received their initial capital plus a 7% per annum simple return, any additional profits will be allocated 50% to Rare Earth, with the remaining 50% allocated proportionately to all unit classes. Rare Earth received a restructuring fee of \$128,000, conditioned upon and arising from the sale of the first 100 units in the Albuquerque entity following the December 31, 2013 restructuring. Assuming all 150 units are sold from the offering discussed above, discretionary priority distributions to all Classes are projected to be approximately \$385,000 annually through December 31, 2015. The Albuquerque entity plans to use its best efforts to pay the discretionary priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the cumulative discretionary priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the Albuquerque, New Mexico property.

At January 31, 2014, the Albuquerque entity had sold 18.5 additional units to unrelated parties at \$10,000 per unit totaling \$185,000 and the Trust purchased a net of 21 additional units at \$10,000 per unit totaling \$210,000 under the updated restructuring agreement. As of January 31, 2014, the Trust holds a 50.85% ownership interest, or 223.50 Class B units, Mr. Wirth and his affiliates hold a 0.11% interest through Rare Earth, or 0.50 Class C units, and other parties hold a 49.03% interest, or 215.50 Class A units. As of January 31, 2014, the Albuquerque entity has discretionary Priority Return payments to unrelated unit holders of approximately \$151,000, to the Trust of approximately \$156,000 and to Rare Earth of approximately \$400 per year payable quarterly for calendar year 2015.

*Tucson Hospitality Properties Restructuring Agreement – Sale of Partnership Interests*

On February 17, 2011, the Partnership entered into a restructuring agreement with Rare Earth to allow for the sale of non-controlling interest units in Tucson Hospitality Properties, LP (the “Tucson entity”), which operates the Tucson Foothills hotel property, which was then wholly-owned by the Partnership. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 250 units, which represents approximately 41% of the outstanding limited partnership units in the Tucson entity, on a post-transaction basis, and the parties agreed to restructure the limited partnership agreement of the Tucson entity. The Board of Trustees approved this restructuring on January 31, 2011.

On October 1, 2013, the Partnership entered into an updated restructured limited partnership agreement with Rare Earth to allow for the sale of additional interest units in the Tucson entity for \$10,000 per unit. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 160 (and potentially up to 200 if the over-allotment is exercised) units. As of October 31, 2013 and per the updated restructuring agreement, the Partnership agreed to hold at least 50.1% of the outstanding limited partnership units in the Tucson entity, on a post-transaction basis and intends to maintain this minimum ownership percentage through the purchase of units under this offering. The Board of Trustees approved this restructuring on September 14, 2013. The limited partnership interests in the Tucson entity are allocated to three classes with differing cumulative discretionary priority distribution rights through June 30, 2016. Class A units are owned by unrelated third parties and have first priority for distributions. Class B units are owned by the Partnership and have second priority for distributions. Class C units are owned by Rare Earth or other affiliates of Mr. Wirth and have the lowest priority for distributions from the Tucson entity. Priority distributions of \$700 per unit per year are cumulative until June 30, 2016; however, after June 30, 2016 Class A unit holders continue to hold a preference on distributions over Class B and Class C unit holders.

On March 1, 2014, the Trust and Partnership entered into an updated restructuring agreement with Rare Earth to allow for the sale of additional interest units in the Ontario entity for \$10,000 per unit. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 235 (and potentially up to 275 if the over-allotment is exercised) units. The Trust and Partnership agreed to hold at least 50.1% of the outstanding limited partnership units in the Ontario entity, on a post-transaction basis and intends to maintain this minimum ownership percentage through the purchase of units under this offering. The Board of Trustees approved this restructuring on March 24, 2014. This Trust’s equity is expected to increase by \$1,151,500 to \$1,347,500 as a result of this offering.

If certain triggering events related to the Tucson entity occur prior to the payment of all accumulated distributions to its members, such accumulated distributions will be paid out of any proceeds of the event before general distribution of the proceeds to the members. In the event that funds generated from a triggering event are insufficient to pay the total amount of all such accumulated distributions owed to the members, all Class A members will participate pro rata in the funds available for distribution to them until paid in full, then Class B, and then Class C. After all investors have received their initial capital plus a 7% per annum simple return, any additional profits will be allocated 50% to Rare Earth, with the remaining 50% allocated proportionately to all unit classes. Rare Earth will receive a restructuring fee of \$128,000, conditioned upon and arising from the sale of the first 100 units in the Tucson entity following the October 1, 2013 restructuring. Assuming all 160 units are sold from the offering discussed above, discretionary priority distributions to all Classes are projected to be approximately \$540,000 annually through June 30, 2016. The

Tucson entity plans to use its best efforts to pay the discretionary priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the cumulative discretionary priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the Tucson, Arizona property.

As of January 31, 2014, the Trust had sold its entire 11 units in the Tucson entity to the Partnership. At January 31, 2014, the Tucson entity had sold 108.50 units to unrelated parties at \$10,000 per unit totaling \$1,085,000 and the Partnership purchased a net of 54 additional units at \$10,000 per unit totaling \$540,000 under the updated restructured limited partnership agreement. As of January 31, 2014, the Trust does not hold any interest in the Tucson entity, the Partnership holds a 51.00% ownership interest, or 395 Class B units, Mr. Wirth and his affiliates hold a 1.55% interest, or 12 Class C units, and other parties hold a 47.45% interest, or 367.50 Class A units. As of January 31, 2014, the Tucson entity has discretionary payments to unrelated unit holders of approximately \$257,000, to the Partnership of approximately \$277,000 and to Rare Earth of approximately \$8,000 per year payable quarterly for calendar years 2015 and 2016.

*Ontario Hospitality Properties Restructuring Agreement – Sale of Partnership Interests*

On February 29, 2012, the Trust and Partnership entered into a restructuring agreement with Rare Earth to allow for the sale of minority interest units in Ontario Hospitality Properties, LP (the “Ontario entity”) for \$10,000 per unit, which operates the Ontario hotel property, which was then wholly-owned by the Partnership. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 250 units, which represents approximately 49% of the outstanding partnership units in the Ontario entity, on a post-transaction basis, and the parties agreed to restructure the limited partnership agreement of the Ontario entity. The Board of Trustees approved this restructuring on February 1, 2012.

Under the restructured limited partnership agreement, Rare Earth became a general partner of the Ontario entity along with the Trust and Partnership. The limited partnership interests in the Ontario entity are allocated to three classes with differing cumulative discretionary priority distribution rights through March 31, 2017. Class A units are owned by unrelated third parties and have first priority for distributions. Class B units are owned by the Trust and Partnership and have second priority for distributions. Class C units are owned by Rare Earth or other affiliates of Mr. Wirth and have the lowest priority for distributions from the Ontario entity. Priority distributions of \$700 per unit per year are cumulative until March 31, 2017; however, after March 31, 2017 Class A unit holders continue to hold a preference on distributions over Class B and Class C unit holders.

If certain triggering events related to the Ontario entity occur prior to the payment of all accumulated distributions to its members, such accumulated distributions will be paid out of any proceeds of the event before general distribution of the proceeds to the members. In the event that funds generated from a triggering event are insufficient to pay the total amount of all such accumulated distributions owed to the members, all Class A members will participate pro rata in the funds available for distribution to them until paid in full, then Class B, and then Class C. After all investors have received their initial capital plus a 7% per annum simple return, any additional profits will be allocated 50% to Rare Earth, with the remaining 50% allocated proportionately to all unit classes. Rare Earth also received a formation fee of \$320,000, conditioned upon and arising from the sale of the first 160 units in the Ontario entity. Priority distributions to all Classes are projected to be approximately \$446,660 for each of the calendar years 2015 through 2017. The Ontario entity is required to use its best efforts to pay the priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the cumulative priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the Ontario, California property.

As of January 31, 2014, the Partnership holds a 61.55% ownership interest, or 392.70 Class B units, in the Ontario entity, the Trust holds a 0.05% ownership interest, 0.30 Class B units, Mr. Wirth and his affiliates hold a 1.57% interest through Rare Earth, or 10 Class C units, and other parties hold a 36.83% interest, or 235 Class A units. As of January 31, 2014 the Ontario entity has discretionary Priority Return payments to unrelated unit holders of approximately \$165,000, to the Trust of approximately \$200, to the Partnership of approximately \$275,000 and to Rare Earth of approximately \$7,000 per year payable quarterly for calendar year 2015, 2016 and 2017.

## **Guarantees**

As of January 31, 2014, the Trust has a revolving bank line of credit agreement, with a credit limit of \$600,000. The line of credit bears interest at the prime rate plus 1.0% per annum with a 6.0% floor, has no financial covenants and matures on June 23, 2014. The line is secured by a junior security interest in the Yuma, Arizona property and the Trust's trade receivables. Mr. Wirth is a guarantor on the line of credit. As of January 31, 2014, the Trust had drawn approximately \$583,000 on this line of credit. The largest outstanding balance on the line of credit during fiscal years 2014 was \$600,000. We are currently in discussions with the bank and anticipate a renewal of this line of credit at least for an additional year. As of April 14, 2014, the outstanding balance on the line of credit is \$600,000. The amount of principal and interest paid during fiscal year 2014 was \$1,710,299 and \$26,408, respectively. The amount of principal and interest paid during fiscal year 2013 was \$1,822,948 and \$26,408, respectively. The amount of

advances on this line of credit during fiscal year 2014 and 2013 was \$1,710,299 and \$1,822,948, respectively.

Mr. Wirth has also guaranteed 100% of our Tucson St. Mary's mortgage note payable of \$5,039,946 as of January 31, 2014. The note is due in variable monthly installments (\$29,776 as of January 31, 2014), including interest at prime rate (3.25% per year as of January 31, 2014), through January 28, 2015, plus a balloon payment of \$4,874,618 in January 2015. The note is secured by our Tucson St. Mary's property with a carrying value of \$7.5 million as of January 31, 2014. As of April 14, 2014, the outstanding balance was \$5,007,157. The amount of principal and interest paid during fiscal year 2014 was \$187,889 and \$169,412, respectively. The amount of principal and interest paid during fiscal year 2013 was \$181,321 and \$175,981, respectively.

On July 23, 2013, Ms. Barnhill, our Vice-Chairman of the Board of Trustees, President and Chief Operating Officer and Mr. Wirth's daughter, personally guaranteed nine corporate purchase cards with an aggregate limit of \$300,000 for the Trust. A total of nine purchase cards were issued – one to each of the five respective Hotels, one to the Trust, and one to each of the three respective hotels owned by Mr. Wirth's affiliates. As of January 31, 2014, the Trust's portion of the corporate purchase cards balance was \$139,000.

### **Compensation Information**

For information regarding compensation of our executive officers, see "Compensation of Trustees and Executive Officers" above.

### **Proposed Acquisition**

On March 24, 2014, we entered into the Purchase Agreement with the Seller, an affiliate of Mr. Wirth, our Chairman of the Board of Trustees, Chief Executive Officer and largest shareholder, to purchase 51% of the partnership interests of Fort Worth/Dallas Partnership operating Hotel Trinity. The completion of the acquisition is subject to customary closing conditions, including the Lender's consent to the acquisition and shareholder approval of Proposal No. 2 at the Annual Meeting. For more information about the acquisition, see Proposal No. 2 in this proxy statement.

**Review, Approval or Ratification of Transactions with Related Parties**

We have established procedures for reviewing transactions between us and our Trustees and executive officers, their immediate family members and entities with which they have a position or relationship. These procedures help us evaluate whether any related person transaction could impair the independence of a Trustee or presents a conflict of interest on the part of a Trustee or executive officer. First, the related party transaction is presented to our executive management, including our Chief Financial Officer. Our Chief Financial Officer then discusses the transaction with our outside counsel or our independent registered public accountants, if appropriate. Lastly, the Audit Committee and the members of the Board of Trustees who do not have an interest in the transaction review the transaction and, if they approve, pass a resolution authorizing the transaction. Our Related Party Transactions Policy is included in the Corporate Governance portion of our website at [www.innsuitestrust.com](http://www.innsuitestrust.com).



**CERTAIN INFORMATION CONCERNING THE TRUST****Ownership of Shares**

The following table shows the persons who were known to us to be beneficial owners of more than five percent of our outstanding Shares of Beneficial Interest, together with the number of Shares of Beneficial Interest owned beneficially by each Trustee, nominee and executive officer, and the Trustees, nominees and executive officers as a group. The percentages in the table are based on 9,068,055 Shares of Beneficial Interest issued and outstanding as of May 16, 2014. Unless otherwise specified, each person has sole voting and investment power of the Shares of Beneficial Interest that he or she beneficially owns.

**Beneficial Ownership of Trustees, Nominees and Executive Officers**

| <b>Trustees, Nominees and Executive Officers</b>           | <b>Shares Beneficially<br/>Owned (1)</b> | <b>Percentage of<br/>Outstanding<br/>Shares</b> |
|--|--|---|
| James F. Wirth (2)   | 5,089,632                                | 56.13%  |
| Pamela J. Barnhill (3)                                     | 271,634                                  | 3.00%   |
| Marc E. Berg   | 60,255                                   | *   |
| Adam B. Remis  | -  | -   |
| Steven S. Robson   | 97,200                                   | 1.07%   |
| Leslie T. Kutasi   | 12,000                                   | *   |
| Larry Pelegrin (4)   | 94,000                                   | 1.04%   |
| Cynthia Ketcherside  | -  | *   |
| Trustees and Executive Officers as a group (eight persons) | 5,624,721                                | 62.85%  |

\*Less than one percent (1.0%).

Pursuant to the SEC's rules, "beneficial ownership" includes Shares that may be acquired within 60 days following (1) May 16, 2014. However, none of the individuals listed in the table had the right to acquire any Shares within the 60-day period.

All Shares are owned jointly by Mr. Wirth and his spouse, except for 1,838,476 Shares that are voted separately by Mr. Wirth and 1,239,078 Shares that are voted separately by Mrs. Wirth. Mr. Wirth has pledged 1,466,153, and Mrs. Wirth has pledged 300,000, of these Shares as security. Mr. Wirth, his spouse and children own directly and (2) indirectly all 3,407,938 issued and outstanding Class B limited partnership units in the Partnership, the conversion of which is restricted and permitted only at the discretion of our Board of Trustees. Mr. Wirth's business address is 1625 E. Northern Avenue, Suite 105, Phoenix, Arizona 85020.

(3) Includes 24,098 Shares held by minor children.

(4) Mr. Pelegrin has shared voting power and shared investment power with respect to all of his Shares.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our Trustees, executive officers and beneficial holders of more than 10% of our Shares of Beneficial Interest to file with the SEC initial reports of ownership and reports of subsequent changes in ownership. The SEC has established specific due dates for these reports, and we are required to disclose in this Proxy Statement any late filings or failures to file.

Based solely on our review of the copies of such forms (and amendments thereto) furnished to us and written representations from reporting persons that no additional reports were required, we believe that all our Trustees, executive officers and holders of more than 10% of the Shares of Beneficial Interest complied with all Section 16(a) filing requirements during the fiscal year ended January 31, 2014, except for Ms. Barnhill's Form 4 filed with the SEC on April 10, 2014 and reporting 12 purchases on behalf of Ms. Barnhill's minor children, which was inadvertently filed untimely.

### **Selection of Independent Auditors**

Our consolidated financial statements as of and for the fiscal years ended January 31, 2014 and 2013 were audited by Semple, Marchal & Cooper, LLP. The Audit Committee has appointed Semple, Marchal & Cooper, LLP to serve as our independent registered public accountants for the fiscal year ending January 31, 2015.

Representatives of Semple, Marchal & Cooper, LLP are expected to be present at the Annual Meeting and, if present, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

*(a) Former Independent Registered Public Accounting Firm*

On February 6, 2013, Moss Adams notified the Trust that it was resigning as the Trust's independent registered public accounting firm effective immediately. The Trust's Board of Trustees has accepted the resignation of Moss Adams.

The reports of Moss Adams on the Trust's financial statements for the fiscal years ended January 31, 2012 and 2011 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. In connection with the audits of the Trust's financial statements for the fiscal years ended January 31, 2012 and 2011, and in the subsequent interim periods through February 6, 2013, there were no disagreements with Moss Adams on any matter of accounting principles or practices, financial statement disclosure or auditing scope and procedure which, if not resolved to the satisfaction of Moss Adams, would have caused Moss Adams to make reference to the matter in its report.

As of January 31, 2012, the Trust reported a material weakness relating to the internal control over information technology as more fully described in Part II, Item 9A of the Trust's Annual Report on Form 10-K for the year ended January 31, 2012. The Audit Committee of the Trust's Board of Directors discussed this subject matter with Moss Adams, and the Trust has authorized Moss Adams to respond fully to the inquiries of the successor accountant concerning this matter.

Except as set forth above, in connection with the audits of the Trust's financial statements for the fiscal years ended January 31, 2012 and 2011, and in the subsequent interim periods through February 6, 2013, there were no "reportable events" as that term is defined in Item 304(a)(i)(v) of Regulation S-K promulgated under the Exchange Act ("Regulation S-K").

The Trust provided Moss Adams with a copy of the foregoing disclosures included in the Trust's Current Report on Form 8-K filed with the SEC on February 12, 2013 (the "Form 8-K") and requested Moss Adams to furnish the Trust with a letter addressed to the SEC stating whether or not it agrees with those disclosures. A copy of the letter furnished pursuant to that request was filed as Exhibit 16.1 to the Form 8-K.

*(b) New Independent Registered Public Accounting Firm*

On February 11, 2013, the Trust appointed Semple, Marchal & Cooper, LLP as the Trust's new independent registered public accounting firm. During the fiscal years ended January 31, 2012 and 2011, and during all subsequent interim periods through February 11, 2013, the Trust did not consult Semple, Marchal & Cooper, LLP regarding the

application of accounting principles to a specified transaction, either completed or proposed, the type of audit opinion that might be rendered on the Trust's financial statements or any matter that was the subject of a "disagreement" with its former accountants or a "reportable event" as those terms are defined in Item 304 of Regulation S-K.

## **Audit Fees & Services**

### ***Audit Fees***

For the fiscal year ended January 31, 2014, we expect to pay Semple, Marchal & Cooper, LLP up to \$100,000 for professional services rendered for the audit of our annual financial statements and up to \$16,000 for the review of our interim financial statements in our Forms 10-Q for fiscal year ended January 31, 2015.

The aggregate fees billed and paid for services rendered by Semple, Marchal & Cooper, LLP for the audit of our fiscal year ended January 31, 2013, the review of our interim financial statements in our Forms 10-Q and services provided in connection with regulatory filings was \$145,000. In April 2013, we paid Moss Adams, our prior independent registered public accounting firm, \$20,000 for its consent to use their fiscal year 2012 audit opinion in our Form 10-K for the fiscal year ended January 31, 2013.

### ***Audit-Related Fees***

The Trust expects to pay Semple, Marchal & Cooper, LLP up to \$40,000 for professional services rendered for the audit of Fort Worth/Dallas Partnership's annual financial statements. No additional fees were billed for audit related services rendered by Moss Adams and Semple, Marchal & Cooper, LLP for the fiscal years ended January 31, 2014 and 2013.

### ***Tax Fees***

The aggregate fees billed for tax compliance, tax advice and tax planning services rendered by Semple, Marchal & Cooper, LLP for the fiscal year ended January 31, 2013 was approximately \$42,000. Semple, Marchal & Cooper, LLP did not provide any tax compliance, tax advice or tax planning services to us during the fiscal year ended January 31, 2014.



*All Other Fees*

Moss Adams and Semple, Marchal & Cooper, LLP did not render other services, and there were no other fees billed by these firms for the fiscal years ended January 31, 2014 and 2013.

Our Audit Committee has considered and determined that the provision of these services is compatible with Semple, Marchal & Cooper, LLP maintaining their independence from us.

**Policy on Pre-Approval of Audit and Permitted Non-Audit Services**

The Audit Committee pre-approves all fees for services performed by our independent auditors, currently Semple, Marchal & Cooper, LLP. Unless a type of service our independent auditors provided received general pre-approval, it will require specific pre-approval by the Audit Committee. Any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Audit Committee. The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. Since May 6, 2003, the effective date of the SEC's rules requiring Audit Committee pre-approval of audit and non-audit services performed by our independent auditors, all of the services provided by our independent auditors were approved in accordance with these policies and procedures.

**PROPOSAL NO. 2 — APPROVAL OF ISSUANCE OF OUR SHARES OF BENEFICIAL INTEREST  
AS CONSIDERATION FOR THE ACQUISITION OF 51% OF THE PARTNERSHIP INTERESTS OF  
FORT WORTH/DALLAS PARTNERSHIP OPERATING HOTEL TRINITY**

**Reason for the Proposal**

We are asking you to consider and approve the issuance of Shares of Beneficial Interest of the Trust as consideration for our acquisition of 51% of the partnership interests of Fort Worth/Dallas Partnership on terms and conditions set forth in the Purchase Agreement. Fort Worth/Dallas Partnership is an Arizona general partnership engaged primarily in the operation of a hotel in the Fort Worth, Texas area, known as Hotel Trinity. We are not required to obtain shareholder approval for the acquisition itself, but are required under the NYSE MKT's listing requirements to obtain your approval for the issuance of our Shares of Beneficial Interest as consideration for this acquisition. Under Section 712(a) of the NYSE MKT Company Guide, we must seek shareholder approval as a prerequisite to listing additional shares to be issued as consideration for an acquisition of the securities or assets of another company when (1) any director, officer or 5% or greater shareholder of the Trust has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the acquisition and (2) the potential issuance of our Shares of Beneficial Interest in connection with the acquisition would result in an increase in our outstanding Shares of Beneficial Interest of 5% or more.

**Overview of the Acquisition**

On March 24, 2014, the Trust entered into the Purchase Agreement with the Seller, an affiliate of Mr. Wirth, our Chairman of the Board of Trustees, Chief Executive Officer and largest shareholder of the Trust, to purchase 51% of the partnership interests of Fort Worth/Dallas Partnership, upon the terms and conditions set forth in the Purchase Agreement. Fort Worth/Dallas Partnership is in the hospitality business and operates a 168-suite hotel in the Fort Worth/Dallas area known as Hotel Trinity. The Purchase Agreement was unanimously approved by independent trustees of the Trust.

As consideration for the purchase of the 51% of the partnership interests of Fort Worth/Dallas Partnership, the Trust agreed to pay to the Seller an aggregate purchase price of 51% of the book value of the Net Assets of Fort Worth/Dallas Partnership as of the January 31, 2014 (the "Purchase Price"). The "Net Assets" means the total book value of the assets of Fort Worth/Dallas Partnership less any outstanding book value of all of Fort Worth/Dallas Partnership's liabilities. The liabilities of \$690,453 include a mortgage of \$492,184 on Hotel Trinity held by the Hotel Trinity Lender. The Trust agreed to pay to the Seller at the Purchase Price the equivalent value of our Shares of Beneficial Interest. The number of our Shares of Beneficial Interest to be issued to the Seller will be determined by dividing the Purchase Price by the average daily closing price of the Shares of Beneficial Interest during the month of January

2014. The Trust expects to issue approximately 530,791 Shares of Beneficial Interests to the Seller for the purchase of the 51% of the partnership interests of Fort Worth/Dallas Partnership.

The parties to the Purchase Agreement made representations, warranties and covenants that are customary for such agreements. The consummation of the acquisition depends upon the satisfaction or waiver of a number of certain customary closing conditions and approvals. In addition, the consummation of the acquisition is subject to obtaining the Hotel Trinity Lender's consent to the acquisition and the approval by the Trust's shareholders of the issuance of our Shares of Beneficial Interest as consideration for the acquisition (this Proposal No. 2), which approval we are seeking at the Annual Meeting.

The foregoing description of the Purchase Agreement is not complete and is qualified in its entirety to the full and complete terms of such agreement, which is attached as Annex A to this proxy statement and is incorporated herein by reference. In addition, in connection with the contemplated acquisition described above, on March 24, 2014, the RRF Limited Partnership Agreement was amended to eliminate the requirement for the Trust to contribute its 51% of the partnership interests of Fort Worth/Dallas Partnership, when and if acquired, to the Partnership in exchange of additional general partner interests in the Partnership. As of March 24, 2014, the Trust was the sole general partners and owned a 72.04% general partner interest in the Partnership.

The acquisition is expected to close in late June 2014. If shareholders do not approve Proposal No. 2, the acquisition will not be consummated, in which case the Trust expects it will be unable to maintain its listing on the NYSE MKT. If delisted from the NYSE MKT, the Trust does not currently intend to seek listing on any other stock exchange and, in either case, would be unlikely to qualify for such listing.

For more information and financial results of the Trust and Fort Worth/Dallas Partnership, please see Annex B and Annex C of this proxy statement.

### **Background of the Acquisition**

On January 8, 2013, the Trust received a letter from the NYSE MKT informing the Trust that the staff of the NYSE MKT's Corporate Compliance Department has determined that the Trust is not in compliance with Section 1003(a)(ii) of the NYSE MKT Company Guide due to the Trust having shareholders' equity of less than \$4.0 million, which is an equity threshold that applies when a company had net losses in three of its four most recent fiscal years.



On January 31, 2013, the Board of Trustees met and discussed the possible listing for sale of our Ontario, California and our Tucson City Centre properties as opportunities to increase our equity and maintain compliance with the NYSE MKT's continued listing standards. A plan was reviewed and discussed in depth by the Board of Trustees. The Board of Trustees decided to list both of these properties with the American Motel Hotel Broker Network, a broker who exclusively deals with buying and selling hotels.

The Trust was afforded the opportunity to submit a plan of compliance to the NYSE MKT and submitted its plan on February 5, 2013. The plan described in specific detail a number of possible solutions to increase our equity, which included strategic options, accounting considerations and capital events. Strategic options included sale of one or more of our hotels since we believe that the fair market value of our properties far exceeds the book value, improving our gross operating profits at each of our hotels and a reverse merger. Potential additional capital events included additional syndications, payoff of first mortgages on our hotel properties as soon as possible, and increasing our equity by purchasing another hotel through issuance of the Trust's equity.

On March 21, 2013, the NYSE MKT notified the Trust that it accepted the Trust's plan of compliance and granted the Trust an extension until April 30, 2014 to regain compliance with the continued listing standards. The Trust has been under periodic review by the NYSE MKT's staff during this extension period.

On May 2, 2013, the Trust received another letter from the NYSE MKT informing the Trust that the Trust is not in compliance with an additional continued listing standard of the NYSE MKT, Section 1003(a)(iii) of the NYSE MKT Company Guide, due to the Trust having shareholders' equity of less than \$6.0 million, which is the highest equity threshold that applies when a company had net losses in five consecutive fiscal years as of January 31, 2013.

On May 14, 2013, the Board of Trustees held an offsite strategic session to discuss, in part, our equity compliance with the NYSE MKT's continued listing standards. At that meeting, the Board of Trustees reviewed our overall operations, IBC Hotels, our current ownership model of part of our hotels owned by third parties and the exchange listing challenges that we are currently facing. The Board of Trustees discussed whether the Trust should remain listed on the NYSE MKT, considered a possibility of our Shares of Beneficial Interest being potentially quoted on the OTC Markets and discussed potentially engaging in a private equity transaction. After careful review and discussion, the Board of Trustees determined that maintaining our Shares of Beneficial Interest listed on the NYSE MKT was in the best interests of the Trust and its shareholders and requested management to implement a plan to regain compliance with the NYSE MKT's shareholders' equity requirements.

On July 25, 2013, both our Audit Committee and our Board of Trustees met in different meetings to discuss our progress towards meeting the NYSE MKT's shareholders' equity requirements. At that time, the Trust planned on completing upcoming syndications of our Tucson and Albuquerque properties, which were expected to increase our equity.

On September 10, 2013, our Chief Financial Officer provided an updated plan for regaining compliance with the NYSE MKT's continued listing requirements to the Board of Trustees, which included forecasted shareholders' equity estimates from July 2013 through April 2014 assuming already planned syndications of our Tucson, Albuquerque and Ontario entities and our estimated financial performance of our hotels. The Trustees discussed the implications of not meeting the NYSE MKT's shareholders' equity requirements. The Trustees reviewed each of our potential solutions in detail and concluded that purchasing 51% of the partnership interests of Fort Worth/Dallas Partnership and issuing the Trust's Shares of Beneficial Interest as acquisition consideration was one of the best financial solutions coupled with completing additional equity syndications in our Tucson, Albuquerque and Ontario entities, which are described below.

On October 1, 2013, the Trust and Partnership entered into an updated restructuring agreement with Rare Earth to allow for the sale of additional interest units in the Tucson entity for \$10,000 per unit. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 160 (and potentially up to 200 if the overallotment is exercised) units. The Trust and Partnership agreed to hold at least 50.1% of the outstanding interest units in the Tucson entity, on a post-transaction basis and intends to maintain this minimum ownership percentage through the purchase of interest units under this offering. The Trust's equity is expected to increase by \$784,000 to \$980,000 as a result of this offering.

On December 9, 2013, the Trust and Partnership entered into an updated restructuring agreement with Rare Earth to allow for the sale of additional interest units in the Albuquerque entity for \$10,000 per unit. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 150 (and potentially up to 190 if the overallotment is exercised) units. The Trust and Partnership agreed to hold at least 50.1% of the outstanding limited partnership units in the Albuquerque entity, on a post-transaction basis and intends to maintain this minimum ownership percentage through the purchase of units under this offering. The Trust's equity is expected to increase by \$1,151,500 to \$1,347,500 as a result of this offering.

On December 10, 2013, both our Audit Committee and our Board of Trustees met in different meetings to discuss our progress towards meeting the NYSE MKT's shareholders' equity requirements. The Audit Committee recommended to our Board of Trustees our Related Party Transactions Policy, which the Board of Trustees adopted that same day during the Board of Trustees meeting. The Related Party Transactions Policy requires the Audit Committee and the independent members of the Board of Trustees to review each new or proposed related party transaction to ensure the terms and conditions are fair to the Trust and are on the same basis as would apply if the transaction did not involve a related party. The policy is included in the Corporate Governance portion of our website at [www.innsuitestrust.com](http://www.innsuitestrust.com).

On December 16, 2013, the Trust requested from the NYSE MKT an extension of the plan period. Based on a review of information provided by the Trust's management, including information regarding the seasonal nature of our business, on January 10, 2014, the NYSE MKT granted the Trust an extension of time to regain compliance with the continued listing standards until July 8, 2014.

On January 31, 2014, both the Audit Committee of the Board of Trustees and the independent members of the Board of Trustees met in separate meetings to discuss the potential purchase of 51% of the partnership interests of Fort Worth/Dallas Partnership by our Trust and other potential ideas to increase the Trust's equity to meet the NYSE MKT's shareholders' equity requirements. During both meetings, the participants concluded that the combination of our 51% purchase of Fort Worth/Dallas Partnership and additional syndication of our Tucson, Albuquerque and Ontario entities was the most cost effective way to meet the NYSE MKT's shareholders' equity requirements.

On February 3, 2014, the Audit Committee of the Board of Trustees met to review and discuss the draft Purchase Agreement and the implications of this purchase to our shareholders. Due to Mr. Wirth's and his family members' interests in the Seller, the Audit Committee of the Board of Trustees concluded that this transaction was a related party transaction, considered such transaction in accordance with our Related Party Transactions Policy, and determined that it was fair to the Trust and its shareholders. The independent Trustees of our Board also met on February 3, 2014. Both the Audit Committee and the independent Trustees of our Board concluded that purchase price of Fort Worth/Dallas Partnership, which is based on the audited book value as of January 31, 2014, is significantly less than the market value of the Hotel Trinity property. The Audit Committee of the Board of Trustees recommended, by unanimous vote, to our Board of Trustees to approve our purchase of 51% of the partnership interests of Fort Worth/Dallas Partnership recognizing that the transaction is with a related party. On February 3, 2014, the independent members of our Board of Trustees voted unanimously to approve this acquisition, subject to the Lender's consent to the acquisition and shareholder approval of the issuance of our Shares of Beneficial Interest as consideration for the acquisition (this Proposal No. 2).

On February 12, 2014, a lender-ordered third-party appraisal was completed on Hotel Trinity. Singleton & Lee Real Estate Appraisers and Consultants determined the fair market value of the property to be \$3,800,000. Completed by a Certified General Real Estate Appraiser, the appraisal report was prepared in conformity to the Uniform Standards of Professional Appraisal Practice (USPAP), as established by the Appraisal Foundation and with the requirements of the Code of Ethics and Standards of Professional Practice of the Appraisal Institute. In completing the appraisal, Singleton & Lee assumed that all information provided by management was deemed reliable and accurate. The market value of Hotel Trinity of \$3,800,000 does not take into account Fort Worth/Dallas Partnership's liabilities of \$690,453, including a mortgage of \$492,184 on Hotel Trinity held by the Hotel Trinity Lender.

On March 1, 2014, the Trust and Partnership entered into an updated restructuring agreement with Rare Earth to allow for the sale of additional interest units in the Ontario entity for \$10,000 per unit. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 235 (and potentially up to 275 if the overallotment is exercised) units. The Trust and Partnership agreed to hold at least 50.1% of the outstanding limited partnership units in the Ontario entity, on a post-transaction basis and intends to maintain this minimum ownership

percentage through the purchase of units under this offering. The Board of Trustees approved this restructuring on March 24, 2014. This Trust's equity is expected to increase by \$1,151,500 to \$1,347,500 as a result of this offering.

On March 24, 2014, both our Audit Committee and our Board of Trustees met to discuss the appraisal and the overall proposed acquisition transaction, determined that the value of the property exceeded our purchase price, and, therefore, believed that transaction was in the best interests of our shareholders, enabling the Trust, together with our Albuquerque, Tucson and Ontario syndications, to increase its shareholders' equity to meet the NYSE MKT's requirements. The independent Trustees of the Board also met to discuss the transaction and reached the same determination.

On March 24, 2014, the Trust entered into the Purchase Agreement with the Seller, an affiliate of Mr. Wirth, our Chairman of the Board of Trustees, Chief Executive Officer and largest shareholder, to purchase 51% of the partnership interests of Fort Worth/Dallas Partnership, upon the terms and conditions set forth in the Purchase Agreement. The Purchase Agreement was unanimously approved by our Audit Committee and by our independent Trustees. In addition, the RRF Limited Partnership Agreement was amended to facilitate this acquisition by eliminating the requirement for the Trust to contribute its 51% of the partnership interests of Fort Worth/Dallas Partnership, when and if acquired, to the Partnership in exchange of additional general partner interests in the Partnership. In this proxy statement, we are seeking shareholder approval for the issuance of our Shares of Beneficial Interest in connection with this acquisition.

## **Reasons for the Acquisition and Recommendations of Our Board of Trustees**

As explained above, on January 8, 2013, the Trust received a letter from the NYSE MKT informing the Trust that the staff of the NYSE MKT's Corporate Compliance Department has determined that the Trust is not in compliance with Section 1003(a)(ii) of the NYSE MKT Company Guide due to the Trust having stockholders' equity of less than \$4.0 million, which is an equity threshold that applies when a company had net losses in three of its four most recent fiscal years. On May 2, 2013, the Trust received another letter from the NYSE MKT informing the Trust that the Trust is not in compliance with an additional continued listing standard of the NYSE MKT, Section 1003(a)(iii) of the NYSE MKT Company Guide, due to the Trust having stockholders' equity of less than \$6.0 million, which is the highest equity threshold that applies when a company had net losses in five consecutive fiscal years as of January 31, 2013. The Trust submitted a plan to the NYSE MKT setting forth how it intended to regain compliance with the NYSE MKT's continued listing standards.

On September 10, 2013, our Chief Financial Officer provided an updated plan for regaining compliance with the NYSE MKT's continued listing requirements to the Board of Trustees, which included forecasted shareholders' equity estimates from July 2013 through April 2014 assuming already planned syndications of our Tucson and Albuquerque properties and our estimated financial performance of our hotels. The Trustees discussed the implications of not meeting the NYSE MKT's shareholders' equity requirements. The Trustees reviewed each of our potential solutions in detail and concluded that purchasing 51% of the partnership interests of Fort Worth/Dallas Partnership and issuing the Trust's Shares of Beneficial Interest as acquisition consideration was one of the best financial solutions coupled with completing additional equity syndications.

The Audit Committee and the Board believe, together with additional Albuquerque, Tucson and Ontario equity syndications planned by the Trust, the acquisition, if completed, will increase our equity enabling us to regain compliance with Section 1003(a)(iii) of the NYSE MKT Company Guide, which requires the Trust to have shareholders' equity of at least \$6.0 million, the highest equity threshold required by the NYSE MKT, because the Trust had net losses in five consecutive fiscal years as of January 31, 2013.

If we fail to comply with the NYSE MKT's shareholders' equity requirements by July 8, 2014, the Trust will likely be delisted by the NYSE MKT, and, as a result, our Shares of Beneficial Interest could potentially lose significant value.

In evaluating the acquisition and arriving at their determinations, both the Audit Committee of the Board of Trustees and our Board of Trustees consulted with management and legal advisors, reviewed an appraisal of Hotel Trinity, and gave significant consideration to a number of factors bearing on their decision. In assessing the acquisition and reaching its determinations, the Board of Trustees considered the following material factors and risks:

If the acquisition is not completed, we will most likely not be able to maintain sufficient shareholders' equity to regain compliance with the NYSE MKT's continued listing standards and to maintain our listing on the NYSE MKT.

If we fail to comply with Section 1003(a)(iii) of the NYSE MKT Company Guide, requiring that we have at least \$6 million in shareholders' equity, by July 8, 2014, the Trust will likely be delisted from the NYSE MKT and the overall market value of the Trust could significantly decrease, thereby reducing the market value of your Shares of Beneficial Interest.

The potential benefits sought in the acquisition might not be fully realized, including the potential impact on the Trust's shareholders' equity.

Even if the acquisition is completed, we may be unable to regain compliance with the NYSE MKT's shareholders' equity requirements if our planned equity syndication of our Albuquerque, Tucson and Ontario entities are not successful or are less successful than expected.

Even if the acquisition is completed, it may not be a long-term solution to our NYSE MKT's shareholders' equity issues if Fort Worth/Dallas Partnership continues to be unprofitable.

If we are unable to integrate the combined operations into a cohesive operating unit in a timely manner, or if Fort Worth/Dallas Partnership has net losses in future years, the anticipated benefits of the acquisition may not be realized in a timely fashion, or at all, the anticipated benefits may not last as long as expected, and our existing business may be adversely affected.

*Appraised Value of Property.* Based on accounting rules, the Trust is purchasing 51% of Fort Worth/Dallas Partnership from the Seller at Net Book value, not the appraisal value of the property. A recent third-part appraisal of the property is included in Annex E. The appraisal value of Hotel Trinity was \$3,800,000, which exceeds the Net Book value of \$1,662,728. The appraisal value of Hotel Trinity does not take into account Fort Worth/Dallas Partnership's liabilities of \$690,453, including a mortgage of \$492,184 held by the Hotel Trinity Lender. There is no assurance, however, that the property has not and/or will not decrease in value. Cash flow assumptions used in the appraisal indicate estimates for net operating income. Actual results will vary.

The ownership of our existing shareholders will be diluted by the issuance of additional Shares of Beneficial Interest in connection with the acquisition.

Our ability to pay future cash dividends to our shareholders, if any, and their amounts, will be dependent in part to our overall market value, which may be impacted by issuance of additional Shares of Beneficial Interest as consideration for the acquisition. The market value of the Trust is also likely to decrease significantly if the Trust is delisted from the NYSE MKT as we are unlikely to be able to list on another stock exchange.

Our Shares of Beneficial Interest to be issued to the Seller will be entitled to receive any dividends that we declare on our Shares of Beneficial Interest.

The acquisition will further increase the influence of Mr. Wirth and his family members over the Trust as we will issue additional Shares of Beneficial Interest as acquisition consideration to the Seller, Mr. Wirth's affiliate.

Due to Mr. Wirth's and his family members' interests in the Seller, Mr. Wirth and his family members have interests in this acquisition that are in addition to the interests of our other shareholders, which may influence them to support the acquisition.

Although concentration of share ownership by Mr. Wirth, our Chairman of the Board of Trustees, Chief Executive Officer and largest shareholder, may prevent other shareholders from influencing significant corporate decisions, Mr. Wirth already owns 56.13% of our outstanding Shares of Beneficial Interest and exercises substantial influence over significant corporate decisions.

The market price of our Shares of Beneficial Interest may be negatively impacted, and there may be a potential dilutive effect on the price, if revenue expectations of Fort Worth/Dallas Partnership are not met or if the net losses incurred by Fort Worth/Dallas Partnership are greater than expected.

The market price and trading volume of our Shares of Beneficial Interest may fluctuate significantly between the measurement date of the Purchase Agreement and the completion of the acquisition. These variations may be caused by, among other factors, responses to the risks described in this proxy statement, market expectations of the likelihood that the acquisition will be completed and its timing, and the market's perception of the merits of the acquisition or the prospects for the combined company's post-acquisition operations.

Fort Worth/Dallas Partnership has not previously had to evaluate and publicly report on its internal control over financial reporting. If our management identifies any material weakness in Fort Worth/Dallas Partnership's internal controls that are not remedied, we will be unable to assert that our internal controls are effective. Any failure to have effective internal control over financial reporting or disclosure controls and procedures covering the combined business post-acquisition could cause investors to lose confidence in the accuracy and completeness of our financial reports or otherwise result in a material adverse effect on our business or decline in the market price of our Shares of Beneficial Interest post-acquisition.

The acquisition will result in significant costs to us, whether or not it is completed, which could result in a reduction in our income and cash flows. We will be required to pay our costs related to the acquisition even if the acquisition is not completed, such as amounts payable to legal advisors, third-party appraisers and independent accountants, and such costs will be significant.

In addition, the Audit Committee and the Board considered that we and Fort Worth/Dallas Partnership are subject to various risks associated with our respective businesses and operational risks common in the hospitality industry, which include the following:

Our ability to timely meet financial obligations, including present and future debt obligations, all refinance due dates and extension of our line of credit;

Changes in occupancy and room rates achieved by our hotels and by competitive area hotels;

Desirability of a hotel's geographic location and changes in traffic patterns;

Changes in general and local economic and market conditions, which can adversely affect the level of business and leisure travel, and therefore the demand for lodging and related services;

Changes in the number of hotels operating under specific franchised brands;

Increases in costs due to inflation may not be able to be totally offset by increases in room rates;

Over-building in our sectors of the hotel industry and/or in our geographic region, which could lead to excess supply compared to demand, and to decreases in hotel occupancy and/or room rates;



Changes in travel patterns and travel costs affected by fuel prices;

Changes in governmental regulations that influence or determine wages, prices travel costs or construction costs;

Other unpredictable external factors, such as natural disasters, war, terrorist attacks, epidemics, airline strikes, transportation and fuel price increases and severe weather, which may reduce business and leisure travel;

The need to periodically repair and renovate our hotels at a cost at or in excess of our standard 4% reserve;

Increases in the cost of labor, energy, healthcare, insurance and other operating expenses resulting in lower operating margins;

Our ability to retain key personnel;

The financial condition of franchisors, brand membership companies and travel related companies; and

Our ability to develop and maintain positive relations with current “Best Western Plus” or “Best Western” and potential future franchisors or brand membership companies.

The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations and negatively affect us.

#### *Appraisal of Hotel Trinity*

On February 12, 2014, a lender-ordered third-party appraisal was completed on Hotel Trinity. Singleton & Lee Real Estate Appraisers and Consultants determined the fair market value of the property was \$3,800,000. Completed by a Certified General Real Estate Appraiser, the appraisal report was prepared in conformity to the Uniform Standards of Professional Appraisal Practice (USPAP), as established by the Appraisal Foundation and with the requirements of the Code of Ethics and Standards of Professional Practice of the Appraisal Institute. In completing the appraisal, Singleton & Lee assumed that all information provided by Management was deemed reliable and accurate. The fair market value of the property does not take into account Fort Worth/Dallas Partnership’s liabilities of \$690,453, including a mortgage of \$492,184 on Hotel Trinity held by the Hotel Trinity Lender.

The appraiser assumed that that all information that management provided was complete, accurate and correct. The valuation conclusions contained in the appraisers’ report assumed that the property is immediately available for sale and that a detailed professional marketing package would be prepared and distribute regionally and nationally. In addition, the appraiser assumed the property was free and clear of any encumbrances and ground leases. The appraiser inspected a total of nine guest suites representing the hotel’s different room types.

### *Our Board of Trustees*

The independent members of our Board of Trustees believe that the Purchase Agreement and the acquisition contemplated by the Purchase Agreement, including the issuance of our Shares of Beneficial Interest to the Seller, an affiliate of Mr. Wirth, as the consideration, is fair to and in the best interests of the Trust and its shareholders. In reaching these conclusions, our Board considered the unanimous recommendation of the Audit Committee of the Board of Trustees and the factors described above.

We do not intend this discussion of the information and factors considered our Board of Trustees to be exhaustive, although this discussion does include all material factors considered by the Audit Committee of the Board of Trustees and the independent members of our Board of Trustees. In reaching their determination to approve the acquisition, the Audit Committee of the Board of Trustees and the independent members of our Board of Trustees did not assign any relative or specific weights to the factors considered, and individual Trustees might have weighted factors differently. In addition, there can be no assurance that the potential synergies, opportunities or other benefits considered by either the Audit Committee of the Board of Trustees and/or the independent members of our Board of Trustees will be achieved by the completion of the acquisition of Fort Worth/Dallas Partnership.

### **Management Following the Acquisition**

We presently have no plans to change the composition of our Board of Trustees or to change any of our executive officers as a result of the acquisition.

### **Effect on Our Existing Shareholders**

The issuance of the Shares of Beneficial Interest underlying the payment of the consideration amount will result in a dilution in the ownership percentage of Shares of Beneficial Interest held by our current shareholders. As of the record date for this Annual Meeting, there were 9,068,055 Shares of Beneficial Interest issued and outstanding. Based on our outstanding Shares as of the record date and based on the issuance of the number of shares as the acquisition consideration to be delivered at closing, following the acquisition, Mr. Wirth and his family members will own approximately 68.69%, and our pre-transaction shareholders will own approximately 31.31%, of our outstanding Shares of Beneficial Interest.

The Seller is an “accredited investor” as that term is defined in Regulation D under the Securities Act. The Seller is acquiring the Shares of Beneficial Interest under the Purchase Agreement solely for the Seller’s respective account and for investment and not with a view toward the distribution thereof. The Shares of Beneficial Interest issued to the

Seller under the Purchase Agreement will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws.

For information regarding Mr. Wirth's stock ownership in our Trust, please see the section titled "Interests of Certain Persons in Matter to be Acted Upon below."

### **Interests of Certain Persons in Matter to be Acted Upon**

Mr. Wirth, our Chairman of the Board of Trustees, Chief Executive Officer and largest shareholder, is a managing member of the Seller and with his family members, including Ms. Barnhill, our Vice-Chairman of the Board, President and Chief Operating Officer, owns 100% of the Seller. If the acquisition is completed, Mr. Wirth and his family members will receive approximately 530,791 additional Shares of Beneficial Interest of the Trust on the closing date. Mr. Wirth will be deemed to be the beneficial owner of all of these Shares as a result of his ownership interest in the Seller.

Mr. Wirth's share ownership in the Trust will increase from approximately 56.13% currently to approximately 58.55% after completion of the acquisition. As our largest shareholder, Chief Executive Officer and Chairman of the Board, Mr. Wirth will continue to have significant influence over matters requiring approval of our shareholders, including the election and removal of Trustees, and over the outcome of corporate actions, including a change in control of the Trust, a business combination involving the Trust, the incurrence of indebtedness, the issuance of equity securities and the payment of dividends.

### **No Appraisal or Dissenters' or Preemptive Rights for Our Shareholders**

Under Ohio law, holders of our Shares of Beneficial Interest are not entitled to dissenters' or appraisal rights in connection with the acquisition. Neither Ohio law nor our Declaration of Trust provide preemptive rights to our shareholders with respect to the Shares of Beneficial Interest that we will issue to the Seller in the acquisition.

### **Approvals**

The acquisition is subject to the filing of this proxy statement with the SEC, shareholder approval of Proposal No. 2 and the Hotel Trinity Lender's consent to the acquisition. In addition, the Trust may seek approval of the NYSE MKT for the listing of additional Shares of Beneficial Interest to be issued as acquisition consideration on the NYSE MKT.

**Status of Shares Issued in the Acquisition**

Our Shares of Beneficial Interest issued to the Seller as consideration for the acquisition of 51% of the partnership interests of Fort Worth/Dallas Partnership will not be registered under the Securities Act in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act for the issuance of shares not involving a public offering. Accordingly, SEC rules provide that the shares may not be resold in the public market for at least six months after the acquisition. Thereafter, any sales of those shares in the public market by a shareholder who is a director, executive officer or controlling shareholder of the Trust will be subject to public availability of certain financial and other information about us, and the volume and manner of sale limitations set forth in SEC Rule 144.

**Estimated Fees and Expenses of the Acquisition**

Whether or not the acquisition is completed, generally, each party to the Purchase Agreement will pay its own costs and expenses. If either party elects to not complete the acquisition as outlined in the Purchase Agreement and described in “Material Terms of the Purchase Agreement — Termination of the Purchase Agreement,” that party will not be required to pay any termination fees.

The additional estimated total fees and expenses to be incurred by us and Fort Worth/Dallas Partnership in connection with the acquisition are approximately as follows (all of which amounts are based on estimates available to us or Fort Worth/Dallas Partnership, as the case may be, as of the date of this proxy statement and remain subject to change):

| <b>Description</b>                     | <b>Trust</b> | <b>Hotel<br/>Trinity</b> |
|--|--------------|--------------------------|
| Legal Fees and Expenses                | 85,000       | -                        |
| Audit and Accounting Fees and Expenses | -            | 40,000                   |
| Printing and Mailing Costs             | 5,000        | -                        |
| Total:                                 | 90,000       | 40,000                   |

The Trust has agreed to reimburse Fort Worth/Dallas Partnership for any audit and accounting fees relating to this acquisition as Fort Worth/Dallas Partnership would not have otherwise needed to audit its financial statements.

**Required Vote**

The approval of Proposal No. 2 requires the affirmative vote of the holders of a majority of the Shares of Beneficial Interest cast at the Annual Meeting.

If our shareholders do not approve Proposal No. 2, we will not be able to complete the acquisition on the terms currently contemplated by the Purchase Agreement.

## **Recommendation of Our Board of Trustees**

The Audit Committee and independent members of our Board of Trustees unanimously approved the Purchase Agreement and the acquisition pursuant to the terms of the Purchase Agreement, including the issuance of our Shares of Beneficial Interest to the Seller, an affiliate of Mr. Wirth, as the consideration, and believe that the acquisition pursuant to the terms of the Purchase Agreement is in our and our shareholders' best interests. For a description of the factors considered by the Audit Committee and our Board in making their determination with respect to the acquisition, please see the section titled "Reasons for the Acquisition and Recommendations of Our Board of Trustees" above.

**Our Board of Trustees recommends that you vote "FOR" the proposal to approve the issuance of our Shares of Beneficial Interest as consideration for our acquisition of 51% of the partnership interests of Fort Worth/Dallas Partnership.**

## **MATERIAL TERMS OF THE PURCHASE AGREEMENT**

The following is a brief summary of the material terms of the Purchase Agreement. This summary is not complete and is qualified in its entirety by reference to the full text of the Purchase Agreement, which is attached to this proxy statement as Annex A. We urge you to read the Purchase Agreement carefully.

### **General**

On March 24, 2014, the Trust entered into the Purchase Agreement with the Seller, an affiliate of Mr. Wirth, our Chairman of the Board of Trustees, Chief Executive Officer and largest shareholder, to purchase 51% of the partnership interests of Fort Worth/Dallas Partnership, upon the terms and conditions set forth in the Purchase Agreement. Fort Worth/Dallas Partnership is in the hospitality business and operates a 168-suite hotel in the Fort Worth/Dallas area known as Hotel Trinity. The Purchase Agreement was unanimously approved by our independent Trustees.

If at the Annual Meeting shareholders approve Proposal No. 2 included in this proxy statement, the acquisition is expected to close in late June 2014.





## Consideration

As consideration for the purchase of the 51% of the partnership interests of Fort Worth/Dallas Partnership, we will pay to the Seller an aggregate purchase price of 51% of the book value of the Net Assets of Fort Worth/Dallas Partnership as of the January 31, 2014 (the "Purchase Price"). The "Net Assets" means the total book value of the assets of Fort Worth/Dallas Partnership less any outstanding book value of all of Fort Worth/Dallas Partnership's liabilities. The liabilities of \$690,453 include a mortgage of \$492,184 on Hotel Trinity held by the Hotel Trinity Lender. We will pay to the Seller at the Purchase Price the equivalent value of the Shares of Beneficial Interest of the Trust. The number of Shares to be issued will be determined by dividing the Purchase Price by the average daily closing price of the Shares of Beneficial Interest during the month of January 2014 (that is, \$1.5976 per Share). We expect to issue approximately 530,791 Shares of Beneficial Interest to the Seller for the purchase of the 51% of the partnership interests of Fort Worth/Dallas Partnership.

## Representations and Warranties

The Purchase Agreement contains customary representations and warranties by us and the Seller regarding Fort Worth/Dallas Partnership, relating to, among other things, corporate organization and similar corporate matters, capitalization and authority to enter into the Purchase Agreement and the transactions contemplated by the Purchase Agreement. We also provided representations and warranties regarding our Shares of Beneficial Interest. In addition, the Purchase Agreement includes representations and warranties to us by the Seller as to:

- material changes or events affecting Fort Worth/Dallas Partnership;
- disputes with any significant customers or vendors of Fort Worth/Dallas Partnership;
- title to, claims regarding, and maintenance of business assets of Fort Worth/Dallas Partnership, including its real property;
- whether the acquisition or the Purchase Agreement will result in any conflict with or violation of any organizational documents or material agreements of Fort Worth/Dallas Partnership and the Seller;
- litigation matters regarding Fort Worth/Dallas Partnership, including environmental claims;
- required consents and approvals for entering into the Purchase Agreement and consummating the acquisition;
- broker or finder's fees payable by Fort Worth/Dallas Partnership in connection with the acquisition; and
- compliance with securities laws by the Seller in connection with the acquisition consideration.

The representations and warranties are, in many respects, qualified by materiality and were made only for the purposes of the Purchase Agreement and as of specific dates but their accuracy forms the basis of one of the conditions to our obligation to complete the acquisition. Any claim for a breach of the representations and warranties related to the organization of Fort Worth/Dallas Partnership, the capitalization of Fort Worth/Dallas Partnership, the enforceability and authority of Fort Worth/Dallas Partnership and the Seller to consummate the acquisition, the consents and approvals, and no conflicts and defaults will survive indefinitely. The remainder of the Seller's representations and warranties survive the acquisition for a twelve-month period following the closing date.

### **Conduct of the Business Pending the Consummation of the Acquisition**

The Purchase Agreement contains covenants and agreements that govern the actions of Fort Worth/Dallas Partnership and the Seller until the acquisition is consummated or the Purchase Agreement is terminated. These covenants and agreements provide that, unless otherwise agreed by the parties, Fort Worth/Dallas Partnership will conduct its business in the ordinary course of business consistent with past practices.

Pursuant to the terms of the Purchase Agreement, Fort Worth/Dallas Partnership, in effect, will operate its business in substantially the same manner as it operated its business prior to the signing of the Purchase Agreement, including, without limitation, by undertaking normal efforts to collect accounts receivable and pay accounts payable and other obligations of Fort Worth/Dallas Partnership and to maintain its real property in the ordinary course of business consistent with past practices.

### **Closing Date and Effective Time**

The closing of the acquisition will take place as soon as practicable but no later than five business days after shareholder and approval of Proposal No. 2 and the NYSE MKT's approval is obtained (the "Closing Date"), unless the parties otherwise agree. The acquisition is also subject to obtaining the Hotel Trinity Lender's consent to the acquisition. The closing will be effective as of the Closing Date and only after the satisfaction of the conditions of closing set forth in the Purchase Agreement.

### **Termination of the Purchase Agreement**

At any time before the closing of the acquisition, we, on the one hand, and the Seller, on the other hand, may terminate the Purchase Agreement without completing the acquisition by mutual consent in writing. Each of us also can, unilaterally, terminate the Purchase Agreement under various circumstances. In addition, if the acquisition is not closed by July 31, 2014, then, subject to certain conditions set forth in the Purchase Agreement, either we or the Seller may withdraw from the Purchase Agreement with a 30-day advance written notification to the other party.

### **Expenses**

Each party will pay its own costs and expenses incurred in connection with the Purchase Agreement regardless of whether the acquisition is consummated.

**COMPARATIVE HISTORICAL AND UNAUDITED PRO FORMA****COMBINED PER SHARE DATA**

The information below reflects the historical net income per Share of our Shares of Beneficial Interest and the unaudited pro forma net income per Share of the Trust after giving effect to the acquisition of 51% of the partnership interests of Fort Worth/Dallas Partnership.

You should read the tables below in conjunction with:

• Our historical audited financial statements of the Trust, and the related notes, in the accompanying Form 10-K for the year ended January 31, 2014, attached to this proxy statement as Annex B;

• The historical financial statements of Fort Worth/Dallas Partnership and the related notes, attached to this proxy statement as Annex C; and

• The unaudited pro forma condensed consolidated financial information attached to this proxy statement as Annex D.

|   | <b>Historical Pro Forma<br/>Twelve Months<br/>Ended<br/>January 31, 2014</b> |  | <b>Combined<br/>Twelve<br/>Months<br/>Ended<br/>January<br/>31, 2014</b> |
|---|--|--|--|
|   | <b>InnSuites<br/>Hospitality<br/>Trust</b>                                   | <b>Fort<br/>Worth/Dallas<br/>Suite<br/>Hospitality<br/>Partnership</b> | <b>Combined</b>  |
| <b>Basic net loss per share<sup>(1)</sup></b>                                     | <b>\$(0.12 )</b>   | <b>\$ -</b>  | <b>\$(0.13 )</b>   |
| <b>Diluted net loss per share</b>   | <b>\$(0.12 )</b>   | <b>\$ -</b>  | <b>\$(0.13 )</b>   |
| <b>Shares used in the computation of basic net loss per share<sup>(2)</sup></b>   | <b>8,368,416</b>   | <b>-</b>   | <b>8,899,207</b>   |
| <b>Shares used in the computation of diluted net loss per share<sup>(2)</sup></b> | <b>8,368,416</b>   | <b>-</b>   | <b>8,899,207</b>   |

- (1) Net loss per share – basic is computed by dividing consolidated net loss by the weighted average number of Class A Units available for beneficial interest during the period.

- (2) Pro forma combined net loss per share reflects a pro forma adjustment that are set forth in the footnotes to the Unaudited Pro Forma Condensed Consolidated Statements of Income in Annex D. This adjustment, in total, increases the consolidated pro forma net loss by \$52,892 basic and diluted net loss per share, for the fiscal year ended January 31, 2014.

## **OTHER MATTERS**

The Trustees know of no matters to be presented for action at the Annual Meeting other than those described in this proxy statement. Should other matters properly come before the Annual Meeting, the Shares of Beneficial Interest represented by proxies solicited hereby will be voted with respect thereto in accordance with the best judgment of the proxy holders.

## **OTHER INFORMATION**

### **Shareholder Proposals**

If a shareholder intends to present a proposal at the 2015 Annual Meeting of Shareholders, it must be received by us for consideration for inclusion in our proxy statement and form of proxy relating to that meeting on or before January 20, 2015 unless the date of the next year's annual meeting changes by more than 30 days from the date of this year's meeting, in which case the deadline for submission of shareholder proposals will be a reasonable time before we begin to print and send proxy materials. A shareholder who wishes to present a proposal at the 2015 Annual Meeting, but does not wish to have that proposal included in our proxy statement and form of proxy relating to that meeting, must notify us of the proposal before April 5, 2014 unless the date of the next year's annual meeting changes by more than 30 days from the date of this year's meeting, in which case we must receive a notice of the proposal a reasonable time before we send proxy materials. Shareholders should submit their proposals to InnSuites Hospitality Trust, 1625 E. Northern Avenue, Suite 105, Phoenix, Arizona 85020, Attention: Secretary. If notice of the proposal is not received by us by the date specified herein, then the proposal will be deemed untimely and we will have the right to exercise discretionary voting authority and vote proxies returned to us with respect to that proposal.

By order of the Board of Trustees

/s/ MARC E. BERG

May 20, 2014 Secretary

**Annex A**

**Partnership Interests Purchase Agreement,**

**dated as of March 24, 2014**

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A-2

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**Suite 105, Phoenix, Arizona**

(Address of Principal Executive Offices)

(ZIP Code)

Registrant's Telephone Number, including area code: **(602) 944-1500**

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

| <b>Title of Each Class</b> | <b>Name of Exchange on Which Registered</b> |
|----------------------------|---|
|----------------------------|---|

|                                |  |
|--------------------------------|--|
| Shares of Beneficial Interest, |  |
|--------------------------------|--|

|  |          |
|--|----------|
|  | NYSE MKT |
|--|----------|

|                   |  |
|-------------------|--|
| without par value |  |
|-------------------|--|

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer      Accelerated Filer      Non-Accelerated Filer      Smaller reporting company

(Do not check if a smaller reporting company)

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

Aggregate market value of Shares of Beneficial Interest held by non-affiliates of the registrant as of July 31, 2013, based upon the closing sales price of the registrant's Shares of Beneficial Interest on that date, as reported on the NYSE MKT: \$5,366,115.

Number of Shares of Beneficial Interest outstanding as of April 18, 2014: 9,068,055.

Documents incorporated by reference: Portions of the following documents are incorporated by reference: Proxy Statement for 2014 Annual Meeting of Shareholders (portions of which are incorporated by reference into Part III hereof).

## PART I

### Item 1. BUSINESS

#### INTRODUCTION TO OUR BUSINESS

InnSuites Hospitality Trust (the “Trust”) is headquartered in Phoenix, Arizona and is an unincorporated Ohio real estate investment trust formed June 21, 1979; however, the Trust is not a real estate investment trust for federal taxation purposes. The Trust, with its affiliates RRF Limited Partnership, a Delaware limited partnership (the “Partnership”), and InnSuites Hotels, Inc., a Nevada corporation (“InnSuites Hotels”), owns and operates five hotels, provides management services for eight hotels, and provides trademark license services for nine hotels. On January 31, 2014, the Trust owned a 72.04% sole general partner interest in the Partnership, which wholly-owned one InnSuites® hotel located in Tucson, Arizona, controlled a 51.00% interest in another InnSuites® hotel located in Tucson, Arizona and together with the Trust controlled a 61.60% interest in one InnSuites® hotel located in Ontario, California. The Trust also owned a direct 99.9% interest in one InnSuites® hotel located in Yuma, Arizona and owned a direct 50.85% interest in one InnSuites® hotel located in Albuquerque, New Mexico (all five InnSuites® hotels are hereinafter referred to as the “Hotels”). InnSuites Hotels, a wholly-owned subsidiary of the Trust, provides management services for the Hotels and three hotels owned by affiliates of James F. Wirth, the Trust’s Chairman and Chief Executive Officer. InnSuites Hotels also provides trademark and licensing services to the Hotels, three hotels owned by affiliates of Mr. Wirth and one unrelated hotel property. In addition, InnSuites Hotels provides reservations services for 3,100 unrelated hotel properties. The Trust has approximately 300 employees.

The Hotels have an aggregate of 843 hotel suites and operate as moderate and full-service hotels that apply a value studio and two-room suite operating philosophy formulated in 1980 by Mr. Wirth. The Trust owns and operates hotels as studio and two-room suite hotels that offer services such as free hot breakfast buffets and complimentary afternoon social hours plus amenities, such as microwave ovens, refrigerators, free high-speed hard wired and wireless internet access and coffee makers in each studio or two-room suite.

On March 24, 2014, the Trust entered into a Partnership Interests Purchase Agreement (the “Purchase Agreement”) with Suite Hotels, LLC (the “Seller”), an affiliate of James F. Wirth, Chairman and Chief Executive Officer of the Trust, to purchase 51% of the partnership interests of Fort Worth/Dallas Suite Hospitality Partnership, an Arizona general partnership (the “Company”), upon the terms and conditions set forth in the Purchase Agreement. The Company is in the hospitality business and owns and operates a 168-suite hotel in the Fort Worth/Dallas area known as Hotel Trinity. The Purchase Agreement was unanimously approved by independent trustees of the Trust.



As consideration for the purchase of 51% of the partnership interests of the Company, the Trust agreed to pay to the Seller an aggregate purchase price of 51% of the book value of the Net Assets of the Company as of January 31, 2014 (the "Purchase Price"). The "Net Assets" means the total book value of the assets of the Company less any outstanding book value of all of the Company's liabilities. The Company's "Net Assets" were approximately \$1,700,000 as of January 31, 2014. The Trust agreed to pay to the Seller at the Purchase Price the equivalent value of the Trusts' shares of beneficial interest, no par value per share ("Stock"). The number of the Trust's shares of Stock to be issued to the Seller will be determined by dividing the Purchase Price by the average daily closing price of the Stock during the month of January 2014. The Trust expects to issue approximately 530,791 shares of Stock to the Seller for the purchase of the 51% partnership interests of the Company.

The consummation of the transaction depends upon the satisfaction or waiver of a number of certain customary closing conditions and approvals. In addition, the consummation of the transaction is subject to the approval of the Trust's shareholders.

The transaction is expected to close in June 2014 but there can be no assurances that the transaction will be completed on the proposed terms or at all. The Trust expects to hold its annual meeting of shareholders in June 2014 where the Trust's shareholders will vote on the issuance of shares of Stock as consideration for the transaction.

The Trust believes that a significant opportunity for revenue growth and profitability will arise from the skillful management of the Trust's Hotels or managed hotel properties for both increased occupancy and rates. The Trust's primary business objective is to maximize returns to its shareholders through increases in asset value and long-term total returns to shareholders. The Trust seeks to achieve this objective through participation in increased revenues from the Hotels as a result of intensive management and marketing of the InnSuites® hotels and the "InnSuites Boutique Hotel Collection" brands in the southwestern region of the United States. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Future Positioning" for a more detailed discussion of the Trust's strategic objectives.

The Trust has a single class of Shares of Beneficial Interest, without par value, that are traded on the NYSE MKT under the symbol “IHT.” The Partnership has two outstanding classes of limited partnership interests, Class A and Class B, which are identical in all respects. However, each Class A Partnership unit is convertible, at the option of the Class A holder, into one newly-issued Share of Beneficial Interest of the Trust and each Class B Partnership unit is convertible, upon approval of the Board of Trustees of the Trust, into one newly-issued Share of Beneficial Interest of the Trust. The Partnership Agreement of the Partnership subjects both general and limited partner units to certain restrictions on transfer.

## MANAGEMENT AND LICENSING CONTRACTS

The Trust directly manages the Hotels through the Trust’s wholly-owned subsidiary, InnSuites Hotels. Under the management agreements, InnSuites Hotels manages the daily operations of the Hotels and the three hotels owned by affiliates of Mr. Wirth. All Trust managed Hotel expenses, revenues and reimbursements among the Trust, InnSuites Hotels and the Partnership have been eliminated in consolidation. The management fees for the Hotels are 2.5% of room revenue and a monthly accounting fee of \$2,000 per hotel. Prior to October 1, 2013, the management fees for the three hotels owned by affiliates of Mr. Wirth were 2.5% of room revenue and an annual accounting fee of \$27,000, payable \$1,000 per month with an additional payment of \$15,000 for annual accounting closing activities. This practice was ceased as of October 1, 2013, and replaced with management fees for the three hotels owned by Mr. Wirth at 2.5% of room revenue and a monthly accounting fee of \$2,000 per hotel. These agreements have no expiration date and may be cancelled by either party with 90-days written notice in the event the property changes ownership.

The Trust also provides the use of the “InnSuites” trademark to the Hotels and the three hotels owned by affiliates of Mr. Wirth through the Trust’s wholly-owned subsidiary, InnSuites Hotels. From January 1, 2012 through December 31, 2012, InnSuites collected \$10 per month per room for the first 100 rooms and \$2 per month per room for the number of rooms exceeding 100. As of January 1, 2013, these fees were discontinued.

## MEMBERSHIP AGREEMENTS

InnSuites Hotels has entered into membership agreements with Best Western International, Inc. (“Best Western”) with respect to four of the Hotels. In exchange for use of the Best Western name, trademark and reservation system, the participating Hotels pay fees to Best Western based on reservations received through the use of the Best Western reservation system and the number of available suites at the participating Hotels. The agreements with Best Western have no specific expiration terms and may be cancelled by either party. Best Western requires that the participating hotels meet certain requirements for room quality, and the Hotels are subject to removal from its reservation system if these requirements are not met. The Hotels with third-party membership agreements received significant reservations through the Best Western reservation system. Under these arrangements, fees paid for membership fees and reservations were approximately \$310,000 and \$313,000 for fiscal years January 31, 2014 and 2013, respectively.

## COMPETITION IN THE HOTEL INDUSTRY

The hotel industry is highly competitive. The Trust expects the major challenge for fiscal year 2015 to be continued upgrade and market of the Hotels in the overall economy with competition for all business in the markets in which the Trust operates, which may affect the Trust's ability to increase room rates while maintaining and/or building market share. Each of the Hotels experiences competition primarily from other mid-market hotels located in its immediate vicinity, but also competes with hotel properties located in other geographic markets. While none of the Hotels' competitors dominate any of the Trust's geographic markets, some of those competitors may have greater marketing and financial resources than the Trust.

Certain additional hotel property developments and/or hotel refurbishments have recently been completed by competitors in a number of the Hotels' markets, and additional hotel property developments may be built in the future. Such hotel developments have had, and could continue to have, an adverse effect on the revenue of our Hotels in their respective markets.

The Trust has chosen to focus its hotel investments in the southwest region of the United States. The Trust has a concentration of assets in the southern Arizona market. In the markets in which the Trust operates, in particular, the Yuma, Arizona and Ontario, California markets, supply has increased during the past several years. In the Tucson, Arizona market, demand has increased during fiscal year 2014 based on an increase in tourism. Either an increase in supply or a decline in demand could result in increased competition, which could have an adverse effect on the revenue of our Hotels in their respective markets.

The Trust may also compete for investment opportunities with other entities that have greater financial resources. These entities also may generally accept more risk than the Trust can prudently manage. Competition may generally reduce the number of suitable future investment opportunities available to the Trust and increase the bargaining power of owners seeking to sell their properties.

## REGULATION

The Trust is subject to numerous federal, state and local government laws and regulations affecting the hospitality industry, including usage, building and zoning requirements. A violation of any of those laws and regulations or increased government regulation could require the Trust to make unplanned expenditures which may result in higher operating costs. In addition, the Trust's success in expanding our hotel operations depends upon its ability to obtain necessary building permits and zoning variances from local authorities. Compliance with these laws is time intensive and costly and may reduce the Trust's revenues and operating income.

Under the Americans with Disabilities Act of 1990 (the "ADA"), all public accommodations are required to meet certain federal requirements related to access and use by disabled persons. In addition to ADA work completed to date, the Trust may be required to remove additional access barriers or make unplanned, substantial modifications to its Hotels to comply with the ADA or to comply with other changes in governmental rules and regulations, which could reduce the number of total available rooms, increase operating costs and have a negative impact on the Trust's results of operations.

In addition, our Hotels, like all real property, are subject to governmental regulations designed to protect the environment. If the Trust fails to comply with such laws and regulations, it may become subject to significant liabilities, fines and/or penalties, which could adversely affect its financial condition and results of operations.

The Trust is also subject to laws governing our relationship with employees, including minimum or living wage requirements, overtime, working conditions and work permit requirements. Additional increases to the state or federal minimum wage rate, employee benefit costs including health care or other costs associated with employees could increase expenses and result in lower operating margins.

Lastly, the Trust collects and maintains information relating to its guests for various business purposes, including maintaining guest preferences to enhance the Trust's customer service and for marketing and promotional purposes. The collection and use of personal data are governed by privacy laws and regulations. Compliance with applicable privacy regulations may increase the Trust's operating costs and/or adversely impact its ability to service its guests and market its products, properties and services to its guests. In addition, non-compliance with applicable privacy regulations by the Trust (or in some circumstances non-compliance by third parties engaged by the Trust) could result in fines or restrictions on its use or transfer of data.

## SEASONALITY OF THE HOTEL BUSINESS

The Hotels' operations historically have been somewhat seasonal. The three southern Arizona hotels experience their highest occupancy in the first fiscal quarter and, to a lesser extent, the fourth fiscal quarter. The second fiscal quarter tends to be the lowest occupancy period at the three southern Arizona hotels. This seasonality pattern can be expected to cause fluctuations in the Trust's quarterly revenues. The two hotels located in California and New Mexico historically experience their most profitable periods during the second and third fiscal quarters (the summer season), providing some balance to the general seasonality of the Trust's hotel business.

The seasonal nature of the Trust's business increases its vulnerability to risks such as labor force shortages and cash flow issues. Further, if an adverse event such as an actual or threatened terrorist attack, international conflict, data breach, regional economic downturn or poor weather conditions should occur during the first or fourth fiscal quarters, the adverse impact to the Trust's revenues could likely be greater as a result of its southern Arizona seasonal business.

#### OTHER AVAILABLE INFORMATION

We also make available, free of charge, on our Internet website at [www.innsuitestrust.com](http://www.innsuitestrust.com), our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we file such material with, or furnish it to, the Securities and Exchange Commission (the "SEC").

#### Item 1A. RISK FACTORS

Not required for smaller reporting companies.

#### Item 1B. UNRESOLVED STAFF COMMENTS

Not required for smaller reporting companies.

Item 2. PROPERTIES

The Trust maintains its administrative offices at the InnSuites Hotels Centre, at 1625 E. Northern Avenue, Suite 105, Phoenix, Arizona 85020 in a space leased by the Trust from a third party. All of the Hotels are operated as InnSuites® Hotels, while four Hotels are also marketed as Best Western® Hotels. All of the Hotels operate in the following locations:

| <b>PROPERTY</b>   | <b>NUMBER OF SUITES</b> | <b>YEAR OF CONSTRUCTION / ADDITION</b> | <b>MOST RECENT RENOVATION (1)</b> | <b>PERCENT OWNERSHIP BY THE TRUST</b> |
|---|-------------------------|--|-----------------------------------|---------------------------------------|
| InnSuites Hotel and Suites Airport Albuquerque Best Western Hotel | 101                     | 1975/1985                              | 2004                              | 50.85% (2)                            |
| InnSuites Hotel and Suites Tucson Foothills Best Western Hotel    | 159                     | 1981/1983                              | 2005                              | 36.74% (3)                            |
| InnSuites Hotels and Suites Yuma Best Western Hotel               | 166                     | 1982/1984                              | 2012                              | 99.9% (4)                             |
| InnSuites Hotels and Suites Ontario Airport Best Western Hotel    | 150                     | 1990                                   | 2012                              | 44.39% (5)                            |
| InnSuites Hotels and Suites Tucson St. Mary's Hotel               | 267                     | 1960/1971                              | 2012                              | 72.04% (6)                            |
| Total Suites  | 843                     |  |                                   |                                       |

(1) The Trust defines a renovation as the remodeling of more than 10% of a property's available suites.

(2) The Trust owns a direct 50.85% interest in the InnSuites Hotel and Suites Airport Albuquerque Best Western Hotel.

(3) The Partnership owns a 51.00% interest in the InnSuites Hotel and Suites Tucson Foothills Best Western Hotel. The Trust owns a 72.04% general partner interest in the Partnership.

(4) The Trust holds a direct 99.9% ownership interest in the InnSuites Hotels and Suites Yuma Best Western Hotel.

(5) The Trust holds a direct 0.05% interest and the Partnership owns a 61.55% interest in the InnSuites Hotel and Suites Ontario Airport Best Western Hotel. The Trust owns a 72.04% general partner interest in the Partnership.

(6) The Partnership owns a 100% interest in the InnSuites Hotels and Suites Tucson St. Mary's Hotel. The Trust owns a 72.04% general partner interest in the Partnership.

See "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – General" herein for a discussion of occupancy rates at the Hotels.

See Note 9 to the Trust's Consolidated Financial Statements – "Mortgage Notes Payable" herein for a discussion of mortgages encumbering the Hotels.

See Note 18 to the Trust's Consolidated Financial Statements – "Commitments and Contingencies" for a discussion of the lease for our corporate headquarters.

Item 3. LEGAL PROCEEDINGS

The Trust is not a party to, nor are any of its properties subject to, any material litigation or environmental regulatory proceedings. See Note 18 to Trust's Consolidated Financial Statements – "Commitments and Contingencies".

Item 4. MINE SAFETY DISCLOSURES

None.

**PART II****Item 5. MARKET FOR THE TRUST'S SHARES, RELATED SHAREHOLDER MATTERS AND TRUST REPURCHASES OF SHARES**

The Trust's Shares of Beneficial Interest are traded on the NYSE MKT under the symbol "IHT." On April 18, 2014, the Trust had 9,068,055 shares outstanding.

The following table sets forth, for the periods indicated, the high and low sales prices of the Trust's Shares of Beneficial Interest, as reported on the NYSE MKT, as well as dividends declared thereon:

| <b><u>Fiscal Year 2014</u></b> | <b>High</b> | <b>Low</b> | <b>Dividends</b> |
|--------------------------------|-------------|------------|------------------|
| First Quarter                  | \$1.93      | \$1.55     | -                |
| Second Quarter                 | \$1.98      | \$1.41     | -                |
| Third Quarter                  | \$1.99      | \$1.25     | -                |
| Fourth Quarter                 | \$2.00      | \$1.45     | \$ 0.01          |

| <b><u>Fiscal Year 2013</u></b> | <b>High</b> | <b>Low</b> | <b>Dividends</b> |
|--------------------------------|-------------|------------|------------------|
| First Quarter                  | \$2.41      | \$2.00     | -                |
| Second Quarter                 | \$2.35      | \$1.93     | -                |
| Third Quarter                  | \$2.35      | \$1.98     | -                |
| Fourth Quarter                 | \$2.20      | \$1.53     | \$ 0.01          |

The Trust intends to maintain a conservative dividend policy to facilitate the reduction of debt and internal growth. In fiscal years 2014 and 2013, the Trust paid dividends of \$0.01 per share in the fourth quarter of each year. The Trust has paid dividends each fiscal year since its inception in 1971 and the Trust expects comparable cash dividends will continue to be paid in the future.



On January 2, 2001, the Board of Trustees approved a share repurchase program under Rule 10b-18 of the Securities Exchange Act of 1934, as amended, for the purchase of up to 250,000 Partnership units and/or Shares of Beneficial Interest in open market or privately negotiated transactions. On September 10, 2002, August 18, 2005 and September 10, 2007, the Board of Trustees approved the purchase of up to 350,000 additional Partnership units and/or Shares of Beneficial Interest in open market or privately negotiated transactions. Additionally, on January 5, 2009, September 15, 2009 and January 31, 2010, the Board of Trustees approved the purchase of up to 300,000, 250,000 and 350,000, respectively, additional Partnership units and/or Shares of Beneficial Interest in open market or privately negotiated transactions. Acquired Shares of Beneficial Interest will be held in treasury and will be available for future acquisitions and financings and/or for awards granted under the InnSuites Hospitality Trust 1997 Stock Incentive and Option Plan. During the three months ended January 31, 2014, the Trust acquired 7,874 Shares of Beneficial Interest in open market transactions at an average price of \$1.84 per share. The average price paid includes brokerage commissions. The Trust intends to continue repurchasing Shares of Beneficial Interest in compliance with applicable legal and NYSE MKT requirements. The Trust remains authorized to repurchase an additional 227,816 Partnership units and/or Shares of Beneficial Interest pursuant to the publicly announced share repurchase program, which has no expiration date.

| <u>Period</u>                  | <b>Issuer Purchases of Equity Securities</b> |                                     |   |  |
|--------------------------------|--|-------------------------------------|---|--|
|                                | <b>Total Number of Shares Purchased</b>      | <b>Average Price Paid per Share</b> | <b>Total Number of Shares Purchased as Part of Publicly Announced Plans</b> | <b>Maximum Number of Shares that May Be Yet Purchased Under the Plan</b> |
| November 1 - November 30, 2013 | 3,574  | \$ 1.99                             | 3,574   | 232,116  |
| December 1 - December 31, 2013 | -  | \$ -                                | -   | 232,116  |
| January 1 - January 31, 2014   | 4,300  | \$ 1.70                             | 4,300   | 227,816  |
| <b>Total</b>                   | <b>7,874</b>                                 |                                     | <b>7,874</b>  |  |

See Part III, Item 12 for information about our equity compensation plans.

See Note 2 to our Consolidated Financial Statements – “Summary of Significant Accounting Policies” for information related to grants and restricted shares.

Item 6. SELECTED FINANCIAL DATA

Not required for smaller reporting companies.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are engaged in the ownership and operation of hotel properties. At January 31, 2014, the Trust had five moderate and full-service hotels with 843 hotel suites. Four of our Hotels are branded through membership agreements with Best Western. All five Hotels are trademarked as InnSuites Hotels. We are also involved in various operations incidental to the operation of hotels, such as the operation of restaurants, meeting/banquet room rentals and the operation of a reservation system.

Our operations consist of one reportable segment, hotel ownership, which derives its revenue from the operation of the Hotels. We provide management services for the Hotels and three hotels owned by affiliates of James F. Wirth, the Trust’s Chairman and Chief Executive Officer. We also provide trademark and licensing services to the Hotels, three hotels owned by affiliates of Mr. Wirth and one unrelated hotel property. In addition, we provide reservations services for 3,100 unrelated hotel properties.

Our results are significantly affected by occupancy and room rates at the Hotels, our ability to manage costs, and changes in the number of available suites caused by acquisition and disposition activities. Results are also significantly impacted by overall economic conditions and conditions in the travel industry. Unfavorable changes in these factors could negatively impact hotel room demand and pricing, which would reduce our profit margins on rented suites. Additionally, our ability to manage costs could be adversely impacted by significant increases in operating expenses, resulting in lower operating margins. Management expects greater demand and steady supply to continue. However, either a further increase in supply or a further decline in demand could result in increased competition, which could have an adverse effect on the revenue of the Hotels in their respective markets.

Weak economic conditions, both generally and specifically in the travel industry, had a negative impact on our operations in fiscal years 2014 and 2013. We anticipate moderate improvement in these conditions during fiscal year 2015. We expect moderate improvements in the overall economic conditions to result in improved business and leisure travel and relatively steady room rates. We expect the major challenge for fiscal year 2015 to be the continuation of strong competition for corporate leisure group and government business in the markets in which we operate, which may affect our ability to increase room rates while maintaining market share. We believe that we have positioned the hotels to remain competitive through selective refurbishment, by carrying a relatively large number of two-room suites at each location and by maintaining a robust guest internet access system.

To combat the weak economic conditions during fiscal years 2014 and 2013, we have significantly expanded InnDependent Boutique Collection (IBC Hotels), a wholly owned subsidiary of InnSuites Hospitality Trust, which has approximately 3,100 properties. During the fiscal year ended January 31, 2014, IBC Hotels formed a marketing alliance with the Independent Lodging Industry Association (ILIA). We believe this new hotel network provides independent hotel owners a competitive advantage against traditional franchised brands in their markets. The network provides a booking system and loyalty program, IBC Hotels charges a 10% booking fee which increases the independent hotel profits. InnDependent InnCentives, IBC's loyalty program, allows hoteliers to benefit from guests who frequently stay at IBC independent hotels. Revenue and expenses of IBC Hotels are not significant and not separately recorded to date.

## GENERAL

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this Form 10-K.

At January 31, 2014, through our sole general partner's interest in the Partnership, we owned a 72.04% interest in the Tucson, Arizona Hotel, direct 50.85% interest in the Albuquerque, New Mexico Hotel, and a 99.9% direct interest in the Yuma, Arizona Hotel. Additionally, at January 31, 2014, we, together with the Partnership, owned a 51.00% interest in another hotel located in Tucson, Arizona and a 61.60% interest in a hotel located in Ontario, California. At January 31, 2013, through our sole general partner's interest in the Partnership, we owned a 72.04 % interest in the Tucson, Arizona Hotel, direct 50.13% interest in the Albuquerque, New Mexico Hotel, and a 99.9% direct interest in the Yuma, Arizona Hotel. Additionally, at January 31, 2013, we together with the Partnership owned a 55.72% interest in another hotel located in Tucson, Arizona and a 61.84% interest in a hotel located in Ontario, California. We purchased 0 and 7,631 Partnership Class A units during the years ended January 31, 2014 and 2013, respectively.

Our expenses consist primarily of property taxes, insurance, corporate overhead, interest on mortgage debt, professional fees, depreciation of the Hotels and hotel operating expenses. Hotel operating expenses consist primarily of payroll, guest and maintenance supplies, marketing and utilities expenses. Under the terms of its Partnership Agreement, the Partnership is required to reimburse us for all such expenses. Accordingly, management believes that a review of the historical performance of the operations of the Hotels, particularly with respect to occupancy, which is calculated as rooms sold divided by total rooms available, average daily rate (“ADR”), calculated as total room revenue divided by number of rooms sold, and revenue per available room (“REVPAR”), calculated as total room revenue divided by number of rooms available, is appropriate for understanding revenue from the Hotels. In fiscal year 2014, occupancy increased 1.06% to 65.65% from 64.59% in the prior year. ADR decreased by \$0.88 or 1.31% to \$66.55 in fiscal year 2014 from \$67.43 in fiscal year 2013. The increased occupancy resulted in an increase in REVPAR of \$0.14 or 0.32% to \$43.69 in fiscal year 2014 from \$43.55 in fiscal year 2013. The increased occupancy and continued pressure on rates reflect the slowly improving economy and travel industry during fiscal year 2014. We have accepted slightly reduced rates to increase our occupancy.

The following table shows certain historical financial and other information for the periods indicated:

|                                     | <b>For the Years</b> |             |
|-------------------------------------|----------------------|-------------|
|                                     | <b>Ended January</b> |             |
|                                     | <b>31,</b>           |             |
|                                     | <b>2014</b>          | <b>2013</b> |
| Occupancy                           | 65.65%               | 64.59%      |
| Average Daily Rate (ADR)            | \$66.55              | \$67.43     |
| Revenue Per Available Room (REVPAR) | \$43.69              | \$43.55     |

No assurance can be given that occupancy, ADR and REVPAR will not increase or decrease as a result of changes in national or local economic or hospitality industry conditions.

We enter into transactions with certain related parties from time to time. For information relating to such related party transactions see the following:

- For a discussion of management and licensing agreements with certain related parties, see “Item 1 – Business – Management and Licensing Contracts.”

- For a discussion of guarantees of our mortgage notes payable by certain related parties, see Note 9 to our Consolidated Financial Statements – “Mortgage Notes Payable.”

- For a discussion of our equity sales and restructuring agreements involving certain related parties, see Notes 3, 4 and 5 to our Consolidated Financial Statements – “Sale of Ownership Interests in Albuquerque Subsidiary,” “Sale of Ownership Interests in Tucson Hospitality Properties Subsidiary,” and “Sale of Ownership Interests in Ontario Hospitality Properties Subsidiary,” respectively.

• For a discussion of other related party transactions, see Note 15 to our Consolidated Financial Statements – “Other Related Party Transactions.”

***Results of operations of the Trust for the year ended January 31, 2014 compared to the year ended January 31, 2013.***

***Overview***

A summary of operating results for the fiscal years ended January 31, 2014 and 2013 is:

|                         | <b>2014</b>   | <b>2013</b>    | <b>Change</b> | <b>%<br/>Change</b> |  |
|-------------------------|---------------|----------------|---------------|---------------------|--|
| Total Revenues          | \$ 14,884,642 | \$ 14,977,619  | \$(92,977 )   | (0.62% )            |  |
| Operating Expenses      | (14,871,754)  | (15,100,697)   | 228,943       | 1.52 %              |  |
| Operating Income (Loss) | 12,888        | (123,078 )     | 135,966       | 110.47 %            |  |
| Interest Income         | 5,610         | 8,937          | (3,327 )      | (37.23% )           |  |
| Interest Expense        | (822,581 )    | (961,709 )     | 139,128       | 14.47 %             |  |
| Income Tax Provision    | (37,148 )     | -              | (37,148 )     | (100.00%)           |  |
| Consolidated Net Loss   | \$(841,231 )  | \$(1,075,850 ) | \$234,619     | 21.81 %             |  |

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Our overall results in fiscal year 2014 were positively affected by our ability to control operating and interest expenses.

Revenue:

For the twelve months ended January 31, 2014, we had total revenue of approximately \$14,885,000 compared to \$14,978,000 for the twelve months ended January 31, 2013, a small decrease of approximately \$93,000. The combination of Room revenue, Other and Management and Trademark Fees were relatively flat for the twelve months ended January 31, 2014 compared to the twelve months ended January 31, 2013. With continued pressure on the economy, we realized a 7.1% decrease in Food and Beverage revenues during fiscal year 2014 as Food and Beverage revenues were approximately \$992,000 for fiscal year 2014 as compared to approximately \$1,068,000 during fiscal year 2013. During fiscal year 2015, we expect improvements in occupancy, modest improvements in rates and steady Food and Beverage revenues.

Expenses:

Total expenses, including interest and taxes, of approximately \$15,731,000 for the twelve months ended January 31, 2014 reflects a decrease of \$331,000 compared to total expenses of approximately \$16,062,000 for the twelve months ended January 31, 2013. The decrease was primarily due to a decrease in operating expenses and interest expense.

Room expense consisting of salaries and related taxes for property management, front office, housekeeping personnel, reservation fees and room supplies decreased slightly to approximately \$3,667,000 for the fiscal year ended January 31, 2014 compared to approximately \$3,760,000 in the prior year period for approximately a \$93,000, or 2.5%, decrease in costs. The decrease directly corresponded to continued operational efficiencies gained.

Food and Beverage expenses included food and beverage costs, personnel and miscellaneous costs to provide banquet events. For the fiscal year ended January 31, 2014, Food and Beverage expenses were approximately \$928,000 as compared to approximately \$1,007,000 for the fiscal year ended January 31, 2013, a savings of approximately \$79,000, or 7.9%. These costs decreased slightly during fiscal year 2014 as compared to fiscal year 2013, which corresponded directly with the decrease in Food and Beverage revenues over the same period.

Telecommunications expense consisting of telephone and internet costs, decreased approximately \$24,000, or 46%, from \$52,000 for the twelve months ended January 31, 2013 to approximately \$28,000 for the twelve months ended January 31, 2014. The decrease corresponded to the consolidation of telephone and internet service providers.

General and administrative expenses include overhead charges for management, accounting, shareholder and legal services. General and administrative expenses of approximately \$3,139,000 for the twelve months ended January 31, 2014 increased approximately \$161,000 from approximately \$2,978,000 for the twelve months ended January 31, 2013 primarily due to increased professional fees at the corporate office.

Sales and Marketing expense increased approximately \$28,000, or 2.6%, from \$1,084,000 for the twelve months ended January 31, 2013 to approximately \$1,112,000 for the twelve months ended January 31, 2014. The increase was primarily due to the additional use of online booking agencies.

Repairs and Maintenance expenses decreased approximately \$205,000 from approximately \$1,431,000 reported for the twelve months ended January 31, 2013 compared with approximately \$1,226,000 for the twelve months ended January 31, 2014. The decrease was due to additional cost savings initiatives around repairs and maintenance.

Hospitality expense increased approximately \$29,000, or 3.6%, from \$808,000 for the twelve months ended January 31, 2013 to approximately \$837,000 for the twelve months ended January 31, 2014. The increase was primarily due to additional product mix provided during the Hotels' complimentary happy hour.

Utility expenses decreased approximately \$62,000 from approximately \$1,264,000 reported for the twelve months ended January 31, 2013 compared with approximately \$1,202,000 for the twelve months ended January 31, 2014. After guests at our properties checkout, housekeeping staff has been instructed to turn up the thermostats in the rooms to conserve energy. This policy has decreased our energy costs and management continues to look for additional operational efficiencies.

Hotel Property Depreciation expense increased approximately \$30,000, or 1.7%, from \$1,754,000 for the twelve months ended January 31, 2013 to approximately \$1,784,000 for the twelve months ended January 31, 2014.

Real Estate and Personal Property Taxes, Insurance and Ground Rent expense decreased approximately \$16,000, or 1.7%, from \$954,000 for the twelve months ended January 31, 2013 to approximately \$938,000 for the twelve months ended January 31, 2014.

Interest expenses were approximately \$823,000 for the twelve months ended January 31, 2014, a decrease of approximately \$139,000 from the prior year total of approximately \$962,000. Management continues to work with its lenders to refinance the property loans. The decrease was primarily due to the restructuring of the Ontario mortgage note payable.

Net Loss:

We had a consolidated net loss before income taxes of approximately \$804,000 for the twelve months ended January 31, 2014, compared to approximately \$1,076,000 in the prior year. After deducting income tax provision of approximately \$37,000 and the net income attributable to non-controlling interest of approximately \$181,000, we had a net loss attributable to controlling interests of approximately \$1,022,000 for fiscal year 2014, which represented approximately \$16,000 in additional loss attributable to controlling interests, as compared to the fiscal year 2013. Basic and diluted net loss per share was \$(0.12) for both the twelve months ended January 31, 2014 and 2013.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

Our principal source of cash to meet our cash requirements, including distributions to our shareholders, is our share of the Partnership's cash flow, quarterly distributions from the Albuquerque, New Mexico property and through the Partnership and our direct ownership of the Yuma, Arizona property. The Partnership's principal source of revenue is hotel operations for the one hotel property it owns and quarterly distributions from the Tucson, Arizona and Ontario, California properties. Our liquidity, including our ability to make distributions to our shareholders, will depend upon our ability, and the Partnership's ability, to generate sufficient cash flow from hotel operations and to service our debt.

Hotel operations are significantly affected by occupancy and room rates at the Hotels. We anticipate occupancy and ADR will be improved in the coming year, capital improvements are expected to be similar from the prior year. As of January 31, 2014, the Trust had approximately \$583,000 drawn on its line of credit. Our credit line matures on June 23, 2014 and we are currently in discussions with the bank and anticipate a renewal of at least an additional year on this line of credit. As of April 18, 2014, the outstanding balance on the line of credit was \$600,000.

With the refinance or extension of two of our mortgage note payables which management expects to occur, management believes that it will have enough cash on hand to meet all of our financial obligations as they become due. Management is actively discussing with the bank an extension of the line of credit which matures on June 23,



2014. In addition, our management is analyzing other strategic options available to us, including the refinancing of another property or raising additional funds through additional non-controlling interest sales.

We anticipate a moderate improvement in the weak overall economic situation that negatively affected results in fiscal year 2013 and 2014, which could result in higher revenues and operating margins. Challenges in fiscal year 2015 are expected to include continued competition for all types of business in the markets in which we operate and our ability to maintain room rates while maintaining market share.

Net cash provided by operating activities totaled approximately \$720,000 and \$868,000 for the years ended January 31, 2014 and 2013, respectively. The decrease in net cash provided by operating activities was due in part to an approximate \$96,000 increase in Accounts Receivable and an approximate \$77,000 decrease in Accounts Payable.

Net cash used by investing activities totaled approximately \$862,000 and \$1,142,000 for the years ended January 31, 2014 and 2013, respectively. The decrease in net cash used in investing activities during fiscal year 2014 was due to our decreased spending for capital expenditures beyond our 4% reserve for refurbishments and replacements that is set aside annually as described below offset by the increase of restricted cash from January 31, 2013 to January 31, 2014.

Net cash provided by financing activities totaled approximately \$44,000 for the year ended January 31, 2014, compared to cash used in financing activities of approximately \$216,000 for the year ended January 31, 2013. The increase of approximately \$260,000 was primarily due to a decrease of approximately \$849,000 of principal payments on mortgage notes payable, approximately \$500,000 of proceeds from refinancing of mortgage notes payable in fiscal year 2013 that did not occur in fiscal year 2014, a decrease of approximately \$1,102,000 of proceeds from the sale of non-controlling ownership interest in a subsidiary partially offset by a net increase in borrowings on notes with related parties of approximately \$361,000, comprised of approximately \$3,035,000 of borrowing and approximately \$2,674,000 of repayments, an increase of borrowings of notes payable to banks of approximately \$112,000, an increase of approximately \$315,000 of repurchase of subsidiary equity from a related party, a decrease of approximately \$133,000 to repurchase treasury stock and approximately \$27,000 of deferred loan fees that occurred in fiscal year 2013 but did not occur in fiscal year 2014.

We continue to contribute to a Capital Expenditures Fund (the "Fund") an amount equal to 4% of the InnSuites Hotels' revenues from operation of the Hotels. The Fund is restricted by the mortgage lender for four of our properties. As of January 31, 2014, \$114,337 was held in these accounts and is reported on our Consolidated Balance Sheet as "Restricted Cash." The Fund is intended to be used for capital improvements to the Hotels and refurbishment and replacement of furniture, fixtures and equipment. During the twelve months ended January 31, 2014 and 2013, the Hotels spent approximately \$761,000 and \$1,265,000, respectively, for capital expenditures. We consider the majority of these improvements to be revenue producing. Therefore, these amounts are capitalized and depreciated over their estimated useful lives. For fiscal year 2015 capital expenditures, we plan on spending approximately the same amount as we did during fiscal year 2014. Repairs and maintenance were charged to expense as incurred and approximated \$1,226,000 and \$1,431,000 for fiscal years 2014 and 2013, respectively.

We have minimum debt payments of approximately \$13,192,000 and approximately \$854,000 due during fiscal years 2015 and 2016, respectively. Minimum debt payments due during fiscal year 2015 include approximately \$11,756,000 of mortgage notes payable and \$583,000 drawn on our line of credit due during fiscal year 2015. Management is actively working with our lenders and expects that we will be able to either extend or refinance our mortgage note payables and extend our line of credit.

We have a \$600,000 line of credit that bears interest at the prime rate plus 1.0% per annum with a 6.0% rate floor, has no financial covenants and matures on June 23, 2014. The line is secured by a junior security interest in the Yuma, Arizona property and our trade receivables. Mr. Wirth is a guarantor on the line of credit. On January 31, 2014, the Trust had drawn \$583,000 under the line of credit. The largest outstanding balance on the line of credit during fiscal year 2014 was \$600,000.

In addition to our line of credit as of January 31, 2014, we had mortgage notes payable of approximately \$18,747,000 outstanding with respect to the Hotels, approximately \$436,000 in short term secured promissory notes with a credit card merchant processor, approximately \$331,000 in an unsecured demand/revolving line of credit/promissory note and approximately \$188,000 of secured promissory notes outstanding to unrelated third parties arising from the Shares of Beneficial Interest and Partnership unit repurchases.

We may seek to negotiate additional credit facilities or issue debt instruments. Any debt incurred or issued by us may be secured or unsecured, long-term, medium-term or short-term, bear interest at a fixed or variable rate and be subject to such other terms as we consider prudent.

#### SALE OF OWNERSHIP INTERESTS IN ALBUQUERQUE SUBSIDIARY

On July 22, 2010, the Board of Trustees unanimously approved, with Mr. Wirth abstaining, for the Partnership to enter into an agreement with Rare Earth Financial, LLC (“Rare Earth”), an affiliate of Mr. Wirth, to sell units in Albuquerque Suite Hospitality, LLC (the “Albuquerque entity”), which owns and operates the Albuquerque, New Mexico hotel property. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase at least 49% of the membership interests in the Albuquerque entity and the parties agreed to restructure the operating agreement of the Albuquerque entity. A total of 400 units were available for sale for \$10,000 per unit, with a two-unit minimum subscription. On September 24, 2010, the parties revised the Amended and Restated Operating Agreement to name Rare Earth as the administrative member of the Albuquerque entity in charge of the day-to-day management.

On December 9, 2013, the Trust entered into an updated restructuring agreement with Rare Earth to allow for the sale of additional interest units in the Albuquerque entity for \$10,000 per unit. Under the updated restructuring agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 150 (and potentially up to 190 if the over-allotment is exercised) units. As of January 31, 2014 and per the updated restructuring agreement, the Trust agreed to hold at least 50.1% of the outstanding limited partnership units in the Albuquerque entity, on a post-transaction basis and intends to maintain this minimum ownership percentage through the purchase of units under this offering. The Board of Trustees approved this restructuring on December 9, 2013. The limited partnership interests in the Albuquerque entity are allocated to three classes with differing cumulative discretionary priority distribution rights through December 31, 2015 at which point it is anticipated the hotel will be owned free and clear. Class A units are owned by unrelated third parties and have first priority for distributions. Class B units are owned by the Trust and have second priority for distributions. Class C units are owned by Rare Earth or other affiliates of Mr. Wirth and have the lowest priority for distributions from the Albuquerque entity. Priority distributions of \$700 per unit per year are cumulative until December 31, 2015; however, after December 31, 2015 Class A unit holders continue to hold a preference on distributions over Class B and Class C unit holders.

If certain triggering events related to the Albuquerque entity occur prior to the payment of all accumulated distributions to its members, such accumulated distributions will be paid out of any proceeds of the event before general distribution of the proceeds to the members. In the event that funds generated from a triggering event are insufficient to pay the total amount of all such accumulated distributions owed to the members, all Class A members will participate pro rata in the funds available for distribution to them until paid in full, then Class B, and then Class C. After all investors have received their initial capital plus a 7% per annum simple return, any additional profits will be allocated 50% to Rare Earth, with the remaining 50% allocated proportionately to all unit classes. Rare Earth received a restructuring fee of \$128,000, conditioned upon and arising from the sale of the first 100 units in the Albuquerque entity following the December 31, 2013 restructuring. Assuming all 150 units are sold from the offering discussed above, discretionary priority distributions to all Classes are projected to be approximately \$385,000 annually through December 31, 2015. The Albuquerque entity plans to use its best efforts to pay the discretionary priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the cumulative discretionary priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the Albuquerque, New Mexico property.

At January 31, 2014, the Albuquerque entity had sold 18.5 additional units to unrelated parties at \$10,000 per unit totaling \$185,000 and the Trust purchased a net of 21 additional units at \$10,000 per unit totaling \$210,000 under the updated restructuring agreement. As of January 31, 2014, the Trust holds a 50.85% ownership interest, or 223.50 Class B units, Mr. Wirth and his affiliates hold a 0.11% interest through Rare Earth, or 0.50 Class C units, and other parties hold a 49.03% interest, or 215.50 Class A units. As of January 31, 2014, the Albuquerque entity has discretionary Priority Return payments to unrelated unit holders of approximately \$151,000, to the Trust of approximately \$156,000 and to Rare Earth of approximately \$400 per year payable quarterly for calendar year 2015.

#### SALE OF PARTNERSHIP INTERESTS IN TUCSON HOSPITALITY PROPERTIES SUBSIDIARY

On February 17, 2011, the Partnership entered into a restructuring agreement with Rare Earth to allow for the sale of non-controlling interest units in Tucson Hospitality Properties, LP (the "Tucson entity"), which operates the Tucson Foothills hotel property, which was then wholly-owned by the Partnership. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 250 units, which represents approximately 41% of the outstanding limited partnership units in the Tucson entity, on a post-transaction basis, and the parties agreed to restructure the limited partnership agreement of the Tucson entity. The Board of Trustees approved this restructuring on January 31, 2011.

On October 1, 2013, the Partnership entered into an updated restructured limited partnership agreement with Rare Earth to allow for the sale of additional interest units in the Tucson entity for \$10,000 per unit. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 160 (and potentially up to 200 if the over-allotment is exercised) units. As of October 31, 2013 and per the updated restructuring agreement, the Partnership agreed to hold at least 50.1% of the outstanding limited partnership units in the Tucson entity, on a post-transaction basis and intends to maintain this minimum ownership percentage through the purchase of units under this offering. The Board of Trustees approved this restructuring on September 14, 2013. The limited partnership interests in the Tucson entity are allocated to three classes with differing cumulative discretionary priority distribution rights through June 30, 2016. Class A units are owned by unrelated third parties and have first priority for distributions. Class B units are owned by the Partnership and have second priority for distributions. Class C units are owned by Rare Earth or other affiliates of Mr. Wirth and have the lowest priority for distributions from the Tucson entity. Priority distributions of \$700 per unit per year are cumulative until June 30, 2016; however, after June 30, 2016 Class A unit holders continue to hold a preference on distributions over Class B and Class C unit holders.

If certain triggering events related to the Tucson entity occur prior to the payment of all accumulated distributions to its members, such accumulated distributions will be paid out of any proceeds of the event before general distribution of the proceeds to the members. In the event that funds generated from a triggering event are insufficient to pay the total amount of all such accumulated distributions owed to the members, all Class A members will participate pro rata in the funds available for distribution to them until paid in full, then Class B, and then Class C. After all investors have received their initial capital plus a 7% per annum simple return, any additional profits will be allocated 50% to Rare Earth, with the remaining 50% allocated proportionately to all unit classes. Rare Earth will receive a restructuring fee of \$128,000, conditioned upon and arising from the sale of the first 100 units in the Tucson entity following the

October 1, 2013 restructuring. Assuming all 160 units are sold from the offering discussed above, discretionary priority distributions to all Classes are projected to be approximately \$540,000 annually through June 30, 2016. The Tucson entity plans to use its best efforts to pay the discretionary priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the cumulative discretionary priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the Tucson, Arizona property.

As of January 31, 2014, the Trust had sold its entire 11 units in the Tucson entity to the Partnership. At January 31, 2014, the Tucson entity had sold 108.50 units to unrelated parties at \$10,000 per unit totaling \$1,085,000 and the Partnership purchased a net of 54 additional units at \$10,000 per unit totaling \$540,000 under the updated restructured limited partnership agreement. As of January 31, 2014, the Trust does not hold any interest in the Tucson entity, the Partnership holds a 51.00% ownership interest, or 395 Class B units, Mr. Wirth and his affiliates hold a 1.55% interest, or 12 Class C units, and other parties hold a 47.45% interest, or 367.50 Class A units. As of January 31, 2014, the Tucson entity has discretionary payments to unrelated unit holders of approximately \$257,000, to the Partnership of approximately \$277,000 and to Rare Earth of approximately \$8,000 per year payable quarterly for calendar years 2015 and 2016.

## SALE OF PARTNERSHIP INTERESTS IN ONTARIO HOSPITALITY PROPERTIES SUBSIDIARY

On February 29, 2012, the Trust and Partnership entered into a restructuring agreement with Rare Earth to allow for the sale of minority interest units in Ontario Hospitality Properties, LP (the "Ontario entity") for \$10,000 per unit, which operates the Ontario hotel property, which was then wholly-owned by the Partnership. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 250 units, which represents approximately 49% of the outstanding partnership units in the Ontario entity, on a post-transaction basis, and the parties agreed to restructure the limited partnership agreement of the Ontario entity. The Board of Trustees approved this restructuring on February 1, 2012.

Under the restructured limited partnership agreement, Rare Earth became a general partner of the Ontario entity along with the Trust and Partnership. The limited partnership interests in the Ontario entity are allocated to three classes with differing cumulative discretionary priority distribution rights through March 31, 2017. Class A units are owned by unrelated third parties and have first priority for distributions. Class B units are owned by the Trust and Partnership and have second priority for distributions. Class C units are owned by Rare Earth or other affiliates of Mr. Wirth and have the lowest priority for distributions from the Ontario entity. Priority distributions of \$700 per unit per year are cumulative until March 31, 2017; however, after March 31, 2017 Class A unit holders continue to hold a preference on distributions over Class B and Class C unit holders.

If certain triggering events related to the Ontario entity occur prior to the payment of all accumulated distributions to its members, such accumulated distributions will be paid out of any proceeds of the event before general distribution of the proceeds to the members. In the event that funds generated from a triggering event are insufficient to pay the total amount of all such accumulated distributions owed to the members, all Class A members will participate pro rata in the funds available for distribution to them until paid in full, then Class B, and then Class C. After all investors have received their initial capital plus a 7% per annum simple return, any additional profits will be allocated 50% to Rare Earth, with the remaining 50% allocated proportionately to all unit classes. Rare Earth also received a formation fee of \$320,000, conditioned upon and arising from the sale of the first 160 units in the Ontario entity. Priority distributions to all Classes are projected to be approximately \$446,660 for each of the calendar years 2015 through 2017. The Ontario entity is required to use its best efforts to pay the priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the cumulative priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the Ontario, California property.

As of January 31, 2014, the Partnership holds a 61.55% ownership interest, or 392.70 Class B units, in the Ontario entity, the Trust holds a 0.05% ownership interest, 0.30 Class B units, Mr. Wirth and his affiliates hold a 1.57% interest through Rare Earth, or 10 Class C units, and other parties hold a 36.83% interest, or 235 Class A units. As of January 31, 2014 the Ontario entity has discretionary Priority Return payments to unrelated unit holders of approximately \$165,000, to the Trust of approximately \$200, to the Partnership of approximately \$275,000 and to Rare Earth of approximately \$7,000 per year payable quarterly for calendar year 2015, 2016 and 2017.

COMPLIANCE WITH CONTINUED LISTING STANDARDS OF NYSE MKT

On January 8, 2013, the Trust received a letter from the NYSE MKT LLC (f/k/a AMEX) (the "NYSE MKT") informing the Trust that the staff of the NYSE MKT's Corporate Compliance Department has determined that the Trust is not in compliance with Section 1003(a)(ii) of the NYSE MKT Company Guide due to the Trust having stockholders' equity of less than \$4.0 million and losses from continuing operations in three of its four most recent fiscal years.

The Trust was afforded the opportunity to submit a plan of compliance to the NYSE MKT and submitted its plan on February 5, 2013. On March 21, 2013, the NYSE MKT notified the Trust that it accepted the Trust's plan of compliance and granted the Trust an extension until April 30, 2014 to regain compliance with the continued listing standards.

On May 2, 2013, the Trust received another letter from the NYSE MKT informing the Trust that the Trust is not in compliance with an additional continued listing standard of the NYSE MKT, Section 1003(a)(iii) of the NYSE MKT Company Guide, due to the Trust having stockholders' equity of less than \$6.0 million and net losses in five consecutive fiscal years as of January 31, 2013. The plan submitted in response to the first letter received increased stockholders' equity in excess of \$6.0 million before the April 30, 2014 deadline; therefore, the Trust was not required to submit an additional plan to regain compliance with the continued listing standards.

The Trust is undertaking efforts, as outlined in its plan, to regain compliance with the NYSE MKT continued listing standards.

On December 16, 2013, the Trust requested an extension of the plan period. Based on a review of information provided by the Trust, on January 10, 2014, the NYSE MKT granted the Trust an extension of time to regain compliance with the NYSE MKT continued listing standards until July 8, 2014. The Trust will be subject to periodic review by the NYSE MKT's staff during this extension period. Failure to make progress consistent with the plan or to regain compliance with continued listing standards by the end of the extension period could result in the Trust being delisted from the NYSE MKT.

## NON-GAAP FINANCIAL MEASURES

The following non-GAAP presentations of earnings before interest taxes depreciation and amortization (“EBITDA”) and funds from operations (“FFO”) are made to assist our investors in evaluating our operating performance.

Adjusted EBITDA is defined as earnings before minority interest, interest expense, amortization of loan costs, interest income, income taxes, depreciation and amortization, and non-controlling interests in the Trust. We present Adjusted EBITDA because we believe these measurements (a) more accurately reflect the ongoing performance of our hotel assets and other investments, (b) provide more useful information to investors as indicators of our ability to meet our future debt payment and working capital requirements, and (c) provide an overall evaluation of our financial condition. Adjusted EBITDA as calculated by us may not be comparable to Adjusted EBITDA reported by other companies that do not define Adjusted EBITDA exactly as we define the term. Adjusted EBITDA does not represent cash generated from operating activities determined in accordance with GAAP and should not be considered as an alternative to (a) GAAP net income or loss as an indication of our financial performance or (b) GAAP cash flows from operating activities as a measure of our liquidity.

A reconciliation of Adjusted EBITDA to net loss attributable to controlling interests for the twelve months ended January 31, 2014 and 2013 follows:

|  | <b>Twelve Months Ended</b> |                    |
|--|----------------------------|--------------------|
|  | <b>January 31,</b>         |                    |
|  | <b>2014</b>                | <b>2013</b>        |
| Net loss attributable to controlling interests | \$(1,021,823)              | \$(1,006,145)      |
| Add back:                                      |                            |                    |
| Depreciation                                   | 1,783,595                  | 1,754,289          |
| Interest expense                               | 822,581                    | 961,709            |
| Non-controlling interest                       | 180,592                    | (69,705 )          |
| Taxes  | 37,148                     | -                  |
| Less:  |                            |                    |
| Interest income                                | 5,610                      | 8,937              |
| <b>ADJUSTED EBITDA</b>                         | <b>\$1,796,483</b>         | <b>\$1,631,211</b> |

FFO is calculated on the basis defined by the National Association of Real Estate Investment Trusts (“NAREIT”), which is net income (loss) attributable to common shareholders, computed in accordance with GAAP, excluding gains or losses on sales of properties, asset impairment adjustments, and extraordinary items as defined by GAAP, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated joint ventures and non-controlling interests in the operating partnership. NAREIT developed FFO as a relative measure of performance



of an equity REIT to recognize that income-producing real estate historically has not depreciated on the basis determined by GAAP. The Trust is an unincorporated Ohio real estate investment trust; however, the Trust is not a real estate investment trust for federal taxation purposes. Management uses this measurement to compare itself to REITs with similar depreciable assets. We consider FFO to be an appropriate measure of our ongoing normalized operating performance. We compute FFO in accordance with our interpretation of standards established by NAREIT, which may not be comparable to FFO reported by other companies that either do not define the term in accordance with the current NAREIT definition or interpret the NAREIT definition differently than us. FFO does not represent cash generated from operating activities as determined by GAAP and should not be considered as an alternative to (a) GAAP net income or loss as an indication of our financial performance or (b) GAAP cash flows from operating activities as a measure of our liquidity, nor is it indicative of funds available to satisfy our cash needs, including our ability to make cash distributions. However, to facilitate a clear understanding of our historical operating results, we believe that FFO should be considered along with our net income or loss and cash flows reported in the consolidated financial statements.

A reconciliation of FFO to net loss attributable to controlling interests for twelve months ended January 31, 2014 and 2013 follows:

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**Twelve Months Ended****January 31,****2014            2013**

|   |               |               |
|---|---------------|---------------|
| Net loss attributable to controlling interest | \$(1,021,823) | \$(1,006,145) |
| Add back:                                     |               |               |
| Loss on Disposal of Assets                    | 15,010        | -             |
| Depreciation                                  | 1,783,595     | 1,754,289     |
| Non-controlling interest                      | 180,592       | (69,705 )     |
| FFO   | \$957,374     | \$678,439     |

**FUTURE POSITIONING**

In viewing the hotel industry cycles, the Board of Trustees determined that 2008 may have been the high point of the current hotel industry cycle and further determined it was appropriate to actively seek buyers for our properties. We engaged the services of several hotel brokers and began independently advertising our Hotels for sale. We continue to independently advertise our Hotels for sale, including on our website ([www.suitehotelsrealty.com](http://www.suitehotelsrealty.com)).

The table below lists our hotel properties, their respective book values, mortgage balance and the listed asking price for the hotel properties.

| <b>Hotel Property</b>   | <b>Net Book Value</b> | <b>Mortgage Balance</b> | <b>Listed Asking Price</b> |
|---|-----------------------|-------------------------|----------------------------|
| InnSuites Hotels and Suites Airport<br>Albuquerque Best Western Hotel | \$1,253,496           | \$1,126,983             | \$5,900,000                |
| InnSuites Hotels and Suites Ontario Airport<br>Best Western Hotel     | 5,668,413             | 5,983,480               | 15,900,000                 |
| InnSuites Hotels and Suites Tucson<br>Foothills Best Western Hotel    | 4,022,139             | 1,241,111               | 12,500,000                 |
| InnSuites Hotels and Suites Tucson<br>St. Mary's Hotel                | 7,490,789             | 5,039,946               | 10,500,000                 |
| InnSuites Hotels and Suites Yuma<br>Best Western Hotel                | 5,237,878             | 5,355,051               | 14,000,000                 |
|   | \$23,672,715          | \$18,746,571            | \$58,800,000               |

The listed asking price is the amount at which we would sell each of the Hotels and is based on the original listed selling price adjusted to reflect recent hotel sales in the Hotels' areas of operation and current earnings of each of the Hotels. The listed asking price is not based on appraisals of the properties.

We may be unable to realize the listed sales price for the individual Hotel properties or to sell them at all. However, we believe that the listed values are reasonable based on local market conditions and comparable sales. Changes in market conditions have in part resulted, and may in the future result, in our changing one or all of the listed asking prices.

Our long-term strategic plan is to obtain the full benefit of our real estate equity and to migrate our focus from a hotel owner to a hospitality service company by expanding our trademark license, management, reservation, and advertising services, through InnDependent Boutique Collection (IBC Hotels), a wholly owned subsidiary of the Trust. As of January 31, 2013, IBC Hotels had approximately 1,000 hotels and has expanded its membership to 3,100 hotels as of January 31, 2014. As of April 15, 2014, IBC Hotels has approximately 2,600 hotels. During the fiscal year ending January 31, 2014 IBC Hotels formed a marketing alliance with the Independent Lodging Industry Association (ILIA). Revenues and expenses of IBC Hotels are not significant and not separately recorded.

We are planning significant expansion of IBC Hotels during the next couple of fiscal years as we concentrate our sales and marketing efforts towards consumers. We anticipate the IBC Hotels sales and marketing efforts to increase our revenues and decrease our consolidated net loss over the next couple of fiscal years. For each reservation, IBC Hotels receives a 10% transactional fee plus reimbursement of our credit card processing fees associated with the reservation.

This plan is similar to strategies followed by internationally diversified hotel industry leaders, which over the last several years have reduced real estate holdings and concentrated on hospitality services. We began our long-term corporate strategy when we relinquished our REIT income tax status in January 2004, which had previously prevented us from providing management services to hotels. In June 2004, we acquired our trademark license and management agreements and began providing management, trademark and reservations services to our Hotels.

## SHARE REPURCHASE PROGRAM

For information on the Trust's Share Repurchase Program, see Part II, Item 5. "MARKET FOR THE TRUST'S SHARES, RELATED SHAREHOLDER MATTERS AND TRUST REPURCHASES OF SHARES."

## OFF-BALANCE SHEET ARRANGEMENTS

Other than lease commitments and legal contingencies incurred in the normal course of business, we do not have any off-balance sheet financing arrangements or liabilities. We do not have any majority-owned or controlled subsidiaries that are not included in our consolidated financial statements.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe that the policies we follow for the valuation of our hotel properties, which constitute the majority of our assets, are our most critical policies. The Financial Accounting Standards Board ("FASB") has issued authoritative guidance related to the impairment or disposal of long-lived assets, codified in ASC Topic 360-10-35, which we apply to determine when it is necessary to test an asset for recoverability. On an events and circumstances basis, we review the carrying value of our hotel properties. We will record an impairment loss and reduce the carrying value of a property when anticipated undiscounted future cash flows and the current market value of the property do not support its carrying value. In cases where we do not expect to recover the carrying cost of hotel properties held for use, we will reduce the carrying value to the fair value of the hotel, as determined by a current appraisal or other acceptable valuation methods. We did not recognize an impairment loss in fiscal years 2014 or 2013. As of January 31, 2014, our management does not believe that the carrying values of any of our hotel properties are impaired. For recent accounting pronouncements, see Note 2 to our Consolidated Financial Statements – "Summary of Significant Accounting Policies".

## INFLATION

We rely entirely on the performance of the Hotels and InnSuites Hotels' ability to increase revenue to keep pace with inflation. Operators of hotels in general and InnSuites Hotels in particular can change room rates quickly, but competitive pressures may limit InnSuites Hotels' ability to raise rates as fast as or faster than inflation. Revenue per available room increased \$2.88 in the fiscal year ended January 31, 2014.

#### FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-K, including statements containing the phrases "believes," "intends," "expects," "anticipates," "predicts," "projects," "will be," "should be," "looking ahead," "may" or similar words, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. We intend that such forward-looking statements be subject to the safe harbors created by such Acts. These forward-looking statements include statements regarding our intent, belief or current expectations, those of our Board of Trustees or our officers in respect of (i) the declaration or payment of dividends; (ii) the leasing, management or operation of the Hotels; (iii) the adequacy of reserves for renovation and refurbishment; (iv) our financing plans; (v) our position regarding investments, acquisitions, developments, financings, conflicts of interest and other matters; (vi) our plans and expectations regarding future sales of hotel properties; and (vii) trends affecting our or any Hotel's financial condition or results of operations.

These forward-looking statements reflect our current views in respect of future events and financial performance, but are subject to many uncertainties and factors relating to the operations and business environment of the Hotels that may cause our actual results to differ materially from any future results expressed or implied by such forward-looking statements. Examples of such uncertainties include, but are not limited to:

local, national or international economic and business conditions, including, without limitation, conditions that may, or may continue to, affect public securities markets generally, the hospitality industry or the markets in which we operate or will operate;

fluctuations in hotel occupancy rates;

changes in room rental rates that may be charged by InnSuites Hotels in response to market rental rate changes or otherwise;

seasonality of our business;

our ability to sell any of our Hotels at market value, listed sale price or at all;

interest rate fluctuations;

changes in governmental regulations, including federal income tax laws and regulations;

competition;

any changes in our financial condition or operating results due to acquisitions or dispositions of hotel properties;

insufficient resources to pursue our current strategy;

concentration of our investments in the InnSuites Hotels® brand;

loss of membership contracts;

real estate and hospitality market conditions;

hospitality industry factors;

our ability to carry out our strategy, including our strategy regarding IBC Hotels;

the Trust's ability to remain listed on the NYSE MKT;

effectiveness of the Trust's software program;

our ability to meet present and future debt service obligations;

our ability to extend our line of credit;

our inability to refinance or extend the maturity of indebtedness at, prior to, or after the time it matures;

terrorist attacks or other acts of war;

outbreaks of communicable diseases;

natural disasters;

data breaches; and

loss of key personnel.

We do not undertake any obligation to update publicly or revise any forward-looking statements whether as a result of new information, future events or otherwise. Pursuant to Section 21E(b)(2)(E) of the Securities Exchange Act of 1934, as amended, the qualifications set forth hereinabove are inapplicable to any forward-looking statements in this Form 10-K relating to the operations of the Partnership.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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INNSUITES HOSPITALITY TRUST

LIST OF CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

The following consolidated financial statements of InnSuites Hospitality Trust are included in Item 8:

|   |      |
|---|------|
| Report of Independent Registered Public Accounting Firm                                 | B-20 |
| Consolidated Balance Sheets – January 31, 2014 and 2013                                 | B-21 |
| Consolidated Statements of Operations – Years Ended January 31, 2014 and 2013           | B-22 |
| Consolidated Statements of Shareholders' Equity – Years Ended January 31, 2014 and 2013 | B-23 |
| Consolidated Statements of Cash Flows – Years Ended January 31, 2014 and 2013           | B-24 |
| Notes to the Consolidated Financial Statements – Years Ended January 31, 2014 and 2013  | B-25 |

The following financial statement schedules of InnSuites Hospitality Trust are included in Item 8:

|   |      |
|---|------|
| Schedule III – Real Estate and Accumulated Depreciation | B-40 |
| Schedule IV – Mortgage Loans on Real Estate             | B-42 |

All other schedules are omitted, as the information is not required or is otherwise furnished.

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**Report of Independent Registered Public Accounting Firm**

The Shareholders and Board of Trustees of

InnSuites Hospitality Trust

Phoenix, AZ

We have audited the accompanying consolidated balance sheets of InnSuites Hospitality Trust and subsidiaries (the "Trust") as of January 31, 2014 and January 31, 2013, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended January 31, 2014 and January 31, 2013. In connection with our audit of the consolidated financial statements, we have also audited the financial statement schedules listed in Item 15(a). These consolidated financial statements and schedules are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedules. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of InnSuites Hospitality Trust at January 31, 2014, and January 31, 2013, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Semple, Marchal & Cooper, LLP

Phoenix, AZ

April 21, 2014

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## INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

|  | <b>JANUARY 31,</b>  |                     |
|--|---------------------|---------------------|
|  | <b>2014</b>         | <b>2013</b>         |
| <b>ASSETS</b>  |                     |                     |
| Current Assets:  |                     |                     |
| Cash and Cash Equivalents  | \$ 395,903          | \$ 493,953          |
| Restricted Cash  | 114,337             | 13,783              |
| Accounts Receivable, including \$55,873 and \$81,176 from related parties and net of Allowance for Doubtful Accounts of \$23,593 and \$34,415, as of January 31, 2014 and 2013, respectively                 | 644,566             | 568,186             |
| Prepaid Expenses and Other Current Assets  | 384,059             | 268,399             |
| Total Current Assets   | 1,538,865           | 1,344,321           |
| Hotel Properties, net  | 23,672,715          | 24,686,780          |
| Property, Plant and Equipment, net   | 89,348              | 112,977             |
| Deferred Finance Costs and Other Assets  | 107,575             | 137,884             |
| <b>TOTAL ASSETS</b>  | <b>\$25,408,503</b> | <b>\$26,281,962</b> |
| <b>LIABILITIES AND EQUITY</b>  |                     |                     |
| <b>LIABILITIES</b>   |                     |                     |
| Current Liabilities:   |                     |                     |
| Accounts Payable and Accrued Expenses  | \$2,221,638         | \$2,298,497         |
| Current Portion of Mortgage Notes Payable  | 11,753,088          | 1,208,365           |
| Current Portion of Notes Payable to Banks  | 1,018,925           | 450,000             |
| Line of Credit - Related Party   | 331,390             | -                   |
| Current Portion of Other Notes Payable   | 81,461              | 189,799             |
| Total Current Liabilities  | 15,406,502          | 4,146,661           |
| Mortgage Notes Payable   | 6,993,483           | 18,746,559          |
| Other Notes Payable  | 106,106             | 162,457             |
| <b>TOTAL LIABILITIES</b>   | <b>22,506,091</b>   | <b>23,055,677</b>   |
| <b>COMMITMENTS AND CONTINGENCIES (SEE NOTE 18)</b>   |                     |                     |
| <b>SHAREHOLDERS' EQUITY</b>  |                     |                     |
| Shares of Beneficial Interest, without par value, unlimited authorization; 16,822,746 and 16,804,746 shares issued and 8,341,899 and 8,375,207 shares outstanding at January 31, 2014 and 2013, respectively | 14,024,668          | 14,940,048          |
| Treasury Stock, 8,480,847 and 8,429,539 shares held at January 31, 2014 and 2013, respectively   | (11,973,459)        | (11,877,886)        |
| <b>TOTAL TRUST SHAREHOLDERS' EQUITY</b>  | <b>2,051,209</b>    | <b>3,062,162</b>    |
| <b>NON-CONTROLLING INTEREST</b>  | <b>851,203</b>      | <b>164,123</b>      |

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|                              |              |              |
|------------------------------|--------------|--------------|
| TOTAL EQUITY                 | 2,902,412    | 3,226,285    |
| TOTAL LIABILITIES AND EQUITY | \$25,408,503 | \$26,281,962 |

See accompanying notes to  
consolidated financial statements

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## INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

|   | <b>YEARS ENDED</b>    |                       |
|---|-----------------------|-----------------------|
|   | <b>JANUARY 31,</b>    |                       |
|   | <b>2014</b>           | <b>2013</b>           |
| <b>REVENUE</b>  |                       |                       |
| Room  | \$ 13,442,254         | \$ 13,436,362         |
| Food and Beverage   | 991,867               | 1,068,025             |
| Management and Trademark Fees, including \$189,299 and \$248,234 from related parties for 2014 and 2013, respectively | 194,605               | 262,662               |
| Other   | 255,916               | 210,570               |
| <b>TOTAL REVENUE</b>  | <b>14,884,642</b>     | <b>14,977,619</b>     |
| <b>OPERATING EXPENSES</b>   |                       |                       |
| Room  | 3,667,492             | 3,759,867             |
| Food and Beverage   | 927,887               | 1,006,975             |
| Telecommunications  | 28,243                | 51,607                |
| General and Administrative  | 3,139,064             | 2,977,901             |
| Sales and Marketing   | 1,111,912             | 1,083,503             |
| Repairs and Maintenance   | 1,225,997             | 1,430,524             |
| Hospitality   | 837,371               | 808,064               |
| Utilities   | 1,202,371             | 1,263,748             |
| Hotel Property Depreciation   | 1,783,595             | 1,754,289             |
| Real Estate and Personal Property Taxes, Insurance and Ground Rent  | 938,345               | 954,232               |
| Other   | 9,477                 | 9,987                 |
| <b>TOTAL OPERATING EXPENSES</b>   | <b>14,871,754</b>     | <b>15,100,697</b>     |
| <b>OPERATING INCOME (LOSS)</b>  | <b>12,888</b>         | <b>(123,078 )</b>     |
| Interest Income   | 5,610                 | 8,937                 |
| <b>TOTAL OTHER INCOME</b>   | <b>5,610</b>          | <b>8,937</b>          |
| Interest on Mortgage Notes Payable  | 757,316               | 909,366               |
| Interest on Notes Payable to Banks  | 26,408                | 17,613                |
| Interest on Other Notes Payable   | 28,496                | 34,730                |
| Interest on Line of Credit - Related Party  | 10,361                | -                     |
| <b>TOTAL INTEREST EXPENSE</b>   | <b>822,581</b>        | <b>961,709</b>        |
| <b>CONSOLIDATED NET LOSS BEFORE INCOME TAX PROVISION</b>  | <b>(804,083 )</b>     | <b>(1,075,850 )</b>   |
| Income Tax Provision  | (37,148 )             | -                     |
| <b>CONSOLIDATED NET LOSS</b>  | <b>\$(841,231 )</b>   | <b>\$(1,075,850 )</b> |
| <b>LESS: NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST</b>   | <b>\$ 180,592</b>     | <b>\$(69,705 )</b>    |
| <b>NET LOSS ATTRIBUTABLE TO CONTROLLING INTERESTS</b>   | <b>\$(1,021,823 )</b> | <b>\$(1,006,145 )</b> |
| <b>NET LOSS PER SHARE – BASIC AND DILUTED</b>   | <b>\$(0.12 )</b>      | <b>\$(0.12 )</b>      |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED</b>  | <b>8,368,416</b>      | <b>8,415,542</b>      |
| <b>CASH DIVIDENDS PER SHARE</b>   | <b>\$0.01</b>         | <b>\$0.01</b>         |

See accompanying notes to  
consolidated financial statements

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## INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED JANUARY 31, 2014 and 2013

|  | <b>Total Equity</b>                  |               |                       |                |                                 |                                 |               |               |
|--|--------------------------------------|---------------|-----------------------|----------------|---------------------------------|---------------------------------|---------------|---------------|
|  | <b>Shares of Beneficial Interest</b> |               | <b>Treasury Stock</b> |                | <b>Trust Shareholder Equity</b> | <b>Non-Controlling Interest</b> |               | <b>Amount</b> |
|  | <b>Shares</b>                        | <b>Amount</b> | <b>Shares</b>         | <b>Amount</b>  |                                 | <b>Interest</b>                 | <b>Amount</b> |               |
| Balance, January 31, 2102                                  | 8,442,338                            | \$ 14,646,261 | 8,344,408             | \$(11,682,575) | \$ 2,963,686                    | \$ 181,901                      | \$ 3,145,587  |               |
| Net Loss   | -                                    | (1,006,145 )  | -                     | -              | (1,006,145)                     | (69,705 )                       | (1,075,850)   |               |
| Dividends  | -                                    | (83,846 )     | -                     | -              | (83,846 )                       | -                               | (83,846 )     |               |
| Purchase of Treasury Stock                                 | (85,131 )                            | -             | 85,131                | (195,311 )     | (195,311 )                      | -                               | (195,311 )    |               |
| Repurchase of Partnership Units                            | -                                    | (16,025 )     | -                     | -              | (16,025 )                       | -                               | (16,025 )     |               |
| Shares of Beneficial Interest Issued for Services Rendered | 18,000                               | 39,600        | -                     | -              | 39,600                          | -                               | 39,600        |               |
| Sales of Ownership Interests in Subsidiary                 | -                                    | 1,672,342     | -                     | -              | 1,672,342                       | 546,252                         | 2,218,594     |               |
| Repurchase of Ownership Interest in Subsidiary             | -                                    | (305,734 )    | -                     | -              | (305,734 )                      | (9,266 )                        | (315,000 )    |               |
| Distribution to Non-Controlling Interests                  | -                                    | (14,875 )     | -                     | -              | (14,875 )                       | (476,589 )                      | (491,464 )    |               |
| Reallocation of Non-Controlling Interests                  | -                                    | 8,470         | -                     | -              | 8,470                           | (8,470 )                        | -             |               |
| Balance, January 31, 2013                                  | 8,375,207                            | 14,940,048    | 8,429,539             | (11,877,886)   | 3,062,162                       | 164,123                         | 3,226,285     |               |
| Net (Loss) Income  | -                                    | (1,021,823 )  | -                     | -              | (1,021,823)                     | 180,592                         | (841,231 )    |               |
| Dividends  | (51,308 )                            | (83,449 )     | 51,308                | (95,573 )      | (83,449 )                       | -                               | (83,449 )     |               |
|  |                                      | -             |                       |                | (95,573 )                       | -                               | (95,573 )     |               |



|   |           |               |           |                |              |            |              |
|---|-----------|---------------|-----------|----------------|--------------|------------|--------------|
| Purchase of Treasury Stock Shares of Beneficial Interest Issued for Services Rendered | 18,000    | 30,960        | -         | -              | 30,960       | -          | 30,960       |
| Sales of Ownership Interests in Subsidiary  | -         | (52,880 )     | -         | -              | (52,880 )    | 1,169,816  | 1,116,936    |
| Distribution to Non-Controlling Interests   | -         | -             | -         | -              | -            | (462,778 ) | (462,778 )   |
| Reallocation of Non-Controlling Interests and Other                                   | -         | 211,812       | -         | -              | 211,812      | (200,550 ) | 11,262       |
| Balance, January 31, 2014   | 8,341,899 | \$ 14,024,668 | 8,480,847 | \$(11,973,459) | \$ 2,051,209 | \$ 851,203 | \$ 2,902,412 |

See accompanying notes to

consolidated financial statements

## INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

|  | YEARS ENDED         |                     |
|--|---------------------|---------------------|
|  | JANUARY 31,<br>2014 | 2013                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                     |
| Consolidated Net Loss  | \$ (841,231 )       | \$ (1,075,850 )     |
| Adjustments to Reconcile Consolidated Net Loss to Net Cash Provided by Operating Activities: |                     |                     |
| Stock-Based Compensation   | 30,960              | 39,600              |
| Provision for Uncollectible Receivables  | (10,822 )           | (3,745 )            |
| Hotel Property Depreciation  | 1,783,595           | 1,754,289           |
| Loss on Disposal of Assets   | 15,010              | 1,956               |
| Amortization of Deferred Loan Fees   | 59,400              | 91,988              |
| Changes in Assets and Liabilities:   |                     |                     |
| Prepaid Expenses and Other Assets  | (144,751 )          | (120,001 )          |
| Accounts Receivable  | (95,558 )           | 55,475              |
| Accounts Payable and Accrued Expenses  | (76,859 )           | 124,436             |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <b>719,744</b>      | <b>868,148</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                     |
| Improvements and Additions to Hotel Properties   | (761,433 )          | (1,264,878 )        |
| Change in Restricted Cash  | (100,554 )          | 123,025             |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>   | <b>(861,987 )</b>   | <b>(1,141,853 )</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                     |                     |
| Deferred Loan Fees   | -                   | (27,285 )           |
| Principal Payments on Mortgage Notes Payable   | (1,208,352 )        | (2,057,032 )        |
| Proceeds from Refinancing of Mortgage Notes Payable  | -                   | 500,000             |
| Payments on Notes Payable to Banks   | (1,805,313 )        | (1,812,432 )        |
| Borrowings on Notes Payable to Banks   | 2,374,238           | 2,262,432           |
| Payments on Line of Credit -Related Party  | (2,673,866 )        | -                   |
| Borrowings on Line of Credit - Related Party   | 3,035,256           | -                   |
| Proceeds from Sale of Non-Controlling Ownership Interest in Subsidiary                       | 1,116,936           | 2,218,594           |
| Repurchase of Subsidiary Equity from Related Party   | -                   | (315,000 )          |
| Distributions to Minority Interest Holders   | (462,778 )          | (491,464 )          |
| Repurchase of Partnership Units  | -                   | (525 )              |
| Repurchase of Treasury Stock   | (54,430 )           | (187,311 )          |
| Payment of Dividends   | (83,449 )           | (83,846 )           |
| Payments on Other Notes Payable  | (194,049 )          | (221,897 )          |
| <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>                                   | <b>44,193</b>       | <b>(215,766 )</b>   |

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|  |            |   |            |   |
|--|------------|---|------------|---|
| NET DECREASE IN CASH AND CASH EQUIVALENTS      | (98,050    | ) | (489,471   | ) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 493,953    |   | 983,424    |   |
| CASH AND CASH EQUIVALENTS AT END OF YEAR       | \$ 395,903 |   | \$ 493,953 |   |

See Note 17 for Supplemental Cash Flow Disclosures

See accompanying notes to

consolidated financial statements

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INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JANUARY 31, 2014 and 2013

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

As of January 31, 2014, InnSuites Hospitality Trust (the “Trust”, “we” or “our”) owns interests in directly and through a partnership interest, five hotels with an aggregate of 843 suites in Arizona, southern California and New Mexico (the “Hotels”). The Hotels operate under the trade name “InnSuites Hotels.”

Full service hotels often contain upscale full-service facilities with a large volume of full service accommodations, on-site full service restaurant(s), and a variety of on-site amenities such as swimming pools, a health club, children’s activities, ballrooms and on-site conference facilities. Moderate or limited service hotels are small to medium-sized hotel establishments that offer a limited amount of on-site amenities. Most moderate or limited service establishments may still offer full service accommodations but lack leisure amenities such as an on-site restaurant or a swimming pool. We consider one of our Tucson, Arizona hotels and our hotel located in Albuquerque, New Mexico a moderate or limited service establishment. All of our other properties are full service hotels.

The Trust is the sole general partner of RRF Limited Partnership, a Delaware limited partnership (the “Partnership”), and owned 72.04% interest in the Partnership as of January 31, 2014 and 2013. The Trust’s weighted average ownership for the years ended January 31, 2014 and 2013 was 72.04%. As of January 31, 2014, the Partnership owned 100% of one InnSuites® hotel located in Tucson, Arizona, owned a 51.00% interest in another InnSuites® hotel located in Tucson, Arizona, and together with the Trust controlled a 61.60% interest in an InnSuites® hotel located in Ontario, California. The Trust owns and operates a Yuma, Arizona hotel property directly, which it acquired from the Partnership on January 31, 2005, and owns a direct 50.85% interest in an InnSuites® hotel located in Albuquerque, New Mexico.

Under certain management agreements, InnSuites Hotels, our subsidiary, manages the Hotels’ daily operations. The Trust also provides the use of the “InnSuites” trademark to the Hotels through wholly-owned InnSuites Hotels. All such expenses and reimbursements between the Trust, InnSuites Hotels and the Partnership have been eliminated in consolidation.

InnDependent Boutique Collection (IBC Hotels), a wholly owned subsidiary of InnSuites Hospitality Trust, has approximately 3,100 properties. During the fiscal year ended January 31, 2014 IBC Hotels formed a marketing

alliance with the Independent Lodging Industry Association (ILIA). Revenues and expenses of IBC Hotels are not significant and not separately recorded.

## PARTNERSHIP AGREEMENT

The Partnership Agreement of the Partnership provides for the issuance of two classes of Limited Partnership units, Class A and Class B. Class A and Class B Partnership units are identical in all respects, except that each Class A Partnership unit is convertible into one newly-issued Share of Beneficial Interest of the Trust at any time at the option of the particular limited partner. The Class B Partnership units may only become convertible, each into one newly-issued Share of Beneficial Interest of the Trust, with the approval of the Board of Trustees, in its sole discretion. On January 31, 2014 and 2013, 286,034 Class A Partnership units were issued and outstanding, representing 2.17% of the total Partnership units. Additionally, as of both January 31, 2014 and 2013, 3,407,938 Class B Partnership units were outstanding to James Wirth, the Trust's Chairman and Chief Executive Officer, and Mr. Wirth's affiliates. If all of the Class A and B Partnership units were converted on January 31, 2014, the limited partners in the Partnership would receive 3,693,972 Shares of Beneficial Interest of the Trust. As of January 31, 2014 and 2013, the Trust owns 9,517,545 general partner units in the Partnership, representing 72.04% of the total Partnership units.

## LIQUIDITY

Our principal source of cash to meet our cash requirements, including distributions to our shareholders, is our share of the Partnership's cash flow, quarterly distributions from the Albuquerque, New Mexico property, and through the Partnership and our direct ownership of the Yuma, Arizona property. The Partnership's principal source of revenue is hotel operations for the one hotel property it owns and quarterly distributions from the Tucson, Arizona and Ontario, California properties. Our liquidity, including our ability to make distributions to our shareholders, will depend upon our ability and the Partnership's ability to generate sufficient cash flow from hotel operations.

Hotel operations are significantly affected by occupancy and room rates at the Hotels. We anticipate occupancy and ADR will be improved in the coming year, capital improvements are expected to be similar from the prior year. As of January 31, 2014, the Trust had \$583,000 drawn on our \$600,000 line of credit. Our credit line matures on June 23, 2014 and we are currently in discussions with the bank and anticipate a renewal of at least an additional year on this line of credit. As of April 18, 2014, the outstanding balance on the line of credit was \$600,000.

With the expected continued availability of the \$600,000 bank line of credit which management expects to timely renew, the refinance or extension of two of our mortgage note payables which management expects to occur, management believes that it will have enough cash on hand to meet all of our financial obligations as they become due. Management is actively discussing with the bank an extension of the line of credit. In addition, our management is analyzing other strategic options available to us, including the refinancing of another property or raising additional funds through additional non-controlling interest sales.

There can be no assurance that we will be successful in raising additional or replacement funds, or that these funds may be obtainable on terms that are favorable to us. If we are unable to raise additional or replacement funds, we may be required to sell certain of our assets to meet our liquidity needs, which may not be on terms that are favorable.

## BASIS OF PRESENTATION

As sole general partner of the Partnership, the Trust exercises unilateral control over the Partnership, and the Trust owns all of the issued and outstanding classes of shares of InnSuites Hotels. Therefore, the financial statements of the Partnership and InnSuites Hotels are consolidated with the Trust, and all significant intercompany transactions and balances have been eliminated.

## SEASONALITY OF THE HOTEL BUSINESS

The Hotels' operations historically have been somewhat seasonal. The three southern Arizona hotels experience their highest occupancy in the first fiscal quarter and, to a lesser extent, the fourth fiscal quarter. The second fiscal quarter tends to be the lowest occupancy period at those three southern Arizona hotels. This seasonality pattern can be expected to cause fluctuations in the Trust's quarterly revenues. The two hotels located in California and New Mexico historically experience their most profitable periods during the second and third fiscal quarters (the summer season), providing some balance to the general seasonality of the Trust's hotel business.

The seasonal nature of the Trust's business increases its vulnerability to risks such as labor force shortages and cash flow issues. Further, if an adverse event such as an actual or threatened terrorist attack, international conflict, data breach, regional economic downturn or poor weather conditions should occur during the first or fourth fiscal quarters, the adverse impact to the Trust's revenues could likely be greater as a result of its southern Arizona seasonal business.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Trust's operations are affected by numerous factors, including the economy, competition in the hotel industry and the effect of the economy on the travel and hospitality industries. The Trust cannot predict if any of the above items will have a significant impact in the future, nor can it predict what impact, if any, the occurrence of these or other events might have on the Trust's operations and cash flows. Significant estimates and assumptions made by management include, but are not limited to, the estimated useful lives of long-lived assets and estimates of future cash flows used to test a long-lived asset for recoverability and the fair values of the long-lived assets.

## PROPERTY, PLANT AND EQUIPMENT AND HOTEL PROPERTIES

Furniture, fixtures, building improvements and hotel properties are stated at cost and are depreciated using the straight-line method over estimated lives ranging up to 40 years for buildings and 3 to 10 years for furniture and equipment.

Management applies guidance issued by the Financial Accounting Standards Board ("FASB"), codified in Accounting Standards Codification Topic 360-10-35 ("ASC 360-10-35"), to determine when it is required to test an asset for recoverability of its carrying value and whether an impairment exists. Under ASC 360-10-35, the Trust is required to test a long-lived asset for impairment when there is an indicator of impairment. Impairment indicators may include, but are not limited to, drop in the performance of a long-lived asset, a decline in the hospitality industry or a decline in the economy. If an indicator of potential impairment is present, then an assessment is performed of whether the carrying amount of an asset exceeds its estimated undiscounted future cash flows over its estimated remaining life.

The estimated undiscounted future cash flows of a property is determined based on third party property appraisals, third party broker opinions of value and Management's combined real estate expertise. Management believes that third party property appraisals and third party broker opinions of value are useful because they consider historical occupancy, average rate levels and cash flows in determining fair value.

If the estimated undiscounted future cash flows over the asset's estimated remaining life are greater than the asset's carrying value, no impairment is recognized; however, if the carrying value of the asset exceeds the estimated undiscounted future cash flows, then the Trust would recognize an impairment expense to the extent the asset's carrying value exceeds its fair value, if any. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. Long-lived assets evaluated for impairment are analyzed on a property-specific basis independent of the cash flows of other groups of assets. Evaluation of future cash flows is based on historical experience and other factors, including certain economic conditions and committed future bookings. Management has determined that no impairment of long-lived assets exists during the Trust's fiscal years ending January 31, 2014 and 2013.

#### CASH AND CASH EQUIVALENTS

The Trust considers all highly liquid short-term investments with maturities of three months or less at the time of purchase to be cash equivalents. The Trust places its cash and cash equivalents only with high credit quality financial institutions.

#### RESTRICTED CASH

Restricted cash consists of amounts held in reserve by lenders to fund capital improvements to the properties.

#### REVENUE RECOGNITION

Room, food and beverage, management and licensing fees, and other revenue are recognized as earned as services are provided and items are sold. Sales taxes collected are excluded from gross revenue.

#### ACCOUNTS RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS



Accounts receivable are carried at original amounts billed less an estimate made for doubtful accounts based on a review of outstanding amounts on a quarterly basis. Management generally records an allowance for doubtful accounts for 50% of balances over 90 days and 100% of balances over 120 days. Accounts receivable are written off when deemed uncollectible. Recoveries, if any, of receivables previously written off are recorded when received. The Trust does not charge interest on accounts receivable balances and these receivables are unsecured.

| <b>Fiscal Year</b> | <b>Balance at<br/>the<br/>Beginning<br/>of Year</b> | <b>Charged<br/>to<br/>Expense</b> | <b>Deductions</b> | <b>Balance<br/>at<br/>the End<br/>of Year</b> |
|--------------------|---|-----------------------------------|-------------------|---|
| 2013               | \$ 38,159   | \$ 3,831                          | \$ (7,575 )       | \$34,415                                      |
| 2014               | \$ 34,415   | \$ 5,061                          | \$ (15,883 )      | \$23,593                                      |

#### STOCK-BASED COMPENSATION

We have an employee equity incentive plan, which is described more fully in Note 19 - "Share-Based Payments." Restricted shares granted from the plan are measured based on the fair value of the underlying shares on the date of grant. We use the straight-line attribution method to recognize share-based compensation over the service period of the award.

For fiscal year 2014 and 2013, the Trust has paid the annual fees due to its Trustees using newly created Shares of Beneficial Interest. Upon issuance, the Trust recognizes the shares as outstanding. The Trust recognizes expense related to the issuance based on the fair value of the shares upon the date of the restricted share grant and amortizes the expense equally over the period during which the shares vest to the Trustees.

During fiscal year 2014, the Trust granted restricted stock awards of 18,000 Shares to members of the Board of Trustees, all of which vested in fiscal year 2014 resulting in stock-based compensation of \$30,960. During fiscal year 2013, the Trust granted restricted stock awards of 18,000 Shares to members of the Board of Trustees, all of which vested in fiscal year 2013 resulting in stock-based compensation of \$39,600.

The following table summarizes restricted share activity during fiscal years 2014 and 2013.

|  | <b>Restricted Shares</b> |   | <b>Weighted-Average<br/>Per Share Grant<br/>Date Fair Value</b> |
|--|--------------------------|---|---|
|  | <b>Shares</b>            |   |   |
| Balance at January 31, 2012                    | -                        |   | —   |
| Granted  | 18,000                   |   | \$2.20  |
| Vested   | (18,000                  | ) | \$2.20  |
| Forfeited                                      | -                        |   | —   |
| Balance of unvested awards at January 31, 2013 | -                        |   | \$0.00  |
| Granted  | 18,000                   |   | \$1.72  |
| Vested   | (18,000                  | ) | \$1.72  |
| Forfeited                                      | -                        |   | —   |
| Balance of unvested awards at January 31, 2014 | -                        |   | \$0.00  |

#### TREASURY STOCK

Treasury stock is carried at cost, including any brokerage commissions paid to repurchase the shares. Any shares issued from treasury stock are removed at cost, with the difference between cost and fair value at the time of issuance recorded against common stock.

#### INCOME TAXES

The Trust is subject to federal and state corporate income taxes, and accounts for deferred taxes utilizing an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when it is determined to be more likely than not that some portion, or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

#### DIVIDENDS AND DISTRIBUTIONS

In fiscal years 2014 and 2013, the Trust paid dividends of \$0.01 per share in the fourth quarter of each year, or total dividends of \$83,449 and \$83,846, respectively. The Trust's ability to pay dividends is largely dependent upon the operations of the Hotels.

#### NON-CONTROLLING INTEREST

Non-controlling interest in the Partnership represents the limited partners' proportionate share of the capital and earnings of the Partnership. Income or loss is allocated to the non-controlling interest based on a weighted average ownership percentage in the Partnership throughout the period, and capital is allocated based on the ownership percentage at year-end. Any difference between the weighted average and point-in-time allocations is presented as a reallocation of non-controlling interest as a component of shareholders' equity.

#### INCOME (LOSS) PER SHARE

Basic and diluted income (loss) per Share of Beneficial Interest is computed based on the weighted-average number of Shares of Beneficial Interest and potentially dilutive securities outstanding during the period. Dilutive securities are limited to the Class A and Class B units of the Partnership, which are convertible into 3,693,972 Shares of the Beneficial Interest, as discussed in Note 1.

For the fiscal years ended January 31, 2014 and 2013, there were Class A and Class B Partnership units outstanding, which are convertible into Shares of Beneficial Interest of the Trust. Assuming conversion at the beginning of each period, the aggregate weighted-average of these Shares of Beneficial Interest would have been 3,693,972 and 3,694,431 in addition to the basic shares outstanding for fiscal year 2014 and 2013, respectively. These Shares of Beneficial Interest issuable upon conversion of the Class A and Class B Partnership units were anti-dilutive during both fiscal year 2014 and 2013 and are excluded from the calculation of diluted earnings per share for those years due to the Trust's losses, and accordingly, no reconciliation is provided of basic earnings per share to diluted earnings per share.

## ASSETS HELD FOR SALE

The trust considers assets held for sale when management approves and commits to a formal plan to actively market a property or group of properties for sale and a signed sales contract and significant non-refundable deposit or contract break-up fee exists. Upon designation as an asset held for sale, the Trust records the carrying value of each property or group of properties at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and we cease the recognition of depreciation expense. Any gain realized in connection with the sale of a property for which the Trust has significant continued involvement (such as through a long-term management agreement) is deferred and recognized over the initial term of the related agreement. The operations of the properties held for sale prior to the sale date are recorded in discontinued operations unless the Trust will have continuing involvement (such as through a management agreement) after the sale. No assets were deemed held for sale as of January 31, 2014 or 2013.

## SEGMENT REPORTING

The Trust views its operations as one operating business segment, a hospitality company that has ownership interest in five hotel properties with an aggregate of 843 suites in Arizona, southern California and New Mexico. The Trust has a concentration of assets in the southwest United States, and the southern Arizona market.

## ADVERTISING COSTS

Amounts incurred for advertising costs are expensed as incurred. Advertising expense totaled approximately \$624,000 and \$559,000 for the years ended January 31, 2014 and 2013, respectively.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

For disclosure purposes, fair value is determined by using available market information and appropriate valuation methodologies. Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The fair value framework specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The fair value hierarchy levels are as follows:

Level 1 – Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured;

Level 2 – Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and / or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are level 2 valuation techniques.

Level 3 – Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect a company’s own judgments about the assumptions that market participants would use in pricing an asset or liability.

The Trust has no assets or liabilities that are carried at fair value on a recurring basis and had no fair value re-measurements during the years ended January 31, 2014 and 2013. The Trust’s financial instruments utilize level 3 inputs in the determination of fair value and consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, advances to related parties and debt.

Due to their short maturities, the carrying value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses approximates fair value. The fair value of mortgage notes payable, notes payable to banks and notes and advances payable to related parties is estimated by using the current rates which would be available for similar loans having the same remaining maturities and are based on level 3 inputs. See Note 16 – “Fair Value of Financial Instruments.”

### 3. SALE OF OWNERSHIP INTERESTS IN ALBUQUERQUE SUBSIDIARY

On July 22, 2010, the Board of Trustees unanimously approved, with Mr. Wirth abstaining, for the Partnership to enter into an agreement with Rare Earth Financial, LLC (“Rare Earth”), an affiliate of Mr. Wirth, to sell units in Albuquerque Suite Hospitality, LLC (the “Albuquerque entity”), which owns and operates the Albuquerque, New Mexico hotel property. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase at least 49% of the membership interests in the Albuquerque entity and the parties agreed to restructure the operating agreement of the Albuquerque entity. A total of 400 units were available for sale for \$10,000 per unit, with a two-unit minimum subscription. On September 24, 2010, the parties revised the Amended and Restated Operating Agreement to name Rare Earth as the administrative member of the Albuquerque entity in charge of the day-to-day management.

On December 9, 2013, the Trust entered into an updated restructuring agreement with Rare Earth to allow for the sale of additional interest units in the Albuquerque entity for \$10,000 per unit. Under the updated restructuring agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 150 (and potentially up to 190 if the over-allotment is exercised) units. As of January 31, 2014 and per the updated restructuring agreement, the Trust agreed to hold at least 50.1% of the outstanding limited partnership units in the Albuquerque entity, on a post-transaction basis and intends to maintain this minimum ownership percentage through the purchase of units under this offering. The Board of Trustees approved this restructuring on December 9, 2013. The limited partnership interests in the Albuquerque entity are allocated to three classes with differing cumulative discretionary priority distribution rights through December 31, 2015 at which point it is anticipated the hotel will be owned free and clear. Class A units are owned by unrelated third parties and have first priority for distributions. Class B units are owned by the Trust and have second priority for distributions. Class C units are owned by Rare Earth or other affiliates of Mr. Wirth and have the lowest priority for distributions from the Albuquerque entity. Priority distributions of \$700 per unit per year are cumulative until December 31, 2015; however, after December 31, 2015 Class A unit holders continue to hold a preference on distributions over Class B and Class C unit holders.

If certain triggering events related to the Albuquerque entity occur prior to the payment of all accumulated distributions to its members, such accumulated distributions will be paid out of any proceeds of the event before general distribution of the proceeds to the members. In the event that funds generated from a triggering event are insufficient to pay the total amount of all such accumulated distributions owed to the members, all Class A members will participate pro rata in the funds available for distribution to them until paid in full, then Class B, and then Class C. After all investors have received their initial capital plus a 7% per annum simple return, any additional profits will be allocated 50% to Rare Earth, with the remaining 50% allocated proportionately to all unit classes. Rare Earth received a restructuring fee of \$128,000, conditioned upon and arising from the sale of the first 100 units in the Albuquerque entity following the December 31, 2013 restructuring. Assuming all 150 units are sold from the offering discussed above, discretionary priority distributions to all Classes are projected to be approximately \$385,000 annually through December 31, 2015. The Albuquerque entity plans to use its best efforts to pay the discretionary priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the cumulative discretionary priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the Albuquerque, New Mexico property.

At January 31, 2014, the Albuquerque entity had sold 18.5 additional units to unrelated parties at \$10,000 per unit totaling \$185,000 and the Trust purchased a net of 21 additional units at \$10,000 per unit totaling \$210,000 under the updated restructuring agreement. As of January 31, 2014, the Trust holds a 50.85% ownership interest, or 223.50 Class B units, Mr. Wirth and his affiliates hold a 0.11% interest through Rare Earth, or 0.50 Class C units, and other parties hold a 49.03% interest, or 215.50 Class A units. As of January 31, 2014, the Albuquerque entity has discretionary Priority Return payments to unrelated unit holders of approximately \$151,000, to the Trust of approximately \$156,000 and to Rare Earth of approximately \$400 per year payable quarterly for calendar year 2015.

#### 4. SALE OF OWNERSHIP INTERESTS IN TUCSON HOSPITALITY PROPERTIES SUBSIDIARY

On February 17, 2011, the Partnership entered into a restructuring agreement with Rare Earth to allow for the sale of non-controlling interest units in Tucson Hospitality Properties, LP (the "Tucson entity"), which operates the Tucson Foothills hotel property, which was then wholly-owned by the Partnership. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 250 units, which represents approximately 41% of the outstanding limited partnership units in the Tucson entity, on a post-transaction basis, and the parties agreed to restructure the limited partnership agreement of the Tucson entity. The Board of Trustees approved this restructuring on January 31, 2011.

On October 1, 2013, the Partnership entered into an updated restructured limited partnership agreement with Rare Earth to allow for the sale of additional interest units in the Tucson entity for \$10,000 per unit. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 160 (and potentially up to 200 if the overallotment is exercised) units. As of October 31, 2013 and per the updated restructuring agreement, the Partnership agreed to hold at least 50.1% of the outstanding limited partnership units in the Tucson entity, on a post-transaction basis and intends to maintain this minimum ownership percentage through the purchase of units under this offering. The Board of Trustees approved this restructuring on September 14, 2013. The limited partnership interests in the Tucson entity are allocated to three classes with differing cumulative discretionary priority distribution rights through June 30, 2016. Class A units are owned by unrelated third parties and have first priority for distributions. Class B units are owned by the Partnership and have second priority for distributions. Class C units are owned by Rare Earth or other affiliates of Mr. Wirth and have the lowest priority for distributions from the Tucson entity. Priority distributions of \$700 per unit per year are cumulative until June 30, 2016; however, after June 30, 2016 Class A unit holders continue to hold a preference on distributions over Class B and Class C unit holders.

If certain triggering events related to the Tucson entity occur prior to the payment of all accumulated distributions to its members, such accumulated distributions will be paid out of any proceeds of the event before general distribution of the proceeds to the members. In the event that funds generated from a triggering event are insufficient to pay the total amount of all such accumulated distributions owed to the members, all Class A members will participate pro rata in the funds available for distribution to them until paid in full, then Class B, and then Class C. After all investors have received their initial capital plus a 7% per annum simple return, any additional profits will be allocated 50% to Rare Earth, with the remaining 50% allocated proportionately to all unit classes. Rare Earth will receive a restructuring fee of \$128,000, conditioned upon and arising from the sale of the first 100 units in the Tucson entity following the October 1, 2013 restructuring. Assuming all 160 units are sold from the offering discussed above, discretionary priority distributions to all Classes are projected to be approximately \$540,000 annually through June 30, 2016. The Tucson entity plans to use its best efforts to pay the discretionary priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the cumulative discretionary priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the Tucson, Arizona property.

As of January 31, 2014, the Trust had sold its entire 11 units in the Tucson entity to the Partnership. At January 31, 2014, the Tucson entity had sold 108.50 units to unrelated parties at \$10,000 per unit totaling \$1,085,000 and the Partnership purchased a net of 54 additional units at \$10,000 per unit totaling \$540,000 under the updated restructured limited partnership agreement. As of January 31, 2014, the Trust does not hold any interest in the Tucson entity, the Partnership holds a 51.00% ownership interest, or 395 Class B units, Mr. Wirth and his affiliates hold a 1.55% interest, or 12 Class C units, and other parties hold a 47.45% interest, or 367.50 Class A units. As of January 31, 2014, the Tucson entity has discretionary payments to unrelated unit holders of approximately \$257,000, to the Partnership of approximately \$277,000 and to Rare Earth of approximately \$8,000 per year payable quarterly for calendar years 2015 and 2016.

## 5. SALE OF OWNERSHIP INTERESTS IN ONTARIO HOSPITALITY PROPERTIES SUBSIDIARY

On February 29, 2012, the Trust and Partnership entered into a restructuring agreement with Rare Earth to allow for the sale of minority interest units in Ontario Hospitality Properties, LP (the "Ontario entity") for \$10,000 per unit, which operates the Ontario hotel property, which was then wholly-owned by the Partnership. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 250 units, which represents approximately 49% of the outstanding partnership units in the Ontario entity, on a post-transaction basis, and the parties agreed to restructure the limited partnership agreement of the Ontario entity. The Board of Trustees approved this restructuring on February 1, 2012.

Under the restructured limited partnership agreement, Rare Earth became a general partner of the Ontario entity along with the Trust and Partnership. The limited partnership interests in the Ontario entity are allocated to three classes with differing cumulative discretionary priority distribution rights through March 31, 2017. Class A units are owned by unrelated third parties and have first priority for distributions. Class B units are owned by the Trust and Partnership and have second priority for distributions. Class C units are owned by Rare Earth or other affiliates of Mr. Wirth and have the lowest priority for distributions from the Ontario entity. Priority distributions of \$700 per unit per year are



cumulative until March 31, 2017; however, after March 31, 2017 Class A unit holders continue to hold a preference on distributions over Class B and Class C unit holders.

If certain triggering events related to the Ontario entity occur prior to the payment of all accumulated distributions to its members, such accumulated distributions will be paid out of any proceeds of the event before general distribution of the proceeds to the members. In the event that funds generated from a triggering event are insufficient to pay the total amount of all such accumulated distributions owed to the members, all Class A members will participate pro rata in the funds available for distribution to them until paid in full, then Class B, and then Class C. After all investors have received their initial capital plus a 7% per annum simple return, any additional profits will be allocated 50% to Rare Earth, with the remaining 50% allocated proportionately to all unit classes. Rare Earth also received a formation fee of \$320,000, conditioned upon and arising from the sale of the first 160 units in the Ontario entity. Priority distributions to all Classes are projected to be approximately \$446,660 for each of the calendar years 2015 through 2017. The Ontario entity is required to use its best efforts to pay the priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the cumulative priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the Ontario, California property.

As of January 31, 2014, the Partnership holds a 61.55% ownership interest, or 392.70 Class B units, in the Ontario entity, the Trust holds a 0.05% ownership interest, 0.30 Class B units, Mr. Wirth and his affiliates hold a 1.57% interest through Rare Earth, or 10 Class C units, and other parties hold a 36.83% interest, or 235 Class A units. As of January 31, 2014 the Ontario entity has discretionary Priority Return payments to unrelated unit holders of approximately \$165,000, to the Trust of approximately \$200, to the Partnership of approximately \$275,000 and to Rare Earth of approximately \$7,000 per year payable quarterly for calendar year 2015, 2016 and 2017.

## 6. PROPERTY, PLANT, AND EQUIPMENT AND HOTEL PROPERTIES

As of January 31 2014 and 2013, property, plant and equipment consisted of the following:

|                                     | <b>2014</b> | <b>2013</b> |
|-------------------------------------|-------------|-------------|
| Land                                | \$7,005     | \$7,005     |
| Building and improvements           | 75,662      | 75,662      |
| Furniture, fixtures and equipment   | 380,846     | 370,408     |
| Total property, plant and equipment | 463,513     | 453,075     |
| Less accumulated depreciation       | (374,165)   | (340,098)   |
| Property, Plant and Equipment, net  | \$89,348    | \$112,977   |

As of January 31 2014 and 2013, hotel properties consisted of the following:

|                                   | <b>2014</b>  | <b>2013</b>  |
|-----------------------------------|--------------|--------------|
| Land                              | \$3,034,150  | \$2,817,515  |
| Building and improvements         | 34,236,297   | 34,016,176   |
| Furniture, fixtures and equipment | 5,167,117    | 4,990,808    |
| Total hotel properties            | 42,437,564   | 41,824,499   |
| Less accumulated depreciation     | (18,767,369) | (17,230,102) |
| Hotel Properties in Service, net  | 23,670,195   | 24,594,397   |
| Construction in progress          | 2,520        | 92,383       |
| Hotel properties, net             | \$23,672,715 | \$24,686,780 |

## 7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

|   | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| Prepaid Insurance                         | \$87,492    | \$51,089    |
| Tax and Insurance Escrow                  | 125,353     | 110,422     |
| Other Prepaid Expenses and Current Assets | 171,214     | 106,888     |
| Total Prepaid Expenses and Current Assets | \$384,059   | \$268,399   |

Prepaid expenses and other current assets are carried at historic cost and expect to be consumed within one year. As of January 31 2014 and 2013, prepaid expenses and other current assets consisted of the following:

## 8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of January 31 2014 and 2013, accounts payable and accrued expenses consisted of the following:

|  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| Accounts Payable                               | \$954,776   | \$757,086   |
| Accrued Salaries and Wages                     | 134,222     | 180,895     |
| Accrued Vacation                               | 13,334      | 144,552     |
| Sales Tax Payable                              | 341,909     | 314,605     |
| Income Tax Payable                             | 48,715      | 25,355      |
| Accrued Interest Payable                       | 52,852      | 49,579      |
| Advanced Customer Deposits                     | 68,912      | 181,093     |
| Accrued Property Taxes                         | 250,393     | 248,012     |
| Accrued Land Lease                             | 95,957      | 108,437     |
| Accrued Other                                  | 260,568     | 288,883     |
| Total Accounts Payable and Accrued Liabilities | \$2,221,638 | \$2,298,497 |

## 9. MORTGAGE NOTES PAYABLE

At January 31, 2014 and 2013, the Trust had mortgage notes payable outstanding with respect to each of the Hotels. The mortgage notes payable have various repayment terms and have scheduled maturity dates ranging from January 2015 to August 2022. Weighted average interest rates on the mortgage notes payable for the fiscal years ended January 31, 2014 and 2013 were 4.89% and 4.97%, respectively.

The following table summarizes the Trust's mortgage notes payable as of January 31:

|  | <b>2014</b>  | <b>2013</b>  |
|--|--------------|--------------|
| Mortgage note payable, due in monthly installments of \$32,419, including interest at the prime rate plus one percentage point over the index, with a floor of 5.0% per year, through August 1, 2022 plus a balloon payment of \$4,112,498 in September 2022, secured by the Yuma property with a carrying value of \$5.2 million at January 31, 2014.             | \$5,355,051  | \$5,469,475  |
| Mortgage note payable, due in monthly installments of \$48,738, including interest at 8.0% per year, through May 1, 2016, secured by the Tucson Foothills property with a carrying value of \$4.0 million at January 31, 2014.   | 1,241,111    | 1,706,278    |
| Mortgage note payable, due in monthly installments of \$31,701, including interest at 5.0% per year, through January 14, 2015, plus a balloon payment of \$5,630,315 in January 2015, secured by the Ontario property with a carrying value of \$5.7 million at January 31, 2014.  | 5,983,480    | 6,323,592    |
| Mortgage note payable, due in monthly installments of \$16,032 including interest at 7.75% per year, through November 1, 2021, secured by the Albuquerque property with a carrying value of \$1.3 million at January 31, 2014.   | 1,126,983    | 1,227,744    |
| Mortgage note payable, due in variable monthly installments (\$29,776 as of January 31, 2014) including interest at the prime rate (3.25% per year as of January 31, 2014), through January 28, 2015, plus a balloon payment of \$4,874,618 in January 2015, secured by the Tucson St. Mary's property with a carrying value of \$7.5 million at January 31, 2014. | 5,039,946    | 5,227,835    |
| Totals:  | \$18,746,571 | \$19,954,924 |

The mortgage notes payable secured by the Albuquerque and Tucson St. Mary's hotel properties are recourse to the Partnership and Trust as full guarantors. The mortgage note payable secured by the Yuma hotel property is recourse to the Trust as a full guarantor. None of the other mortgage notes are recourse to the Partnership or the Trust.

The non-recourse mortgage note payable relating to our Ontario property, which is secured by the property and the rents, revenues and profits from the property, matured on May 11, 2011 and was modified on February 14, 2012. The lender reduced the principal balance by \$500,000 and waived all penalties and accumulated interest in exchange for a \$1.0 million pay down of the principal balance by the Trust. The interest rate was lowered from 8.28% to 5.0% reducing the monthly principal and interest payments to \$31,700 from \$71,100. The note was extended for three years to January 14, 2015. The Trust accounted for the modification as a troubled debt restructuring. Based on the terms of the modified mortgage note payable, the total future cash payments of \$7,795,006 consists of \$6,905,289 in principal payments and \$889,717 interest payments. As such, total future cash payments exceeded the carrying value of the note payable (including accrued interest) of \$7,646,030 at the date of restructure by \$148,976. As a result, there was no gain or loss recorded during the period. In addition, no adjustment was made to the carrying value of the note at the date of restructure. Instead this requires the Trust to recognize interest expense using an effective interest rate on the debt after the restructuring, which results in \$148,976 of interest expense being recognized over the remainder of the term.

See Note 12 – “Minimum Debt Payments” for scheduled minimum payments on the mortgage notes payable.

#### 10. NOTES PAYABLE TO BANKS

On September 24, 2013, Ontario Hospitality Properties, LP (“Ontario”), a subsidiary of the Trust, entered into a \$168,540 business loan, including \$9,540 of loan fees, with American Express Bank, FSB (the “Ontario Merchant Agreement”) with a maturity date of September 23, 2014. The Ontario Merchant Agreement includes a loan fee of 6% of the original principal balance of the loan with acceleration provisions upon default. The business loan is secured and paid back with 30% of the Ontario American Express merchant receipts received during the loan period. As of January 31, 2014, the business loan balance was approximately \$123,000.

On November 25, 2013, Yuma Hospitality Properties Limited Partnership, a subsidiary of the Trust, entered into a \$362,520 business loan, including \$20,520 of loan fees, with American Express Bank, FSB (the “Yuma Merchant Agreement”) with a maturity date of November 24, 2014. The Yuma Merchant Agreement includes a loan fee of 6% of the original principal balance of the loan with acceleration provisions upon default. The business loan is secured and paid back with 30% of the Yuma American Express, VISA and MasterCard merchant receipts received during the loan period. As of January 31, 2014, the business loan balance was approximately \$313,000.

As of January 31, 2014, the Trust has a revolving bank line of credit agreement, with a credit limit of \$600,000. The line of credit bears interest at the prime rate plus 1.0% per annum with a 6.0% floor, has no financial covenants and matures on June 23, 2014. The line is secured by a junior security interest in the Yuma, Arizona property and the Trust's trade receivables. Mr. Wirth is a guarantor on the line of credit. The Trust had approximately \$583,000 drawn on this line of credit as of January 31, 2014.

#### 11. LINE OF CREDIT – RELATED PARTY

As of January 31, 2014, the Trust had a \$331,390 Demand/Revolving Line of Credit/Promissory Note outstanding with Rare Earth Financial, LLC. The Demand/Revolving Line of Credit/Promissory Note bears an interest of 7% per year and is due in full, on or before January 31, 2015. The total line of credit available for use by the Trust is \$1,000,000.

#### 12. OTHER NOTES PAYABLE

As of January 31, 2014, the Trust had \$187,567 in secured promissory notes outstanding to unrelated third parties arising from the repurchase of 145,564 Class A Partnership units and the repurchase of 132,051 Shares of Beneficial Interest in privately negotiated transactions. These promissory notes bear interest at 7% per year and are due in varying monthly payments through October 2016. The repurchased Class A Partnership units and Shares of Beneficial Interest secure the notes. As of January 31, 2013, the Trust had \$348,696 in secured promissory notes outstanding to unrelated third parties arising from the repurchase of 145,564 Class A Partnership units and the repurchase of 384,727 Shares of Beneficial Interest in privately negotiated transactions.

#### 13. MINIMUM DEBT PAYMENTS

Scheduled minimum payments of debt as of January 31, 2014 are as follows in the respective fiscal years indicated:

| <b>FISCAL YEAR</b> | <b>MORTGAGES</b> | <b>NOTES<br/>PAYABLE<br/>TO BANK</b> | <b>LINE OF<br/>CREDIT -<br/>RELATED<br/>PARTY</b> | <b>OTHER<br/>NOTES<br/>PAYABLE</b> | <b>TOTAL</b>  |
|--------------------|------------------|--------------------------------------|---|------------------------------------|---------------|
| 2015               | \$ 11,753,088    | \$ 1,018,925                         | \$ 331,390  | \$ 81,461                          | \$ 13,184,864 |
| 2016               | 793,135          | -                                    | -   | 67,984                             | 861,119       |

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|            |               |              |            |            |               |
|------------|---------------|--------------|------------|------------|---------------|
| 2017       | 451,232       | -            | -          | 38,122     | 489,354       |
| 2018       | 277,300       | -            | -          | -          | 277,300       |
| 2019       | 295,591       | -            | -          | -          | 295,591       |
| Thereafter | 5,176,225     | -            | -          | -          | 5,176,225     |
|            | \$ 18,746,571 | \$ 1,018,925 | \$ 331,390 | \$ 187,567 | \$ 20,284,453 |

#### 14. DESCRIPTION OF CAPITAL STOCK

Holders of the Trust's Shares of Beneficial Interest are entitled to receive dividends when and if declared by the Board of Trustees of the Trust out of funds legally available therefore. The holders of Shares of Beneficial Interest, upon any liquidation, dissolution or winding-down of the Trust, are entitled to share ratably in any assets remaining after payment in full of all liabilities of the Trust. The Shares of Beneficial Interest possess ordinary voting rights, each share entitling the holder thereof to one vote. Holders of Shares of Beneficial Interest do not have cumulative voting rights in the election of Trustees and do not have preemptive rights.

On January 2, 2001, the Board of Trustees approved a share repurchase program under Rule 10b-18 of the Securities Exchange Act of 1934, as amended, for the purchase of up to 250,000 Partnership units and/or Shares of Beneficial Interest in open market or privately negotiated transactions. On September 10, 2002, August 18, 2005 and September 10, 2007, the Board of Trustees approved the purchase of up to 350,000 additional Partnership units and/or Shares of Beneficial Interest in open market or privately negotiated transactions. Additionally, on January 5, 2009, September 15, 2009 and January 31, 2010, the Board of Trustees approved the purchase of up to 300,000, 250,000 and 350,000, respectively, additional Partnership units and/or Shares of Beneficial Interest in open market or privately negotiated transactions. Acquired Shares of Beneficial Interest will be held in treasury and will be available for future acquisitions and financings and/or for awards granted under the InnSuites Hospitality Trust 1997 Stock Incentive and Option Plan. During the three months ended January 31, 2014, the Trust acquired 7,874 Shares of Beneficial Interest in open market transactions at an average price of \$1.84 per share. The average price paid includes brokerage commissions. The Trust intends to continue repurchasing Shares of Beneficial Interest in compliance with applicable legal and NYSE MKT requirements. The Trust remains authorized to repurchase an additional 227,816 Partnership units and/or Shares of Beneficial Interest pursuant to the publicly announced share repurchase program, which has no expiration date.

For the years ended January 31, 2014 and 2013, the Trust repurchased 51,308 and 85,131 Shares of Beneficial Interest at an average price of \$1.86 and \$2.29 per share, respectively. Repurchased Shares of Beneficial Interest are accounted for as treasury stock in the Trust's Consolidated Statements of Shareholders' Equity.

## 15. FEDERAL INCOME TAXES

The Trust and its subsidiaries have income tax net operating loss carry forwards of approximately \$10.1 million at January 31, 2014. The Trust periodically has ownership changes within the meaning of Internal Revenue Code Section 382. However, the Trust determined that such ownership changes would not have a material impact on the future use of the net operating losses. Generally, the Trust is no longer subject to income tax examinations prior to 2011 for federal and 2010 for state purposes.

The Trust and subsidiaries have federal and state net operating loss carry forwards of approximately \$10.1 million at January 31, 2014, having expiration dates ranging from fiscal years 2018 to 2031.

| <b>Total and net deferred income tax assets at January 31,</b>                         | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| Net operating loss carryforwards   | \$3,349,000 | \$4,622,000 |
| Bad debt allowance   | (16,000 )   | (17,000 )   |
| Accrued expenses   | 1,537,000   | 1,496,000   |
| Prepaid insurance  | 1,000       | 13,000      |
| Alternative minimum tax credit   | 61,000      | 61,000      |
| Total deferred income tax assets   | 4,932,000   | 6,175,000   |
| Deferred income tax liability associated with book/tax differences in hotel properties | (2,195,000) | (2,263,000) |
| Net deferred income tax asset  | 2,737,000   | 3,912,000   |
| Valuation allowance  | (2,737,000) | (3,912,000) |
| Net deferred income tax asset  | \$-         | \$-         |

The differences between the statutory and effective tax rates are as follows for the year ended January 31, 2014:

|                                    |              |       |
|------------------------------------|--------------|-------|
| Federal statutory rates            | \$ (295,000) | (34%) |
| State income taxes                 | (64,000 )    | (7 %) |
| Sale of syndication units          | 345,000      | 40 %  |
| True-ups to prior year return, net | 51,000       | 40 %  |
| Effective rate                     | \$ 37,000    | 6 %   |



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The true-ups to prior year return related primarily to the sale of syndication units in the Company's subsidiaries which are treated as equity transactions in the Company's financial statements but are taxed as capital gain transactions and totaled \$1,232,000, causing the utilization of net operating loss carryforwards totaling \$1,175,000, which were then offset by the release of valuation allowances.

The differences between the statutory and effective tax rates are as follows for the year ended January 31, 2013:

|                               |              |        |
|-------------------------------|--------------|--------|
| Federal statutory rates       | \$ (406,000) | (34 %) |
| State income taxes            | (88,000 )    | (7 %)  |
| Change in valuation allowance | 718,000      | 60 %   |
| True-ups to prior year return | (237,000)    | (20 %) |
| Other                         | 13,000       | 1 %    |
| Effective rate                | \$-          | 0 %    |

The valuation allowance increased by approximately \$718,000 in the year ended January 31, 2013 primarily due to a reduction in deferred tax liabilities associated with hotel properties due to timing differences in depreciation recognition.

The Trust's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Trust had no accrued interest or penalties at January 31, 2014 and 2013.

### 16. OTHER RELATED PARTY TRANSACTIONS

The Partnership is responsible for all operating expenses incurred by the Trust in accordance with the Partnership Agreement.

As of January 31, 2014 and 2013, Mr. Wirth and his affiliates held 3,407,938 Class B Partnership units, which represented 25.8% of the total outstanding Partnership units. As of January 31, 2014 and 2013, Mr. Wirth and his affiliates held 6,055,376 and 5,573,624, respectively, Shares of Beneficial Interest in the Trust, which represented 72.6% and 66.6%, respectively, of the total issued and outstanding Shares of Beneficial Interest.

As of January 31, 2014 and 2013, the Trust owned 72.04% of the Partnership. As of January 31, 2014, the Partnership owned 100% of one InnSuites® hotels located in Tucson, Arizona, a 51% interest in another InnSuites® hotel located in Tucson, Arizona and together with the Trust a 61.60% interest in an InnSuites® hotel located in Ontario, California. The Trust owns and operates the Yuma, Arizona hotel property directly, which it acquired from the Partnership on January 31, 2005, and owns a direct 50.85% interest in one InnSuites® hotel located in Albuquerque, New Mexico.

The Trust directly manages the Hotels through the Trust's wholly-owned subsidiary, InnSuites Hotels. Under the management agreements, InnSuites Hotels manages the daily operations of the Hotels and the three hotels owned by affiliates of Mr. Wirth. Revenues and reimbursements among the Trust, InnSuites Hotels and the Partnership have been eliminated in consolidation. The management fees for the Hotels are set at 2.5% of room revenue and a monthly accounting fee of \$2,000 per hotel. Prior to October 1, 2013, the management fees for the three hotels owned by affiliates of Mr. Wirth were set at 2.5% of room revenue and an annual accounting fee of \$27,000, payable \$1,000 per month with an additional payment of \$15,000 due at year-end for annual accounting closing activities. This practice was ceased as of October 1, 2013, and replaced with management fees for the three hotels owned by Mr. Wirth of 2.5% of room revenue and a monthly accounting fee of \$2,000 per hotel. These agreements have no expiration date and may be cancelled by either party with 90-days written notice or 30-days written notice in the event the property changes ownership.

On July 23, 2013, the Trust entered into a Corporate Card Agreement ("Corporate Purchase Cards") with American Express Travel Related Services Company, Inc. The Corporate Card Agreement distributed a total of nine purchase cards - one to each of the five respective Hotels, one to the Trust, and one to each of the three respective hotels owned by affiliates of James F. Wirth. The Corporate Card Agreement, with a total limit of \$300,000, includes insignificant annual fees and \$0 of interest per annum. Payments are due monthly. The Corporate Card Agreement may be cancelled by either party with 30-days written notice. Pamela J. Barnhill, the Trust's President and Vice Chairperson and daughter of Mr. Wirth, personally guaranteed the nine purchase cards. As of January 31, 2014, the Trust's portion of the Corporate Purchase Cards balance was approximately \$139,000.

The Trust has an unsecured demand/revolving line of credit/promissory note as described in Note 11 – Line of Credit - Related Party with Rare Earth Financial, LLC.

## 17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Yuma, Arizona and Tucson St. Mary's Hotels' mortgage notes payable approximate fair value because interest rates are primarily variable and, accordingly, approximate current market rates for instruments with similar risk and maturities. The fair value of remaining notes payable and long-term debt was estimated based on the borrowing rates currently available to the Trust for bank loans with similar terms and maturities.

The following table presents the estimated fair values of the Trust's debt instruments and the associated carrying value recognized in the accompanying consolidated balance sheets at January 31 2014 and 2013:

|                        | <b>2014</b>          |              | <b>2013</b>          |              |
|------------------------|----------------------|--------------|----------------------|--------------|
|                        | <b>CARRYING FAIR</b> |              | <b>CARRYING FAIR</b> |              |
|                        | <b>AMOUNT</b>        | <b>VALUE</b> | <b>AMOUNT</b>        | <b>VALUE</b> |
| Mortgage notes payable | \$18,746,571         | \$18,642,765 | \$19,954,924         | \$18,390,891 |
| Notes payable to banks | \$1,018,925          | \$1,018,925  | \$450,000            | \$450,000    |
| Other notes payable    | \$187,567            | \$181,454    | \$352,256            | \$354,308    |

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## 18. SUPPLEMENTAL CASH FLOW DISCLOSURES

|   | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| Cash paid for interest  | \$754,919   | \$961,709   |
| Promissory notes issued by the Trust to acquire Class A Partnership units     | \$-         | \$15,500    |
| Promissory notes issued by the Trust to acquire Shares of Beneficial Interest | \$29,360    | \$8,000     |

## 19. COMMITMENTS AND CONTINGENCIES

The Tucson Foothills and the Albuquerque Hotels are subject to non-cancelable ground leases. The Tucson Foothills non-cancelable ground lease expires in 2050. The Albuquerque Hotel non-cancelable ground lease was extended on January 14, 2014 and expires in 2058. Total expense associated with the non-cancelable ground leases for the fiscal years ended January 31, 2014 and 2013 was \$212,236 and \$210,501, respectively, plus a variable component based on gross revenues of each property that totaled approximately \$88,000 and \$73,000, respectively.

During 2010, the Trust entered into a five-year office lease for its corporate headquarters. The Trust recorded \$45,021 and \$30,718 of general and administrative expense related to the lease during fiscal year 2014 and 2013, respectively. The lease included a base rent charge of \$24,000 for the first lease year with annual increases to a final year base rent of \$39,600. The Trust has the option to cancel the lease after each lease year for penalties of four months' rent after the first year with the penalty decreasing by one month's rent each successive lease year. It is the Trust's intention to remain in the office for the duration of the five-year lease period.

Future minimum lease payments under these non-cancelable ground leases and office lease are as follows:

| <b>Fiscal Year Ending</b> |                     |
|---------------------------|---------------------|
| 2015                      | \$235,670           |
| 2016                      | 213,508             |
| 2017                      | 213,508             |
| 2018                      | 213,508             |
| 2019                      | 213,508             |
| Thereafter                | 9,085,678           |
| <b>Total</b>              | <b>\$10,175,380</b> |

The Trust is obligated under loan agreements relating to four of its hotels to deposit 4% of the individual hotel's room revenue into an escrow account to be used for capital expenditures. The escrow funds applicable to the four hotel properties for which a mortgage lender escrow exists are reported on the Trust's Consolidated Balance Sheet as "Restricted Cash."

InnSuites Hotels has entered into membership agreements with Best Western International, Inc. ("Best Western") for four of the hotel properties. In exchange for use of the Best Western name, trademark and reservation system, the participating Hotels pay fees to Best Western based on reservations received through the use of the Best Western reservation system and the number of available suites at the participating Hotels. The agreements with Best Western have no specific expiration terms and may be cancelled by either party. Best Western requires that the participating hotels meet certain requirements for room quality, and the Hotels are subject to removal from its reservation system if these requirements are not met. The Hotels with third-party membership agreements received significant reservations through the Best Western reservation system. Under these arrangements, fees paid for membership fees and reservations were approximately \$310,000 and \$313,000 for fiscal years 2014 and 2013, respectively.

The nature of the operations of the Hotels exposes them to risks of claims and litigation in the normal course of their business. Although the outcome of these matters cannot be determined and is covered by insurance, management does not expect that the ultimate resolution of these matters will have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Trust.

The Trust is involved from time to time in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Trust's consolidated financial position, results of operations or liquidity.

On January 8, 2013, the Trust received a letter from the NYSE MKT LLC (f/k/a AMEX) (the "NYSE MKT") informing the Trust that the staff of the NYSE MKT's Corporate Compliance Department has determined that the Trust is not in compliance with Section 1003(a)(ii) of the NYSE MKT Company Guide due to the Trust having stockholders' equity of less than \$4.0 million and losses from continuing operations in three of its four most recent fiscal years.

The Trust was afforded the opportunity to submit a plan of compliance to the NYSE MKT and submitted its plan on February 5, 2013. On March 21, 2013, the NYSE MKT notified the Trust that it accepted the Trust's plan of compliance and granted the Trust an extension until April 30, 2014 to regain compliance with the continued listing standards.

On May 2, 2013, the Trust received another letter from the NYSE MKT informing the Trust that the Trust is not in compliance with an additional continued listing standard of the NYSE MKT, Section 1003(a)(iii) of the NYSE MKT Company Guide, due to the Trust having stockholders' equity of less than \$6.0 million and net losses in five consecutive fiscal years as of January 31, 2013. The plan submitted in response to the first letter received increased stockholders' equity in excess of \$6.0 million before the April 30, 2014 deadline; therefore the Trust was not required to submit an additional plan to regain compliance with the continued listing standards.

The Trust is undertaking efforts, as outlined in its plan, to regain compliance with the NYSE MKT continued listing standards.

On December 16, 2013, the Trust requested an extension of the plan period. Based on a review of information provided by the Trust's, on January 10, 2014, the NYSE MKT granted the Trust an extension of time to regain compliance with the continued listing standards until July 8, 2014. The Trust will be subject to periodic review by the NYSE MKT's staff during this extension period. Failure to make progress consistent with the plan or to regain compliance with the NYSE MKT continued listing standards by the end of the extension period could result in the Trust being delisted from the NYSE MKT.

## 20. SHARE-BASED PAYMENTS

During fiscal year 1999, the shareholders of the Trust adopted the 1997 Stock Incentive and Option Plan (the "Plan"). Pursuant to the Plan, the Compensation Committee may grant options to the Trustees, officers, other key employees, consultants, advisors and similar employees of the Trust and certain of its subsidiaries and affiliates. The number of options that may be granted in a year is limited to 10% of the total Shares of Beneficial Interest and Partnership units in the Partnership (Class A and Class B) outstanding as of the first day of such year.

Generally, granted options expire 10 years from the date of grant, are exercisable during the optionee's lifetime only by the recipient and are non-transferable. Unexercised options held by employees of the Trust generally terminate on the date the individual ceases to be an employee of the Trust.

There were no options granted in fiscal year 2014 or 2013, and no options outstanding as of January 31, 2014 and 2013. The Plan currently has 1,000,000 options available to grant. The Plan also permits the Trust to award stock appreciation rights, none of which, as of January 31, 2014, have been issued.

See Note 2 – "Summary of Significant Accounting Policies" for information related to grants of restricted shares.

## 21. SUBSEQUENT EVENTS

### ADDITIONAL SALE OF OWNERSHIP INTERESTS

On March 1, 2014, the Trust and Partnership entered into an updated restructuring agreement with Rare Earth to allow for the sale of additional interest units in the Ontario entity for \$10,000 per unit. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 235 (and potentially up to 275 if the overallotment is exercised) units. The Trust and Partnership agreed to hold at least 50.1% of the outstanding limited partnership units in the Ontario entity, on a post-transaction basis and intends to maintain this minimum ownership percentage through the purchase of units under this offering. The Board of Trustees approved this restructuring on March 24, 2014. As of April 18, 2014, we have continued to sell units under our Ontario entity, Tucson entity and Albuquerque entity offerings and have raised approximately \$80,000, \$80,000 and \$437,000, respectively, through the sale of approximately 8, 8 and 44 units, respectively, to unrelated parties at \$10,000 per unit.

### 51% PURCHASE OF PARTNERSHIP INTERESTS OF FORT WORTH/DALLAS SUITE HOSPITALITY PARTNERSHIP

On March 24, 2014, the Trust entered into a Partnership Interests Purchase Agreement (the "Purchase Agreement") with Suite Hotels, LLC (the "Seller"), an affiliate of James F. Wirth, Chairman and Chief Executive Officer of the Trust, to purchase 51% of the partnership interests of Fort Worth/Dallas Suite Hospitality Partnership, an Arizona general partnership (the "Company"), upon the terms and conditions set forth in the Purchase Agreement. The Company is in the hospitality business and owns and operates a 168-suite hotel in the Fort Worth/Dallas area known as Hotel Trinity. The Purchase Agreement was unanimously approved by independent trustees of the Trust.

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As consideration for the purchase of 51% of the partnership interests of the Company, the Trust agreed to pay to the Seller an aggregate purchase price of 51% of the book value of the Net Assets of the Company as of January 31, 2014 (the "Purchase Price"). The "Net Assets" means the total book value of the assets of the Company less any outstanding book value of all of the Company's liabilities. The Company's "Net Assets" were approximately \$1,700,000 as of January 31, 2014. The Trust agreed to pay to the Seller at the Purchase Price the equivalent value of the Trusts' shares of beneficial interest, no par value per share ("Stock"). The number of the Trust's shares of Stock to be issued to the Seller will be determined by dividing the Purchase Price by the average daily closing price of the Stock during the month of January 2014. The Trust expects to issue approximately 530,791 shares of Stock to the Seller for the purchase of the 51% partnership interests of the Company.

The consummation of the transaction depends upon the satisfaction or waiver of a number of certain customary closing conditions and approvals. In addition, the consummation of the transaction is subject to the approval of the Trust's shareholders.

The transaction is expected to close in June 2014 but there can be no assurances that the transaction will be completed on the proposed terms or at all. The Trust expects to hold its annual meeting of shareholders in June 2014 where the Trust's shareholders will vote on the issuance of shares of Stock as consideration for the transaction.

## SCHEDULE III

## INNSUITES HOSPITALITY TRUST AND SUBSIDIARY

## REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF JANUARY 31, 2014

| Properties  | Encumbrances  | Initial Cost of Tenant |                           | Cost Capitalized Subsequent to Acquisition |                           | Gross Amounts at Which Carried at Close of Period |                            |
|---|---------------|------------------------|---------------------------|--|---------------------------|---|----------------------------|
|   |               | Land                   | Building and Improvements | Land                                       | Building and Improvements | Land  | Buildings and Improvements |
| InnSuites Hotels and Suites<br>Tuscon<br>Foothills Best Western Hotel | \$ 1,241,111  | \$-                    | \$ 4,220,820              | \$-  | \$ 2,353,546              | \$-   | \$ 6,574,366               |
| InnSuites Hotels and Suites<br>Yuma Best Western Hotel                | 5,355,051     | 251,649                | 4,983,292                 | 53,366                                     | 2,632,306                 | 305,015   | 7,615,598                  |
| InnSuites Hotels and Suites<br>Ontario Airport Best Western Hotel     | 5,983,480     | 1,633,064              | 5,450,872                 | -  | 1,605,547                 | 1,633,064   | 7,056,419                  |
| InnSuites Hotels and Suites<br>Tucson St. Mary's Hotel                | 5,039,946     | 900,000                | 9,166,549                 | 196,071                                    | 1,650,293                 | 1,096,071   | 10,816,842                 |
| InnSuites Hospitality Trust Phoenix, Arizona                          | -             | 7,005                  | 75,662                    | -  | -                         | 7,005   | 75,662                     |
|   | \$ 18,746,571 | \$ 2,791,718           | \$ 25,801,165             | \$ 249,437                                 | \$ 8,510,794              | \$ 3,041,155                                      | \$ 34,311,959              |

| <b>Properties</b>   | <b>Gross Land and Building</b> | <b>Accumulated Depreciation</b> | <b>Net Book value Land and Buildings and Improvements</b> | <b>Date of Construction</b> | <b>Date of Acquisition</b> | <b>Depreciation in Income Statements is Computed</b> |
|---|--------------------------------|---------------------------------|---|-----------------------------|----------------------------|--|
| InnSuites Hotels and Suites Tucson Foothills Best Western Hotel | \$6,574,366                    | \$ 2,785,659                    | \$ 3,788,707  | 1981                        | 1998                       | 5-40 years   |
| InnSuites Hotels and Suites Yuma Best Western Hotel             | 7,920,613                      | 3,079,448                       | 4,841,165   | 1982                        | 1998                       | 5-40 years   |
| InnSuites Hotels and Suites Ontario Airport Best Western Hotel  | 8,689,483                      | 3,325,375                       | 5,364,108   | 1990                        | 1998                       | 5-40 years   |
| InnSuites Hotels and Suites Tucson St. Mary's Hotel             | 11,912,913                     | 4,724,454                       | 7,188,459   | 1960                        | 1998                       | 5-40 years   |
| InnSuites Hospitality Trust Phoenix, Arizona                    | 82,667                         | 24,590                          | 58,077  | 2004                        | 2004                       | 33 years   |
|   | \$37,353,114                   | \$ 14,984,390                   | \$ 22,368,724   |                             |                            |  |

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Reconciliation of Real Estate:

|                                   |              |
|-----------------------------------|--------------|
| Balance at January 31, 2012       | \$37,467,448 |
| Improvement to Hotel Properties   | \$447,289    |
| Disposal of Property Improvements | \$(998,379 ) |
| Balance at January 31, 2013       | \$36,916,358 |
| Improvement to Hotel Properties   | \$566,049    |
| Disposal of Property Improvements | \$(129,293 ) |
| Balance at January 31, 2014       | \$37,353,114 |

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## SCHEDULE IV

## MORTGAGE LOANS ON REAL ESTATE

| Description   | Interest Rate                                   | Maturity Date | Periodic Payment Term  | Face Amount of Mortgages | 1/31/14 Carrying Amount |
|---|---|---------------|--|--------------------------|-------------------------|
| Mortgage Note Secured by the Albuquerque property       | 7.75%   | 11/1/2021     | 144 monthly installments   | \$1,500,000              | \$1,126,983             |
| Mortgage Note Secured by the Ontario property           | 5.00%   | 1/14/2015     | 35 monthly installments, with balloon payment of \$5,630,315 due at maturity   | 9,000,000                | 5,983,480               |
| Mortgage Note Secured by the Yuma property              | Prime Rate plus 1 point over index, floor of 5% | 8/1/2022      | 119 monthly installments, with balloon payment of \$4,112,4618 due at maturity | 5,500,000                | 5,355,051               |
| Mortgage Note Secured by the Tucson St. Mary's property | Prime Rate                                      | 1/28/2015     | 83 monthly installments, with balloon payment of \$4,874,618 due at maturity   | 6,050,000                | 5,039,946               |
| Mortgage Note Secured by the Tucson Foothills property  | 8.00%   | 5/1/2016      | 180 monthly installments   | 5,100,000                | 1,241,111               |
|   |   |               |  | \$27,150,000             | \$18,746,571            |

## MORTGAGE NOTE RECONCILIATION

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Balance at January 31, 2012 \$21,271,256

Additions during period:

Proceeds from refinancing \$500,000

Accrued interest reclassified to note payable \$240,700

Deductions during period

Principal payments \$(2,057,032 )

Balance at January 31, 2013 \$19,954,924

Additions during period:

Proceeds from refinancing \$-

Accrued interest reclassified to note payable \$-

Deductions during period

Principal payments \$(1,208,353 )

Balance at January 31, 2014 \$18,746,571

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

**Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this report, we conducted an evaluation under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of January 31, 2014.

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of January 31, 2014. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control — Integrated Framework.

Based on our assessment using those COSO criteria, our management concluded that at January 31, 2014 the Trust's internal control over financial reporting was effective.

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

Management believes that our consolidated financial statements included in this Annual Report on Form 10-K for the fiscal year ended January 31, 2014 fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented.

There were no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### Item 9B. OTHER INFORMATION

None.

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PART III

Item 10. TRUSTEES, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item 10 as to our Trustees and Executive Officers is incorporated herein by reference to the information set forth under the caption “Election of Trustees” in our definitive proxy statement for our 2014 Annual Meeting of Shareholders to be held on June 27, 2014 (the “Proxy Statement”), which is expected to be filed with the SEC pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, within 120 days after the end of our fiscal year.

The information regarding the Audit Committee of our Board of Trustees and the information regarding the “audit committee financial expert” are incorporated herein by reference to the information set forth under the caption “Board Committees—Audit Committee” in the Proxy Statement.

Information required by Item 405 of Regulation S-K is incorporated herein by reference to the information set forth under the caption “Certain Information Concerning the Trust—Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement.

**Code of Ethics for Senior Financial Officers**

We have adopted a Code of Ethics that applies to our Chief Executive Officer and Chief Financial Officer and persons performing similar functions. We have posted our Code of Ethics on our website at [www.innsuitestrust.com](http://www.innsuitestrust.com). We intend to satisfy all SEC and NYSE MKT disclosure requirements regarding any amendment to, or waiver of, the Code of Ethics relating to our Chief Executive Officer and Chief Financial Officer and persons performing similar functions, by posting such information on our website unless the NYSE MKT requires a Form 8-K. In addition, we have adopted a Code of Conduct and Ethics that applies to all of our employees, officers and Trustees. It is also available on our website at [www.innsuitestrust.com](http://www.innsuitestrust.com).

Item 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated herein by reference to the information set forth under the caption “Compensation of Trustees and Executive Officers” in the Proxy Statement.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this Item 12 is incorporated herein by reference to the information set forth under the caption “Certain Information Concerning the Trust—Ownership of Shares” in the Proxy Statement.

The following table provides information about our equity compensation plans (other than qualified employee benefits plans and plans available to shareholders on a pro rata basis) as of January 31, 2014:

**Equity Compensation Plan Information**

| Plan Category  | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights<br>(a) | Weighted Average Exercise Price of Outstanding Options, Warrants and Rights<br>(b) | Number of Securities  |
|--|--|--|---|
|  |  |  | Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))<br>(c) |
| Equity compensation plans approved by security holders     | 0  | \$ N/A   | 1,000,000 (1)   |
| Equity compensation plans not approved by security holders | None   | None   | None  |

(1) We have 1,000,000 options available for future grants under our 1997 Stock Incentive and Option Plan.



Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND TRUSTEE INDEPENDENCE

The information required by this Item 13 is incorporated herein by reference to the information set forth under the captions “Certain Transactions,” “Election of Trustees” and “Board Committees” in the Proxy Statement.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 is incorporated by reference to the information set forth under the caption “Certain Information Concerning the Trust—Audit Fees & Services” in the Proxy Statement.

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PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) and (2) Financial Statements and Schedules

Financial Statements/Schedules of InnSuites Hospitality Trust

Report of Independent Registered Public Accounting Firm B-20

Consolidated Balance Sheets – January 31, 2014 and 2013 B-21

Consolidated Statements of Operations – Years Ended January 31, 2014 and 2013 B-22

Consolidated Statements of Shareholders' Equity – Years Ended January 31, 2014 and 2013 B-23

Consolidated Statements of Cash Flows – Years Ended January 31, 2014 and 2013 B-24

Notes to the Consolidated Financial Statements – Years Ended January 31, 2014 and 2013 B-25

Schedule III – Real Estate and Accumulated Depreciation B-40

Schedule IV – Mortgage Loans on Real Estate B-42

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## (a)(3)Exhibit List

| <b>Exhibit No.</b> | <b>Exhibit</b>   |
|--------------------|--|
| 3.1                | Second Amended and Restated Declaration of Trust of InnSuites Hospitality Trust dated June 16, 1998, as further amended on July 12, 1999 (incorporated by reference to Exhibit 3.1 of the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2005 filed with the Securities and Exchange Commission on May 16, 2005).   |
| 10.1               | Second Amended and Restated Agreement of Limited Partnership of RRF Limited Partnership dated March 24, 2014 (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 26, 2014).  |
| 10.2*              | Form of Indemnification Agreement between InnSuites Hospitality Trust and each Trustee and executive officer (incorporated by reference to Exhibit 10.3 of the Registrant's Annual Report on Form 10-K/A for the fiscal year ended January 31, 2006 filed with the Securities and Exchange Commission on May 12, 2006).  |
| 10.3*              | InnSuites Hospitality Trust 1997 Stock Incentive and Option Plan (incorporated by reference to Exhibit 4(a) of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on September 19, 2000).   |
| 10.4               | Line of Credit Agreement, dated August 1, 2010, by and between RRF Limited Partnership and Rare Earth Financial, LLC (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2010 filed with the Securities and Exchange Commission on September 3, 2010).  |
| 10.5               | Revolving Bank Line of Credit Promissory Note, dated November 23, 2010, executed by InnSuites Hospitality Trust, Yuma Hospitality Properties Limited Partnership and RRF Limited Partnership, as Borrowers, in favor of RepublicBankAZ, N.A., as Lender (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2010 filed with the Securities and Exchange Commission on December 9, 2010).                           |
| 10.6               | Revolving Bank Line of Credit Business Loan Agreement, dated November 23, 2010, by and among InnSuites Hospitality Trust, Yuma Hospitality Properties Limited Partnership and RRF Limited Partnership, as Borrowers, and RepublicBankAZ, N.A., as Lender (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2010 filed with the Securities and Exchange Commission on December 9, 2010).                          |
| 10.7               | Change in Terms Agreement for Bank Line of Credit, dated May 12, 2011, executed by InnSuites Hospitality Trust, Yuma Hospitality Properties Limited Partnership and RRF Limited Partnership, as Borrowers, and James F. Wirth, as Guarantor, in favor of RepublicBankAZ N.A., as Lender (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2011 filed with the Securities and Exchange Commission on June 3, 2011). |
| 10.8               | Change in Terms Agreement for Bank Line of Credit, dated May 25, 2012, executed by InnSuites Hospitality Trust, Yuma Hospitality Properties Limited Partnership and RRF Limited Partnership, as Borrowers, and James F. Wirth, as Guarantor, in favor of RepublicBankAZ, N.A., as Lender (incorporated   |

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by reference to Exhibit 10.11 of the Registrant's Annual Report on Form 10-K/A for the fiscal year ended January 31, 2012 filed with the Securities and Exchange Commission on May 30, 2012).

10.9 Change in Terms Agreement for Bank Line of Credit, dated June 22, 2012, executed by InnSuites Hospitality Trust, Yuma Hospitality Properties Limited Partnership and RRF Limited Partnership, as Borrowers, and James F. Wirth, as Guarantor, in favor of RepublicBankAZ, N.A., as Lender (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on June 25, 2012).

10.10 Addendum, dated August 27, 2012, to Business Loan Agreement, dated November 23, 2010, by and among InnSuites Hospitality Trust, Yuma Hospitality Properties Limited Partnership and RRF Limited Partnership, as Borrowers, and RepublicBankAZ, N.A., as Lender (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2012 filed with the Securities and Exchange Commission on September 14, 2012).

10.11 Change in Terms Agreement for Bank Line of Credit, dated September 14, 2012, executed by InnSuites Hospitality Trust, Yuma Hospitality Properties Limited Partnership and RRF Limited Partnership, as Borrowers, and James F. Wirth, as Guarantor, in favor of RepublicBankAZ, N.A., as Lender (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2012 filed with the Securities and Exchange Commission on December 17, 2012).

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- 10.12 Change in Terms Agreement for Bank Line of Credit, dated June 11, 2013, executed by InnSuites Hospitality Trust, Yuma Hospitality Properties Limited Partnership and RRF Limited Partnership, as Borrowers, and Republic Bank AZ, N.A., as Lender (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2013 filed with the Securities and Exchange Commission on September 11, 2013).
- 10.13 Business Loan Agreement, dated as of August 24, 2012, by and among Yuma Hospitality Properties Limited Partnership, as Borrower, and 1st Bank Yuma, as Lender, guaranteed by InnSuites Hospitality Trust (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2012 filed with the Securities and Exchange Commission on December 17, 2012).
- 10.14 Business Loan and Security Agreement, dated November 25, 2013, by and between Yuma Hospitality Properties Limited Partnership, as Borrower, and American Express Bank FSB, as Lender (incorporated by reference to Exhibit 10.3 of the Registrant's quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2013 filed with the Securities and Exchange Commission on December 6, 2013).
- 10.15 Promissory Note, dated as of August 24, 2012, issued by Yuma Hospitality Properties Limited Partnership, as Borrower, in favor of 1st Bank Yuma, as Lender, executed by Yuma Hospitality Properties Limited Partnership and InnSuites Hospitality Trust (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2012 filed with the Securities and Exchange Commission on December 17, 2012).
- 10.16 Business Loan and Security Agreement dated September 23, 2013, by and between Ontario Hospitality Properties, LP, as Borrower and American Express Bank, FSB, as Lender (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2013 files with the Securities and Exchange Commission on December 6, 2013).
- 10.17 Albuquerque Suite Hospitality, LLC Restructuring Agreement, dated August 30, 2010, by and among RRF Limited Partnership, Rare Earth Financial, LLC, InnSuites Hospitality Trust, James F. Wirth, and Albuquerque Suite Hospitality, LLC (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2010 filed with the Securities and Exchange Commission on September 3, 2010).
- 10.18 Tucson Hospitality Properties LP Restructuring Agreement, dated February 17, 2011, by and among Rare Earth Financial, LLC, RRF Limited Partnership, InnSuites Hospitality Trust, Tucson Hospitality Properties LP, and James F. Wirth (incorporated by reference to Exhibit 10.1 of the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2011 filed with the Securities and Exchange Commission on April 29, 2011).
- 10.19 Albuquerque Suite Hospitality, LLC Restructuring Agreement, dated December 9, 2013, by and among RRF Limited Partnership, Rare Earth Financial, LLC, InnSuites Hospitality Trust, James F. Wirth, and Albuquerque Suite Hospitality, LLC (incorporated by reference to Exhibit 10.19 of the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2014 filed with the Securities and Exchange Commission on April 21, 2014).
- 10.20 Tucson Hospitality Properties LP updated Restructuring Agreement, dated as of October 1, 2013, by and among Rare Earth Financial, LLC, RRF Limited Partnership, InnSuites Hospitality Trust, and Tucson Hospitality Properties LP (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on



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Form 10-Q for the fiscal quarter ended October 31, 2013 filed with Securities and Exchange Commission on December 6, 2013).

10.21 Ontario Hospitality Properties LP Restructuring Agreement, dated February 29, 2012, by and among Rare Earth Financial, LLC, RRF Limited Partnership, InnSuites Hospitality Trust, Ontario Hospitality Properties LP, and James F. Wirth (incorporated by reference to Exhibit 10.10 of the Registrant's Annual report on Form 10-K for the fiscal year ended January 31, 2012 filed with the Securities and Exchange Commission on April 30, 2012).

10.22 Partnership Interest Purchase Agreement, dated March 24, 2014, by and between InnSuites Hospitality Trust and Suite Hotels, LLC (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K files with the Securities and Exchange Commission on March 26, 2014).

10.23 Employment Offer Letter from InnSuites Hospitality Trust to Adam B. Remis (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on March 18, 2013).

21 Subsidiaries of the Registrant.

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- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 XBRL Exhibits
  - 101.INS XBRL Instance Document
  - 101.SCH XBRL Schema Document
  - 101.CAL XBRL Calculation Linkbase Document
  - 101.LAB XBRL Labels Linkbase Document
  - 101.PRE XBRL Presentation Linkbase Document
  - 101.DEF XBRL Definition Linkbase Document

\* Management contract or compensatory plan or arrangement.

## SIGNATURES

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

### INNSUITES HOSPITALITY TRUST

Dated: April 21, 2014 By: /s/ James F. Wirth  
James F. Wirth, Chairman and  
Chief Executive Officer  
(Principal Executive Officer)

Dated: April 21, 2014 By: /s/ Adam B. Remis

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Adam B. Remis, Chief Financial Officer

(Principal Financial and Accounting Officer)

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

Dated: April 21, 2014 By: /s/ James F. Wirth  
James F. Wirth, Chairman and  
Chief Executive Officer  
(Principal Executive Officer)

Dated: April 21, 2014 By: /s/ Adam B. Remis  
Adam B. Remis, Chief Financial Officer  
(Principal Financial and Accounting Officer)

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Dated: April 21, 2014 By: /s/ Marc E. Berg  
Marc E. Berg, Trustee

Dated: April 21, 2014 By: /s/ Steven S. Robson  
Steven S. Robson, Trustee

Dated: April 21, 2014 By: /s/ Les Kutasi  
Les Kutasi, Trustee

Dated: April 21, 2014 By: /s/ Larry Pelegrin  
Larry Pelegrin, Trustee

Dated: April 21, 2014 By: /s/ Cynthia Ketcherside  
Cynthia Ketcherside, Trustee

Dated: April 21, 2014 By: /s/ Pamela Barnhill  
Pamela Barnhill, Trustee

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**Annex C**

**Financial Statements of Fort Worth/Dallas Partnership (Hotel Trinity)**

**Fort Worth/Dallas Suite Hospitality**

**Partnership**

Consolidated Financial Statements

01.31.2014

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**FORT WORTH/DALLAS SUITE HOSPITALITY PARTNERSHIP**

**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**Report of Independent Registered Public Accounting Firm**

The Board of Trustees of

Fort Worth/Dallas Suite Hospitality Partnership

Phoenix, AZ

We have audited the accompanying consolidated balance sheet of Fort Worth/Dallas Suite Hospitality Partnership (the “Partnership”) as of January 31, 2014 and the related consolidated statement of operations and partners’ capital, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fort Worth/Dallas Suite Hospitality Partnership at January 31, 2014, and the results of its operations and its cash flows for then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Semple, Marchal & Cooper, LLP

Phoenix, AZ

April 21, 2014

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**FORT WORTH/DALLAS SUITE HOSPITALITY PARTNERSHIP****CONSOLIDATED BALANCE SHEET**

|  | <b>January<br/>31,<br/>2014</b> |
|--|---------------------------------|
| <b>ASSETS</b>  |                                 |
| Current Assets:  |                                 |
| Cash and Cash Equivalents  | \$27,842                        |
| Accounts Receivable, net of Allowance for Doubtful Accounts of \$614 | 8,121                           |
| Prepaid Expenses and Other Current Assets                            | 6,854                           |
| Total Current Assets   | 42,817                          |
| Hotel Property, net  | 2,303,664                       |
| Other Assets   | 6,700                           |
| <b>TOTAL ASSETS</b>  | <b>\$2,353,181</b>              |
| <b>LIABILITIES AND PARTNERS' CAPITAL</b>                             |                                 |
| <b>LIABILITIES</b>   |                                 |
| Current Liabilities:   |                                 |
| Accounts Payable and Accrued Expenses                                | \$179,697                       |
| Current Portion of Mortgage Note Payable                             | 234,123                         |
| Line of Credit - Related Party                                       | 18,572                          |
| Total Current Liabilities  | 432,392                         |
| Mortgage Note Payable  | 258,061                         |
| <b>TOTAL LIABILITIES</b>   | <b>690,453</b>                  |
| <b>COMMITMENTS AND CONTINGENCIES</b>                                 |                                 |
| <b>PARTNERS' CAPITAL</b>   | <b>1,662,728</b>                |
| <b>TOTAL LIABILITIES AND PARTNERS' CAPITAL</b>                       | <b>\$2,353,181</b>              |

See accompanying notes to the  
consolidated financial statements



**FORT WORTH/DALLAS SUITE HOSPITALITY PARTNERSHIP****CONSOLIDATED STATEMENT OF OPERATIONS AND PARTNERS' CAPITAL**

|  | <b>Year<br/>Ended</b>  |
|--|------------------------|
|  | <b>January<br/>31,</b> |
|  | <b>2014</b>            |
| <b>REVENUE</b>                             |                        |
| Room                                       | \$ 1,122,848           |
| Food and Beverage                          | 169,818                |
| Other                                      | 28,605                 |
| <b>TOTAL REVENUE</b>                       | <b>1,321,271</b>       |
| <b>OPERATING EXPENSES</b>                  |                        |
| Room                                       | 429,760                |
| Food and Beverage                          | 128,106                |
| Telecommunications                         | 2,747                  |
| General and Administrative                 | 192,713                |
| Sales and Marketing                        | 107,127                |
| Repairs and Maintenance                    | 206,871                |
| Hospitality                                | 92,642                 |
| Utilities                                  | 163,336                |
| Hotel Property Depreciation                | 223,903                |
| Real Estate Taxes and Insurance            | 127,333                |
| Gain on Disposal of Assets                 | (136,231 )             |
| Other                                      | 139                    |
| <b>TOTAL OPERATING EXPENSES</b>            | <b>1,538,446</b>       |
| <b>OPERATING LOSS</b>                      | <b>(217,175 )</b>      |
| Interest on Mortgage Note Payable          | 38,379                 |
| Interest on Line of Credit - Related Party | 18,222                 |
| <b>TOTAL INTEREST EXPENSE</b>              | <b>56,601</b>          |
| <b>NET LOSS</b>                            | <b>(273,776 )</b>      |
| <b>PARTNERS' CAPITAL</b>                   |                        |
| Balance - February 1, 2013                 | 1,085,005              |
| Contributions Paid from Partners           | 851,499                |
| Balance - February 1, 2014                 | \$1,662,728            |

See accompanying notes to the  
consolidated financial statements

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**FORT WORTH/DALLAS SUITE HOSPITALITY PARTNERSHIP****CONSOLIDATED STATEMENT OF CASH FLOWS**

|  | <b>Year<br/>Ended<br/><br/>January<br/>31,<br/><br/>2014</b> |
|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |
| Net Loss   | \$(273,776)  |
| Adjustments to Reconcile Consolidated Net Loss to Net Cash Used In Operating Activities: |  |
| Provision for Uncollectible Receivables  | 43   |
| Non-cash Interest  | 17,690   |
| Hotel Property Depreciation  | 223,903  |
| Gain on Disposal of Assets   | (136,231)  |
| Changes in Assets and Liabilities:   |  |
| Prepaid Expenses and Other Assets  | (6,854 )   |
| Accounts Receivable  | (661 )   |
| Accounts Payable and Accrued Expenses  | (11,756 )  |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>   | <b>(187,642)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |
| Proceeds from Disposal of Assets   | 136,872  |
| Improvements and Additions to Hotel Property   | (199,742)  |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>   | <b>(62,870 )</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |  |
| Principle Payments on Mortgage Note Payable  | (220,497)  |
| Contributions Paid from Partners   | 851,499  |
| Cash Paid to Line of Credit - Related Party  | (820,395)  |
| Cash Received from Line of Credit - Related Party  | 468,927  |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>   | <b>279,534</b>   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>29,022</b>  |
| <b>CASH AND CASH EQUIVALENTS AT FEBRUARY 1, 2013</b>                                     | <b>(1,180 )</b>  |
| <b>CASH AND CASH EQUIVALENTS AT JANUARY 31, 2014</b>                                     | <b>\$27,842</b>  |

See accompanying notes to the  
consolidated financial statements

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## **FORT WORTH/DALLAS SUITE HOSPITALITY PARTNERSHIP**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. BUSINESS**

##### **INTRODUCTION TO OUR BUSINESS**

Fort Worth/Dallas Suite Hospitality Partnership (the “Partnership”) owns and operates a 168-unit boutique studio and suite hotel property (the “Hotel”, dba Hotel Trinity InnSuites Dallas Fort Worth) in Fort Worth, Texas that offers services such as free hot breakfast buffets and complimentary afternoon social hours plus amenities, such as microwave ovens, refrigerators, free high speed high capacity hard wired and wireless internet access and coffee makers in each studio or two-room suite.

The Partnership was formed in Arizona in May 2000 for the purpose of purchasing and operating the Hotel. The Hotel is managed by InnSuites Hotels, Inc., with whom the Partnership also has a trademark license agreement for the use of the trade name “InnSuites” and “InnSuites Boutique Hotel Collection” (IBC). In addition, InnSuites Hotels, Inc. provides reservations services for the Partnership. James Wirth and his affiliates own a 99.5% interest in the Partnership and a 72.6% interest in InnSuites Hospitality Trust, Inc., which consolidates InnSuites Hotels, Inc as a wholly owned subsidiary.

The Partnership is the sole shareholder of Plaza Beverage Company, which is consolidated with the results of the Partnership. Plaza Beverage Company holds the liquor license for the Hotel and based on local laws and regulations, is responsible for alcoholic beverage dispensing at the Hotel. Under management agreements, the Partnership manages Plaza Beverage Company’s operations. All significant intercompany transactions and balances between the Partnership and Plaza Beverage Company have been eliminated.

Both the Partnership and Plaza Beverage Company have selected January 31 as their fiscal year end.

#### **LIQUIDITY**

Recently, the Partnership's principal source of cash to fund its negative cash flows from operations and debt payments, is cash provided by our members. The Partnership's principal source of revenue is its hotel operations. The Partnership's liquidity will depend upon its ability to generate sufficient cash flow from hotel operations. When additional cash is required, the partners of the Partnership will provide cash advances as needed.

We anticipate a moderate improvement in the weak overall economic situation that negatively affected results in fiscal year 2014 and prior, which could result in higher revenues and operating margins. Challenges in fiscal year 2015 are expected to include continued competition for all types of business in the market in which we operate and our ability to maintain room rates while maintaining market share.

Certain additional hotel property developments and/or hotel refurbishments have recently been completed by competitors in the Partnership's market, and additional hotel property developments may be built in the future. Such hotel developments have had, and could continue to have, an adverse effect on the revenue of the Partnership.

We rely entirely on the performance of the Partnership's ability to increase revenues to keep pace with inflation. Operators of hotels in general and the Hotel in particular can change room rates quickly, but competitive pressures may limit the Hotel's ability to raise rates as fast as or faster than inflation.

There can be no assurance that we will be successful in raising additional or replacement funds, or that these funds may be obtainable on terms that are favorable to us. If we are unable to raise additional or replacement funds, we may be required to sell certain of our assets to meet our liquidity needs, which may not be on terms that are favorable.

## REGULATION

The Partnership is subject to numerous federal, state and local government laws and regulations affecting the hospitality industry, including usage, building and zoning requirements. A violation of any of those laws and regulations or increased government regulation could require the Partnership to make unplanned expenditures which may result in higher operating costs. Compliance with these laws is time intensive and costly and may reduce the Partnership's revenues and operating income.



Under the Americans with Disabilities Act of 1990 (the “ADA”), all public accommodations are required to meet certain federal requirements related to access and use by disabled persons. In addition to ADA work completed to date, the Partnership may be required to remove additional access barriers or make unplanned, substantial modifications to the Hotel to comply with the ADA or to comply with other changes in governmental rules and regulations, which could reduce the number of total available rooms, increase operating costs and have a negative impact on the Partnership’s results of operations.

In addition, the Hotel, like all real property, is subject to governmental regulations designed to protect the environment. If the Partnership fails to comply with such laws and regulations, it may become subject to significant liabilities, fines and/or penalties, which could adversely affect its financial condition and results of operations.

The Partnership is also subject to laws governing our relationship with employees, including minimum or living wage requirements, overtime, working conditions and work permit requirements. Additional increases to the state or federal minimum wage rate, employee benefit costs including health care or other costs associated with employees could increase expenses and result in lower operating margins.

#### SEASONALITY OF THE HOTEL BUSINESS

The Hotel’s operations historically have been somewhat seasonal. The Hotel historically experiences increased revenues during the second and third fiscal quarters (the summer season).

The seasonal nature of the Partnership’s business increases its vulnerability to risks such as labor force shortages and cash flow issues. Further, adverse events such as an actual or threatened terrorist attack, international conflict, data breach, regional economic downturn or poor weather during the second and third fiscal quarters (the summer season), could adversely impact the Partnership’s revenues.

#### OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

Other than legal contingencies incurred in the normal course of business, we do not have any off-balance sheet financing arrangements or liabilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Partnership’s operations are affected by numerous factors, including the economy, competition in the hotel industry and the effect of the economy on the travel and hospitality industries. The Partnership cannot predict if any of the above items will have a significant impact in the future, nor can it predict what impact, if any, the occurrence of these or other events might have on the Partnership’s operations and cash flows. Significant estimates and assumptions made by management include, but are not limited to, the estimated useful lives of long-lived assets and estimates of future cash flows used to test a long-lived asset for recoverability and the fair values of the long-lived assets.

## HOTEL PROPERTY

Hotel property includes land, building, improvements, furniture, fixtures and equipment. The Hotel property is stated at cost and is depreciated using the straight-line method over estimated lives ranging up to 40 years for buildings and 3 to 10 years for furniture and equipment.

Management applies guidance issued by the Financial Accounting Standards Board ("FASB"), codified in Accounting Standards Codification Topic 360-10-35 ("ASC 360-10-35"), to determine when it is required to test an asset for recoverability of its carrying value and whether an impairment exists. Under ASC 360-10-35, the Partnership is required to test a long-lived asset for impairment when there is an indicator of impairment. Impairment indicators may include, but are not limited to, drop in the performance of a long-lived asset, a decline in the hospitality industry or a decline in the economy. If an indicator of potential impairment is present, then an assessment is required of whether the carrying amount of an asset exceeds its estimated undiscounted future cash flows over its estimated remaining life.

The estimated undiscounted future cash flows of a property is determined based on third party property appraisals, third party broker opinions of value and Management's combined real estate expertise. Management believes that third party property appraisals and third party broker opinions of value are useful because they consider historical occupancy, average rate levels and cash flows in determining fair value.

If the estimated undiscounted future cash flows over the asset's estimated remaining life are greater than the asset's carrying value, no impairment is recognized; however, if the carrying value of the asset exceeds the estimated undiscounted future cash flows, then the Partnership would recognize an impairment expense to the extent the asset's carrying value exceeds its fair value, if any. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. Long-lived assets evaluated for impairment are analyzed on a property-specific basis independent of the cash flows of other groups of assets. Evaluation of future cash flows is based on historical experience and other factors, including certain economic conditions and committed future bookings. Management has determined that no impairment of long-lived assets exists during the Partnership's fiscal year ended January 31, 2014.

## CASH AND CASH EQUIVALENTS

The Partnership considers all highly liquid short-term investments with maturities of three months or less at the time of purchase to be cash equivalents. The Partnership places its cash and cash equivalents only with high credit quality financial institutions.

## REVENUE RECOGNITION

Room, food and beverage and other revenues are recognized as earned as services are provided and items are sold. Sales taxes collected are excluded from gross revenue.

## RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are carried at original amounts billed less an estimate made for doubtful accounts based on a review of outstanding amounts on a quarterly basis. Management generally records an allowance for doubtful accounts for 50% of balances over 90 days and 100% of balances over 120 days. Accounts receivable are written off when deemed uncollectible. Recoveries, if any, of receivables previously written off are recorded when received. The Partnership does not charge interest on accounts receivable balances and these receivables are unsecured. The following table provides information on the activity of the Partnership's allowance for doubtful accounts for the year ended January 31, 2014:

| Fiscal Year | February<br>1, 2013 | Charged<br>to<br>Expense | Deductions | January<br>31,<br>2014 |
|-------------|---------------------|--------------------------|------------|------------------------|
| 2014        | \$ 571              | \$ 973                   | \$ (930 )  | \$ 614                 |

## INCOME TAXES

Plaza Beverage Corporation is a disregarded entity for income tax purposes and its activities are included in the Partnerships' tax returns. Tax returns are filed on a calendar basis. The partners of the Partnership separately account for their share of the Partnership's income, losses, deductions and credits. Accordingly, no provision for income taxes related to the Partnership has been included in these financial statements. Generally, the Partnership is no longer subject to income tax examinations prior to 2011 for federal and 2010 for state purposes.

## ASSETS HELD FOR SALE

The Partnership considers assets held for sale when management approves and commits to a formal plan to actively market a property for sale and a signed sales contract and significant non-refundable deposit or contract break-up fee exists. Upon designation as an asset held for sale, the Partnership records the carrying value of the property at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and the Partnership ceases the recognition of depreciation expense. The operations of the property held for sale prior to the sale date are recorded in discontinued operations. No assets were deemed held for sale as of January 31, 2014.

## ADVERTISING COSTS

Amounts incurred for advertising costs are expensed as incurred. Advertising expense totaled approximately \$23,000 for the year ended January 31, 2014.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

For disclosure purposes, fair value is determined by using available market information and appropriate valuation methodologies. Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The fair value framework specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The fair value hierarchy levels are as follows:

Level 1 – Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured;

Level 2 – Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and / or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are level 2 valuation techniques.

Level 3 – Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect a company's own judgments about the assumptions

that market participants would use in pricing an asset or liability.

The Partnership has no assets or liabilities that are carried at fair value on a recurring basis and had no fair value re-measurements during the year ended January 31, 2014. The Partnership's financial instruments utilize level 3 inputs in the determination of fair value and consist of cash and cash equivalents, accounts receivable, accounts payable, line of credit with related party and debt.

Due to their short maturities, the carrying value of cash and cash equivalents, accounts receivable, accounts payable and line of credit with related party reasonably approximates fair value. The fair value of mortgage notes payable is estimated by using the current rates which would be available for similar loans having the same remaining maturities and are based on level 3 inputs.

### 3. HOTEL PROPERTY

As of January 31, 2014, hotel property consisted of the following:

|                                   |             |
|-----------------------------------|-------------|
| Land                              | \$208,761   |
| Building and improvements         | 3,231,451   |
| Furniture, fixtures and equipment | 1,240,891   |
| Total hotel property              | 4,681,103   |
| Less accumulated depreciation     | (2,377,439) |
| Hotel property, net               | \$2,303,664 |

#### 4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of January 31 2014, accounts payable and accrued expenses consisted of the following:

|   |            |
|---|------------|
| Accounts Payable                            | \$ 106,277 |
| Accrued Salaries and Wages                  | 11,219     |
| Accrued Vacation                            | 1,716      |
| Sales Tax Payable                           | 11,958     |
| Accrued Interest Payable                    | 1,041      |
| Advanced Customer Deposits                  | 6,322      |
| Accrued Property Taxes                      | 4,161      |
| Accrued Property Insurance                  | 32,388     |
| Accrued Other                               | 4,615      |
| Total Accounts Payable and Accrued Expenses | \$ 179,697 |

#### 5. MORTGAGE NOTE PAYABLE

At January 31, 2014, the Partnership had a mortgage note payable outstanding with a principal balance of \$492,184, which is due in July 2016. This mortgage note payable is due in monthly installments of \$21,619, bears interest at a rate of prime plus 3.000% per year, with a minimum rate of 6.25% per year (which was the rate in place for the mortgage note payable at January 31, 2014).

The mortgage note payable is secured by the hotel property and is recourse to the Partnership. James Wirth, Chief Executive Officer of the Partnership has personally guaranteed 100% of the property's mortgage note payable. The guarantee started at the inception of the note payable and is dissolved at the maturity date of the loan or payoff, whichever is earlier.

#### 6. LINE OF CREDIT – RELATED PARTY

As of January 31, 2014, the Partnership had an \$18,572 Demand/Revolving Line of Credit/Promissory Note outstanding with Mr. Wirth, Chief Executive Officer of the Partnership. The Demand/Revolving Line of Credit/Promissory Note bears an interest of 3.25% per year and is due in full, on or before March 31, 2014. The total line of credit available for use by the Partnership is \$1,000,000. The Line of Credit – Related Party was paid in full subsequent to January 31, 2014.

## 7. MINIMUM DEBT PAYMENTS

Scheduled minimum payments of debt as of January 31, 2014 are as follows in the respective fiscal years indicated:

| FISCAL YEAR | MORTGAGES  | LINE OF<br>CREDIT -<br>RELATED<br>PARTY | TOTAL     |
|-------------|------------|---|-----------|
| 2015        | \$ 234,123 | \$ 18,572                               | \$252,695 |
| 2016        | 249,075    | -                                       | 249,075   |
| 2017        | 8,986      | -                                       | 8,986     |
|             | \$ 492,184 | \$ 18,572                               | \$510,756 |

## 8. OTHER RELATED PARTY TRANSACTIONS

The Partnership has an unsecured demand/revolving line of credit / promissory note as described in Note 6 – Line of Credit - Related Party with Mr. Wirth, Chief Executive Officer of the Partnership. The Line of Credit – Related Party was paid in full as of February 25, 2014.

InnSuites Hospitality Trust (the “Trust”) directly manages the Hotel through the Trust’s wholly-owned subsidiary, InnSuites Hotels. Under the management agreements, InnSuites Hotels manages the daily operations of the Hotel. The management fee for the Hotel is set at 2.5% of room revenue and a monthly accounting fee of \$2,000. The agreement has no expiration date and may be cancelled by either party with 90-days written notice or 30-days written notice in the event the property changes ownership. For the year ended January 31, 2014, the Partnership’s expenses incurred under the management agreement were \$43,616.



Additionally, InnSuites Hotels provides reservation services for a flat 10% of the value of the reservation received by the Hotel. For the year ended January 31, 2014, the Partnership's reservation fees incurred were \$9,276.

## 9. PARTNERS' CAPITAL

The Partnership operates pursuant to a Partnership Agreement dated May 8, 2000. Under the terms of the Partnership Agreement, the Partnership shall continue until December 31, 2025, unless earlier terminated under the provisions of the Partnership Agreement or as otherwise provided by law. Any cash distributions to the partners will be made pro rata in accordance with each partner's percentage interests, until such time as all partners have received back the full amount of any capital contributions made, and thereafter such payments shall be paid to the partners in accordance with their percentage interests in the Partnership. As discussed in Note 1, James Wirth and his affiliates own a majority interest in the Partnership.

## 10. LIGHTNING STRIKE RECOVERY

In March, 2013, the Hotel was struck by a lightning storm, resulting in a power surge that damaged the building and equipment. The majority of the assets that were damaged or destroyed were fully or nearly fully depreciated. The Partnership received \$136,872 from its insurance carrier for the damage that occurred as a result of the lightning strike. For the fiscal year ended January 31, 2014, the Partnership purchased \$81,431 of replacement fixed assets and does not expect any additional costs to be incurred.

## 11. SUPPLEMENTAL CASH FLOW DISCLOSURES

|                        | Year<br>Ended  |
|------------------------|----------------|
|                        | January<br>31, |
|                        | 2014           |
| Cash Paid For Interest | \$38,845       |

## 12. COMMITMENTS AND CONTINGENCIES

The nature of the operations of the Hotel exposes them to risks of claims and litigation in the normal course of their business. Although the outcome of these matters cannot be determined and is in most cases covered by insurance, management does not expect that the ultimate resolution of these matters will have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Partnership.

The Partnership is involved from time to time in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Partnership's consolidated financial position, results of operations or liquidity.

### 13. SUBSEQUENT EVENTS

On March 24, 2014, the Trust entered into a Partnership Interests Purchase Agreement (the "Purchase Agreement") with Suite Hotels, LLC (the "Seller"), an affiliate of James F. Wirth, Chairman of the Board and Chief Executive Officer of the Trust, to purchase the Seller's 51% interest in the Partnership, upon the terms and conditions set forth in the Purchase Agreement. The Purchase Agreement was unanimously approved by independent trustees of the Trust.

As consideration for the purchase of this 51% interest in the Partnership, the Trust agreed to pay to the Seller an aggregate purchase price of 51% of the book value of the Net Assets of the Partnership as of January 31, 2014 (the "Purchase Price"). The "Net Assets" means the total book value of the assets of the Partnership less any outstanding book value of all of the Partnership's liabilities. The Trust agreed to pay the Purchase Price to the Seller with the equivalent value of the Trust's shares of beneficial interest. The number of the Trust's shares of Beneficial Interest to be issued to the Seller will be determined by dividing the Purchase Price by the average daily closing price of the Stock during the month of January 2014. The Trust expects to issue approximately 530,791 shares of Stock to the Seller for the purchase of the 51% partnership interests of the Partnership.

The consummation of the transaction depends upon the satisfaction or waiver of a number of certain customary closing conditions and approvals. In addition, the consummation of the transaction is subject to the approval of the Trust's shareholders and the NYSE MKT LLC (f/k/a Amex) (the "NYSE MKT") for the Trust to list additional shares to be issued as acquisition consideration of the NYSE MKT.

The transaction is expected to close in June 2014 but there can be no assurances that the transaction will be completed on the proposed terms or at all. The Trust expects to hold its annual meeting of shareholders on June 27, 2014 where the Trust's shareholders will vote on the issuance of shares of Stock as consideration for the transaction.

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**Annex D**

**Unaudited Pro Forma Condensed Consolidated Financial Data of the Trust and**

**Fort Worth/Dallas Partnership (Hotel Trinity)**

|   |     |
|---|-----|
| Unaudited Pro Forma Condensed Consolidated Balance Sheet as of January 31, 2014                             | D-2 |
| Unaudited Pro Forma Condensed Consolidated Statement of Income for the twelve months ended January 31, 2014 | D-3 |

The following unaudited pro forma condensed consolidated financial statements give effect to the acquisition as described in the proxy statement.

The unaudited pro forma condensed consolidated financial statements are based on (1) the historical financial statements and related notes of the Trust for the fiscal year ended January 31, 2014, which are attached to this proxy statement as Annex B and (2) the historical financial statements and related notes of Fort Worth/Dallas Partnership (Hotel Trinity) for the fiscal year ended January 31, 2014, which are attached to this proxy statement as Annex C.

The unaudited pro forma condensed consolidated balance sheet assumes that the acquisition took place on January 31, 2014 and the unaudited pro forma consolidated statement of income assumes that the acquisition took place on January 31, 2013. The unaudited pro forma information is presented for illustration purposes only. This information is not necessarily indicative of the operating results or the financial position that would have occurred if the acquisition had been consummated on the dates indicated nor is it necessarily indicative of future operating results or financial position of the combined company.

**InnSuites Hospitality Trust and Hotel Trinity****Unaudited Pro Forma****Condensed Consolidated Balance Sheet**

|  | <b>InnSuites<br/>Hospitality<br/>Trust<br/>1/31/2014<br/>Actual</b> | <b>Fort<br/>Worth/Dallas<br/>Suite<br/>Hospitality<br/>Partnership<br/>1/31/2014<br/>Actual</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Combined</b>     |
|--|---|---|----------------------------------|---------------------|
| <b>ASSETS</b>  |   |   |                                  |                     |
| Current Assets:  |   |   |                                  |                     |
| Cash and Cash Equivalents  | \$395,903   | \$ 27,842   | \$ -                             | \$423,745           |
| Restricted Cash  | 114,337   | -   | -                                | 114,337             |
| Accounts Receivable  | 644,566   | 8,121   | (21,712 )                        | 630,975             |
| Prepaid Expenses and Other Current Assets                                    | 384,059   | 6,854   | -                                | 390,913             |
| Total Current Assets   | 1,538,865   | 42,817  | (21,712 )                        | 1,559,970           |
| Hotel Properties, net  | 23,672,715  | 2,303,664   | -                                | 25,976,379          |
| Property, Plant and Equipment, net   | 89,348  | -   | -                                | 89,348              |
| Deferred Finance Costs and Other Assets                                      | 107,575   | 6,700   | -                                | 114,275             |
| <b>TOTAL ASSETS</b>  | <b>\$25,408,503</b>   | <b>\$ 2,353,181</b>   | <b>\$ (21,712 )</b>              | <b>\$27,739,972</b> |
| <b>LIABILITIES AND EQUITY</b>  |   |   |                                  |                     |
| <b>LIABILITIES</b>   |   |   |                                  |                     |
| Current Liabilities:   |   |   |                                  |                     |
| Accounts Payable and Accrued Expenses  | \$2,221,638   | \$ 179,697  | \$ (21,712 )                     | \$2,379,623         |
| Current Portion of Mortgage Notes Payable                                    | 11,753,088  | 234,123   | -                                | 11,987,211          |
| Current Portion of Notes Payable to Banks                                    | 1,018,925   | -   | -                                | 1,018,925           |
| Line of Credit - Related Party   | 331,390   | 18,572  | -                                | 349,962             |
| Current Portion of Other Notes Payable                                       | 81,461  | -   | -                                | 81,461              |
| Total Current Liabilities  | 15,406,502  | 432,392   | (21,712 )                        | 15,817,182          |
| Mortgage Notes Payable   | 6,993,483   | 258,061   | -                                | 7,251,544           |
| Other Notes Payable  | 106,106   | -   | -                                | 106,106             |
| <b>TOTAL LIABILITIES</b>   | <b>22,506,091</b>   | <b>690,453</b>  | <b>(21,712 )</b>                 | <b>23,174,832</b>   |
| <b>COMMITMENTS AND CONTINGENCIES</b>   |   |   |                                  |                     |
| <b>SHAREHOLDERS' EQUITY</b>  |   |   |                                  |                     |
| Shares of Beneficial Interest, without par value,<br>unlimited authorization | 14,024,668  | 1,662,728   | (814,737 )                       | 14,872,659          |

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|                                  |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|
| Treasury Stock                   | (11,973,459) | -            | -            | (11,973,459) |
| TOTAL TRUST SHAREHOLDERS' EQUITY | 2,051,209    | 1,662,728    | (814,737 )   | 2,899,200    |
| NON-CONTROLLING INTEREST         | 851,203      | -            | 814,737      | 1,665,940    |
| TOTAL EQUITY                     | 2,902,412    | 1,662,728    | -            | 4,565,140    |
| TOTAL LIABILITIES AND EQUITY     | \$25,408,503 | \$ 2,353,181 | \$ (21,712 ) | \$27,739,972 |

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**InnSuites Hospitality Trust and Hotel Trinity****Unaudited Pro Forma****Condensed Consolidated Statements of Income**

|  | <b>InnSuites<br/>Hospitality<br/>Trust<br/>1/31/2014<br/>Actual</b> | <b>Fort<br/>Worth/Dallas<br/>Suite<br/>Hospitality<br/>Partnership<br/>1/31/2014<br/>Actual</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Combined</b>     |
|--|---|---|----------------------------------|---------------------|
| <b>REVENUE</b>   |   |   |                                  |                     |
| Room   | \$ 13,442,254   | \$ 1,122,848  | \$ -                             | \$ 14,565,102       |
| Food and Beverage  | 991,867   | 169,818   | -                                | 1,161,685           |
| Management and Trademark Fees                                      | 194,605   | -   | (52,892 )                        | 141,713             |
| Other  | 255,916   | 28,605  | -                                | 284,521             |
| <b>TOTAL REVENUE</b>   | <b>14,884,642</b>   | <b>1,321,271</b>  | <b>(52,892 )</b>                 | <b>16,153,021</b>   |
| <b>OPERATING EXPENSES</b>  |   |   |                                  |                     |
| Room   | 3,667,492   | 429,760   | -                                | 4,097,252           |
| Food and Beverage  | 927,887   | 128,106   | -                                | 1,055,993           |
| Telecommunications   | 28,243  | 2,747   | -                                | 30,990              |
| General and Administrative   | 3,139,064   | 192,713   | (52,892 )                        | 3,278,885           |
| Sales and Marketing  | 1,111,912   | 107,127   | -                                | 1,219,039           |
| Repairs and Maintenance  | 1,225,997   | 206,871   | -                                | 1,432,868           |
| Hospitality  | 837,371   | 92,642  | -                                | 930,013             |
| Utilities  | 1,202,371   | 163,336   | -                                | 1,365,707           |
| Hotel Property Depreciation  | 1,783,595   | 223,903   | -                                | 2,007,498           |
| Real Estate and Personal Property Taxes, Insurance and Ground Rent | 938,345   | 127,333   | -                                | 1,065,678           |
| Gain on Disposal of Assets   | -   | (136,231 )  | -                                | (136,231 )          |
| Other  | 9,477   | 139   | -                                | 9,616               |
| <b>TOTAL OPERATING EXPENSES</b>                                    | <b>14,871,754</b>   | <b>1,538,446</b>  | <b>(52,892 )</b>                 | <b>16,357,308</b>   |
| <b>OPERATING INCOME (LOSS)</b>                                     | <b>12,888</b>   | <b>(217,175 )</b>   | <b>-</b>                         | <b>(204,287 )</b>   |
| Interest Income  | 5,610   | -   | -                                | 5,610               |
| <b>TOTAL OTHER INCOME</b>  | <b>5,610</b>  | <b>-</b>  | <b>-</b>                         | <b>5,610</b>        |
| Interest on Mortgage Notes Payable                                 | 757,316   | 38,379  | -                                | 795,695             |
| Interest on Notes Payable to Banks                                 | 26,408  | -   | -                                | 26,408              |
| Interest on Other Notes Payable                                    | 28,496  | -   | -                                | 28,496              |
| Interest on Line of Credit - Related Party                         | 10,361  | 18,222  | -                                | 28,583              |
| <b>TOTAL INTEREST EXPENSE</b>                                      | <b>822,581</b>  | <b>56,601</b>   | <b>-</b>                         | <b>879,182</b>      |
| <b>CONSOLIDATED NET LOSS BEFORE INCOME TAX PROVISION</b>           | <b>(804,083 )</b>   | <b>(273,776 )</b>   | <b>-</b>                         | <b>(1,077,859 )</b> |
| Income Tax Provision   | (37,148 )   | -   | -                                | (37,148 )           |

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|  |                |              |              |                |
|--|----------------|--------------|--------------|----------------|
| CONSOLIDATED NET LOSS  | \$(841,231 )   | \$(273,776 ) | \$ -         | \$(1,115,007 ) |
| LESS: NET INCOME (LOSS) ATTRIBUTABLE TO<br>NON-CONTROLLING INTEREST  | \$180,592      | \$ -         | \$(134,150 ) | \$46,442       |
| NET LOSS ATTRIBUTABLE TO CONTROLLING<br>INTERESTS                    | \$(1,021,823 ) | \$(273,776 ) | \$ 134,150   | \$(1,161,449 ) |
| NET LOSS PER SHARE – BASIC AND DILUTED                               | \$(0.12 )      | \$ -         | \$ -         | \$(0.13 )      |
| WEIGHTED AVERAGE NUMBER OF SHARES<br>OUTSTANDING - BASIC AND DILUTED | 8,368,416      | -            | 530,791      | 8,899,207      |
| CASH DIVIDENDS PER SHARE   | \$0.01         | \$ -         | \$ -         | \$0.01         |

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**Annex E**

**Appraisal of Hotel Trinity**



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