SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **2012-04-30** | Period of Report: **2012-01-31**
SEC Accession No. 0000082473-12-000004

(HTML Version on secdatabase.com)

FILER

INNSUITES HOSPITALITY TRUST

CIK:**82473**| IRS No.: **346647590** | State of Incorp.:**OH** | Fiscal Year End: **0131**
Type: **10-K** | Act: **34** | File No.: **001-07062** | Film No.: **12795600**
SIC: **6798** Real estate investment trusts

Mailing Address
925 EUCLID AVENUE
SUITE 1750
CLEVELAND OH 44115

Business Address
INNSUITES HOTELS CENTRE
1625 E NORTHERN AVE STE 201
PHOENIX AZ 85020
2166220046

Copyright © 2014 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

FORM 10-K

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

For the fiscal year ended January 31, 2012.

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

For the transition period from to .

Commission File No. 1-7062

InnSuites Hospitality Trust
(Exact Name of Registrant as Specified in Its Charter)

Ohio	**34-6647590**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
InnSuites Hotels Centre, 1625 E. Northern Avenue, Suite 105, Phoenix, Arizona	**85020**
(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:

Title of Each Class	Name of Exchange on Which Registered
Shares of Beneficial Interest, without par value	NYSE Amex

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 ☒

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 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. (Check one):

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 29, 2011, based upon the closing sales price of the registrant's Shares of Beneficial Interest on that date, as reported on the NYSE Amex: $2,897,541.

Number of Shares of Beneficial Interest outstanding as of April 15, 2012: 8,427,610.

Documents incorporated by reference: Portions of the following documents are incorporated by reference: Proxy Statement for 2012 Annual Meeting of Shareholders (portions of which are incorporated by reference into Part III hereof)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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. 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, 2012, the Trust owned a 71.98% sole general partner interest in the Partnership, which wholly-owned two InnSuites® hotels located in Tucson, Arizona and Ontario, California, and together with the Trust owned a 57.96% interest in another InnSuites® hotel located in Tucson, Arizona. The Trust also wholly-owned one InnSuites® hotel located in Yuma, Arizona and owned a direct 42.25% 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 fifty-one unrelated hotel properties. The Trust has 239 full-time and 22 part-time 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.

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 Amex 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 limited 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 limited 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 provides the personnel for the Hotels and the three hotels owned by affiliates of Mr. Wirth, the expenses of which are reimbursed at cost, and manages the Hotels' daily operations. Beginning February 1, 2012, the Hotels and the three hotels owned by affiliates of James F. Wirth, will directly pay their hotel employees. All such expenses, 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. The management fees for the three hotels owned by affiliates of Mr. Wirth are 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. 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.

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. All such fees among InnSuites Hotels, the Trust and the Partnership

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

have been eliminated in consolidation. During the first eleven months of fiscal year 2010, InnSuites Hotels received 1.25% of room revenue from the three hotels owned by affiliates of Mr. Wirth in exchange for use of the "InnSuites" trademark. Effective January 1, 2010 and through January 31, 2012, the fees for hotels owned by affiliates of Mr. Wirth were amended to a per-room calculation, with fees equal to $10 per month per room for the first 100 rooms, and $2 per month per room for the amount above 100 rooms. These agreements have no expiration date and may be cancelled by either party with 12-months written notice or 90-days written notice in the event the property changes ownership.   InnSuites Hotels received 0.5% of room revenue from an unrelated hotel in Buena Park, California in exchange for licensing services during fiscal years 2012 and 2011. This agreement has no expiration date and may be cancelled by either party with 30-days written notice.

FRANCHISE AGREEMENTS

InnSuites Hotels has entered into membership arrangements with Best Western International 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 International 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. The Trust incurred $302,273 and $324,084 in total fees related to these agreements for the fiscal years ended January 31, 2012 and 2011, respectively.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

COMPETITION IN THE HOTEL INDUSTRY

The hotel industry is highly competitive. The Trust expects the major challenge for fiscal year 2013 to be the overall economy and strong competition for all business in the markets in which it operates, which may affect the Trust's ability to increase room rates while maintaining 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 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 the 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 declined during fiscal year 2012. 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 the 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 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 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

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Hotels' operations historically have been 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.

OTHER AVAILABLE INFORMATION

We also make available, free of charge, on our Internet website at 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").

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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. On January 31, 2012, the Partnership wholly owned two Hotels and together with the Trust owned 57.96% of a third Hotel. The Trust owned 99.9% of one Hotel and 42.25% of a second Hotel. 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:

PROPERTY	NUMBER OF SUITES	YEAR OF CONSTRUCTION/ ADDITION	MOST RECENT RENOVATION (1)	PERCENT OWNERSHIP BY THE TRUST
InnSuites Hotel and Suites Airport Albuquerque Best Western	101	1975/1985	2004	42.25% (2)
InnSuites Hotel and Suites Tucson, Catalina Foothills Best Western	159	1981/1983	2005	42.20% (3)
InnSuites Hotels and Suites Yuma Best Western	166	1982/1984	2010	99.9% (4)
InnSuites Hotel and Suites Ontario Airport Best Western	150	1990	2005	71.98% (5)
InnSuites Hotels and Suites Tucson St. Mary's	267	1960/1971	2006	71.98% (5)
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 42.25% interest in the Albuquerque, New Mexico Hotel.
(3) The Trust holds a direct 1.79% interest and the Partnership owns a 56.17% interest in the Tucson, Arizona Foothills Hotel. The Trust owns a 71.98% general partner interest in the Partnership.
(4) The Trust holds a direct 99.9% ownership interest in the Yuma, Arizona Hotel.
(5) As of January 31, 2012, the Partnership owns a 100% interest in the Tucson, Arizona and Ontario, California Hotels. The Trust owns a 71.98% 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 10 to the Trust's Consolidated Financial Statements – "Mortgage Notes Payable" herein for a discussion of mortgages encumbering the Hotels.

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 19 to consolidated financial statements.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Item 4. MINE SAFETY DISCLOUSURES

None.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PART II

Item 5. MARKET FOR THE TRUST'S SHARES, RELATED SHAREHOLDER MATTERS AND TRUST PURCHASES OF SHARES

The Trust's Shares of Beneficial Interest are traded on the NYSE Amex under the symbol "IHT." On April 15, 2012, the Trust had 8,427,610 shares outstanding and 407 holders of record.

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

Fiscal Year 2012	**High**	**Low**	**Dividends**
First Quarter	$ 2.44	$ 1.21	—
Second Quarter	$ 2.06	$ 1.53	—
Third Quarter	$ 2.42	$ 1.69	—
Fourth Quarter	$ 2.28	$ 2.02	$ 0.01

Fiscal Year 2011	**High**	**Low**	**Dividends**
First Quarter	$ 1.45	$ 1.12	—
Second Quarter	$ 1.55	$ 1.21	—
Third Quarter	$ 1.52	$ 1.06	—
Fourth Quarter	$ 1.55	$ 1.10	$ 0.01

The Trust intends to maintain a conservative dividend policy to facilitate the reduction of debt and internal growth. In fiscal years 2012 and 2011, 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 limited partnership units in the Partnership 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 limited partnership units in the Partnership 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 limited partnership units in the Partnership 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, 2012, the Trust acquired 33,706 Shares of Beneficial Interest in open market transactions at an average price of $2.31 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 Amex requirements. The Trust remains authorized to repurchase an additional 121,582 limited partnership units and/or Shares of Beneficial Interest pursuant to the publicly announced share repurchase program, which has no expiration date.

	Issuer Purchases of Equity Securities			
Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans**	**Maximum Number of Shares that May Be Yet Purchased Under the Plans**
November 1 – November 30, 2011	25,995	$ 2.08	25,995	129,293
December 1 – December 31, 2011	2,491	$ 2.30	2,491	126,802
January 1 – January 31, 2012	5,220	$ 2.37	5,220	121,582
Total	33,706		33,706	

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

Item 6. SELECTED FINANCIAL DATA

Not required for smaller reporting companies.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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, 2012, the InnSuites system included 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. In addition, we receive management fees, trademark license fees and reservation fees from three hotels owned by Mr. Wirth and his affiliates, trademark license fees from one hotel owned by a non-related third party and reservation fees from fifty-one hotels owned by non-related third parties.

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. Supply of hotels has increased in the markets we operate, particularly in the Yuma, Arizona and Ontario, California markets during the past several years. Market demand has declined in the Tucson, Arizona market during the last fiscal year. Management does not expect these trends 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 2012 and 2011. We anticipate moderate improvement in these conditions during fiscal year 2013. We expect moderate improvements in overall economic conditions to result in improved business and leisure travel and relatively steady room rates. We expect the major challenge for fiscal year 2013 to be the continuation of strong competition for group and other 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.

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, 2012, through our sole general partner's interest in the Partnership, we owned a 71.98% interest in Hotels in Ontario, CA and Tucson, AZ, direct 42.25% interest in the Albuquerque, NM Hotel, 42.20% interest in another Tucson, AZ Hotel, and a 99.9% direct interest in the Yuma, AZ Hotel. At January 31, 2011 through our sole general partner's interest in the Partnership we owned a 71.41% interest in three of the Hotels, a 23.79% in one of the Hotels, and we owned a 99.9% direct interest in one Hotel. We purchased 75,726 Partnership units during the year ended January 31, 2012. We did not purchase any Partnership units during the year ended January 31, 2011.

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 2012, occupancy increased 6.77% to 61.73% from 54.96% in the prior year. ADR decreased by $0.01 to $71.20 in fiscal year 2012 from $71.21 in fiscal year 2011. The increase in occupancy and ADR remaining stable resulted in an increase in REVPAR of $4.81 to $43.95 in fiscal year 2012 from $39.14 in fiscal year 2011. The increased occupancy and stable rates reflect the improving economy and travel industry during fiscal year 2012.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

	For the Year Ended January 31,			
	2012		2011	
Occupancy		61.73%		54.96%
Average Daily Rate (ADR)	$	71.20	$	71.21
Revenue Per Available Room (REVPAR)	$	43.95	$	39.14

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 10 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," "Restructuring Agreement for Tucson Hospitality Properties Subsidiary," and Restructuring Agreement for Ontario Hospitality Properties Subsidiary," respectively.
- For a discussion of other related party transactions, see Note 16 to our Consolidated Financial Statements – "Other Related Party Transactions."

Results of operations of the Trust for the year ended January 31, 2012 compared to the year ended January 31, 2011.

Overview

A summary of operating results for the fiscal years ended January 31 is:

	2012	2011	Change	% Change
Revenue	$ 17,068,036	$ 15,740,427	$ 1,327,609	8.43%
Operating Income (Loss)	$ 75,442	$ (1,082,293)	$ 1,157,735	>100.0 %
Net Loss Attributable to Controlling Interest	$ (1,078,741)	$ (2,007,691)	$ 928,950	46.27%
Loss Per Share – Basic	$ (0.13)	$ (0.23)	$ 0.10	43.48%
Loss Per Share – Diluted	$ (0.13)	$ (0.23)	$ 0.10	43.48%

Our overall results in fiscal year 2012 were positively affected by the improving economic environment and the hospitality industry in particular.

For the twelve months ended January 31, 2012, we had total revenue of $17.1 million compared to $15.7 million for the twelve months ended January 31, 2011, an increase of approximately $1.3 million. This increase in total revenue is primarily due to higher occupancies at the Hotels, resulting in increased room revenues. During fiscal year 2013, we expect improvements in occupancy and modest improvements in rates. Total expenses of $18.3 million for the twelve months ended January 31, 2012 reflect a decrease of approximately $123,000 compared to total expenses of $18.4 million for the twelve months ended January 31, 2011. The decrease was primarily due to reduced payroll expense under the management contracts.

General and administrative expenses include overhead charges for management, accounting, shareholder and legal services. General and administrative expenses of $3.1 million for the twelve months ended January 31, 2012 increased $165,000 from $2.9 million for the twelve months ended January 31, 2011 primarily due to increased occupancies at the hotels.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Sales and marketing expenses of $1.1 million for the twelve months ended January 31, 2012 were consistent with the prior year.

Total operating expenses of $17.0 million for the twelve months ended January 31, 2012 were consistent with the prior year. Considering the increased occupancy, this reflects the benefits of improved cost control.

Total interest expense for the twelve months ended January 31, 2012 was $1.5 million, a decrease of $61,000 from $1.6 million for the twelve months ended January 31, 2011. The decrease was primarily due to reduced interest on mortgage notes payable, which decreased by $58,000, and lower principal balances.

We had a consolidated net loss before income taxes of $1.4 million for the twelve months ended January 31, 2012, compared to $2.7 million in the prior year. After deducting the loss allocated to the minority interest of $369,603, we had a net loss attributable to controlling interests of approximately $1.1 million for fiscal year 2012, which represented approximately $902,000 in additional income attributable to controlling interests, as compared to the twelve months ended January 31, 2011. Basic and diluted net loss per share was $(0.13) for the twelve months ended January 31, 2012, compared to $(0.23) for fiscal year 2011. The change from the prior year is primarily attributable to increased business levels at the hotel properties.

We reported earnings before minority interest, interest, taxes, depreciation and amortization (Adjusted EBITDA) of $1.8 million for the fiscal year ended January 31, 2012, as compared to $744,000 in the prior year, an increase of $1.1 million, or greater than 100%. Adjusted EBITDA is a non-GAAP financial measure that management believes provides meaningful insight into the Trust's financial performance and its operating profitability before non-operating expenses (such as interest and "other" non-core expenses) and non-cash charges (depreciation and amortization).

A reconciliation of Adjusted EBITDA to net loss attributable to Shareholders of Beneficial Interest for the fiscal years ended January 31 follows:

	2012	2011
Net loss attributable to controlling interest	$ (1,078,741)	$ (2,007,691)
Add back:		
Depreciation	1,734,734	1,853,164
Interest expense	1,527,507	1,588,760
Non-controlling interest	(369,603)	(689,065)
Less:		
Interest income	(3,721)	(1,297)
ADJUSTED EBITDA	$ 1,810,176	$ 743,871

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 Albuquerque, New Mexico hotel property and our direct ownership of the Yuma, Arizona property. The Partnership's principal source of revenue is hotel operations for the two hotel properties it owns and quarterly distributions from the Tucson, Arizona property. 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 with occupancy significantly increasing and ADR remaining stable during fiscal year 2012, 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 negatively impact hotel room demand and pricing, which reduces our profit margins on rented suites.

In past years, we have relied on our cash flows from operations and hotel refinancing to meet our financial obligations as they come due. For the fiscal year 2013 (February 1, 2012 through January 31, 2013), our management has projected that cash flows from operations alone may not be sufficient to meet all of our financial obligations as they become due during fiscal year 2013. Based on this projection, we began syndicating up to 49% of our ownership in the Ontario, California hotel property by entering into a restructuring agreement on February 29, 2012. The first funds related to this syndication were received on March 5, 2012 and as of April 6, 2012, the Partnership has received $900,000 in connection with the Ontario hotel syndication. The syndication will be conducted in the same manner as syndications of our Albuquerque and Tucson properties in fiscal year 2011 and 2012, respectively. Additionally, the Trust's management is actively working to extend our $500,000 bank line of credit which matures in May 2012.

With the expected proceeds from the sale of ownership interests in the Ontario hotel property and the availability of the $500,000 bank line of credit, management believes that it will have enough cash on hand to meet all of our financial obligations as they become due. Subsequent to the balance sheet date, on February 14, 2012, management reached an agreement with the lender on the Ontario property to modify the original loan reducing the principal and interest payments by approximately $40,000 per month and extending the mortgage note payable for three years until January 2015. The Trust's management is also actively discussing a potential refinance with other lenders. In addition, our management is analyzing other strategic options available to us, including the refinancing of another property or raising additional funds through additional minority interest sales.

We anticipate a moderate improvement in the weak overall economic situation that negatively affected results in fiscal year 2011 and 2012, which could result in higher revenues and operating margins. Challenges in fiscal year 2013 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 (used in) operating activities totaled $936,000 and $(679,000) for the years ended January 31, 2012 and 2011, respectively. The increase in fiscal year 2012 compared to fiscal year 2011 was due to increased business levels at the hotel properties, reflecting the improving economy and its impact on the travel industry.

Net cash used in investing activities totaled $(970,000) and $(1.1) million for the years ended January 31, 2012 and 2011, respectively. The decrease in funds used in 2012 as compared to 2011 was due to reduced capital refurbishment projects.

Net cash provided by financing activities totaled $522,000 and $1.9 million for the years ended January 31, 2012 and 2011, respectively. The decrease was due to the $2.2 million of funds raised in the sale of non-controlling interests in the Albuquerque subsidiary during fiscal year 2011.

As of January 31, 2012, we had no commitments for capital expenditures beyond a 4% reserve for refurbishment and replacements that is set aside annually, as described below.

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, 2012, $136,808 was held in these accounts and is reported on our Consolidated Balance Sheet as "Restricted Cash." The Fund is intended to

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

be used for capital improvements to the Hotels and refurbishment and replacement of furniture, fixtures and equipment. During the twelve months ended January 31, 2012 and 2011, the Hotels spent approximately $970,000 and $1.1 million, 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. We plan to spend approximately $505,000 for capital expenditures in fiscal year 2013. The Hotels also spent approximately $1.4 million and $1.3 million during fiscal years 2012 and 2011, respectively, on repairs and maintenance and these amounts have been charged to expense as incurred.

We have minimum debt payments of $2.0 million and $6.0 million due during fiscal years 2013 and 2014, respectively. On November 23, 2010, we established a revolving bank line of credit, with a credit limit of $500,000. The line of credit bears interest at the prime rate plus 2.75% per annum with a 6.0% rate floor, has no financial covenants and matures on May 23, 2012. Management is actively working with the lender to extend this line of credit. If the Trust maintains bank balances of at least $250,000 with the lender, the line of credit bears interest at the prime rate plus 1.0% with a 6.0% rate floor. 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, 2012, the Trust had drawn no funds under the line of credit. The largest outstanding balance on the line of credit during fiscal year 2012 was $169,972.

As of January 31, 2012, we had mortgage notes payable of $21.3 million outstanding with respect to the Hotels, $551,000 in secured promissory notes outstanding to unrelated third parties arising from the Shares of Beneficial Interest and Partnership unit repurchases, and no principal due and payable under notes and advances payable to Mr. Wirth and his affiliates.

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.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 additional 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 51% 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 October 29, 2010, the parties revised the operating agreement.

Under the new operating agreement, Rare Earth became the administrative member of the Albuquerque entity, in charge of the day-to-day management of the company. Additionally, the membership interests in the Albuquerque entity were allocated to three classes with differing cumulative priority distribution rights. Class A units are owned by unrelated third parties and have first priority for distributions, Class B units are owned by the Trust and/or the Partnership and have second priority for distributions, and 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 are cumulative for 5 years. Rare Earth also earned a formation fee equal to $320,000, payable in either cash or units in the Albuquerque entity, which was intended for 32 Class C units in the Albuquerque entity after the sale of at least 160 units. 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 distributions to the members. In the event that the proceeds 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. Priority distributions to all Classes are projected to be $280,000 each year for fiscal years 2013 through 2016. The Albuquerque entity is required to use its best efforts to pay the cumulative priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the property.

On July 29, 2010, the Partnership sold approximately 11% of its sole membership interest in the Albuquerque entity for $400,000 to Rare Earth. The price paid reflects the net assets of the Albuquerque entity calculated using the third-party appraisal value for the hotel property and the carrying cost of all other assets and liabilities. Subsequently, Rare Earth received an additional 32 units, or approximately 8%, worth $320,000 as a formation fee resulting in Rare Earth having a total ownership interest of approximately 19% as of January 31, 2011. During the fiscal year ended January 31, 2011, the Partnership sold an additional approximately 47% of its membership interests for $1,754,000 to unrelated third parties and approximately 1% for $20,000 to Mr. Lawrence Pelegrin, who is a member of the Board of Trustees. The transactions were a reduction in the Partnership's controlling interest (see Note 6 – "Variable Interest Entity"), and therefore no gain or loss was reflected in the statements of operations and funds received in excess of cost basis were recorded to equity. On January 24, 2012 the Trust purchased 40 units at $10,000 per unit from Rare Earth, and on January 31, 2012 the Trust purchased Partnership's 114 units at $10,000 per unit by reducing The Trust's receivable from the Partnership. As of January 31, 2012, the Partnership does not hold any ownership interest in the Albuquerque entity, the Trust holds a 42.25 % ownership interest, Mr. Wirth and his affiliates hold an 8.00% interest, and other parties hold a 49.75% interest. The Albuquerque entity has minimum preference payments to unrelated unit holders of $139,300, to the Trust of $118,300 and to Rare Earth of $22,400 per year payable quarterly for calendar years 2013 and 2014. During calendar year 2012, the Albuquerque entity has remaining minimum preference payments to unrelated unit holders of $134,774, to the Trust of $7,875, to the Partnership of $84,520 and to Rare Earth of $48,728.

RESTRUCTURING AGREEMENT FOR TUCSON HOSPITALITY PROPERTIES SUBSIDIARY

On February 17, 2011, the Trust and Partnership entered into a restructuring agreement with Rare Earth to allow for the sale of minority interest units in Tucson Hospitality Properties, LP (the "Tucson entity"), which operates the Tucson Foothills hotel property and 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 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.

Under the restructured limited partnership agreement, Rare Earth became a general partner of the Tucson entity along with the Partnership. The partnership interests in the Tucson entity were allocated to three classes with differing cumulative priority distribution rights. Class A units are owned by unrelated third parties and have first priority for distributions, Class B units are owned by the Trust and/or the Partnership and have second priority for distributions, and Class C units are owned by Rare Earth or other affiliates of Mr.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Wirth and have the lowest priority for distributions from the Tucson entity. Priority distributions are cumulative for five years. Rare Earth also received a formation fee of $320,000, conditioned upon and arising from the sale of the first 160 units in the Tucson entity. 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. Priority distributions to all Classes are projected to be $428,400 each year for fiscal years 2013 through 2017. The Tucson 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 property.

At January 31, 2012, the Partnership had sold 245.5 units to unrelated parties at $10,000 per unit totaling $2,447,000. As of January 31, 2012, the Partnership holds a 56.17% ownership interest in the Tucson entity, the Trust holds a 1.79 % ownership interest, Mr. Wirth and his affiliates hold a 1.96% interest, and other parties hold a 40.11% interest. The Tucson entity has minimum preference payments to unrelated unit holders of $171,850, to the Trust of $7,700, to the Partnership of $240,450 and to Rare Earth of $8,400 per year payable quarterly for calendar years 2013 and 2014. During calendar year 2012, the Tucson entity has remaining minimun preference payments to unrelated unit holders of $77,038, to the Trust of $130, to the Partnership of $231,559 and to Rare Earth of $1,100.

RESTRUCTURING AGREEMENT FOR ONTARIO HOSPITALITY PROPERTIES SUBSIDIARY

At the February 1, 2012 Board of Trustees meeting, the Board authorized the Trust's management to enter into a contract to sell less than 50% of the Partnership's ownership interest in Ontario Hospitality Properties, LP (the "Ontario entity"), which operates the Ontario, California property and was then wholly-owned by the Partnership. 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 the Ontario entity. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 250 units of the Ontario entity for $10,000 per unit, which represents approximately 49.02% of the outstanding Partnership units in the Ontario entity, and the parties agreed to restructure the limited partnership agreement of the Ontario entity.

Under the restructured limited partnership agreement, Rare Earth became a general partner of the Ontario entity along with the Partnership. Additionally, the partnership interests in the Ontario entity were allocated to three classes with differing cumulative priority distribution rights. Class A units will be owned by unrelated third parties and will have first priority for distributions, Class B units will be owned by the Trust and/or the Partnership and will have second priority for distributions, and Class C units will be owned by Rare Earth or other affiliates of Mr. Wirth and will have the lowest priority for distributions from the Ontario entity. Rare Earth is also entitled to a formation fee equal to $320,000 or an alternate fee of 8% of total capital raised, payable in either cash or units in the Ontario entity. 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. The first funds related to this syndication were received on March 5, 2012 and as of April 6, 2012, the Partnership has received $900,000 in connection with the Ontario syndication. InnSuites Hotels will continue to provide management, licensing and reservation services to the property. Priority distributions to all Classes are projected to be approximately $192,000 for the remainder of fiscal year 2013, approximately $82,250 for fiscal year 2014, $89,250 for fiscal years 2015 through 2017 and $22,312 for fiscal year 2018.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

COMPLIANCE WITH CONTINUED LISTING STANDARDS OF NYSE AMEX

On September 30, 2010, the Trust received a letter from the NYSE Amex LLC (the "NYSE Amex") informing the Trust that the staff of the NYSE Amex's Corporate Compliance Department has determined that the Trust is not in compliance with Section 1003(a)(ii) of the NYSE Amex 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 NYSE Amex's letter informed the Trust that, to maintain its listing, it was required to submit a plan of compliance by November 1, 2010, addressing how it intended to regain compliance with the NYSE Amex's continued listing standards within a maximum of 18 months. The NYSE Amex's letter provided that if the plan submitted by the Trust were accepted by the NYSE Amex, the Trust would likely be able to continue its listing during the 18-month plan period, during which time it would be subject to periodic review to determine whether it was making progress consistent with the Trust's plan.

The Trust submitted its plan on November 1, 2010. The plan included improved hotel operating profits as the economy and hospitality industry continued to recover, the sale of membership interests in the Albuquerque entity above carrying value, and the potential sale of membership interests in other hotel properties owned by the Trust and Partnership above carrying value. At the end of the 18-month period, on April 19, 2012 the Trust received a letter from the NYSE Amex stating that the Trust was in compliance with Section 1003(a)(ii) of the NYSE Amex Company Guide.

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.

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. This plan is similar to strategies followed by international 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.

The table below lists the hotel properties, their respective carrying and mortgage value and the estimated sales value for the hotel properties.

Hotel Property Asset Values as of January 31, 2012

Hotel Property	Book Value	Mortgage Balance	Listed Asking Price
Albuquerque	$ 1,415,155	$ 1,321,015	$ 6,500,000
Ontario	6,046,063	7,405,289	19,800,000
Tucson Foothills	4,303,243	2,135,796	14,000,000
Tucson City Center	7,778,875	5,409,156	11,000,000
Yuma	5,598,412	5,000,000	15,000,000
Totals	$ 25,141,748	$ 21,271,256	$ 66,300,000

The Ontario mortgage balance was written down by $500,000 by the lender and we paid down the mortgage balance by $1.0 million pursuant to the terms of our Loan Modification Agreement executed on February 14, 2012. The balance after the modification and the $1.0 million repayment was $5,905,289.

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.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

There is no assurance that the listed sales price for the individual Hotel properties will be realized. However, our management believes that these 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 sales prices.

We provide trademark licensing, management, reservation and advertising services to all the hotel properties listed above and expect to continue the trademark licensing services, which include the reservation and advertising services, and/or continue the management services, which also include the reservation and advertising services, after the Hotels are sold. If any or all of these Hotel properties are sold, our future management and/or licensing fees could be reduced if the purchaser did not continue to retain InnSuites Hotels to provide those services. In the past, when we have sold hotel properties to unrelated third parties, we have continued to provide management and/or trademark licensing and reservation services after a sale. However, there can be no assurance that we will be able to successfully do so in the future.

As part of the Board study for 2008-2009, greater emphasis has been placed on priority for additional management, trademark and reservations fee income. We have determined that it is easier to sell management contracts when the trademark services are also provided. As part of the emphasis on trademark services, we have developed two trademark packages. The first is the “Traditional InnSuites Hotels & Suites” regional package and the second is the “InnSuites Boutique Hotel Collection,” which now includes three affiliate hotels managed by us, the five Trust Hotels and fifty-one unrelated hotels. Sales and marketing for the expansion of the InnSuites Boutique Hotel Collection are being handled internally.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 PURCHASES OF SHARES."

OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

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 subsidiaries that are not included in our consolidated financial statements. See Note 2 - "New Accounting Pronouncements" for a discussion of new accounting interpretations with respect to variable interest entities and the impact of such interpretations on us.

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 impairment loss in fiscal years 2012 or 2011. As of January 31, 2012, our management does not believe that the carrying values of any of its hotel properties are impaired.

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. Average daily rate per room declined $0.01 in the most recent fiscal year ended January 31, 2012.

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 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;
- interest rate fluctuations;

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

- 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 franchise contracts;
- real estate and hospitality market conditions;
- hospitality industry factors;
- our ability to meet present and future debt service obligations;
- 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.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INNSUITES HOSPITALITY TRUST
LIST OF CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

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

Statement	Page
Report of Independent Registered Public Accounting Firm – January 31, 2012 and 2011	12
Consolidated Balance Sheets – January 31, 2012 and 2011	13
Consolidated Statements of Operations – Years Ended January 31, 2012 and 2011	14
Consolidated Statements of Shareholders' Equity – Years Ended January 31, 2012 and 2011	15
Consolidated Statements of Cash Flow – Years Ended January 31, 2012 and 2011	16
Notes to the Consolidated Financial Statements – Years Ended January 31, 2012 and 2011	17

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

Schedule	Page
Schedule III – Real Estate and Accumulated Depreciation	29
Schedule IV – Mortgage Loans on Real Estate	31

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

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Board of Trustees of
InnSuites Hospitality Trust

We have audited the accompanying consolidated balance sheets of InnSuites Hospitality Trust and subsidiaries (the "Trust") as of January 31, 2012 and 2011, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. Our audits also included the financial statement schedules listed in Item 15(a). These consolidated financial statements and financial statement schedules are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement 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 Company 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 Company'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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. 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 consolidated financial position of InnSuites Hospitality Trust and subsidiaries as of January 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Moss Adams LLP

Scottsdale, Arizona
April 30, 2012

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	JANUARY 31, 2012	JANUARY 31, 2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents ($133,637 and $10,107 of variable interest entity (VIE), Note 6)	$ 983,424	$ 494,844
Restricted Cash ($31,300 and $26,763 of VIE)	136,808	137,174
Accounts Receivable, including $102,358 and $290,232 from related parties, net of Allowance for Doubtful Accounts of $38,159 and $40,997, as of January 31, 2012 and 2011, respectively ($12,653 and $19,179 of VIE)	619,916	661,024
Prepaid Expenses and Other Current Assets ($23,366 and $45,173 of VIE)	242,366	443,043
Total Current Assets	1,982,514	1,736,085
Hotel Properties, net ($1,415,155 and $1,458,838 of VIE)	25,141,748	25,917,263
Property, Plant and Equipment, net	149,377	139,887
Deferred Finance Costs and Other Assets ($15,858 and $17,485 of VIE)	108,619	141,863
TOTAL ASSETS	$ 27,382,258	$ 27,935,098
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities :		
Accounts Payable and Accrued Expenses ($112,643 and $193,218 of VIE)	$ 2,414,763	$ 2,093,228
Current Portion of Mortgage Notes Payable	2,291,247	8,214,759
Current Portion of Other Notes Payable	212,692	172,939
Total Current Liabilities	4,918,702	10,480,926
Mortgage Notes Payable	18,980,009	13,865,957
Other Notes Payable	337,960	307,614
TOTAL LIABILITIES	24,236,671	24,654,497
COMMITMENTS AND CONTINGENCIES (SEE NOTE 19)		
SHAREHOLDERS' EQUITY		
Shares of Beneficial Interest, without par value; unlimited authorization; 8,442,328 and 8,546,783 shares issued and outstanding at January 31, 2012 and 2011, respectively	14,646,261	15,412,926
Treasury Stock, 8,344,408 and 8,239,963 shares held at January 31, 2012 and 2011, respectively	(11,682,575)	(11,456,375)
TOTAL TRUST SHAREHOLDERS' EQUITY	2,963,686	3,956,551
NON-CONTROLLING INTEREST	181,901	(675,950)
TOTAL EQUITY	3,145,587	3,280,601
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 27,382,258	$ 27,935,098

See accompanying notes to
consolidated financial statements

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED JANUARY 31,	
	2012	**2011**
REVENUE		
Room	$ 13,523,680	$ 12,043,627
Food and Beverage	836,984	765,851
Telecommunications	1,882	14,314
Other	242,322	208,266
Management and Trademark Fees, including $216,963 and $275,306 from related parties for 2012 and 2011, respectively	231,456	281,096
Payroll Reimbursements from Related Parties	2,231,712	2,427,273
TOTAL REVENUE	17,068,036	15,740,427
OPERATING EXPENSES		
Room	3,546,069	3,448,986
Food and Beverage	869,574	818,657
Telecommunications	45,720	62,171
General and Administrative	3,102,388	2,937,016
Sales and Marketing	1,110,495	1,148,629
Repairs and Maintenance	1,430,645	1,291,422
Hospitality	790,634	730,961
Utilities	1,200,192	1,158,771
Hotel Property Depreciation	1,734,734	1,853,164
Real Estate and Personal Property Taxes, Insurance and Ground Rent	917,878	929,923
Other	12,553	15,747
Payroll Costs Related to Management Contracts	2,231,712	2,427,273
TOTAL OPERATING EXPENSES	16,992,594	16,822,720
OPERATING INCOME (LOSS)	75,442	(1,082,293)
Interest Income	3,721	1,297
TOTAL OTHER INCOME	3,721	1,297
Interest on Mortgage Notes Payable	1,490,995	1,548,724
Interest on Notes Payable to Banks	1,048	76
Interest on Other Notes Payable	35,464	39,960
TOTAL INTEREST EXPENSE	1,527,507	1,588,760
CONSOLIDATED LOSS BEFORE INCOME TAX BENEFIT (PROVISION)	(1,448,344)	(2,669,756)
Income Tax Provision	—	(27,000)
CONSOLIDATED NET LOSS	$ (1,448,344)	$ (2,696,756)
LESS: NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(369,603)	(689,065)
NET LOSS ATTRIBUTABLE TO CONTROLLING INTERESTS	$ (1,078,741)	$ (2,007,691)
NET LOSS PER SHARE – Basic and Diluted	$ (0.13)	$ (0.23)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – Basic and Diluted	8,511,730	8,577,558
CASH DIVIDENDS PER SHARE	$ 0.01	$ 0.01

See accompanying notes to
consolidated financial statements

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JANUARY 31, 2012 and 2011

	Controlling Interest	Non-Controlling Interest	Total
BALANCE, JANUARY 31, 2010	$ 4,534,540	$ (569,649)	$ 3,964,891
Net Loss	(2,007,691)	(689,065)	(2,696,756)
Dividends	(85,472)	—	(85,472)
Purchase of Treasury Stock	(87,745)	—	(87,745)
Shares of Beneficial Interest issued for Services Rendered	48,600	—	48,600
Sale of Ownership Interests in Subsidiary	1,540,314	616,686	2,157,000
Distribution to Minority Interest Holders	(14,223)	(5,695)	(19,918)
Reallocation of Non-Controlling Interests	28,228	(28,227)	1
BALANCE, JANUARY 31, 2011	3,956,551	(675,950)	3,280,601
Net Loss	(1,078,741)	(369,603)	(1,448,344)
Dividends	(84,430)	—	(84,430)
Purchase of Treasury Stock	(276,253)	—	(276,253)
Repurchase of Partnership Units	(130,700)	—	(130,700)
Shares of Beneficial Interest issued for Services Rendered	51,840	—	51,840
Sale of Ownership Interests in Subsidiary	1,317,579	1,096,976	2,414,555
Repurchase of Ownership Interests in Subsidiary	(761,888)	361,888	(400,000)
Distribution to Minority Interest Holders	11,863	(273,545)	(261,682)
Reallocation of Non-Controlling Interests	(42,135)	42,135	—
BALANCE, JANUARY 31, 2012	$ 2,963,686	$ 181,901	$ 3,145,587

See accompanying notes to
consolidated financial statements

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED JANUARY 31,	
	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Consolidated Net Loss	$ (1,448,344)	$ (2,696,756)
Adjustments to Reconcile Consolidated Net Loss to Net Cash Provided by Operating Activities:		
Stock-Based Compensation	51,840	48,600
Provision for Uncollectible Receivables	(2,837)	1,929
Hotel Property Depreciation	1,734,734	1,853,164
Loss on Disposal Sale of Hotel Property	1,253	2,643
Amortization of Deferred Loan Fees	33,244	43,875
Changes in Assets and Liabilities:		
Prepaid Expenses and Other Assets	200,677	47,495
Accounts Receivable	43,945	(206,516)
Accounts Payable and Accrued Expenses	321,535	226,855
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	936,047	(678,711)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from Casualty Loss	—	116,309
Improvements and Additions to Hotel Properties	(969,963)	(1,146,520)
Change in Restricted Cash	366	(55,753)
NET CASH USED IN INVESTING ACTIVITIES	(969,597)	(1,085,964)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Deferred Loan Fees	—	(28,948)
Principal Payments on Mortgage Notes Payable	(809,460)	(826,238)
Net Proceeds from Refinancings of Mortgage Notes Payable	—	1,000,000
Payments on Notes Payable to Banks	(641,711)	(544,856)
Borrowings on Notes Payable to Banks	641,711	434,719
Proceeds from Sale of Non-Controlling Ownership Interests in Subsidiary	2,414,555	2,157,000
Repurchase of Subsidiary Equity	(400,000)	—
Distributions to Minority Interest Holders	(261,682)	—
Repurchase of Partnership Units	(1,044)	—
Repurchase of Treasury Stock	(151,235)	(87,745)
Payment of Dividends	(84,430)	(85,472)
Borrowings on Other Notes Payable	8,250	
Payments on Other Notes Payable	(192,824)	(165,326)
NET CASH PROVIDED BY FINANCING ACTIVITIES	522,130	1,853,134
NET INCREASE IN CASH AND CASH EQUIVALENTS	488,580	88,459
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	494,844	406,385
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 983,424	$ 494,844

See Note 18 for Supplemental Cash Flow Disclosures
See accompanying notes to
consolidated financial statements

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

16

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JANUARY 31, 2012 and 2011

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

InnSuites Hospitality Trust (the "Trust" or "we") owns interest, as of January 31, 2012, 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."

The Trust is the sole general partner of RRF Limited Partnership, a Delaware limited partnership (the "Partnership"), and owned 71.98% and 71.41% of the Partnership as of January 31, 2012 and 2011. The Trust's weighted average ownership for the years ended January 31, 2012 and 2011 was 71.73% and 71.41%, respectively. As of January 31, 2012, the Partnership owned 100% of two InnSuites® hotels located in Tucson, Arizona and Ontario, California and together with the Trust owned a 57.96% interest in another InnSuites® hotel located in Tucson, Arizona and incurred the related expenses. 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 42.25% interest in one InnSuites® hotel located in Albuquerque, New Mexico.

Under the management agreements, InnSuites Hotels provides the personnel for the Hotels, the expenses of which are reimbursed at cost, and manages the Hotels' daily operations. The Trust also provides the use of the "InnSuites" trademark to the Hotels through the Trust's wholly-owned subsidiary, InnSuites Hotels. All such expenses and reimbursements between InnSuites Hotels and the Partnership have been eliminated in consolidation.

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 limited partnership units are identical in all respects, except that each Class A limited 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 limited 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, 2012, 293,665 Class A limited partnership units were issued and outstanding representing 2.22% of the total partnership units and on January 31, 2011, 369,391 Class A limited partnership units were issued and outstanding representing 2.80% of the total partnership units. Additionally, as of both January 31, 2012 and 2011, 3,407,938 Class B limited partnership units were outstanding to Mr. Wirth and his affiliates, in lieu of the issuance of Class A limited partnership units representing 25.8% of the total partnership units. If all of the Class A and B limited partnership units were converted on January 31, 2012, the limited partners in the Partnership would receive 3,701,603 Shares of Beneficial Interest of the Trust. As of January 31, 2012 and 2011, the Trust owns 9,509,914 and 9,434,188 general partner units in the Partnership, representing 71.98% and 71.41%, respectively, of the total partnership units. The Trust purchased 75,726 Partnership units during the year ended January 31, 2012 at an average price of $1.73 per unit. The Trust purchased no Partnership units during the year ended January 31, 2011.

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 Albuquerque, New Mexico hotel property and our direct ownership of the Yuma, Arizona property. The Partnership's principal source of revenue is hotel operations for the two hotel properties it owns and quarterly distributions from the Tucson, Arizona property. 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 with occupancy significantly increasing and ADR remaining stable during fiscal year 2012, 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 negatively impact hotel room demand and pricing, which reduces our profit margins on rented suites.

In past years, we have relied on our cash flows from operations and hotel refinancing to meet our financial obligations as they come due. For the fiscal year 2013 (February 1, 2012 through January 31, 2013), our management has projected that cash flows from

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

operations alone may not be sufficient to meet all of our financial obligations as they become due during fiscal year 2013. Based on this projection, we began syndicating up to 49% of our ownership in the Ontario, California hotel property by entering into a restructuring agreement on February 29, 2012. The first funds related to this syndication were received on March 5, 2012 and as of April 6, 2012, The Partnership has received $900,000 in connection with the Ontario hotel syndication. The syndication will be conducted in the same manner as syndications of our Albuquerque and Tucson properties in fiscal year 2011 and 2012, respectively. Additionally, the Trust's management is actively working to extend our $500,000 bank line of credit which matures in May 2012.

With the expected proceeds from the sale of ownership interests in the Ontario hotel property and the availability of the $500,000 bank line of credit, management believes that it will have enough cash on hand to meet all of our financial obligations as they become due. Subsequent to the balance sheet date, on February 14, 2012, management reached an agreement with the lender on the Ontario property to modify the original loan reducing the principal and interest payments by approximately $40,000 per month and extending the mortgage note payable for three years until January 2015. The Trust's management is also actively discussing a potential refinance with other lenders. In addition, our management is analyzing other strategic options available to us, including the refinancing of another property or raising additional funds through additional minority interest sales.

We anticipate a moderate improvement in the weak overall economic situation that negatively affected results in fiscal year 2011 and 2012, which could result in higher revenues and operating margins. Challenges in fiscal year 2013 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.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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.

Under ASC Topic 810-10-25, Albuquerque Suite Hospitality, LLC has been determined to be a variable interest entity with the Partnership and Trust as the primary beneficiary (see Note 6 – "Variable Interest Entity"). Therefore, the financial statements of Albuquerque Suite Hospitality, LLC are consolidated with the Partnership and the Trust, and all significant intercompany transactions and balances have been eliminated.

RECLASSIFICATIONS

Certain reclassifications have been made to previously reported figures on the balance sheet in order to conform to current year presentations with no effect on previously reported net loss or equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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

Property, plant, and equipment and hotel properties are stated at cost and are depreciated using the straight-line method over estimated lives ranging from 5 to 40 years for buildings and improvements and 3 to 10 years for furniture and equipment.

Management applies guidance issued by the Financial Accounting Standards Board ("FASB"), codified in ASC Topic 360-10-35, to determine when it is required to test an asset for recoverability of its carrying value. If the carrying amount of an asset exceeds the estimated undiscounted future cash flows over its estimated remaining life, the Trust recognizes an impairment expense to reduce the asset's carrying value to its fair value. 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. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. The Trust determines the estimated useful lives of its assets based on the expected future economic benefit of the asset and its ability to hold such assets. In the decision-making process to determine fair value of long-lived assets and to test an asset for impairment, third party property appraisals are used as one of the indicators (benchmarks) to determine the necessity for testing for impairment. Other indicators include a drop in the performance of a long-lived asset, a decline in the hospitality industry and a decline in the economy. Third party property appraisals are useful because they consider historical occupancy and average rate levels in determining fair value. 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 ended 2012 and 2011.

CASH AND CASH EQUIVALENTS

The Trust considers all highly liquid short-term investments with original maturities of three months or less to be cash equivalents. The carrying amount approximates fair value.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

RESTRICTED CASH

Restricted cash consists of amounts held in reserve by lenders to fund capital improvements to the properties. The carrying amount approximates fair value.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

REVENUE RECOGNITION

Room, food and beverage, telecommunications, management and licensing fees, and other revenue are recognized as earned as services are provided and items are sold. Payroll reimbursements are recorded as the Trust provides its personnel to the hotels under management and are not netted with the corresponding payroll expense. Sales taxes collected are excluded from gross revenue.

RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are carried at original amounts less an estimate made for doubtful accounts based on a review of outstanding amounts on a quarterly basis. Management records an allowance for doubtful accounts for 50% of the balances over 90 days and 100% of the balances over 120 days. Accounts receivables 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.

The amounts charged to the allowance for doubtful accounts are as follows for the fiscal years ended January 31:

Year	Balance at the Beginning of Year	Charged to Expense	Deductions	Balance at the End of Year
2011	$ 39,068	$ 10,118	$ (8,189)	$ 40,997
2012	$ 40,997	$ 790	$ (3,628)	$ 38,159

STOCK-BASED COMPENSATION

We have an employee equity incentive plan, which is described more fully in Note 20 - "Stock Option Plan." Restricted shares are measured based on the fair market 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 both fiscal year 2012 and 2011, the Trust has paid the annual fees due to its Trustees using Shares of Beneficial Interest issued from treasury stock. Upon issuance, the Trust reclassifies the shares from held in treasury to outstanding. The Trust recognizes expense related to the issuance based on the fair value of the shares upon the date of issuance and amortizes the expense equally over the period during which the shares vest to the Trustees.

During fiscal year 2010, the Trust granted restricted stock awards of 36,000 Shares to members of the Board of Trustees, of which 36,000 vested in fiscal year 2011 in equal monthly amounts resulting in stock-based compensation of $48,600.

During fiscal year 2012, the Trust granted restricted stock awards of 36,000 Shares to members of the Board of Trustees, of which 36,000 vested in fiscal year 2012 in equal monthly amounts resulting in stock-based compensation of $51,840.

The following table summarizes restricted share activity during fiscal years 2011 and 2012.

	Restricted Shares	
	Shares	Weighted-Average Grant Date Fair Value
Balance of unvested awards at January 31, 2010	36,000	$ 1.35
Granted	—	$ —
Vested	(36,000)	$ 1.35
Forfeited	—	—
Balance of unvested awards at January 31, 2011	—	$ —
Granted	36,000	$ 1.44
Vested	(36,000)	$ 1.44

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Forfeited	—	—
Balance of unvested awards at January 31, 2012	—	—

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 as an adjustment to additional paid in capital.

INCOME TAXES

The Trust is subject to federal and state corporate income tax and accounts for deferred taxes utilizing a 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 2012 and 2011, the Trust paid dividends of $0.01 per share in the fourth quarter of each year. 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 minority interest based on its weighted average ownership percentage in the Partnership throughout the period, and capital is allocated based on its ownership percentage at year-end. Any difference is recorded 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 have been computed based on the weighted-average number of Shares of Beneficial Interest and potentially dilutive securities outstanding during the periods.

For the twelve months ended January 31, 2012 and 2011, there were Class A and Class B limited 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 3,735,457 and 3,777,329 in addition to the basic shares outstanding for fiscal year 2012 and 2011, respectively. These Shares of Beneficial Interest issuable upon conversion of the Class A and Class B limited partnership units were anti-dilutive during both fiscal year 2012 and 2011 and are excluded from the calculation of diluted earnings per share for those years and no reconciliation is provided of basic earnings per share to diluted earnings per share.

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 southern Arizona market.

ADVERTISING COSTS

Amounts incurred for advertising costs with third parties are expensed as incurred. Advertising expense totaled approximately $749,000 and $788,000 for the years ended January 31, 2012 and 2011, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

For disclosure purposes, fair value is determined by using available market information and appropriate valuation methodologies. Due to their short maturities, cash and cash equivalents, restricted cash, accounts receivable, accounts payable and notes payable to banks are carried at cost, which reasonably approximates fair value.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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. The carrying value of accounts payable and accrued expenses and other notes payable approximates fair value, due to their short-term nature. See Note 17 – "Fair Value of Financial Instruments."

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 additional 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 51% 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 October 29, 2010, the parties revised the operating agreement.

Under the new operating agreement, Rare Earth became the administrative member of the Albuquerque entity, in charge of the day-to-day management of the company. Additionally, the membership interests in the Albuquerque entity were allocated to three classes with differing cumulative priorty distribution rights. Class A units are owned by unrelated third parties and have first priority for distributions, Class B units are owned by the Trust and/or the Partnership and have second priority for distributions, and 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 are cumulative for 5 years. Rare Earth also earned a formation fee equal to $320,000, payable in either cash or units in the Albuquerque entity, which was intended for 32 Class C units in the Albuquerque entity after the sale of at least 160 units. 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 distributions to the members. In the event that the proceeds 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. Priority distributions to all Classes are projected to be $280,000 each year for fiscal years 2013 through 2016. The Albuquerque entity is required to use its best efforts to pay the cumulative priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the property.

On July 29, 2010, the Partnership sold approximately 11% of its sole membership interest in the Albuquerque entity for $400,000 to Rare Earth. The price paid reflects the net assets of the Albuquerque entity calculated using the third-party appraisal value for the hotel property and the carrying cost of all other assets and liabilities. Subsequently, Rare Earth received an additional 32 units, or approximately 8%, worth $320,000 as a formation fee resulting in Rare Earth having a total ownership interest of approximately 19% as of January 31, 2011. During the fiscal year ended January 31, 2011, the Partnership sold an additional approximately 47% of its membership interests for $1,754,000 to unrelated third parties and approximately 1% for $20,000 to Mr. Lawrence Pelegrin, who is a member of the Board of Trustees. The transactions were a reduction in the Partnership's controlling interest (see Note 6 – "Variable Interest Entity"), and therefore no gain or loss was reflected in the statements of operations and funds received in excess of cost basis were recorded to equity. On January 24, 2012 the Trust purchased 40 units at $10,000 per unit from Rare Earth, and on January 31, 2012 the Trust purchased Partnership's 114 units at $10,000 per unit by reducing the Trust's receivable from the Partnership. As of January 31, 2012, the Partnership does not hold any ownership interest in the Albuquerque entity, the Trust holds a 42.25 % ownership interest, Mr. Wirth and his affiliates hold an 8.00% interest, and other parties hold a 49.75% interest. The Albuquerque entity has minimum preference payments to unrelated unit holders of $139,300, to the Trust of $118,300 and to Rare Earth of $22,400 per year payable quarterly for calendar years 2013 and 2014. During calendar year 2012, the Albuquerque entity has remaining minimun preference payments to unrelated unit holders of $134,774, to the Trust of $7,875, to the Partnership of $84,520 and to Rare Earth of $48,728.

4. RESTRUCTURING AGREEMENT FOR TUCSON HOSPITALITY PROPERTIES SUBSIDIARY

On February 17, 2011, the Trust and Partnership entered into a restructuring agreement with Rare Earth to allow for the sale of minority interest units in Tucson Hospitality Properties, LP (the "Tucson entity"), which operates the Tucson Foothills hotel property and 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 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.

Under the restructured limited partnership agreement, Rare Earth became a general partner of the Tucson entity along with the Partnership. The partnership interests in the Tucson entity were allocated to three classes with differing cumulative priority distribution rights. Class A units are owned by unrelated third parties and have first priority for distributions, Class B units are owned by the Trust

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

and/or the Partnership and have second priority for distributions, and 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 are cumulative for five years. Rare Earth also received a formation fee of $320,000, conditioned upon and arising from the sale of the first 160 units in the Tucson entity. 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. Priority distributions to all Classes are projected to be $428,400 each year for fiscal years 2013 through 2017. The Tucson 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 property.

At January 31, 2012, the Partnership had sold 245.5 units to unrelated parties at $10,000 per unit totaling $2,447,000. As of January 31, 2012, the Partnership holds a 56.17% ownership interest in the Tucson entity, the Trust holds a 1.79 % ownership interest, Mr. Wirth and his affiliates hold a 1.96% interest, and other parties hold a 40.11% interest. The Tucson entity has minimum preference payments to unrelated unit holders of $171,850, to the Trust of $7,700, to the Partnership of $240,450 and to Rare Earth of $8,400 per year payable quarterly for calendar years 2013 and 2014. During calendar year 2012, the Tucson entity has remaining minimun preference payments to unrelated unit holders of $77,038, to the Trust of $130, to the Partnership of $231,559 and to Rare Earth of $1,100.

5. RESTRUCTURING AGREEMENT FOR ONTARIO HOSPITALITY PROPERTIES SUBSIDIARY

At the February 1, 2012 Board of Trustees meeting, the Board authorized the Trust's management to enter into a contract to sell less than 50% of the Partnership's ownership interest in Ontario Hospitality Properties, LP (the "Ontario entity"), which operates the Ontario, California property and was then wholly-owned by the Partnership. 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 the Ontario entity. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 250 units of the Ontario entity for $10,000 per unit, which represents approximately 49.02% of the outstanding Partnership units in the Ontario entity, and the parties agreed to restructure the limited partnership agreement of the Ontario entity.

Under the restructured limited partnership agreement, Rare Earth became a general partner of the Ontario entity along with the Partnership. Additionally, the partnership interests in the Ontario entity were allocated to three classes with differing cumulative priority distribution rights. Class A units will be owned by unrelated third parties and will have first priority for distributions, Class B units will be owned by the Trust and/or the Partnership and will have second priority for distributions, and Class C units will be owned by Rare Earth or other affiliates of Mr. Wirth and will have the lowest priority for distributions from the Ontario entity. Rare Earth is also entitled to a formation fee equal to $320,000 or an alternate fee of 8% of total capital raised, payable in either cash or units in the Ontario entity. 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. The first funds related to this syndication were received on March 5, 2012 and as of April 6, 2012, the Partnership has received $900,000 in connection with the Ontario syndication. InnSuites Hotels will continue to provide management, licensing and reservation services to the property. Priority distributions to all Classes are projected to be approximately $192,000 for the remainder of fiscal year 2013, approximately $82,250 for fiscal year 2014, $89,250 for fiscal years 2015 through 2017 and $22,312 for fiscal year 2018.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

6. VARIABLE INTEREST ENTITY

Management evaluates the Trust's explicit and implicit variable interests to determine if they have any variable interests in VIEs. Variable interests are contractual, ownership, or other pecuniary interests in an entity whose value changes with changes in the fair value of the entity's net assets, exclusive of variable interests. Explicit variable interests are those which directly absorb the variability of a VIE and can include contractual interests such as loans or guarantees as well as equity investments. An implicit variable interest acts the same as an explicit variable interest except it involves the absorbing of variability indirectly, such as through related party arrangements or implicit guarantees. The analysis includes consideration of the design of the entity, its organizational structure, including decision making ability over the activities that most significantly impact the VIE's economic performance. Generally accepted accounting principles require a reporting entity to consolidate a VIE when the reporting entity has a variable interest, or combination of variable interest, that provides it with a controlling financial interest in the VIE. The entity that consolidates a VIE is referred to as the primary beneficiary of that VIE.

The Partnership and Trust have determined that the Albuquerque entity is a variable interest entity with the Partnership and Trust as the primary beneficiary. In its determination, management considered the following qualitative and quantitative factors:

a) The Partnership, Trust and their related parties, which share common ownership and management, have guaranteed material financial obligations of the Albuquerque entity, including its mortgage note payable and distribution obligations, which based on the capital structure of the Albuquerque entity, management believes could potentially be significant.

b) The Partnership, Trust and their related parties have maintained, as a group, a controlling ownership interest in the Albuquerque entity, with the largest ownership belonging to the Partnership.

c) The Partnership, Trust and their related parties have maintained control over the decisions which most impact the financial performance of the Albuquerque entity, including providing the personnel to operate the property on a daily basis.

During the fiscal years ending January 31, 2012 and 2011, neither the Trust nor the Partnership have provided any implicit or explicit financial support for which they were not previously contracted.

7. PROPERTY, PLANT, AND EQUIPMENT, HOTEL PROPERTIES

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

	2012	2011
Land	$ 7,005	$ 7,005
Building and improvements	75,662	75,662
Furniture, fixtures and equipment	459,059	391,808
Total property, plant and equipment	541,725	474,475
Less accumulated depreciation	(392,349)	(334,588)
Property, Plant and Equipment, net	$ 149,377	$ 139,887

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

	2012	2011
Land	$ 2,817,515	$ 2,817,515
Building and improvements	34,567,267	34,298,863
Furniture, fixtures and equipment	5,337,765	5,207,459
Work in progress	—	62,146
Total hotel properties	42,722,547	42,385,983
Less accumulated depreciation	(17,580,799)	(16,468,720)
Hotel properties, net	$ 25,141,748	$ 25,917,263

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

8. PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	2012	2011
Prepaid Insurance	$ 69,908	$ 177,054
Tax and Insurance Escrow	113,709	206,068
Other Prepaid Expenses and Current Assets	58,749	59,921
Total Prepaid Expenses and Current Assets	$ 242,366	$ 443,043

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of January 31, accounts payable and accrued liabilities consisted of the following:

	2012	2011
Accounts Payable	$ 634,926	$ 608,905
Accrued Salaries and Wages	385,552	454,681
Accrued Vacation	131,036	218,711
Sales Tax Payable	212,813	168,751
Income Tax Payable	27,000	27,000
Accrued Interest Payable	293,511	91,293
Advanced Customer Deposits	122,075	80,214
Accrued Property Taxes	256,997	218,069
Accrued Land Lease	92,840	101,811
Accrued Other	258,013	123,793
Total Accounts Payable and Accrued Liabilities	$ 2,414,763	$ 2,093,228

10. MORTGAGE NOTES PAYABLE

At January 31, 2012, 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 December 2013 to November 1, 2021. Weighted average interest rates on the mortgage notes payable for the fiscal years ended January 31, 2012 and 2011 were 6.70% and 6.65%, respectively.

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

	2012	2011
Mortgage note payable, due in interest only monthly payments of $23,333 at an interest rate of 7.0% per year, through December 30, 2013, plus a balloon payment of $4,023,333 in December 2013, secured by the Yuma property with a carrying value of $5.6 million at January 31, 2012.	$ 4,000,000	$ 4,000,000
Mortgage note payable, due in interest only monthly payments of $6,667 at an interest rate of 8.0% per year, through December 30, 2013, plus a balloon payment of $1,006,667 in December 2013, secured by the Yuma property with a carrying value of $5.6 million at January 31, 2012.	1,000,000	1,000,000
Mortgage note payable, due in monthly installments of $48,738, including interest at 8% per year, through May 1, 2016, secured by the Tucson Foothills property with a carrying value of $4.3 million at January 31, 2012.	2,135,796	2,532,396
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 $6.0 million at January 31, 2012.	7,405,289	7,555,870
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 with a carrying value of $1.4 million at	1,321,015	1,407,352

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

January 31, 2012. At the discretion of the lender, the interest rate can be increased to the market rate, as determined by lender, on November 1, 2014.		
Mortgage note payable, due in variable monthly installments ($29,776 as of January 31, 2012) including interest at prime rate (3.25% per year as of January 31, 2012), through January 28, 2015, plus a balloon payment of $4,874,612 in January 2015, secured by the Tucson St. Mary's property with a carrying value of $7.8 million at January 31, 2012.	5,409,156	5,585,098
Totals	$ 21,271,256	$ 22,080,716

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. None of the other mortgage notes are recourse to the Partnership or the Trust.

Mr. Wirth has guaranteed 100% of the Tucson St. Mary's mortgage note payable.

On February 14, 2012, subsequent to the balance sheet date, the mortgage note payable on the Ontario property was written down by the lender reducing the open principal balance by $500,000 to $6,905,289. The Trust accounted for the $500,000 writedown as a forgiveness of debt. The Trust paid down the balance by an additional $1,000,000. The principal balance as of February 14, 2012 is $5,905,289. The modified note is due in monthly installments of $31,701 and the interest rate is 5.0% for a term of three years maturing on January 14, 2015 at which time a balloon payment of $5,630,315 is due.

On April 7, 2010, we increased our mortgage note payable secured by the Yuma, Arizona property by $1.0 million. The new balance of the mortgage note payable is $5.0 million. The additional $1.0 million borrowed bears interest at 8.0% and matures on December 30, 2013. The note is due in monthly interest-only installments of $30,000, an increase of $6,667 from the previous monthly interest-only installments of $23,333. The proceeds of the mortgage financing were used for working capital purposes.

See Note 13 – "Minimum Debt Payments" for scheduled minimum payments.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

11. NOTES PAYABLE TO BANKS

As of January 31, 2012, the Trust has a revolving bank line of credit agreement, with a credit limit of $500,000. The line of credit bears interest at the prime rate plus 2.75% per annum, has no financial covenants and matures on May 23, 2012. If the Trust maintains bank balances of at least $250,000 with the lender, the line of credit bears interest at the prime rate plus 1.0% with a 6.0% rate floor. 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 no funds drawn on this line of credit as of January 31, 2012.

12. OTHER NOTES PAYABLE

As of January 31, 2012, the Trust had $550,652 in secured promissory notes outstanding to unrelated third parties arising from the repurchase of 174,844 Class A limited partnership units in the Partnership and the repurchase of 439,431 Shares of Beneficial Interest in privately negotiated transactions. The promissory notes bear interest at 7% per year and are due in varying monthly payments through August 2016. The repurchased Class A limited partnership units and Shares of Beneficial Interest secure the notes. As of January 31, 2011, the Trust had $480,552 in secured promissory notes outstanding to unrelated third parties arising from the repurchase of 99,118 Class A limited partnership units in the Partnership and the repurchase of 404,698 Shares of Beneficial Interest in privately negotiated transactions.

13. MINIMUM DEBT PAYMENTS

The scheduled minimum payments of debt have been reduced to reflect the $500,000 forgiveness of debt as of February 14, 2012 (Note 10) and are as follows in the respective fiscal years indicated:

FISCAL YEAR	MORTGAGES	OTHER NOTES PAYABLE	TOTAL
2013	$ 1,791,248	$ 216,692	$ 2,007,940
2014	5,845,416	182,129	6,027,545
2015	11,379,127	66,013	11,445,140
2016	663,186	52,688	715,874
2017	318,788	33,130	351,918
Thereafter	773,491	—	773,491
	$ 20,771,256	$ 550,652	$ 21,321,908

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 therefor. 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 limited partnership units in the Partnership 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 limited partnership units in the Partnership 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 limited partnership units in the Partnership 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. The Trust intends to continue repurchasing Shares of Beneficial Interest in compliance with applicable legal and NYSE Amex requirements. The Trust remains authorized to repurchase an additional 113,954 limited partnership units and/or Shares of Beneficial Interest pursuant to the share repurchase program, which has no expiration date.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

For the years ended January 31, 2012 and 2011, the Trust repurchased 140,455 and 58,640 Shares of Beneficial Interest at an average price of $2.04 and $1.50 per share, respectively. Repurchased Shares of Beneficial Interest are accounted for as treasury stock in the Trust's Consolidated Statements of Shareholders' Equity.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

15. FEDERAL INCOME TAXES

The Trust and subsidiaries have income tax net operating loss carryforwards of approximately $13.2 million at January 31, 2012. In 2005, the Trust had an ownership change within the meaning of Internal Revenue Code Section 382. However, the Trust determined that such ownership change would not have a material impact on the future use of the net operating losses.

The Trust and subsidiaries have federal and state net operating loss carryforwards of approximately $13,174,000 and $4,893,000, respectively, having expiration dates ranging from fiscal 2013 to 2032.

Total and net deferred income tax assets at January 31,	2012	2011
Net operating loss carryforwards	$ 4,844,000	$ 4,855,000
Bad debt allowance	(11,000)	5,000
Accrued expenses	1,018,000	90,000
Prepaid insurance	13,000	42,000
Alternative minimum tax credit	61,000	61,000
Total deferred income tax assets	5,925,000	5,053,000
Deferred income tax liability associated with book/tax differences in hotel properties	(2,731,000)	(2,996,000)
Net deferred income tax asset	3,194,000	2,057,000
Valuation allowance	(3,194,000)	(2,057,000)
Net deferred income tax asset	$ -	$ -

Income taxes for the year ended January 31,	2012	2011
Current income tax provision (benefit)	$ -	$ 27,000
Deferred income tax benefit (provision)	-	-
Net income tax provision (benefit)	$ -	$ 27,000

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The differences between the statutory and effective tax rates are as follows for the year ended January 31, 2012:

Federal statutory rates	$ (428,000)	(34%)
State income taxes	(89,000)	(7%)
Change in valuation allowance	1,137,000	90%
True-ups to prior year return	(620,000)	(49%)
Other	-	0%
Effective rate	$ -	0%

The differences between the statutory and effective tax rates are as follows for the year ended January 31, 2011:

Federal statutory rates	$ (673,000)	(34%)
State income taxes	(140,000)	(7%)
Change in valuation allowance	468,000	24%
True-ups to prior year return	270,000	14%
Other	102,000	5%
Effective rate	$ 27,000	1%

The valuation allowance increased by approximately $1,137,000 and $468,000 in the years ended January 31, 2012 and 2011, respectively.

The Trust and certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction and several states. Neither the Trust nor any of its subsidiaries are currently under audit examination by federal or state taxing authorities for any previous tax years.

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, 2012 and 2011.

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, 2012 and 2011, Mr. Wirth and his affiliates held 3,407,938 Class B limited partnership units, which represented 25.8% of the total outstanding partnership units. As of January 31, 2012 and 2011, Mr. Wirth and his affiliates held 5,573,624 Shares of Beneficial Interest in the Trust, which represented 66.0% and 65.2%, respectively, of the total issued and outstanding Shares of Beneficial Interest.

As of January 31, 2012 and 2011, the Trust owned 71.98% and 71.41% of the Partnership. As of January 31, 2012, the Partnership owned 100% of two InnSuites® hotels located in Tucson, Arizona and Ontario, California and together with the Trust owned a 57.96% interest in another InnSuites® hotel located in Tucson, Arizona and incurred the related expenses. 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 42.25% interest in one InnSuites® hotel located in Albuquerque, New Mexico.

The management fees for the three hotels owned by affiliates of Mr. Wirth are 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. 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.

During the first eleven months of fiscal year 2010, InnSuites Hotels received 1.25% of room revenue from the three hotels owned by affiliates of Mr. Wirth in exchange for use of the "InnSuites" trademark. Effective January 1, 2010 and through January 31, 2012, the fees for hotels owned by affiliates of Mr. Wirth were amended to a per-room calculation, with fees equal to $10 per month per room for the first 100 rooms, and $2 per month per room for the amount above 100 rooms. These agreements have no expiration date and may be cancelled by either party with 12-months written notice or 90-days written notice in the event the property changes ownership. InnSuites Hotels received 0.5% of room revenue from an unrelated hotel in Buena Park, California in exchange for licensing services during fiscal years 2012 and 2011. This agreement has no expiration date and may be cancelled by either party with 30-days written notice.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB has issued guidance that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Trust has no financial assets or liabilities measured at fair value in the accompanying balance sheets at January 31, 2012 and 2011. For footnote disclosure purposes, the fair value of 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 not recognized in the accompanying consolidated balance sheets at January 31:

	2012		2011	
	CARRYING AMOUNT	**FAIR VALUE**	**CARRYING AMOUNT**	**FAIR VALUE**
Mortgage notes payable	$ 21,271,256	$ 20,593,950	$ 22,080,716	$ 21,280,238
Notes payable to banks	$ —	$ —	$ —	$ —
Other notes payable	$ 550,652	$ 542,824	$ 480,553	$ 483,356

18. SUPPLEMENTAL CASH FLOW DISCLOSURES

	2012	**2011**
Cash paid for interest	$ 1,527,507	$ 1,541,317
Promissory notes issued by the Trust to acquire Class A limited partnership units	$ 129,656	$ —
Promissory notes issued by the Trust to acquire Shares of Beneficial Interest	$ 125,017	$ —

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

19. COMMITMENTS AND CONTINGENCIES

Two of the Hotels are subject to non-cancelable ground leases expiring in 2050 and 2033. Total expense associated with the non-cancelable ground leases for the fiscal years ended January 31, 2012 and 2011 was $204,206 and $204,206, respectively, plus a variable component based on gross revenues of each property that totaled approximately $68,000 and $95,000, respectively.

During the second quarter of fiscal year 2010, the Trust entered into a five-year office lease for its corporate headquarters. The Trust recorded $29,611 and $25,034 of general and administrative expense related to the lease during fiscal year 2012 and 2011, 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:

Fiscal Year Ending		
2013	$	242,577
2014		251,377
2015		228,177
2016		210,177
2017		210,177
Thereafter		5,194,612
Total	$	6,337,097

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 arrangements with Best Western International for four of the hotel properties. These agreements provide for fees to be paid by the Hotels based on revenue and reservations received, and contain no minimum payment provisions.

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, 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.

20. STOCK OPTION PLAN

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 limited 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.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

There were no options granted in fiscal year 2012 or 2011, and no options outstanding as of January 31, 2012. 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, 2012, have been issued.

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

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

SCHEDULE III

INNSUITES HOSPITALITY TRUST AND SUBSIDIARY
REAL ESTATE AND ACCUMULATED DEPRECIATION
AS OF JANUARY 31, 2012

Properties	Encumbrances	Initial Cost to Tenant		Cost Capitalized Subsequent to Acquisition		Gross Amounts at Which Carried at Close of Period	
		Land	Building and Improvements	Land	Building and Improvements	Land	Building and Improvements
InnSuites Hotel and Suites							
Tucson, Catalina Foothills Best Western							
Tucson, Arizona	$ 2,135,796	$ —	$ 4,220,820	$ —	$ 2,415,388	$ —	$ 6,650,091
InnSuites Hotels and Suites							
Yuma							
Yuma, Arizona	5,000,000	251,649	4,983,292	53,366	2,500,739	305,015	7,644,723
Best Western							
Airport Ontario Hotel and Suites							
Ontario, California	*7,405,289	1,633,064	5,450,872	—	1,667,433	1,633,064	7,105,372
InnSuites Hotels and Suites							
Tucson St. Mary's							
Tucson, Arizona	5,409,156	900,000	9,166,549	(20,564)	1,621,327	879,436	10,876,620
InnSuites Hotels and Suites							
Albuquerque Airport Best Western							
Albuquerque, New Mexico	1,321,015	—	1,903,970	—	368,473	—	2,290,460
InnSuites Hospitality Trust							
Phoenix, Arizona	—	7,005	75,662	—	—	7,005	75,662
	$ 21,271,256	$ 2,791,718	$ 25,801,165	$ 32,802	$ 8,573,360	$ 2,824,520	$ 34,642,928

* On February 14, 2012 the mortgage note payable on the Ontario property was written down by the lender by $500,000. See Note 10.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	Gross Land and Building	Accumulated Depreciation	Net Book Value Land and Buildings and Improvements	Date of Construction	Date of Acquisition	Depreciation in Income Statement is Computed
InnSuites Hotel and Suites						
Tucson, Catalina Foothills Best Western						
Tucson, Arizona	$ 6,650,091	$ 2,627,034	$ 4,023,057	1981	1998	5-40 years
InnSuites Hotels and Suites						
Yuma						
Yuma, Arizona	7,949,738	2,784,683	5,165,055	1982	1998	5-40 years
Best Western						
Airport Ontario Hotel and Suites						
Ontario, California	8,738,436	3,008,757	5,729,679	1990	1998	5-40 years
InnSuites Hotels and Suites						
Tucson St. Mary's						
Tucson, Arizona	11,756,056	4,339,188	7,416,868	1960	1998	5-40 years
InnSuites Hotels and Suites						
Albuquerque Airport Best Western						
Albuquerque, New Mexico	2,290,460	1,062,437	1,228,023	1975	2000	5-40 years
InnSuites Hospitality Trust						
Phoenix, Arizona	82,667	17,769	64,898	2004	2004	33 years
	$ 37,467,448	$ 13,839,868	$ 23,627,580			

(A) Aggregate cost for federal income tax purposes at January 31, are as follows:

	2012	2011
Land	$ 1,856,788	$ 1,856,788
Buildings and improvements	19,414,468	20,223,866
	$ 21,271,256	$ 22,080,654

Reconciliation of Real Estate:

Balance at January 31, 2010	$ 37,160,881
Improvement to Hotel Properties	346,358
Disposal of Property Improvements	(308,194)
Balance at January 31, 2011	$ 37,199,045
Improvement to Hotel Properties	301,629
Disposal of Property Improvements	(33,226)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Balance at January 31, 2012	$ 37,467,448

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

SCHEDULE IV

MORTGAGE LOANS ON REAL ESTATE

Description	Interest Rate	Maturity Date	Periodic Payment Term	Face Amount of Mortgages	1/31/12 Carrying Amount
Mortgage Note Secured by Albuquerque, NM property	7.75%	11/1/2021	144 monthly installments	$ 1,500,000	$ 1,321,015
Mortgage Note Secured by Ontario, CA property	8.28%	5/11/2011	36 monthly installments, with balloon payment of $5,630,315 due at maturity	9,000,000	*7,405,289
Mortgage Note Secured by Yuma, AZ property	7.0%	12/30/2013	60 monthly interest only installments, with balloon payment of $4,000,000 at maturity	4,000,000	4,000,000
Mortgage Note Secured by Yuma, AZ property	8.0%	12/30/2013	43 monthly interest only installments, with balloon payment of $1,000,000 at maturity	1,000,000	1,000,000
Mortgage Note Secured by Tucson St. Mary's, AZ property	Prime rate	1/28/2015	83 monthly installments, with balloon payment of $4,874,612 due at maturity	6,050,000	5,409,156
Mortgage Note Secured by Tucson Oracle, AZ property	8.000%	5/1/2016	180 monthly installments	5,100,000	2,135,796
				$ 26,650,000	$ 21,271,256

* See Note 5 - “Restructuring Agreement for Ontario Hospitality Properties Subsidiary.”

MORTGAGE NOTE RECONCILIATION

Balance at January 31, 2010	$ 21,906,954
Deductions during period:	
Net refinancings	1,000,000
Principal payments	(826,238)
Balance at January 31, 2011	22,080,716
Deductions during period:	
Principal payments	(809,460)
Balance at January 31, 2012	$ 21,271,256

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

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, solely because of the material weakness in internal control over financial reporting described below, the CEO and the CFO each concluded that as of January 31, 2012, there were identified controls which were deficient, as described in Management's Report on Internal Control over Financial Reporting, and concluded that our disclosure controls and procedures were not effective as of January 31, 2012. Management is reviewing its disclosure controls and procedures to ensure their effectiveness in the future.

Management believes that our consolidated financial statements included in this Annual Report on Form 10-K for the year ended January 31, 2012 fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented.

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, 2012. 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 criteria, our management identified material weaknesses described in the following paragraph, and therefore, concluded that at January 31, 2012 the Trust's internal control over financial reporting was not effective.

Ineffective Information Technology Controls: As of January 31, 2012, a material weakness existed related to controls over the information technology environment supporting the financial reporting systems. Management identified lack of controls related to process monitoring, testing, documentation, and change management within the information technology control environment.

Specifically, the following material weakness existed as of January 31, 2012: Policies and procedures over IT program development and change management do not operate at a sufficient level to ensure all changes affecting the financial statements and underlying accounting records and key reports are identified, authorized, tested and implemented appropriately. In addition, certain deficiencies were noted in the monitoring of log security, testing of data transmissions, testing restoration, and incident/error management system. As such, there exists a reasonable possibility that a material error would not be prevented or detected on a timely basis.

Remediation Plan

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

We are actively engaged in the development and implementation of a remediation plan to ensure that controls contributing to this material weakness are designed appropriately and will operate effectively. These efforts include but are not limited to the hiring of a third-party contractor to test on a prospective basis the Trust's changes and updates made to its information technology environment supporting the financial reporting systems. For those controls that a remediation plan has not yet been specifically set forth, the Trust is evaluating all its controls and procedures related to the information technology environment and is in the process of assessing an appropriate remediation plan.

Changes in Internal Control over Financial Reporting

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.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 2012 Annual Meeting of Shareholders to be held on August 9, 2012 (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. We intend to satisfy all SEC and NYSE Amex 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 Amex 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.

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, 2012:

Equity Compensation Plan Information

Plan Category	**Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)**	**Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)**
Equity compensation plans approved by security holders	0	$ N/A	1,000,000 (1)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

Financial Statements/Schedules of InnSuites Hospitality Trust

1.	Report of Independent Registered Public Accounting Firm – January 31, 2012 and 2011	12
2.	Consolidated Balance Sheets – January 31, 2012 and 2011	13
3.	Consolidated Statements of Operations – Years Ended January 31, 2012 and 2011	14
4.	Consolidated Statements of Shareholders' Equity – Years Ended January 31, 2012 and 2011	15
5.	Consolidated Statements of Cash Flows – Years Ended January 31, 2012 and 2011	16
6.	Notes to Consolidated Financial Statements – Years Ended January 31, 2012 and 2011	17
7.	Schedule III – Real Estate and Accumulated Depreciation	29
8.	Schedule IV – Mortgage Loans on Real Estate	31

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(a)(3) Exhibit List

Exhibit No.	Exhibit
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	First Amended and Restated Agreement of Limited Partnership of RRF Limited Partnership dated January 31, 1998 (incorporated by reference to Exhibit 10.1 of the Registrant's Registration Statement on Form S-2, filed with the Securities and Exchange Commission on September 8, 1998).
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*	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).
10.6	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).
10.7	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).
10.8	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).
10.9*	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).
10.10*	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.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

21	Subsidiaries of the Registrant.
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.
**	In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 30, 2012	By:	/s/ James F. Wirth James F. Wirth, Chairman and Chief Executive Officer (Principal Executive Officer)
Dated: April 30, 2012	By:	/s/ Anthony B. Waters Anthony B. Waters, 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 30, 2012	By:	/s/ James F. Wirth James F. Wirth, Chairman and Chief Executive Officer (Principal Executive Officer)
Dated: April 30, 2012	By:	/s/ Anthony B. Waters Anthony B. Waters, Chief Financial Officer (Principal Financial and Accounting Officer)
Dated: April 30, 2012	By:	/s/ Marc E. Berg Marc E. Berg, Trustee
Dated: April 30, 2012	By:	/s/ Steven S. Robson Steven S. Robson, Trustee
Dated: April 30, 2012	By:	/s/ Peter A. Thoma Peter A. Thoma, Trustee
Dated: April 30, 2012	By:	/s/ Larry Pelegrin Larry Pelegrin, Trustee

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 21

Subsidiaries of the Registrant

1. RRF Limited Partnership, a Delaware limited partnership.

2. Yuma Hospitality Properties, Ltd., an Arizona limited partnership.

3. Tucson Hospitality Properties, Ltd, an Arizona limited partnership.

4. Ontario Hospitality Properties Limited Partnership, an Arizona limited partnership.

5. Tucson St. Mary’s Suite Hospitality LLC, an Arizona limited liability company.

6. InnSuites Hotels, Inc., a Nevada corporation.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT

OF

ONTARIO HOSPITALITY PROPERTIES, LLLP

THE INTERESTS IN THIS PARTNERSHIP HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THAT ACT AND APPLICABLE STATE SECURITIES LAWS, OR COMPLIANCE WITH APPLICABLE EXEMPTIONS THEREFROM

THE INTERESTS IN THIS PARTNERSHIP ARE SUBJECT TO CERTAIN RESTRICTIONS AND OTHER PROVISIONS OF THIS AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT AND MAY ONLY BE DISPOSED OF OR ENCUMBERED IN COMPLIANCE WITH ALL SUCH PROVISIONS.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

AMENDED AND RESTATED

LIMITED PARTNERSHIP AGREEMENT

OF

ONTARIO HOSPITALITY PROPERTIES, LLLP

THIS AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT (this "**Agreement**") is made as of January 31st, 2011, by and among RRF-LP LLC I, as a Limited Partner, and RRF, Limited Partnership and RARE EARTH FINANCIAL, L.L.C., as General Partners, and each other Person who at any time becomes a Limited Partner or General Partner in accordance with the terms of this Agreement and the Act, of ONTARIO HOSPITALITY PROPERTIES, LLLP, , an Arizona limited liability limited partnership (the "**Partnership**").

The Partnership was formed on February 28, 1986, by the recording of the Certificate of Limited Partnership in the office of the Maricopa County, Arizona Recorder. A Certificate of Limited Partnership was filed with the Arizona Secretary of State on February 3, 1986.

The Partnership has been operated pursuant to that certain Limited Partnership Agreement of the Partnership, dated February 28, 1986, as amended from time to time (the "**Original Agreement**").

The Partners have amended the Certificate of Limited Partnership to provide that the Partnership is a limited liability limited partnership rather than a limited partnership, and desire to amend and restate the Original Agreement in its entirety through execution of this Agreement.

The Partners adopt this Agreement as the Limited Partnership Agreement of the Partnership under the Act to set forth the rules, regulations and provisions regarding the management and business of the Partnership, the governance of the Partnership, the conduct of its business, and the rights and privileges of its Partners

In consideration of the premises and the mutual agreements contained herein, the parties agree as follows:

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE I

FORMATION, NAME, PURPOSES

1.1 Formation. The parties have formed an Arizona limited liability limited partnership under the Act, effective upon the filing of the Statement of Qualification and Certificate of Limited Partnership of this Partnership with the Arizona Secretary of State. The parties shall immediately, and from time to time, as may be required by law, execute all amendments of the Certificate of Limited Partnership, and do all filings, recordings and other acts as may be appropriate to comply with the operation of the Partnership under the Act.

1.1 Intent. The Partners intend to operate the Partnership in a manner consistent with its treatment as a "partnership" for federal and state income tax purposes. Neither the General Partner nor any Partner shall take any action inconsistent with the express intent of the parties.

1.2 Name The name of this Partnership shall be: ONTARIO HOSPITALITY PROPERTIES, LLLP

1.3 Place of Business**.** The principal place of business of the Partnership shall be at Rare Earth Financial, L.L.C., 1625 East Northern Avenue, Suite 105, Phoenix, Arizona 85020, or such other place as the General Partner shall determine.

1.4 Purpose.

(a) The sole purpose of this Partnership is to acquire, own, finance, operate, maintain, develop, improve, lease, sell and otherwise dispose of and deal with the Property known as the Ontario Airport Best Western Plus InnSuites Hotel & Suites located at 3400 Shelby Street, Ontario CA 91764, and other assets that are reasonably necessary for the operation or maintenance of the Property, to operate the Property as a hotel and/or restaurant or through a management partnership or lessee of the Property, and to conduct any and all transactions and activities related thereto. The Partnership shall have the power and authority to engage in and conduct any and all activities and transactions permitted under the Act in furtherance of its business purposes.

(b) Except as otherwise provided in this Agreement, without the consent of a Majority in Interest of the Partners, the Partnership shall not engage in any other activity or business, and no Partner acting in its capacity as a Partner shall have any authority to obligate the Partnership or any other Partner, or to hold itself out as a Partner of the Partnership, with respect to any transaction or activity whatsoever other than those entered into or carried out within the scope and business purpose of the Partnership as provided in this **Section 1.5**.

1.6 Term. This Partnership commenced upon the original recording of its Certificate of Limited Partnership and shall continue until such time as it shall be terminated under the provisions of Article X below.

1.7 Agent for Service of Process. The name and business address of the agent for service of process for the Partnership are J.R. Chase, InnSuites Hotels Centre, 1625 East Northern Avenue, Suite 105, Phoenix, Arizona 85020, or such other person as the General Partner shall appoint from time to time.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE II

DEFINITIONS

2.1 Terms Defined. Certain terms used in this Agreement are defined in the Tax Exhibit (defined below). In addition to the terms defined in the Tax Exhibit, as used herein, the following terms shall have the following meanings, unless the context otherwise specifies:

"Act" shall mean the Revised Arizona Uniform Partnership Act, Title 29, Arizona Revised Statutes A.R.S. Section 29-301 *et. seq*., as the same may be amended from time to time, and any successor to that Act, or any successor to that Act.

"Agreement" means this Limited Partnership Agreement of the Partnership, as amended from time to time.

"Certificate" means the Certificate of Limited Partnership of the Partnership filed with the Arizona Secretary of State, as amended from time to time.

"Available Cash" means the aggregate amount of cash on hand or in bank, money market or similar accounts of the Partnership at any given time derived from any source (other than Capital Contributions and liquidation transactions) which the General Partner determines is available for distribution to the Limited Partners in accordance with the Act after all current debt service obligations of the Partnership are satisfied and after taking into account any amount required or appropriate to maintain a reasonable amount of Reserves.

"Bankruptcy," with respect to any Person, means the entry of an order for relief against such Person under the United States Bankruptcy Code, the insolvency of such Person under any state insolvency act or any other event of "bankruptcy" with respect to such Person as described in the Act.

"Brochure" shall mean that certain Information Brochure dated January 31st, 2011, prepared in connection with the Partnership.

"Business" means the hotel business to be conducted by the Partnership in accordance with this Agreement.

"Capital Account" means the separate bookkeeping account established and maintained for each Partner by the Partnership pursuant to **Section 3.3**.

"Capital Contribution," with respect to a Partner, means the total amount of cash and the net Fair Value of property contributed by such Partner (or such Partner's predecessor in interest) to the capital of the Partnership.

"Class A Interest**,"** shall mean the ownership Interest of a Partner owning Units of Class A Partnership Interests as described in **Section 4.1** below.

"Class B Interest**,"** shall mean the ownership Interest of a Partner owning Units of Class B Partnership Interests as described in **Section 4.1** below.

Class C Interest," shall mean the ownership Interest of a Partner owning Units of Class C Partnership Interests as described in **Section 4.1** below.

"Contributing Partner" shall mean any Partner who makes a Contribution Loan to a Non- Contributing Partner pursuant to **Section 9.8** below.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or corresponding provisions of future laws.

"Partnership" means Ontario Hospitality Properties, LLLP, an Arizona limited liability limited partnership.

"Defaulting Partner" has the meaning set forth in **Section 3.2(b).**

"Distributions" means any distributions by the Partnership to the Partners of Available Cash or Liquidation Proceeds.

"Fair Value" of an asset or property means its fair market value.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

“General Partner” means the Person(s) serving as the General Partner(s) of the Partnership from time to time, as determined under **Section 6.1**. The current General Partners are RRF, Limited Partnership and Rare Earth Financial, L.L.C.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

"Interest" refers to all of a Partner's rights and interests in, and obligations to, the Partnership in its capacity as a Partner, all as provided in the Certificate, this Agreement and the Act. "Interest" does not include a Partner's rights as a lender to or creditor of the Partnership, as an independent contractor of the Partnership, or in any other similar capacity.

"Limited Partners" means those Persons executing this Agreement as Limited Partners of the Partnership, or otherwise becoming bound by this Agreement as Limited Partners of the Partnership as provided in this Agreement, including any Substitute Limited Partners, in each such Person's capacity as a Partner of the Partnership. The Limited Partners are set forth on **Schedule A**. **Schedule A** shall be updated from time to time by the General Partner to reflect the then current Limited Partners of the Partnership.

"Liquidation Proceeds" means all Property at the time of liquidation of the Partnership and all proceeds thereof.

"Majority in Interest" means any Partner or group of Partners holding an aggregate of more than 50% of the Percentage Interests held by all Partners. Whenever this Agreement provides that a Majority in Interest is to be determined by excluding a Partner(s) or is to be determined out of only certain Partners, then a Majority in Interest means any Partner or group of Limited Partners holding an aggregate of more than 50% of the Percentage Interests held by all of the non-excluded Limited Partners.

"Offering" shall mean the offering of up to $2,500,000 in Interests described in the Brochure.

"Partners" means the General Partner and the Limited Partners.

"Payback" shall mean that time when all of the Partners owning a single Class of Interests (Class A, Class B, or Class C Interests, as the case may be), have received cash Distributions equal to (i) $10,000 per Unit, plus (ii) $700 per Unit per year, non compounded, on such Capital Contributions, based upon that portion of the $10,000 remaining undistributed from time to time.

"Percentage Interest," with respect to a Partner, means such Partner's percentage interest in certain items or matters relating to the Partnership. The Percentage Interests of the Partners are set forth on **Schedule A**. The Percentage Interests of the Partners shall be subject to adjustment from time to time as provided by this Agreement. **Schedule A** shall be updated from time to time by the General Partner to reflect the then current Percentage Interest of each Partner.

"Person" means any natural person, partnership, limited liability company, corporation, association, cooperative, trust, estate, custodian, nominee or other individual or entity in its own or representative capacity.

"Prime Rate" means the annual rate of interest reported from time to time in *The Wall Street Journal* under the column "Money Rates" (or any successor column) as being the "Prime Rate."

"Priority Return" shall mean an amount equal too $700 per year on each Unit based upon that portion of $10,000 per Unit not yet distributed to the Partner during the applicable period. Priority Returns shall be adjusted for partial Units or partial years. For example, one-half shall be entitled to $350 per year, prorated over the time the partial Unit is held by the Partner. If a Partner has paid only one-half of the $10,000 Capital Contribution for a Class A Interest, or if the Partner has received distributions of a part of his $10,000 Capital Contribution, that Partner's Priority Return shall be adjusted accordingly.

"Property" means all properties and assets that the Partnership may own or otherwise have an interest in (to the extent of such interest) from time to time.

"Reserves" means amounts set aside from time to time by the General Partner pursuant to **Section 4.8**.

"Substitute Partner" has the meaning set forth in **Section 9.3**.

"Supermajority in Interest" means any Partner or group of Partners holding an aggregate of 66.6% or more of the Percentage Interests held by all Partners. Whenever this Agreement provides that a Supermajority in Interest is to be determined by excluding a Partner(s) or is to be determined out of only certain Partners, then a Supermajority in Interest means any Partner or group of Partners holding an aggregate of 66.6% or more of the Percentage Interests held by all of the non-excluded Partners.

"Tax Exhibit" means the additional definitions and provisions that are contained in **Schedule B**.

"Transfer" means (i) when used as a verb, to give, sell, exchange, assign, transfer, pledge, hypothecate, bequeath, devise or otherwise dispose of or encumber, and (ii) when used as a noun, the nouns corresponding to such verbs, in either case voluntarily or involuntarily, by operation of

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

law or otherwise, including, without limitation, upon Bankruptcy, death, divorce, marriage dissolution or otherwise.

"Treasury Regulations" means the regulations promulgated by the Treasury Department with respect to the Code, as such regulations are amended from time to time, or corresponding provisions of future regulations.

"Unit" shall mean a $10,000 Interest.

"Withdraw" or "Withdrawal" means any action taken by a Partner which is intended by such Partner to be in the nature of a resignation, retirement, withdrawal, quitting or otherwise voluntarily ceasing to be a Partner of the Partnership.

2.2 Other Definitional Provisions.

(a) As used in this Agreement, accounting terms not defined in this Agreement, and accounting terms partly defined to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles.

(b) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section, subsection, schedule and exhibit references are to this Agreement unless otherwise specified.

(c) Words of the masculine gender shall be deemed to include the feminine or neuter genders, and vice versa, where applicable. Words of the singular number shall be deemed to include the plural number, and vice versa, where applicable.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE III

CAPITAL CONTRIBUTIONS AND LOANS

3.1 Initial Capital Contributions. The Partners have made or will make promptly the initial Capital Contributions to the Partnership in cash as set forth on **Schedule A**.

3.2 Partner Loans and Additional Capital Contributions. (a) The General Partners believe that the Initial Capital Contributions will be sufficient to pay Partnership expenses without need for any loans. The General Partners shall use their best reasonable efforts to utilize the Capital Contributions to pay all such expenses. However, the Partners acknowledge that, although they do not currently expect a need for Additional Capital Contributions other than those contemplated in Schedule 1, the Partnership may require additional funds. If General Partners determine that additional funds are needed by the Partnership for the payment of unanticipated expenses such as basic accounting, tax return preparation and/or legal expenses of the Partnership, then each Partner agrees to contribute as an Additional Capital Contribution its Percentage Interest of the amounts approved in writing by Partners owning a Super Majority of the Percentage Interests owned by Non-Defaulting Partners, which amounts are required to cover such expenses. If the General Partners determine that funds are necessary for purposes other than those set forth in the preceding sentence, and if such additional amounts cannot be obtained by the Partnership from one or more lenders (other than the Partners) under terms and conditions acceptable to a General Partners, then the Partners owning a Super Majority or more of the Percentage Interests owned by Non-Defaulting Partners shall decide whether such funds shall be provided to the Partnership by way of loans to the Partnership by the Partners or by way of Additional Capital Contributions from the Partners. However, no Partner shall be obligated to make any Additional Capital Contributions, loan or advance to the Partnership, or to personally guarantee any loan or other obligation of the Partnership without such Partner's consent, which consent may be withheld in the Partner's sole and absolute discretion. If the Partners approve an assessment of Additional Capital Contributions, the General Partners shall give all Partners an assessment notice of the required sums, and all Partners shall pay their proportionate share thereof according to their respective Percentage Interests within ten (10) days from the date of the assessment notice.

(a) If, after agreeing to do so, any Partner fails or refuses for any reason to make in a timely manner any part or all of an Additional Contribution (the "**Unpaid Additional Contribution**"), such Partner shall be in default hereunder and shall be deemed to be a "**Defaulting Partner**" and the following shall apply:

(i) The Unpaid Additional Contribution shall constitute an obligation of such Defaulting Partner to the Partnership and shall bear interest from the date of such Defaulting Partner's default at a floating annual rate of interest equal to the lesser of (A) seven percent (7%), (B) three percent (3%) (300 basis points) over the Prime Rate in effect from time to time, or (C) the maximum rate permitted by law. Interest shall be compounded monthly and be payable on demand. The Partnership may, upon the decision of a Majority in Interest (determined by excluding the Defaulting Partner), institute suit in any court of competent jurisdiction to enforce such obligation of the Defaulting Partner. In addition, the Partnership shall be entitled to recover in such suit all costs and expenses, including, but not limited to, court costs and reasonable attorneys' fees, thereby incurred by the Partnership and any damages (except incidental or consequential damages) sustained by the Partnership as a result of the default by the Defaulting Partner.

(ii) By becoming a Partner, each Partner shall be deemed to have granted to the Partnership a first priority lien and security interest upon such Partner's Interest as security for the payment of all Additional Contributions and other obligations of such Partner to the Partnership. This Agreement shall be deemed to be a security agreement with respect to such security interest and collateral and each Partner hereby authorizes each other Partner and the Partnership to file any financing statements or other instruments that the Partnership, or any other Partner, may desire to file for purposes of perfecting or continuing such security interest. With respect to a Defaulting Partner, the Partnership, acting upon the decisions of a Majority in Interest (determined by excluding the Defaulting Partner), shall have all of the rights and remedies of a secured party under the Uniform Commercial Code, including, without limitation, and in addition to the rights under such law, the right to sell, effective as of the first day of the fiscal quarter in which the default occurs or such subsequent date as the Partnership may determine, by public or private sale upon 10 days advance notice to the Defaulting Partner, the Defaulting Partner's Interest or any part thereof and to cause the acquirer to become a Substitute Partner in lieu of the Defaulting Partner with respect to the Interest so acquired upon compliance with **Section 9.3** (other than subsections (b) and (e) thereof). In addition, the Partnership shall have the right to retain and set-off against the Unpaid Additional Contribution of a Defaulting Partner and any accrued interest thereon all amounts becoming otherwise distributable or payable to such Defaulting Partner by the Partnership and shall have the right to receive, upon any sale of the Defaulting Partner's Interest, a portion of the purchase price payable to the Defaulting Partner equal to the amount owed by the Defaulting Partner to the Partnership. Any amount so retained and set-off by the Partnership shall be deemed to be a constructive cash distribution to the Defaulting Partner and a constructive cash payment by it to the Partnership. Any payment, whether constructive or actual, shall be applied first against any unpaid accrued interest on the Defaulting Partner's Unpaid Additional Contribution and the remainder shall be applied against its Unpaid Additional Contribution.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(iii) Upon the dissolution and termination of the Partnership, that part of an Additional Contribution contributed by a non-defaulting Partner that corresponds proportionately to the then Unpaid Additional Contribution of a Defaulting Partner shall be deemed to be a loan to the Partnership by the non-defaulting Partner for purposes of the distribution priorities set forth in **Section 4.2**.

(b) So long as a Partner remains a Defaulting Partner, such Partner shall have no voting rights with respect to decisions of the Partnership and only the votes of the non-Defaulting Partners shall be taken into account for all such purposes. The Defaulting Partners and their Percentage Interests shall be disregarded completely for all purposes of determining whether the requisite votes have been obtained on a particular matter, and such requisite votes shall only be required out of the non-Defaulting Limited Partners.

3.3 Capital Accounts. A separate Capital Account shall be maintained for each Partner in accordance with the Tax Exhibit.

3.4 Capital Withdrawal Rights, Interest and Priority. Except as otherwise expressly provided in this Agreement, (i) no Partner shall be entitled to withdraw, receive any return of or reduce such Partner's Capital Contribution or Capital Account or to receive any distributions from the Partnership, (ii) no Partner shall be entitled to demand or receive property other than cash in return for its Capital Contribution or as part of any Distribution, (iii) no Partner shall be entitled to receive or be credited with any interest on any Capital Contribution or the balance in such Partner's Capital Account at any time, and (iv) no Partner shall have any priority over any other Partner as to the return of the Capital Contribution of such Partner or the balance in such Partner's Capital Account.

3.5 Loans and Guarantees From Partners.

(a) Any Partner may make (but shall not be obligated to make) a loan to the Partnership in such amounts, at such times and on such terms and conditions as may be approved in good faith by the General Partners. Loans by any Partner to the Partnership shall not be considered as contributions to the capital of the Partnership.

(b) No Partner shall be obligated to guarantee or cause any other Person to guarantee personally or provide any personal collateral to secure the obligations of the Partnership. If a Partner personally guarantees or provides any personal collateral to secure the obligations of the Partnership, the Partnership may pay such Partner a reasonable fee for such personal risk as may be approved in good faith by the General Partners.

(c) A Partner or an affiliate of a Partner who makes a loan to the Partnership shall have no fiduciary or other duty to not declare a default or event of default or to not initiate any collection or enforcement actions or proceedings by it as a lender upon the occurrence of a default by the Partnership (even if such default by the Partnership could have been avoided or cured by an additional Capital Contribution or loan by such Partner or an affiliate of the Partner.

3.6 No Personal Liability. Except as otherwise expressly provided in this Agreement, no Partner shall be personally liable for the return of any Capital Contributions of, or loans made by, the Partners or any portion thereof and the return of Capital Contributions and repayment of loans shall be made solely from the Partnership's assets. The Partners shall not be personally liable for the payment or performance of the debts and other obligations of the Partnership, except as and to the extent the Partner expressly agrees to be personally bound.

3.7 No Liability for Restoration of Negative Capital Account. Notwithstanding anything in this Agreement to the contrary, no Partner shall have an obligation to contribute additional capital to the Partnership to restore a negative Capital Account balance to zero (unless and to the extent such negative Capital Account balance results from an inaccurate or disproportionate distribution made to or received by a Partner that results in another Partner having a final positive Capital Account balance).

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE IV

ALLOCATIONS AND DISTRIBUTIONS

4.1 Partnership Interests and Non-Liquidation Cash Distributions.

(a) The Partnership shall have Partnership Interests divided into three classes – Class A Interests, Class B Interests and Class C Interests.

(i) On matters presented to the Partners for approval, all Partners shall have equal voting power, based upon one vote per Unit owned.

(ii) Until earlier of March 31, 2017 or Payback, Partners shall be allocated profits in each year as follows:

(A) 100% to Class A Interests until the holders of all Class A Interests have been allocated to a Priority Return for each year. Priority Returns for Class A Interests shall be cumulative until the earlier of (a) Payback; or (b) March 31, 2017, thereafter

(B) 100% to Class B Interests until the holders of all Class B Interests have been allocated profits equal to a Priority Return for each year; and thereafter

(C) 100% to Class C Interests until the holders of all Class C Interests have been allocated profits equal to a Priority Return for each year.

(iii) After all Classes of Interests have received distributions equal to their Priority Returns in any year and until Payback, Partners shall receive distributions of Capital as follows:

(A) 100% to Partners holding Class A Interests until all such holders have received Distributions of $10,000 per Unit, thereafter

(B) 100% to Partners holding Class B Interests until all such holders have received Distributions of $10,000 per Unit; and thereafter

(C) 100% to Partners holding Class C Interests until all such holders have received Distributions of $10,000 per Unit.

(iv) After Payback of all Classes of Interests, the Class A, Class B and Class C Interests shall be allocated fifty percent (50%) of all profits to be allocated among the Partners in proportion to each such Partner's relative Percentage Interests, and the General Partners shall be allocated fifty percent (50%) of all profits, in consideration of their deferral and subordination of returns to those of Limited Partners.

(v) Class C Interests may be owned only by Rare Earth Financial, L.L.C. and Wirth family Affiliates, unless the General Partners approve a transfer of such Interests to other persons.

(b) The amount, if any, of Available Cash shall be determined by the General Partner from time to time and shall be distributed to the Partners in accordance with their respective Percentage Interests:

(i) First, until the earlier of March 31, 2017 or Payback, (A) 100% of the Available Cash will be distributed among the Partners owning Class A Interests in proportion to each such Partner's respective relative Percentage Interests until all such Partners have received Distributions equal to their full Priority Return for that period. Distributions under this subparagraph 3.1(a)(i) shall be cumulative until the earlier of March 31, 2017 or Payback; thereafter (B) 100% of the Available Cash will be distributed among all Partners owning Class B Interests until they have received Distributions equal to their full Priority Return for that period; and thereafter, (C) 100% of the Available Cash will be distributed among all the Partners holding Class C Interests until they have received Distributions equal to their total Priority Distributions payable up to the end of that period; thereafter

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(ii) Second, to all Partners after all classes of Partners have received their Priority Distributions, Available Cash will be distributed: (A) First, 100% to Class A Partners until Payback; (B) Second, 100% to Class B Partners until Payback, and (C) Third, 100% to Class C Partners until Payback; and thereafter

(iii) Third, after Payback, (A) 50% of the Available Cash will be distributed among the Partners owning Class A, Class B and Class C Interests. Distributions shall be in proportion to each such Partner's respective relative Percentage Interests, and (B) the remaining 50% of the Available Cash, will be distributed to Rare Earth Financial, L.L.C.

2.2 Liquidation Distributions. Liquidation Proceeds shall be distributed in the following order of priority:

(a) To the payment of debts and liabilities of the Partnership (including to Partners to the extent otherwise permitted by law) and the expenses of liquidation; then

(b) To the setting up of such reserves as the Person required or authorized by law to wind up the Partnership's affairs may reasonably deem necessary or appropriate for any disputed, contingent or unforeseen liabilities or obligations of the Partnership, *provided* that, upon approval by a Majority in Interest, any such reserves shall be paid over by such Person to an independent escrow agent, to be held by such agent or its successor for such period as such Person shall deem advisable for the purpose of applying such reserves to the payment of such liabilities or obligations and, at the expiration of such period, the balance of such reserves, if any, shall be distributed as hereinafter provided; then

(c) The remainder to the Partners as follows:

(i) First, until Payback, 100% to Partners holding Class A Interests to be distributed among such Partners in proportion to each such Partner's respective relative Percentage Interests; thereafter

(ii) Second, until Payback, 100% to Partners holding Class B Interests to be distributed among such Partners in proportion to each such Partner's respective relative Percentage Interests; thereafter

(iii) Third, until Payback, 100% to Partners holding Class C Interests to be distributed among such Partners in proportion to each such Partner's respective relative Percentage Interests; thereafter

(iv) Fourth, after all Partners have received Payback, 50% to the Partners holding Class A, B and C Interests, to be distributed among the Partners in proportion to each such Partners respective relative Percentage Interests; and 50% to the Earth Financial, L.L.C.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

4.3 Profits, Losses and Distributive Shares of Tax Items. The Partnership's net income or net loss, as the case may be, for each taxable year of the Partnership, as determined in accordance with such method of accounting as may be adopted for the Partnership pursuant to **Article VIII** hereof, shall be allocated to the Partners for both financial accounting and income tax purposes as set forth in this Article IV, except as otherwise provided for herein or unless all Partners agree otherwise.

4.4 Allocation of Income, Loss and Credits.

(a) Income or Loss (other than Income or Loss from liquidation transactions) and Credits (as those capitalized terms are defined in the Tax Exhibit) for each taxable year shall be allocated among the Partners in accordance with their respective Percentage Interests. To the extent there is a change in the respective Percentage Interests of the Partners during the year, Income, Loss and Credits shall be allocated among the pre-adjustment and post-adjustment periods as provided in the Tax Exhibit.

(b) Income from liquidation transactions shall be allocated among the Partners in the following order of priority:

(i) To those Partners, if any, with negative Capital Account balances (determined prior to taking into account any distributions pursuant to **Section 4.2**) in the ratio that such negative balances bear to each other until all such Partners' Capital Account balances equal zero; then

(ii) To the Partners so that they have positive Capital Account balances in proportion to their respective Percentage Interests; then

(iii) The remainder to the Partners in accordance with their respective Percentage Interests.

4.5 Special Tax Rules. The special tax rules set forth in the Tax Exhibit shall override any other provision of this Article IV.

4.6 No Priority. Except as may be otherwise expressly provided in this Agreement, no Partner shall have priority over any other Partner as to Partnership income, gain, loss, credits and deductions or distributions.

4.7 Tax Withholding. Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines to be necessary or appropriate to cause the Partnership to comply with any withholding, estimated tax or similar requirements established under any federal, state or local tax law, including, without limitation, withholding on any distribution to any Partner and/or requiring that a Partner pay to the Partnership any amount required by the Partnership to pay over to a governmental authority as a withholding, estimated tax or other payment on behalf of such Partner. For all purposes of this Article IV, any amount withheld on any distribution and paid over to the appropriate governmental body shall be treated as if such amount had in fact been distributed to the Partner. Each Partner agrees to execute such consents and elections as may be required by the taxing authority of any state or local government in which the Partnership does business and generates taxable income so that the Partnership will not be required to withhold on the taxable income of the Partnership allocated to such Partner for such state or locality.

4.8 Reserves. The General Partner shall have the right to establish, maintain and expend reasonable Reserves to provide for working capital, for debt service, for expected operating deficits, for facility expansions or replacements, and for such other purposes as the General Partner may deem necessary or advisable.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE V

PARTNERS' MEETINGS

5.1 Meetings of Partners; Place of Meetings. If required by the Act, an annual meeting of the Partners shall be held on the second Friday in March of each year or on such other date as the General Partners shall determine. Regular monthly, quarterly or other periodic meetings may be held upon the determination of the General Partner or a Majority in Interest to hold such meetings. Special meetings may be called at any time by the General Partner or any group of Limited Partners with a Percentage Interest of at least 20%. Meetings (whether annual, regular or special meetings) of the Limited Partners may be held for any purpose or purposes, unless otherwise prohibited by statute. All meetings of the Limited Partners shall be held at such place within Maricopa County, Arizona area as shall be stated in the notice of the meeting or at any other location agreed upon by the General Partner and all of the Partners. The Partners of the Partnership may participate in a meeting by means of conference telephone or similar communication equipment whereby all of the Partners participating in the meeting can hear each other, and participation in a meeting in this manner shall constitute presence in person at the meeting.

5.2 Quorum; Voting Requirement. The presence, in person or by valid proxy, of a Majority in Interest shall constitute a quorum for the transaction of business by the Partners. The affirmative vote of a Majority in Interest shall constitute a valid decision of the Partners, except where a Supermajority in Interest or unanimous vote is required by the Act, the Certificate or this Agreement. Whenever the consent or approval of the Partners is required in this Agreement for any transaction or act of the Partnership, such consent or approval shall be required by Partners holding the applicable aggregate Percentage Interests as stated in this Agreement and there shall be no requirement that the majority of the Partners, by number, approve or consent to any transaction or act.

5.3 Notice. Written notice stating the place, day and hour of each meeting and, in the case of a special meeting, the purpose for which the meeting is called shall be delivered not less than ten days nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the person calling the meeting, to each Partner entitled to vote at such meeting. Notice to Partners, if mailed, shall be deemed delivered as to any Partner when deposited in the United States mail, addressed to the Partner at its usual place of business or last known address, with postage prepaid.

5.4 Waiver of Notice. When any notice is required to be given to any Partner, a waiver thereof in writing signed by the Partner, whether before, at, or after the time stated therein, or any attendance of the Partner at the meeting (other than at the beginning of the meeting to object to the holding of the meeting), shall be equivalent to the giving of such notice.

5.5 Action Without Meeting. The Partners agree that a meeting of the Partners shall not be required for the Partners to make any decision or to take any action to be made or taken by the Partners by a Majority in Interest, Supermajority in Interest or unanimously. Any decision or action required or permitted to be taken by the Partners may be taken without a meeting if the action is evidenced by one or more written consents or documents constituting or describing the action to be taken, signed by a Partner or Partners having the requisite aggregate Percentage Interests.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE VI

MANAGEMENT AND CONTROL

6.1 The General Partners.

(a) Except as otherwise provided in this Agreement, the business and affairs of the Partnership shall be managed by and under the direction of the General Partners. A General Partner may execute on behalf of the Partnership all instruments, documents and contracts, exercise all of the powers of the Partnership, and do all such lawful acts and things, that are not by law, the Certificate or this Agreement directed or required to be exercised or done by the Limited Partners. Any decision or act of a General Partner within the scope of its power and authority granted hereunder shall control and shall bind the Partnership. No Limited Partner, in such capacity (except one who may also be a General Partner and then only in such capacity), shall have any authority to participate in the control of the business of the Partnership or act for or bind the Partnership, except as part of an action of the Partners as specifically authorized or required by this Agreement.

(b) The current General Partners are RRF, Limited Partnership and Rare Earth Financial, L.L.C. A General Partner may resign from such position at any time upon giving 30 days' prior written notice to the Limited Partners.

(c) The Limited Partners shall have the right and power to remove a General Partner as a General Partner of the Partnership upon the written determination by a Limited Partner Supermajority in good faith that such removal be effected for "cause". For purposes of this Section, "cause" shall mean the commission by a General Partner of: (i) an act of fraud, gross negligence, misconduct or breach of fiduciary duty with respect to the Partnership; or (ii) a material breach of such General Partner's material duties and obligations under this Agreement and the failure of the General Partner to cure such breach within 30 days after receipt of written notice from a Limited Partner Supermajority.

(d) In the event of the withdrawal or removal of a General Partner or any other "event of withdrawal of a general partner" (as defined in the Act and modified by this Agreement), the following shall apply:

(i) Except as otherwise approved by the specific written consent of all Partners at the time, such General Partner shall immediately cease to be a General Partner of the Partnership (thereby terminating all management powers, duties and responsibilities of such General Partner) and such former General Partner (the "Former General Partner") shall continue to hold such Former General Partner's Interest as an assignee who is not a General Partner (except to the extent such Interest is purchased pursuant to subsection (c) below).

(ii) If there is no other General Partner of the Partnership, then within 90 days after the event, a Majority in Interest shall appoint in writing a new General Partner, who shall carry on and continue the business of the Partnership without dissolution.

(iii) The new General Partner shall have the right (but not the obligation) to cause the Partnership, at any time within one year after the applicable event, to purchase the Interest of the Former General Partner for the fair value thereof (less any distributions received in the interim) as provided in the Act and, if such right is exercised, the Former General Partner shall sell its Interest to the Partnership on such basis.

(iv) If the Partnership does not purchase the Former General Partner's Interest pursuant to subsection (i) above, then such General Partner shall remain entitled to the distributions and allocations that would otherwise be made to such General Partner under the provisions of this Agreement.

(v) In the event the Partnership suffers damages as a result of or in connection with any withdrawal or removal of a Former General Partner, the Partnership shall be entitled to deduct, out of the amount otherwise due to the Former General Partner and as and when otherwise due to the Former General Partner, an amount equal to such damages. The rights of the Partnership under this subsection shall be in addition to any other rights and remedies it may have by law against the Former General Partner

(e) The General Partner shall not be required to devote all of his time and business efforts to the affairs of the Partnership, but the General Partner shall devote so much of its time and attention as is reasonably necessary and advisable to manage the affairs of the Partnership to the best advantage of the Partnership.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

6.2 Authority of the General Partner. In addition to the rights and authority given to the General Partner elsewhere in this Agreement, but subject to the limitations set forth in **Sections 6.3** and elsewhere in this Agreement, the General Partner shall have the right, power and authority from time to time to make such decisions and take such actions for and on behalf of the Partnership, or delegate the same to the appropriate employees of the Partnership, as the General Partner deems necessary or appropriate to operate the Business and, not in limitation of the foregoing, to make the following decisions and take the following actions for and on behalf of the Partnership, all subject to any limitations set forth in this Agreement or in the Act:

(a) Selection and decisions relating to the Partnership's legal, accounting and other professional advisors;

(b) Selection and decisions relating to employees and independent contractors of the Partnership;

(c) Acquisition of insurance coverages for the protection or benefit of the Partnership or the Property;

(d) Temporary investment of funds of the Partnership in short term investments where there is appropriate safety of principal;

(e) Pay all bills, invoices and expenses properly incurred by and on behalf of the Partnership;

(f) Keep all books of account and other records required by the Partnership, keep vouchers, statements, receipts bills and invoices and all other records, covering all collections, disbursements and other data in connection with the Partnership;

(g) Defend, compromise and settle those claims against the Partnership which individually do not exceed One Hundred Thousand Dollars ($100,000);

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(h) Prepare a budget and cash flow projections relating to the Partnership and distribute the same to the Partners as they are prepared, and advise the Partners, from time to time, of the status and progress of the operations of the Partnership; and

(i) Perform such other acts as are set forth herein or as are reasonably necessary or appropriate in connection with the day-to-day operation of the Partnership.

(j) To: (1) bring or defend, pay, collect, compromise, arbitrate, resort to legal action or otherwise adjust claims or demands of or against the Partnership; (2) make or revoke any election available to the Partnership under any tax law; (3) enforce the Partnership's rights and perform its obligations under all agreements to which the Partnership is a party; (4) carry out the decisions of the Partners made pursuant to this Agreement; (5) prepare, execute, and file any documents required to be filed with any government authority; and (6) expend Partnership funds necessary or appropriate to effect any of the foregoing;

(k) Negotiation and execution of all documents and agreements, and the exercise of all rights and remedies, of the Partnership in connection with the foregoing.

Notwithstanding anything to the contrary in this Agreement, a Majority in Interest of the Partners shall have the right and power to veto and override in whole or in part and in any respect, any decision by the General Partner, including but not limited to decisions regarding the amount of reserves and the amount and timing of distributions.

6.3 Limitations on Authority of the General Partner.

(a) The General Partner may take an action or execute an agreement, instrument or document for any transaction not "in the ordinary course of business or affairs" in accordance with the power and authority set forth in this Agreement, subject to the limitations set forth in this Agreement. For purposes of this Agreement, actions and/or transactions "in the ordinary course of business or affairs" or "in the usual way of the business or affairs" shall include, but not be limited to, the exercise by the General Partner of its authority as specified in **Section 6.2**, except as prohibited or limited by **Section 6.3(b), (c), (d)** or **(e)** or elsewhere in this Agreement, and the Partners hereby approve of such actions and/or transactions and agree that they may be taken by the General Partner without obtaining any further approval of the Partners. No General Partner shall have the right to delegate to any Person (other than an appropriate employee of the Partnership) the General Partner's rights or powers to manage or control the business and affairs of the Partnership, except as approved by a Majority in Interest.

(b) The Partnership, through the General Partner or otherwise, shall not take any action required by any provision of this Agreement to be approved or authorized by a Majority in Interest, unless such action is approved or authorized by a Majority in Interest.

(c) The Partnership, through the General Partner, a Majority in Interest, or otherwise, shall not take any of the following actions unless such action is approved or authorized by a Supermajority in Interest:

(i) Any action required by any provision of this Agreement or by law to be approved or authorized by a Supermajority in Interest.

(ii) Cause the Partnership to file for Bankruptcy or to cease operations.

(iii) Cause the Partnership to sell or otherwise dispose of all or substantially all of its assets.

(iv) Cause the Partnership to merge or consolidate with any other entity or convert into another form of entity.

(v) Obligate the Partnership as a guarantor, endorser, accommodation endorser or surety for the obligation of any other Person;

(d) The Partnership, through the General Partner, a Majority in Interest, a Supermajority in Interest or otherwise, shall not (i) acquire any material assets from any Partner or affiliate of a Partner unless the assets are required by the Partnership for the Business and the acquisition terms are at least as favorable to the Partnership as would be available from nonaffiliated third parties or (ii) sell any material assets to any Partner or affiliate of a Partner unless the terms of such sale are at least as favorable to the Partnership as would be available from nonaffiliated third parties.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

6.4 Compensation; Reimbursements.

(a) Except as provided in subsection (b) and (c) below or as approved by a Majority in Interest, no Partner shall be entitled to compensation for any services it may render to or for the Partnership. Except as otherwise expressly provided in this Agreement, the General Partner and each Limited Partner shall be entitled to reimbursement from the Partnership for all reasonable direct out-of-pocket expenses incurred at the request or direction of the General Partner on behalf of the Partnership as contemplated in this Agreement.

(b) Management Fees and Expenses. If 160 or more of the 250 Interests being offered in the Offering are sold to non-affiliated investors and Rare Earth Financial, L.L.C., Rare Earth Financial, L.L.C. shall be paid a restructuring fee of $320,000, which may be paid in cash or as credit for the purchase of Class C Interests, as described in the Brochure. Other than the reorganization fee, Rare Earth Financial, L.L.C., shall not be paid a fee for its services unless specifically authorized by a Majority in Interest, but it shall be entitled to reimbursement for reasonable out-of-pocket expenses it incurs on behalf of the Partnership. Rare Earth Financial, L.L.C. shall be entitled to share in profits and distributions as described in **Article III** above. In addition, InnSuites Affiliates (as defined in the Brochure) shall be entitled to receive fees from the Partnership as:

(i) organization fees;

(ii) management fees;

(iii) license fees; and

(iv) Reservation fees.

(c) Any compensation paid to a Partner or a General Partner who is also a Partner for its services shall be treated as a "guaranteed payment" under Section 707(c) of the Code.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

6.5 Limited Partners.

(a) The Limited Partners shall have the powers and shall be entitled to exercise the rights given to them by the terms of this Agreement and by law, and the exercise of such rights shall not be deemed to constitute participation or taking part in the control of the business of the Partnership.

(b) No Limited Partner shall be personally liable for the expenses, liabilities or obligations of the Partnership or the General Partner. The liability of each Limited Partner shall be limited solely to the amount of such Limited Partner's capital contribution as and when it is payable under the provisions of this Agreement.

(c) Each Limited Partner shall promptly report to the Partnership any changes in the address or citizenship of such Limited Partner as previously reported to the Partnership.

(d) In the event a General Partner is also a Limited Partner or purchases, acquires or otherwise becomes a transferee of all or any part of the Interest of a Limited Partner, the General Partner, subject to the provisions of Article IX, shall be treated also as a Limited Partner to the extent of such Interest.

4.6 Other Business Ventures; Confidentiality.

(a) Subject to subsection (b) below, (i) any Partner and its affiliates may engage in or possess an interest in other real property or business ventures of every nature and description, independently or with others, whether or not similar to or in competition with the business of the Partnership, and neither the Partnership nor the Partners shall have, by virtue of this Agreement or any law, any right in or to such other real property or business ventures or to any ownership or other interest in or the income or profits derived therefrom and (ii) no Partner shall be obligated to present any particular investment or business opportunity to the Partnership even if such opportunity is of a character which, if presented to the Partnership, could be taken by the Partnership, and each Partner shall have the right to take for its own account and with others or to recommend to others any such opportunity.

(b) All non-public information regarding the Partnership and the Partners shall be treated with confidentiality by the Partnership and Partners, and shall not be disclosed by the Partnership or the Partners to third parties (other than as necessary in the ordinary course of and to further the Business) without the prior written consent of all of the Partners; *provided*, however, the Partnership and Partners may disclose such information to their respective attorneys, accountants and other professional advisors who have a need for such information *provided* that such persons are informed of the confidential nature of the information and are directed to maintain the confidentiality thereof. The confidentiality obligations of the Partners shall survive any termination of the Partnership of any Partner in the Partnership. The confidentiality obligations of the General Partner shall survive any termination of such status.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE VII

LIABILITY AND INDEMNIFICATION

7.1 Limitation of Liability.

(a) To the extent permitted by law, the General Partner and the Limited Partners and their respective officers, directors, partners, trustees, members, managers, employees and agents (each a "**Covered Person**") shall not be liable for damages or otherwise to the Partnership or any Partner for any act, omission or error in judgment performed, omitted or made by it or them in good faith and in a manner reasonably believed by it or them to be within the scope of authority granted to it or them by this Agreement and in the best interests of the Partnership, *provided* that such act, omission or error in judgment does not constitute bad faith, fraud, gross negligence, willful misconduct or breach of fiduciary duty.

(b) A Covered Person will be fully protected in relying in good faith upon the records of the Partnership and upon such information, opinions, reports or statements presented to the Partnership by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Partnership, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, Income, Losses or Available Cash or any other facts pertinent to the existence and amount of assets from which distributions to Partners might properly be paid.

7.2 Indemnification. The Partnership shall indemnify each Covered Person to the fullest extent permitted by the Act, but such indemnity shall not extend to any conduct by the party seeking indemnification that is determined by a court of competent jurisdiction to constitute bad faith, fraud, gross negligence, willful misconduct, or breach of fiduciary duty. Any indemnity under this **Section 7.2** shall be paid from, and only to the extent of, Partnership assets and no Partner shall have any personal liability on account thereof.

7.3 Expenses. To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by a Covered Person in defending any claim, demand, action, suit or proceeding relating to the Partnership shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of an undertaking by or on behalf of the Covered Person to repay such amount if it is determined that the Covered Person is not entitled to be indemnified as authorized in this Article VII.

7.4 No Application to Independent Contractor Status. This provision of this Article VII shall not apply to any services or acts of a Partner or General Partner as an independent contractor of the Partnership (except the acts of a General Partner and its Covered Persons in the capacity of General Partner of the Partnership).

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE VIII

ACCOUNTING AND BANK ACCOUNTS

8.1 Fiscal Year and Accounting Method. The fiscal year and taxable year of the Partnership shall be as designated by the General Partner in accordance with the Code. The General Partner shall determine the accounting method to be used by the Partnership.

8.2 Books and Records. The books and records of the Partnership shall be maintained at the principal office of the Partnership. Each Partner (or such Partner's designated agent or representative) shall have the right during ordinary business hours and upon reasonable notice to inspect and copy (at such Partner's own expense) all books and records of the Partnership (other than those containing trade secrets or similar confidential information) for any purpose reasonably related to the Partner's Interest.

8.3 Audit. The books of the Partnership shall not be audited unless upon a vote of a Majority in Interest.

8.4 Taxation as Partnership. The Partnership shall be treated as a "partnership" for Federal and state income tax purposes. All provisions of this Agreement and the Certificate shall be construed and applied so as to preserve that tax status.

8.5 Tax Returns and Elections; Tax Matters Partner.

(a) The Partnership shall cause to be prepared and timely filed all federal, state and local income tax returns or other returns or statements required by applicable law. The Partnership shall claim all deductions and make such elections for federal or state income tax purposes which the General Partner reasonably believes will produce the most favorable tax results for the Limited Partners.

(b) Rare Earth Financial, L.L.C. is hereby designated as, and hereby accepts the position of, the Partnership's "**Tax Matters Partner**," as defined in the Code. In such capacity, the Tax Matters Partner is hereby authorized and empowered to act for and represent the Partnership and each of the Partners before the Internal Revenue Service in any audit or examination of any Partnership tax return and before any court selected by the Tax Matters Partner for judicial review of any adjustment assessed by the Service. Each of the Limited Partners consents to and agrees to become bound by all actions of the General Partner as Tax Matters Partner, including any contest, settlement or other action or position which the General Partner may deem proper under the circumstances. The Limited Partners specifically acknowledge, without limiting the general applicability of this Section, that the General Partner shall not be liable, responsible or accountable in damages or otherwise to the Partnership or any Partner with respect to any action taken by it in its capacity as a "Tax Matters Partner," except for gross negligence or willful misconduct. All reasonable out-of-pocket expenses incurred by the General Partner in its capacity as Tax Matters Partner shall be considered expenses of the Partnership for which the General Partner shall be entitled to full reimbursement.

8.6 Section 754 Election. In the event a distribution of Partnership assets occurs which satisfies the provisions of Section 734 of the Code or in the event a transfer of an Interest occurs which satisfies the provisions of Section 743 of the Code, the Partnership shall elect (but only if approved by a Majority in Interest, pursuant to Section 754 of the Code, to adjust the basis of the Partnership's property to the extent allowed by such Section 734 or 743 and shall cause such adjustments to be made and maintained. Any additional accounting expenses incurred by the Partnership in connection with making or maintaining any such basis adjustment shall be reimbursed to the Partnership from time to time by the distributee or transferee who benefits from the making and maintenance of such basis adjustment. Each Partner shall provide the Partnership with such information and such other cooperation as may be necessary to receive from such Partner in order for such election to be made and affected.

8.7 Bank Accounts. All funds of the Partnership shall be deposited in a separate bank, money market or similar account(s) approved by the General Partner and in the Partnership's name. Withdrawals (by check or otherwise) therefrom shall be made only by the signature of persons authorized by the General Partner to do so.

ARTICLE IX

TRANSFERS OF INTERESTS

9.1 General Restrictions. No Partner may Transfer all or any part of such Partner's Interest (including any Distribution rights associated with such Interest), except (i) as otherwise expressly permitted in this Agreement, or (ii) with the consent of the General

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Partner. Any purported Transfer of all or any part of an Interest in violation of the terms of this Agreement shall be null and void and of no effect. A permitted Transfer shall be effective as of the date specified in the instruments relating thereto. Any assignee desiring to make a further Transfer shall be subject to all of the provisions of this Article IX to the same extent and in the same manner as any other Partner desiring to make any Transfer.

9.2 Permitted Economic Transfers. Each Partner shall have the right to Transfer all or part of the Distribution rights or other economic interests (but not to substitute the assignee as a Substitute Partner, except in accordance with **Section 9.3**), by a written instrument, *provided* that:

(a) the Transfer would not result in the "termination" of the Partnership pursuant to Section 708 of the Code;

(b) the General Partner has consented in writing to such Transfer and assignee;

(c) no permitted Transfer to a minor or incompetent shall be made other than in trust for the benefit of such person or in custodianship under the Uniform Transfers to Minors Act or similar legislation;

(d) the assignee agrees in writing that the assigned rights remain subject to all of the terms and conditions of this Agreement and may not be further Transferred except in compliance with this Agreement; and

(e) if required by the General Partners, the Partnership receives an opinion of counsel (which counsel and opinion shall be satisfactory to the Partnership's counsel) to the effect that registration of the security being Transferred is not required under the federal and applicable state securities laws in connection with such Transfer.

Notwithstanding the foregoing, the following Transfers shall not require the consent under clause (b) as long as the Transfers comply with clauses (a), (c), (d) and (e) above:

(i) Transfers by bequest or intestacy upon the death of an individual who is a Partner, if after such Transfer the Partnership and/or the other Limited Partners did not purchase the deceased Partner's Interest in accordance with this Agreement;

(ii) Transfers (A) to a revocable trust of which the Partner is the grantor, the trustee and the primary beneficiary during the Partner's lifetime, (B) from such revocable trust to the original Partner, and (C) from such trust to the original Partner's spouse and/or lineal descendants upon the death of the original Partner;

(iii) Transfers pursuant **to Section 3.2(b)**;

(iv) Transfers pursuant to **Sections 9.7(d)**; or

(v) Transfers described in **Section 10.1(c)(B)**.

9.3 Substitute Partners. No assignee of all or part of a Partner's Interest shall become a Substitute Partner in place of the assignor unless and until:

(a) The Transfer complies with the provisions of **Section 9.2**.

(b) Except for Transfers under **Section 3.2(b)**, and except for purchases under **Section9.7(d)**, the assignor Partner (if living) has stated such intention in the instrument of assignment;

(c) The assignee has executed an instrument accepting and adopting the terms and provisions of this Agreement as a Partner;

(d) The assignor or assignee has paid all reasonable expenses of the Partnership in connection with the admission of the assignee as a Substitute Partner; and

(e) Except for Transfers under **Section 3.2(b),** the General Partner has consented in writing to such assignee becoming a Substitute Partner, which consent may be withheld for any or no reason.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Upon satisfaction of all of the foregoing conditions with respect to a particular assignee, the General Partner shall cause this Agreement (including **Schedule A**) and, if necessary, the Certificate to be duly amended to reflect the admission of the assignee as a Substitute Partner.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

9.4 Effect of Admission as a Substitute Partner. Unless and until admitted as a Substitute Partner pursuant to **Section 9.3**, a permitted assignee of all or a part of a Partner's Interest shall not be entitled to exercise any of the governance or other rights or powers of a Partner in the Partnership (all of which shall remain with the assignor Partner), including, without limitation, the right to vote, grant approvals or give consents with respect to such Interest, the right to require any information or accounting of the Partnership's business or the right to inspect the Partnership's books and records. Such permitted assignee shall only be entitled to receive, to the extent of the Interest transferred to such assignee, the Distributions to which the assignor would be entitled. A permitted assignee who has become a Substitute Partner has, to the extent of the Interest transferred to such assignee, all the rights and powers of the Person for whom such assignee is substituted as the Partner and is subject to the restrictions and liabilities of a Partner under this Agreement and the Act. Upon admission of a permitted assignee as a Substitute Partner, the assignor of the Interest so acquired by the Substitute Partner shall cease to be a Partner of the Partnership to the extent of such Interest. A Person shall not cease to be a Partner upon assignment of all of such Partner's Interest unless and until the assignee(s) becomes a Substitute Partner.

9.5 Additional Partners. Additional Partners (as distinguished from Substitute Partners) (but including additional Capital Contributions from existing Partners other than pursuant to **Section 3.2**) may be admitted to the Partnership only by a Supermajority in Interest. Upon any such admission, the Supermajority in Interest shall determine in good faith (i) the Fair Value of the Capital Contribution being made by the additional Partner in relation to the then Fair Value of the Partnership, and (ii) the Percentage Interest to be held by the new Partner on a prospective basis, and shall proportionately adjust the Percentage Interests and, if applicable, the Capital Accounts of all of the then existing Partners on a prospective basis.

9.6 Withdrawal of a Partner. No Partner shall have the right or power, and no Partner shall attempt, to Withdraw from the Partnership prior to the specific date set forth in the Certificate for the expiration of the term of the Partnership. Any act or purported act of a Partner in violation of this Section shall be null and void and of no effect. If a Partner exercises any non-waivable statutory right to Withdraw from the Partnership, such Withdrawal shall be a default or breach by the Partner of its obligations under this Agreement and the Partnership may recover from such Partner any damages incurred by the Partnership as a result of such Withdrawal and offset the damages against any amounts payable to such Partner under the Act, the Certificate or this Agreement.

9.7 Right of First Refusal. If at any time, a Partner (the "**Selling Partner**") desires to Transfer all (but not less than all) of its Interest or the Distribution rights associated with its Interest (the "**Subject Interest**") to a third party pursuant to a bona fide offer to purchase for cash, or cash and notes, the following shall apply:

(a) The Selling Partner shall give to each other Partner(s) (collectively the "**Other Partners**") a written offer describing the Subject Interest, the name of the proposed purchaser, the price and payment terms and other terms and conditions offered by the proposed purchaser (the "**Offer**").

(b) The Other Partners shall have 30 days from the receipt of the Offer to accept the terms and conditions set forth in the Offer, as buyer, by giving written notice thereof to the Selling Partner. Subject to subsection (c) below, each Other Partner shall have the right to purchase a portion of the Subject Interest equal to (i) a fraction the numerator which is the Percentage Interest of the Other Partner and the denominator of which is the sum of the Percentage Interests of all of the Other Partners who desire to purchase part of the Subject Interest or (ii) such other portion as shall be agreed upon by all such Other Partners who desire to so purchase.

If some or all of the Other Partners agree to purchase all (but not less than all) of the Subject Interest, then the Selling Partner and the Other Partners who are purchasing shall close the purchase upon the terms and conditions of the Offer within 60 days after the Offer is made (or if later the closing date set forth in the Offer). If the purchase price set forth in the Offer includes any secured notes and/or third party guarantees, a pledge of the Subject Interest as collateral by the purchasing Other Partners shall be deemed equivalent to the collateral described in the Offer.

(a) If the Other Partners fail to agree to purchase all of the Subject Interest within the time period set out above, the Selling Partner shall have the right (subject to compliance with the provisions of **Section9.2** (excluding subsection (b) thereof) and if the purchaser is to become a Substitute Partner, subject to **Section9.3** (excluding subsection (e) thereof)) to consummate the sale or conveyance of all of the Subject Interest so long as (i) the purchaser is the proposed purchaser named in the Offer, (ii) the price, payment and other terms are at least as favorable to the Selling Partner as those set forth in the Offer, (iii) the closing occurs on or before the date set forth in the Offer (but no more than 120 days after the date of the Offer), and (iv) if any Other Partner makes any applicable election described in subsection (e) below, the Interest of such Other Partner is also purchased by the proposed purchaser, and (v) unless all of the Interests are being sold under subsection (e) below, the purchaser is not a competitor (or Person affiliated or related to a competitor) of the Partnership (as determined by a Majority in Interest).

(b) Any purchaser of a Subject Interest under **subsection (d)** above desiring to make a further sale or conveyance of any part of the Subject Interest shall be subject to this Section.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

9.8 Failure to Pay Amounts Due. If any Partner:

(a) elects to pay his Initial Capital Contributions in two installments, and fails to pay the second installment when due, the Partner may, after 30 days' notice and with approval of the General Partners, shall automatically forfeit all amounts previously paid as an Initial Capital Contribution, and the General Partner may resale the forfeited Interests at the price offered in the Offering.

(b) fails to pay a Capital Contribution or any other assessment within ten (10) days of the due date specified on a capital call billing, the General Partner shall send a written notice thereof to the Partner, and if the Partner fails to pay the entire required amount within ten (10) days of the date of such notice the Partner shall be considered a "**Non-Contributing Partner**." If a Partner becomes a Non-Contributing Partner, the General Partner shall immediately give written notice of such fact to each Partner and for a period of five (5) business days after the date of such notice each other Partner shall have the right to advise the General Partner in writing of such Partner's desire to advance directly to the Partnership, on behalf of the Non-Contributing Partner, the funds required from the Non-Contributing Partner (a "**Contribution Loan**"). If within the five (5) day period more than one Partner advises the General Partner of the Partner's desire to make a Contribution Loan, such Partners shall lend the funds to the Non-Contributing Partner in proportion to their respective Percentage Interests. At the expiration of the five (5) day period, the General Partner shall advise each Partner indicating a desire to make a Contribution Loan of the amount such Partner is to advance to the Partnership and the date on which the funds are due and payable to the Partnership. If any Partner makes a Contribution Loan, such Partner shall be considered a "**Contributing Partner**." The Contribution Loan shall be considered a loan to the Non-Contributing Partner and neither the Partnership nor any other Partner shall have any liability or obligation for the repayment of the Contribution Loan. The Contribution Loan shall mature and be due and payable in full on the date which is ninety (90) days after the date the Contribution Loan is made. Within ten (10) days after the date a Contributing Partner makes a Contribution Loan, the General Partner shall give written notice of the Contribution Loan to the Non-Contributing Partner and such notice shall also specify the maturity date of the Contribution Loan.

9.9 Default. If no Partner elects to advance the funds required from the Non Contributing Partner as specified in **Section9.8**, then the failure of the Non-Contributing Partner to make the Additional Capital Contribution or assessment shall constitute a default and the Non-Contributing Partner shall be a Defaulting Partner.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

9.10 Contribution Loan. In the event a Contributing Partner elects to make a Contribution Loan, then the Contribution Loan shall bear interest at a rate equal to the lesser of seventeen percent (17%) per annum, or the Prime Rate in effect from time to time plus three (3) percentage points (adjusted monthly on the 1st day of each month), from the date the Contribution Loan is made until paid in full.

(a) Repayment of the Contribution Loan(s) shall be secured by the Non Contributing Partner's Interest.

(b) The Non-Contributing Partner hereby grants a security interest in his Interest to the Contributing Partner(s) who advances a Contribution Loan(s) and irrevocably appoints the Contributing Partner(s) as the Non-Contributing Partner's attorney-in-fact with full power to prepare and execute any reasonable documents, instruments and agreements, including but not limited to, reasonable Uniform Commercial Code Financing and Continuation Statements, and other reasonable security instruments as may be appropriate to perfect and continue such security interest(s) in favor of the Contributing Partner(s). If there is more than one Contributing Partner, each Contributing Partner's security interest in the Non-Contributing Partner's Interest shall be a pro rata portion based upon the ratio the original principal amount of the Contributing Partner's Contribution Loan bears to the aggregate original principal amount of all the Contribution Loans to such Non Contributing Partner. Copies of any such documents shall be mailed to the Non-Contributing Partner.

9.11 Defaulting Partner. If any Contribution Loan (which shall include all reasonable attorney fees, interest, and costs incurred by the Contributing Partner) has not been repaid in full within ninety (90) days of the date the Contribution Loan is made, then without further notice or demand (all of which are expressly waived), the Non-Contributing Partner shall be considered a Defaulting Partner and the Contributing Partner shall have, with respect to the Non-Contributing Partner and his Interest, the rights and remedies of a secured party as against a defaulting debtor under the provisions of the Arizona Uniform Commercial Code, including but not limited to, the right and power to offer for sale and to sell the Non-Contributing Partner's Interest. A Non Contributing Partner whose Interest is foreclosed upon and sold shall remain liable to the Partnership and the Contributing Partner for any deficiency in the amount of the Contribution Loan and shall not be relieved from any personal liability for any outstanding indebtedness, liabilities, liens and/or obligations, if any, relating to the Subject Property or the Partnership which may exist on the date of such foreclosure.

9.12 Loan Repayment. Until such time as a Non-Contributing Partner becomes a Defaulting Partner, the Contributing Partner's Contribution Loan shall remain in place and shall bear interest and be repaid as provided above. Until a Contribution Loan is repaid in full, any distributions which would otherwise be payable to the Non-Contributing Partner shall be paid to the Contributing Partner and be applied as a credit against the Contribution Loan.

9.13 Loss of Right to Vote. A Defaulting Partner shall not be entitled to attend Partnership meetings nor receive information relating to the Partnership business and shall have no further voice in the management of the Partnership business and no right to vote on Partnership matters.

9.14 Additional Rights and Remedies. If a Partner becomes a Defaulting Partner by reason of no other Partner electing to make a Contribution Loan, the General Partner shall provide the Defaulting Partner with written notice that such Defaulting Partner will be expelled from the Partnership if, by the date specified in the notice, the Defaulting Partner does not fully cure the default by contributing to the Partnership the full amount of the delinquent required contribution plus all of the fees, costs, and expenses incurred by the Partnership by reason of such default. An expelled Partner shall not be entitled to withdraw any capital from the Partnership and shall have no right to participate in the affairs of the Partnership or to make any further Capital Contributions. The expulsion of a Partner shall not dissolve or terminate the Partnership. In lieu of, but not in addition to, the rights and remedies provided in this **Article IX** for the Partnership and/or Non-Defaulting Partners against a Defaulting Partner, the Partnership and/or any Non-Defaulting Partner(s) may elect to invoke and pursue any and all other remedies against any such Defaulting Partner, whether provided at law or in equity, including, but not limited to, bringing suit for damages, for specific performance, or for the appointment of a receiver or specific master, in the discretion of the Partnership and/or such Non-Defaulting Partner(s).

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE X

DISSOLUTION AND TERMINATION

10.1 Events Causing Dissolution. The Partnership shall be dissolved upon the first to occur of the following events:

(a) The expiration of the period (if any) fixed for the duration of the Partnership, as set forth in the Certificate, unless extended by the unanimous written consent of the Limited Partners.

(b) The written agreement of a Supermajority in Interest to dissolve.

(c) Any other event causing a dissolution of the Partnership under the provisions of the Act, except that (i) a vote of the Partners to dissolve shall cause a dissolution only if it satisfies clause (b) above or the next sentence, and (ii) the death, Withdrawal, Bankruptcy or dissolution of a Partner or the occurrence of any other event that terminates the continued Partnership of a Partner shall not cause the Partnership to be dissolved or its affairs to be wound up. Upon the occurrence of any such event described in clause (ii) above, the Partnership shall be continued without dissolution, unless within 90 days following the occurrence of such event, the other Partners unanimously agree in writing to dissolve the Partnership. If the Partnership is not so dissolved, the business of the Partnership shall continue (A) with the affected Partner, if living, remaining as a Partner (unless the Partner's Interest is purchased under **Section 9.7**), or (B) if such Interest is transferred to a successor holder by operation of law (unless the Partner's Interest is purchased under **Section 9.7**), with such assignee being a permitted assignee of the Distribution rights associated with such Interest, but such assignee shall become a Substitute Partner only in accordance with **Section 9.3**.

10.2 Effect of Dissolution. Except as otherwise provided in this Agreement, upon the dissolution of the Partnership, the General Partner shall take such actions as may be required pursuant to the Act and shall proceed to wind up, liquidate and terminate the business and affairs of the Partnership. In connection with such winding up, the General Partner shall have the authority to liquidate and reduce to cash (to the extent necessary or appropriate) the assets of the Partnership as promptly as is consistent with obtaining a fair and reasonable value for such assets, to apply and distribute the proceeds of such liquidation and any remaining assets in accordance with the order of priority set forth in **Section4.2**, and to do any and all acts and things authorized by, and in accordance with, the Act and other applicable laws for the purpose of winding up and liquidation.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE XI

NO PARTITION

11.1 Waiver of Partition. Each Partner hereby waives any right to partition or the right to take any other action which might otherwise be available to such Partner for the purpose of severing its relationship with the partnership or its interest in the assets and properties held by the partnership from the interest of the other Partners until the dissolution of the partnership. Each Partner specifically agrees not to institute any action therefor and each Partner agrees that this section may be pled as a bar to the maintenance of any such action. A violation of this provision shall entitle the non-violating Partners to collect, from the Partner violating this provision, reasonable attorney's fees, costs and other damages those non-violating Partners and the partnership incur in connection therewith.

ARTICLE XII

INDEMNIFICATION

12.1 Indemnification of General Partner. The General Partner shall be indemnified by the Partnership to the fullest extent permitted by Arizona Law. Except as provided in this Agreement and subject to the provisions of this Section, the General Partner shall not be liable to the Partnership or to any other Partner(s) for any liability, loss, cost, damage, attorney's fees, or other expenses which shall or may be incurred as a result of or in connection with any act or actions performed or taken by the General Partner or by virtue of any omission of the General Partner in the capacity as General Partner on behalf of the Partnership, and the Partnership shall defend, indemnify and hold the General Partner harmless for, from and against all such losses and damages. Such indemnity and release shall not extend to gross negligence, fraudulent acts or willful misconduct on the part of the General Partner. Any amounts paid by the Partnership pursuant to the provisions of this paragraph shall be deemed to be a Partnership expense and shall be paid before determining Profit participation.

12.2 Partner Indemnification. Each Limited Partner and General Partner shall indemnify the other Partners for, from and against any and all claims, demands, losses, damages, liabilities, suits and other proceedings, judgments and awards, costs and expenses (including but not limited to reasonable attorney's fees) arising directly or indirectly out of any breach of the covenants contained herein, by such Partner, its Affiliates, officers, agents or employees.

12.3 No Liability For Investment Tax Credits or Capital Gains. Anything herein to the contrary notwithstanding, no Partner or General Partner shall have any liability to the Partnership or any other Partner by reason of failure to quality for investment tax credits or long-term capital gains.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE XIII

DISPUTES

13.1 Dispute Resolution. To the extent feasible, the parties desire to resolve any controversies or claims arising out of or relating to this Agreement through discussions and negotiations between each other. All parties agree to attempt to resolve any disputes, controversies or claims arising out of or relating to this Agreement by face-to-face negotiation with the other party. If, after good faith discussions, such controversies or claims cannot be resolved solely between the parties, the parties may agree upon any type of formal or informal dispute resolution that is feasible under the circumstances, including referral of any such dispute, controversy or claim to any third party for resolution.

13.2 WAIVER OF JURY TRIAL. THE PARTNERSHIP AND THE PARTNERS HEREBY KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS EACH MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING, COUNTERCLAIM OR DEFENSE BASED ON THIS AGREEMENT, OR ARISING OUT OF, UNDER OR IN ANY WAY CONNECTED TO THIS AGREEMENT OR THE PARTNERSHIP, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO RELATING TO THE PARTNERSHIP OR THIS AGREEMENT.

ARTICLE XIV

GENERAL

14.1 Notices. All notices and other communication required or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed to have been duly given, made and received only when personally delivered against receipt or five (5) days after being (i) sent by telegram, facsimile or electronic mail to an address provided to the Partnership or (ii) deposited in the United States mails, certified or registered, postage prepaid, return receipt requested, addressed to the addressee at its address as shown from time to time in the records of the Partnership. Any Partner may alter the address to which communications are to be sent by giving notice of such change of address to the other Partners in conformity with the provisions of this Section 14.1.

14.2 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns.

14.3 Controlling Law. This Agreement shall be governed by, interpreted and construed in accordance with the laws of the State of Arizona.

14.4 Provisions Severable. If any provision of this Agreement shall be or shall become illegal or unenforceable in whole or in part, for any reason, the remaining provisions shall not be affected thereby but shall be deemed valid, binding and enforceable to the greatest extent permitted by law.

14.5 Indulgences Not Waivers. Neither the failure nor any delay on the part of any party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of any other right, remedy, power or privilege with respect to any occurrence or be construed as a waiver of such right, remedy power or privilege with respect to any subsequent occurrence.

14.6 Gender. Words used herein, regardless of the number or gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

14.7 Execution in Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any persons to be signatory hereto may execute this Agreement by signing any such counterpart.

14.8 Amendment. This Agreement may be amended only by an agreement in writing executed by Partners owning a Supermajority in Interest.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

14.9 Attorney's Fees. If any party institutes a suit or other proceeding against any other party in any way connected with this Agreement or its enforcement, the prevailing party to any such action shall be entitled to recover from the other party reasonable attorney's fees (not to exceed the actual attorney's fees incurred), witness fees and expenses and court costs in connection with said suit or proceeding at both trial and appellate levels, regardless of whether any such action or proceeding is prosecuted to judgment.

14.10 Number of Days. Unless the subject provision references "business days," in computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays, and holidays; provided however, that if the final day of any time period falls on a Saturday, Sunday or recognized United States holiday, then the final day shall be deemed to be the next date which is not a Saturday, Sunday, or holiday. If the subject provision references "business days," then in computing the number of days for purposes of this Agreement, all days shall be counted except Saturdays, Sundays, and holidays.

14.11 Captions. Captions are not intended to convey any meaning or be a part of this Agreement but are merely used for assistance in identifying paragraphs and Sections.

14.12 Agreement Drafted by Partnership Counsel. Each Partner acknowledges that (i) Polsinelli Shughart PC, counsel for the Partnership, has prepared this Agreement on behalf of and in the course of its representation of the Partnership and not as counsel for any Partner, (ii) each Partner has been advised of potential conflicts of interest that may exist, now or in the future, between such Partner and those of the Partnership and the other Partners, and (iii) the Partners have been advised by such law firm to seek independent counsel.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first above written.

SIGNATURE PAGES ATTACHED

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed effective as of the date first written above.

THE PARTNERSHIP:

Ontario Hospitality Properties, LLLP, an Arizona limited liability limited partnership

By **RRF, Limited Partnership, General Partner**

By: /s/ James F. Wirth
Name: James F. Wirth
Title: CEO of IHT

THE LIMITED PARTNER:

RRF-LP LLC I, a Delaware limited liability company

By: /s/ James F. Wirth
Name: James F. Wirth
Title: CEO of IHT, GP RRF-LP LLC 1

THE GENERAL PARTNERS:

RRF, Limited Partnership, a Delaware limited partnership

By: /s/ James F. Wirth
Name: James F. Wirth
Title: CEO of IHT

Rare Earth Financial, L.L.C., an Arizona limited partnership

By: /s/ James F. Wirth
Name: James F. Wirth
Title: Manager

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PARTNERSHIP AGREEMENT
SIGNATURE PAGE
ONTARIO HOSPITALITY PROPERTIES, LLLP

By executing this signature page, the undersigned Partner:

(a) acknowledges that, after considering the provisions of the Partnership Agreement and having the opportunity to obtain the advice of counsel, the Partner has concluded that the Partner can and will actively participate, in the management of the Partnership's business;

(b) understands that no Interest will be registered under the Securities Act of 1933, as amended, the Arizona blue sky laws, or the blue sky laws of any other state.

Partner is (check one):

_____ An Individual   ______ Joint   ______Trust   ______IRA

_____ A Corporation registered in the state of

_____ A limited Partnership registered in the state of

_____ A General Partnership registered in the state of

X Other (specify) **An Arizona limited liability partnership**

NAME OF PARTNER(S): **Rare Earth Financial, L.L.C.**

STREET
ADDRESS: **1625 E. Northern Avenue, Suite 105**

CITY/STATE/ZIP **Phoenix, Arizona 85020**

FEDERAL I.D.# OR
SOCIAL SECURITY #: 52-2077080

TELEPHONE NUMBER: **602-944-1500**   FAX NUMBER: **602-678-0281**

TITLE: General **Partner**

SIGNATURE(S): /s/James F. Wirth

TOTAL INITIAL CAPITAL: $320,000   Date: February 29, 2012

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PARTNERSHIP AGREEMENT
LIMITED PARTNER SIGNATURE PAGE
ONTARIO HOSPITALITY PROPERTIES, LLLP

By executing this signature page, the undersigned Limited Partner:

(a) acknowledges that, after considering the provisions of the Partnership Agreement and having the opportunity to obtain the advice of counsel, the Partner has concluded that being a Limited Partner is an appropriate investment;

(b) understands that no Interest will be registered under the Securities Act of 1933, as amended, the Arizona blue sky laws, or the blue sky laws of any other state.

The Limited Partner is (check one):

_____ An Individual ______ Joint ______Trust ______IRA

_____ A Corporation registered in the state of

_____ A limited Partnership registered in the state of

_____ A General Partnership registered in the state of

X Other (specify) An Arizona limited liability partnership

NAME OF LIMITED PARTNER(S): Rare Earth Financial LLC

STREET ADDRESS: 1625 E Northern Ave #105

CITY/STATE/ZIP Phoenix, AZ 85020

EMAIL ADDRESS cwirth@innsuites.com

FEDERAL I.D.# OR SOCIAL SECURITY #: 52-2077080

TELEPHONE NUMBER: 602-944-1500 FAX NUMBER: 602-678-0281

TITLE: Manager

SIGNATURE(S): /s/ James F. Wirth

TOTAL INITIAL CAPITAL: $320,000 Date: February 29, 2012

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

SCHEDULE A

LIST OF PARTNERS
(04/05/2011)

Partnership F.E.I.N. 86-0398771

LIMITED PARTNERS:

Name and Address	Designated Representative(s)	Percentage Interest	Initial Capital Contribution
RRF-LP LLC I c/o InnSuites Hotels Centre 1625 E. Northern Avenue, Suite 105 Phoenix, AZ 85020 Tax I.D.#: 86-0959788	Marc Berg (Primary) Anthony Waters (Alternate)	0.16%	

GENERAL PARTNERS:

Name and Address	Designated Representative(s)	Percentage Interest	Initial Capital Contribution
RRF, Limited Partnership c/o InnSuites Hotels Centre 1625 E. Northern Avenue, Suite 105 Phoenix, AZ 85020 Tax I.D.#: 52-2077080	Marc Berg (Primary) Anthony Waters (Alternate)	94.61%	
Rare Earth Financial, L.L.C. c/o InnSuites Hotels Centre 1625 E. Northern Ave., Suite 105 Phoenix, AZ 85020 Tax I.D.#: 32-0031425	Jim Wirth (Primary) Chris Wirth (Alternate)	5.23%	
TOTAL:		100.00%	

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

SCHEDULE B

TAX EXHIBIT

1. As used in this Schedule and in the Agreement, the following terms shall have the following meanings, unless the context otherwise specifies:

"Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments: (i) increased for any amounts such Partner is unconditionally obligated to restore and the amount of such Partner's share of Partnership Minimum Gain and Partner Minimum Gain after taking into account any changes during such year; and (ii) reduced by the items described in Treasury Regulation §§ 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

"Partnership Minimum Gain" shall have the same meaning as partnership minimum gain set forth in Treasury Regulation § 1.704-2(d). Partnership Minimum Gain shall be determined, first, by computing for each Nonrecourse Liability any gain which the Partnership would realize if the Partnership disposed of the property subject to that liability for no consideration other than full satisfaction of such liability and, then, aggregating the separately computed gains. For purposes of computing gain, the Partnership shall use the basis of such property which is used for purposes of maintaining Capital Accounts under Section 3.3 hereof. In any taxable year in which a Revaluation occurs, the net increase or decrease in Partnership Minimum Gain for such taxable year shall be determined by: (1) calculating the net decrease or increase in Partnership Minimum Gain using the current year's book value and the prior year's amount of Partnership Minimum Gain, and (2) adding back any decrease in Partnership Minimum Gain arising solely from the Revaluation.

"Credits" means all investment and other tax credits allowed by the Code with respect to activities of the Partnership or the Property.

"Income" and "Loss" mean, respectively, for each fiscal year or other period, an amount equal to the Partnership's taxable income or loss for such year or period, determined in accordance with Code Section 703(a), except that for this purpose (i) all items of income, gain, deduction or loss required to be separately stated by Code Section 703(a)(1) shall be included in taxable income or loss; (ii) tax exempt income shall be added to taxable income or loss; (iii) any expenditures described in Code Section 705(a)(2)(B) (or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulation § 1.704-1(b)(2)(iv)(i)) and not otherwise taken into account in computing taxable income or loss shall be subtracted; and (iv) taxable income or loss shall be adjusted to reflect any item of income or loss specifically allocated in Article IV.

"Partner Minimum Gain" shall have the same meaning as partner nonrecourse debt minimum gain as set forth in Treasury Regulation § l.704-2(i)(3). With respect to each Partner Nonrecourse Debt, Partner Minimum Gain shall be determined by computing for each Partner Nonrecourse Debt any gain which the Partnership would realize if the Partnership disposed of the property subject to that liability for no consideration other than full satisfaction of such liability. For purposes of computing gain, the Partnership shall use the basis of such property which is used for purposes of maintaining Capital Accounts. In any taxable year in which a Revaluation occurs, the net increase or decrease in Partner Minimum Gain for such taxable year shall be determined by: (1) calculating the net decrease or increase in Partner Minimum Gain using the current year's book value and the prior year's amount of Partner Minimum Gain, and (2) adding back any decrease in Partner Minimum gain arising solely from the Revaluation.

"Partner Nonrecourse Debt" shall have the same meaning as partner nonrecourse debt set forth in Treasury Regulation § 1.704-2(b)(4).

"Partner Nonrecourse Deductions" shall have the same meaning as partner nonrecourse deductions set forth in Treasury Regulation § 1.704-2(i)(2). Generally, the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a fiscal year equals the net increase during the year in the amount of Partner Minimum Gain (determined in accordance with Treasury Regulation § 1.704-2(i)) reduced (but not below zero) by the aggregate distributions made during the year of proceeds of a Partner Nonrecourse Debt and allocable to the increase in Partner Minimum Gain, determined according to the provisions of Treasury Regulation § 1.704-2(i).

"Nonrecourse Deduction" shall have the same meaning as nonrecourse deductions set forth in Treasury Regulation § 1.704-2(b)(1). Generally, the amount of Nonrecourse Deductions for a fiscal year equals the net increase in the amount of Partnership Minimum Gain (determined in accordance with Treasury Regulation § 1.704-2(d)) during such year reduced (but not below zero) by

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

the aggregate distributions made during the year of proceeds of a Nonrecourse Liability that are allocable to an increase in Partnership Minimum Gain, determined according to the provisions of Treasury Regulation § 1.704-2(c) and (h).

"Nonrecourse Liability" means a Partnership liability with respect to which no Partner bears the economic risk of loss as determined under Treasury Regulation § 1.752-1(a)(2).

"Revaluation" means the occurrence of an event described in clause (x), (y) or (z) of **Section 2** in which the book basis of Property is adjusted to its Fair Value.

2. Capital Accounts. Each Partner's Capital Account shall be (a) increased by (i) the amount of money contributed by such Partner, (ii) the Fair Value of property contributed by such Partner (net of liabilities secured by such contributed property that the Partnership is considered to assume or take subject to under Code Section 752), (iii) allocations to such Partner, pursuant to Article IV, of Partnership income and gain (or items thereof), and (iv) to the extent not already netted out under clause (b)(ii) below, the amount of any Partnership liabilities assumed by the Partner or which are secured by any property distributed to such Partner; and (b) decreased by (i) the amount of money distributed to such Partner, (ii) the Fair Value of property distributed to such Partner (net of liabilities secured by such distributed property that such Partner is considered to assume or take subject to under Code Section 752), (iii) allocations to such Partner, pursuant to Article IV, of Partnership loss and deduction (or items thereof), and (iv) to the extent not already netted out under clause (a)(ii) above, the amount of any liabilities of the Partner assumed by the Partnership or which are secured by any property contributed by such Partner to the Partnership.

In the event any interest in the Partnership is transferred in accordance with the terms of this Agreement, the assignee shall succeed to the Capital Account of the assignor to the extent it relates to the transferred interest, except as otherwise provided in the written transfer agreement between the assignor and assignee.

In the event of (w) an additional capital contribution by an existing or an additional Partner of more than a *de minimis* amount or a distribution of property which results in a shift in Percentage Interests, (x) the distribution by the Partnership to a Partner of more than a *de minimis* amount of property (other than cash), (y) a distribution of Property in exchange for an Interest, or (z) the liquidation of the Partnership within the meaning of Treasury Regulation § 1.704-1(b)(2)(ii)(g), the book basis of the Partnership Property shall be adjusted to Fair Value and the Capital Accounts of all the Partners shall be adjusted simultaneously to reflect the aggregate net adjustment to book basis as if the Partnership recognized gain and loss equal to the amount of such aggregate net adjustment.

In the event that Property is subject to Code Section 704(c) or is revalued on the books of the Partnership in accordance with the preceding paragraph pursuant to Section 1.704-1(b)(2)(iv)(f) of the Treasury Regulations, the Limited Partners' Capital Accounts shall be adjusted in accordance with Section 1.704-1(b)(2)(iv)(g) of the Treasury Regulations for allocations to the Partners of depreciation, amortization and gain or loss, as computed for book purposes (and not tax purposes) with respect to such Property.

The foregoing provisions of this Section 2 and the other provisions of this Agreement relating to the maintenance of capital accounts are intended to comply with Treasury Regulation § 1.704-1(b) and Treasury Regulation § 1.704-2, and shall be interpreted and applied in a manner consistent with such Treasury Regulations. To the extent necessary to comply with Treasury Regulation § 1.704-1(b)(2)(ii)(d), a Partner's Capital Account shall be reduced for the adjustments and allocations set forth in Treasury Regulation § 1.704-1(b)(2)(ii)(d)(4), (5) and (6). In the event a Majority in Interest determines that it is prudent or advisable to modify the manner in which the Capital Accounts, or any increases or decreases thereto, are computed in order to comply with such Treasury Regulations, such Majority in Interest may cause such modification to be made without the consent of all the Partners, *provided* that it is not likely to have a material effect on the amounts distributable to any Partner upon the dissolution of the Partnership. In addition, a Majority in Interest may amend this Agreement in order to comply with such Treasury Regulations as provided in Section 3(j) below.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

3. Special Rules Regarding Allocation of Tax Items. Notwithstanding the provisions of Article IV, the following special rules shall apply in allocating the net income or net loss of the Partnership:

(a) Section 704(c) and Revaluation Allocations. In accordance with Code Section 704(c) and the Treasury Regulations thereunder, and notwithstanding any subsequent repeal or modification thereof, income, gain, loss and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its Fair Value at the time of contribution. In the event of the occurrence of a Revaluation, subsequent allocations of income, gain, loss and deduction with respect to such property shall take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its Fair Value immediately after the adjustment in the same manner as under Code Section 704(c) and the Treasury Regulations thereunder. Allocations pursuant to this Section 3(a) are solely for income tax purposes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account, distributions or share of income or loss, pursuant to any provision of this Agreement.

(b) Minimum Gain Chargeback. Notwithstanding any other provision of Article IV, if there is a net decrease in Partnership Minimum Gain during a Partnership taxable year, each Partner shall be allocated items of income and gain for such year (and, if necessary, for subsequent years) in an amount equal to that Partner's share of the net decrease in Partnership Minimum Gain during such year (hereinafter referred to as the "**Minimum Gain Chargeback Requirement**"). A Partner's share of the net decrease in Partnership Minimum Gain is the amount of the total decrease multiplied by the Partner's percentage share of the Partnership Minimum Gain at the end of the immediately preceding taxable year. A Partner is not subject to the Minimum Gain Chargeback Requirement to the extent: (1) the Partner's share of the net decrease in Partnership Minimum Gain is caused by a guarantee, refinancing or other change in the debt instrument causing it to become partially or wholly recourse debt or a Partner Nonrecourse Liability, and the Partner bears the economic risk of loss for the newly guaranteed, refinanced or otherwise changed liability; (2) the Partner contributes capital to the Partnership that is used to repay the Nonrecourse Liability and the Partner's share of the net decrease in Partnership Minimum Gain results from the repayment; or (3) the Minimum Gain Chargeback Requirement would cause a distortion and the Commissioner of the Internal Revenue Service waives such requirement.

A Partner's share of Partnership Minimum Gain shall be computed in accordance with Treasury Regulation § 1.704-2(g) and as of the end of any Partnership taxable year shall equal: (1) the sum of the nonrecourse deductions allocated to that Partner up to that time and the distributions made to that Partner up to that time of proceeds of a Nonrecourse Liability allocable to an increase of Partnership Minimum Gain, minus (2) the sum of that Partner's aggregate share of net decrease in Partnership Minimum Gain plus his aggregate share of decreases resulting from revaluations of Partnership Property subject to Nonrecourse Liabilities. In addition, a Partner's share of Partnership Minimum Gain shall be adjusted for the conversion of recourse and Partner Nonrecourse Liabilities into Nonrecourse Liabilities in accordance with Treasury Regulation § 1.704-2(g)(3). In computing the above, amounts allocated or distributed to the Partner's predecessor in interest shall be taken into account.

(c) Partner Minimum Gain Chargeback. Notwithstanding any other provision of Article IV, if there is a net decrease in Partner Minimum Gain during a Partnership taxable year, any Partner with a share of that Partner Minimum Gain (determined under Treasury Regulation § 1.704-2(i)(5)) as of the beginning of the year shall be allocated items of income and gain for such year (and, if necessary, for subsequent years) equal to that Partner's share of the net decrease in Partner Minimum Gain. In accordance with Treasury Regulation § 1.704-2(i)(4), a Partner is not subject to the Partner Minimum Gain Chargeback requirement to the extent the net decrease in Partner Minimum Gain arises because the liability ceases to be Partner Nonrecourse Debt due to a conversion, refinancing or other change in the debt instrument that causes it to be partially or wholly a nonrecourse debt. The amount that would otherwise be subject to the Partner Minimum Gain Chargeback requirement is added to the Partner's share of Partnership Minimum Gain.

(d) Qualified Income Offset. In the event any Partner unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulation § 1.704.1(b)(2)(ii)(d)(4), (5) or (6), which causes or increases such Partner's Adjusted Capital Account Deficit, items of Partnership income and gain (consisting of a pro rata portion of each item of Partnership income, including gross income, and gain for such year) shall be specially allocated to such Partner in an amount and manner sufficient to eliminate such Adjusted Capital Account Deficit as quickly as possible, *provided* that an allocation under this Section 3(d) shall be made if and only to the extent such Partner would have an Adjusted Capital Account Deficit after all other allocations under Article IV have been made.

(e) Nonrecourse Deductions. Nonrecourse Deductions for any taxable year or other period shall be allocated to the Limited Partners in proportion to their Percentage Interests.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(f) Partner Nonrecourse Deductions. Any Partner Nonrecourse Deduction shall be allocated to the Partner who bears the risk of loss with respect to the loan to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation § 1.704-2(i).

(g) Curative Allocations. Any special allocations of items of income, gain, deduction or loss pursuant to Sections 3(b), (c), (d), (e) and (f) shall be taken into account in computing subsequent allocations of income and gain pursuant to Article IV, so that the net amount of any items so allocated and all other items allocated to each Partner pursuant to Article IV shall, to the extent possible, be equal to the net amount that would have been allocated to each such Partner pursuant to the provisions of Article IV if such adjustments, allocations or distributions had not occurred.

(h) Loss Allocation Limitation. Notwithstanding the other provisions of Article IV, unless otherwise agreed to by all of the Partners, no Partner shall be allocated Loss in any taxable year which would cause or increase an Adjusted Capital Account Deficit as of the end of such taxable year.

(i) Share of Nonrecourse Liabilities. Solely for purposes of determining a Partner's proportionate share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Treasury Regulation § 1.752-3(a)(3), each Partner's interest in Partnership profits is equal to its respective Percentage Interest.

(j) Compliance with Treasury Regulations. The foregoing provisions of this Section 3 are intended to comply with Treasury Regulation §§ 1.704-1, 1.704-2 and 1.752-1 through 1.752-5, and shall be interpreted and applied in a manner consistent with such Treasury Regulations. In the event it is determined by a Majority in Interest that it is prudent or advisable to so amend this Agreement in order to comply with such Treasury Regulations, such Majority in Interest is empowered to amend or modify this Agreement without the consent of all the Partners, notwithstanding any other provision of this Agreement.

(k) General Allocation Provisions. Except as otherwise provided in this Agreement, all items that are components of Income or Loss shall be divided among the Limited Partners in the same proportions as they share such net income or net loss, as the case may be, for the year. For purposes of determining the Income, Loss or any other items for any period, Income, Loss or any such other items shall be determined on a daily, monthly or other basis, as determined by the Partners using any permissible method under Code Section 706 and the Treasury Regulations thereunder.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 31.1

CERTIFICATION

I, James F. Wirth, certify that:

1. I have reviewed this annual report on Form 10-K of InnSuites Hospitality Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2012

By: /s/ James F. Wirth
Name: James F. Wirth
Title: Chief Executive Officer

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 31.2

CERTIFICATION

I, Anthony B. Waters, certify that:

1. I have reviewed this annual report on Form 10-K of InnSuites Hospitality Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2012

By: /s/ Anthony B. Waters
Name: Anthony B. Waters
Title: Chief Financial Officer

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James F. Wirth, Chief Executive Officer of InnSuites Hospitality Trust (the "Company"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Annual Report on Form 10-K of the Company for the year ended January 31, 2012 (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2012

By: /s/ James F. Wirth
Name: James F. Wirth
Title: Chief Executive Officer

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony B. Waters, Chief Financial Officer of InnSuites Hospitality Trust (the "Company"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Annual Report on Form 10-K of the Company for the year ended January 31, 2012 (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2012

By: /s/ Anthony B. Waters
Name: Anthony B. Waters
Title: Chief Financial Officer

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 18 - Supplemental Cash Flows Disclosures	12 Months Ended Jan. 31, 2012
Cash Flow, Supplemental Disclosures [Text Block]	18. SUPPLEMENTAL CASH FLOW DISCLOSURES

	2012	2011
Cash paid for interest	$1,527,507	$1,541,317
Promissory notes issued by the Trust to acquire Class A limited partnership units	129,656	—
Promissory notes issued by the Trust to acquire Shares of Beneficial Interest	125,017	—

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 2 - Summary of Significant Accounting Policies	12 Months Ended
	Jan. 31, 2012

Significant Accounting Policies [Text Block]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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

Property, plant, and equipment and hotel properties are stated at cost and are depreciated using the straight-line method over estimated lives ranging from 5 to 40 years for buildings and improvements and 3 to 10 years for furniture and equipment.

Management applies guidance issued by the Financial Accounting Standards Board ("FASB"), codified in ASC Topic 360-10-35, to determine when it is required to test an asset for recoverability of its carrying value. If the carrying amount of an asset exceeds the estimated undiscounted future cash flows over its estimated remaining life, the Trust recognizes an impairment expense to reduce the asset's carrying value to its fair value. 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. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. The Trust determines the estimated useful lives of its assets based on the expected future economic benefit of the asset and its ability to hold such assets. In the decision-making process to determine fair value of long-lived assets and to test an asset for impairment, third party property appraisals are used as one of the indicators (benchmarks) to determine the necessity for testing for impairment. Other indicators include a drop in the performance of a long-lived asset, a decline in the hospitality industry and a decline in the economy. Third party property appraisals are useful because they consider historical occupancy and average rate levels in determining fair value. Evaluation of future cash flows is

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 ended 2012 and 2011.

CASH AND CASH EQUIVALENTS

The Trust considers all highly liquid short-term investments with original maturities of three months or less to be cash equivalents. The carrying amount approximates fair value.

RESTRICTED CASH

Restricted cash consists of amounts held in reserve by lenders to fund capital improvements to the properties. The carrying amount approximates fair value.

REVENUE RECOGNITION

Room, food and beverage, telecommunications, management and licensing fees, and other revenue are recognized as earned as services are provided and items are sold. Payroll reimbursements are recorded as the Trust provides its personnel to the hotels under management and are not netted with the corresponding payroll expense. Sales taxes collected are excluded from gross revenue.

RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are carried at original amounts less an estimate made for doubtful accounts based on a review of outstanding amounts on a quarterly basis. Management records an allowance for doubtful accounts for 50% of the balances over 90 days and 100% of the balances over 120 days. Accounts receivables 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.

The amounts charged to the allowance for doubtful accounts are as follows for the fiscal years ended January 31:

Year	**Balance at the Beginning of Year**	**Charged to Expense**	**Deductions**	**Balance at the End of Year**
2011	$ 39,068	$ 10,118	$ (8,189)	$ 40,997
2012	$ 40,997	$ 790	$ (3,628)	$ 38,159

STOCK-BASED COMPENSATION

We have an employee equity incentive plan, which is described more fully in Note 20 - "Stock Option Plan." Restricted shares are measured based on the fair market 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.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

For both fiscal year 2012 and 2011, the Trust has paid the annual fees due to its Trustees using Shares of Beneficial Interest issued from treasury stock. Upon issuance, the Trust reclassifies the shares from held in treasury to outstanding. The Trust recognizes expense related to the issuance based on the fair value of the shares upon the date of issuance and amortizes the expense equally over the period during which the shares vest to the Trustees.

During fiscal year 2010, the Trust granted restricted stock awards of 36,000 Shares to members of the Board of Trustees, of which 36,000 vested in fiscal year 2011 in equal monthly amounts resulting in stock-based compensation of $48,600.

During fiscal year 2012, the Trust granted restricted stock awards of 36,000 Shares to members of the Board of Trustees, of which 36,000 vested in fiscal year 2012 in equal monthly amounts resulting in stock-based compensation of $51,840.

The following table summarizes restricted share activity during fiscal years 2011 and 2012.

	Restricted Shares	
	Shares	Weighted-Average Grant Date Fair Value
Balance of unvested awards at January 31, 2010	36,000	$ 1.35
Granted	—	$ —
Vested	(36,000)	$ 1.35
Forfeited	—	—
Balance of unvested awards at January 31, 2011	—	$ —
Granted	36,000	$ 1.44
Vested	(36,000)	$ 1.44
Forfeited	—	—
Balance of unvested awards at January 31, 2012	—	—

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 as an adjustment to additional paid in capital.

INCOME TAXES

The Trust is subject to federal and state corporate income tax and accounts for deferred taxes utilizing a 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.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

DIVIDENDS AND DISTRIBUTIONS

In fiscal years 2012 and 2011, the Trust paid dividends of $0.01 per share in the fourth quarter of each year. 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 minority interest based on its weighted average ownership percentage in the Partnership throughout the period, and capital is allocated based on its ownership percentage at year-end. Any difference is recorded 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 have been computed based on the weighted-average number of Shares of Beneficial Interest and potentially dilutive securities outstanding during the periods.

For the twelve months ended January 31, 2012 and 2011, there were Class A and Class B limited 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 3,735,457 and 3,777,329 in addition to the basic shares outstanding for fiscal year 2012 and 2011, respectively. These Shares of Beneficial Interest issuable upon conversion of the Class A and Class B limited partnership units were anti-dilutive during both fiscal year 2012 and 2011 and are excluded from the calculation of diluted earnings per share for those years and no reconciliation is provided of basic earnings per share to diluted earnings per share.

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 southern Arizona market.

ADVERTISING COSTS

Amounts incurred for advertising costs with third parties are expensed as incurred. Advertising expense totaled approximately $749,000 and $788,000 for the years ended January 31, 2012 and 2011, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

For disclosure purposes, fair value is determined by using available market information and appropriate valuation methodologies. Due to their short maturities, cash and cash equivalents, restricted cash, accounts receivable, accounts payable and notes payable to banks are carried at cost, which reasonably 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. The carrying value of accounts payable and accrued expenses and other notes payable approximates fair value, due to their short-term nature. See Note 17 – "Fair Value of Financial Instruments."

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Schedule IV - Mortgage Loans On Real Estate

Mortgage Loans on Real Estate, by Loan Disclosure [Text Block]

12 Months Ended Jan. 31, 2012

MORTGAGE LOANS ON REAL ESTATE

Description	Interest Rate	Maturity Date	Periodic Payment Term	Face Amount of Mortgages	1/31/12 Carrying Amount
Mortgage Note Secured by Albuquerque, NM property	7.75%	11/1/2021	144 monthly installments	$ 1,500,000	$ 1,321,015
Mortgage Note Secured by Ontario, CA property	8.28%	5/11/2011	36 monthly installments, with balloon payment of $5,630,315 due at maturity	9,000,000	*7,405,289
Mortgage Note Secured by Yuma, AZ property	7.0%	12/30/2013	60 monthly interest only installments, with balloon payment of $4,000,000 at maturity	4,000,000	4,000,000
Mortgage Note Secured by Yuma, AZ property	8.0%	12/30/2013	43 monthly interest only installments, with balloon payment of $1,000,000 at maturity	1,000,000	1,000,000
Mortgage Note Secured by Tucson St. Mary's, AZ property	Prime rate	1/28/2015	83 monthly installments, with balloon payment of $,4,874,612 due at maturity	6,050,000	5,409,156
Mortgage Note Secured by Tucson Oracle, AZ property	8.000%	5/1/2016	180 monthly installments	5,100,000	2,135,796
				$ 26,650,000	$ 21,271,256

* See Note 5 - "Restructuring Agreement for Ontario Hospitality Properties Subsidiary."

Mortgage Note Reconciliation

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Balance at January 31, 2010	$ 21,906,954
Deductions during period:	
Net refinancings	1,000,000
Principal payments	(826,238)
Balance at January 31, 2011	22,080,716
Deductions during period:	
Principal payments	(809,460)
Balance at January 31, 2012	$ 21,271,256

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Schedule III - Real Estate and Accumulated Depreciation

Real Estate and Accumulated Depreciation Disclosure [Text Block]

12 Months Ended

Jan. 31, 2012

REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF JANUARY 31, 2012

Properties	Encumbrances	Initial Cost to Tenant		Cost Capitalized Subsequent to Acquisition		Gross Amounts at Which Carried at Close of Period	
		Land	Building and Improvements	Land	Building and Improvements	Land	Building and Improvements
InnSuites Hotel and Suites							
Tucson, Catalina Foothills Best Western							
Tucson, Arizona	$ 2,135,796	$ —	$ 4,220,820	$ —	$ 2,415,388	$ —	$ 6,650,091
InnSuites Hotels and Suites							
Yuma							
Yuma, Arizona	5,000,000	251,649	4,983,292	53,366	2,500,739	305,015	7,644,723
Best Western							
Airport Ontario Hotel and Suites							
Ontario, California	*7,405,289	1,633,064	5,450,872	—	1,667,433	1,633,064	7,105,372
InnSuites Hotels and Suites							
Tucson St. Mary's							
Tucson, Arizona	5,409,156	900,000	9,166,549	(20,564)	1,621,327	879,436	10,876,620
InnSuites Hotels and Suites							
Albuquerque Airport Best Western							
Albuquerque, New Mexico	1,321,015	—	1,903,970	—	368,473	—	2,290,460
InnSuites Hospitality Trust							
Phoenix, Arizona	—	7,005	75,662	—	—	7,005	75,662
	$ 21,271,256	$2,791,718	$ 25,801,165	$ 32,802	$ 8,573,360	$2,824,520	$ 34,642,928

* On February 14, 2012 the mortgage note payable on the Ontario property was written down by the lender by $500,000. See Note 10.

	Gross Land and Building	Accumulated Depreciation	Net Book Value Land and Buildings and Improvements	Date of Construction	Date of Acquisition	Depreciation in Income Statement is Computed
InnSuites Hotel and Suites						
Tucson, Catalina Foothills Best Western						

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Tucson, Arizona	$ 6,650,091	$ 2,627,034	$ 4,023,057	1981	1998	5-40 years
InnSuites Hotels and Suites Yuma						
Yuma, Arizona	7,949,738	2,784,683	5,165,055	1982	1998	5-40 years
Best Western Airport Ontario Hotel and Suites						
Ontario, California	8,738,436	3,008,757	5,729,679	1990	1998	5-40 years
InnSuites Hotels and Suites Tucson St. Mary's						
Tucson, Arizona	11,756,056	4,339,188	7,416,868	1960	1998	5-40 years
InnSuites Hotels and Suites Albuquerque Airport Best Western						
Albuquerque, New Mexico	2,290,460	1,062,437	1,228,023	1975	2000	5-40 years
InnSuites Hospitality Trust						
Phoenix, Arizona	82,667	17,769	64,,898	2004	2004	33 years
	$37,467,448	$ 13,839,868	$ 23,627,580			

(A) Aggregate cost for federal income tax purposes at January 31, are as follows:

	2012	2011
Land	$ 1,856,788	$ 1,856,788
Buildings and improvements	19,414,468	20,223,866
	$ 21,271,256	$ 22,080,654

Reconciliation of Real Estate:

Balance at January 31, 2000	$ 37,160,881
Improvement to Hotel Properties	346,358
Disposal of Property Improvements	(308,194)
Balance at January 31, 2011	$ 37,199,045
Improvement to Hotel Properties	301,629
Disposal of Property Improvements	(33,226)
Balance at January 31, 2012	$ 37,467,448

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 1 - Nature of Operations and Basis of Presentation	12 Months Ended
	Jan. 31, 2012

Business Description and Basis of Presentation [Text Block]

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

InnSuites Hospitality Trust (the "Trust" or "we") owns interest, as of January 31, 2012, 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."

The Trust is the sole general partner of RRF Limited Partnership, a Delaware limited partnership (the "Partnership"), and owned 71.98% and 71.41% of the Partnership as of January 31, 2012 and 2011. The Trust's weighted average ownership for the years ended January 31, 2012 and 2011 was 71.73% and 71.41%, respectively. As of January 31, 2012, the Partnership owned 100% of two InnSuites® hotels located in Tucson, Arizona and Ontario, California and together with the Trust owned a 57.96% interest in another InnSuites® hotel located in Tucson, Arizona and incurred the related expenses. 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 42.25% interest in one InnSuites® hotel located in Albuquerque, New Mexico.

Under the management agreements, InnSuites Hotels provides the personnel for the Hotels, the expenses of which are reimbursed at cost, and manages the Hotels' daily operations. The Trust also provides the use of the "InnSuites" trademark to the Hotels through the Trust's wholly-owned subsidiary, InnSuites Hotels. All such expenses and reimbursements between InnSuites Hotels and the Partnership have been eliminated in consolidation.

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 limited partnership units are identical in all respects, except that each Class A limited 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 limited 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, 2012, 293,665 Class A limited partnership units were issued and outstanding representing 2.22% of the total partnership units and on January 31, 2011, 369,391 Class A limited partnership units were issued and outstanding representing 2.80% of the total partnership units. Additionally, as of both January 31, 2012 and 2011, 3,407,938 Class B limited partnership units were outstanding to Mr. Wirth and his affiliates, in lieu of the issuance of Class A limited partnership units representing 25.8% of the total partnership units. If all of the Class A and B limited partnership units were converted on January 31, 2012, the limited partners in the Partnership would receive 3,701,603 Shares of Beneficial Interest of the Trust. As of January 31, 2012 and 2011, the Trust owns 9,509,914 and 9,434,188 general partner units in the Partnership, representing 71.98 and 71.41%, respectively, of the total partnership units. The Trust purchased 75,726 Partnership units during the year ended January 31, 2012 at an average

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

price of $1.73 per unit. The Trust purchased no Partnership units during the year ended January 31, 2011.

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 Albuquerque, New Mexico hotel property and our direct ownership of the Yuma, Arizona property. The Partnership's principal source of revenue is hotel operations for the two hotel properties it owns and quarterly distributions from the Tucson, Arizona property. 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 with occupancy significantly increasing and ADR remaining stable during fiscal year 2012, 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 negatively impact hotel room demand and pricing, which reduces our profit margins on rented suites.

In past years, we have relied on our cash flows from operations and hotel refinancing to meet our financial obligations as they come due. For the fiscal year 2013 (February 1, 2012 through January 31, 2013), our management has projected that cash flows from operations alone may not be sufficient to meet all of our financial obligations as they become due during fiscal year 2013. Based on this projection, we began syndicating up to 49% of our ownership in the Ontario, California hotel property by entering into a restructuring agreement on February 29, 2012. The first funds related to this syndication were received on March 5, 2012 and as of April 6, 2012, The Partnership has received $900,000 in connection with the Ontario hotel syndication. The syndication will be conducted in the same manner as syndications of our Albuquerque and Tucson properties in fiscal year 2011 and 2012, respectively. Additionally, the Trust's management is actively working to extend our $500,000 bank line of credit which matures in May 2012.

With the expected proceeds from the sale of ownership interests in the Ontario hotel property and the availability of the $500,000 bank line of credit, management believes that it will have enough cash on hand to meet all of our financial obligations as they become due. Subsequent to the balance sheet date, on February 14, 2012, management reached an agreement with the lender on the Ontario property to modify the original loan reducing the principal and interest payments by approximately $40,000 per month and extending the mortgage note payable for three years until January 2015. The Trust's management is also actively discussing a potential refinance with other lenders. In addition, our management is analyzing other strategic options available to us, including the refinancing of another property or raising additional funds through additional minority interest sales.

We anticipate a moderate improvement in the weak overall economic situation that negatively affected results in fiscal year 2011 and 2012, which could result in higher revenues and operating margins. Challenges in fiscal year 2013 are expected to include continued

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

competition for all types of business in the markets in which we operate and our ability to maintain room rates while maintaining market share.

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.

Under ASC Topic 810-10-25, Albuquerque Suite Hospitality, LLC has been determined to be a variable interest entity with the Partnership and Trust as the primary beneficiary (see Note 6 – “Variable Interest Entity”). Therefore, the financial statements of Albuquerque Suite Hospitality, LLC are consolidated with the Partnership and the Trust, and all significant intercompany transactions and balances have been eliminated.

RECLASSIFICATIONS

Certain reclassifications have been made to previously reported figures on the balance sheet in order to conform to current year presentations with no effect on previously reported net loss or equity.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Consolidated Balance Sheets (USD $)	Jan. 31, 2012	Jan. 31, 2011
Current Assets:		
Cash and Cash Equivalents ($133,637 and $10,107 of variable interest entity (VIE), Note 6)	$ 983,424	$ 494,844
Restricted Cash ($31,300 and $26,763 of VIE)	136,808	137,174
Accounts Receivable, including $102,358 and $290,232 from related parties, net of Allowance for Doubtful Accounts of $38,159 and $40,997, as of January 31, 2012 and 2011, respectively ($12,653 and $19,179 of VIE)	619,916	661,024
Prepaid Expenses and Other Current Assets ($23,366 and $45,173 of VIE)	242,366	443,043
Total Current Assets	1,982,514	1,736,085
Hotel Properties, net ($1,415,155 and $1,458,838 of VIE)	25,141,748	25,917,263
Property, Plant and Equipment, net	149,377	139,887
Deferred Finance Costs and Other Assets ($15,858 and $17,485 of VIE)	108,619	141,863
TOTAL ASSETS	27,382,258	27,935,098
Current Liabilities :		
Accounts Payable and Accrued Expenses ($112,643 and $193,218 of VIE)	2,414,763	2,093,228
Current Portion of Mortgage Notes Payable	2,291,247	8,214,759
Current Portion of Other Notes Payable	212,692	172,939
Total Current Liabilities	4,918,702	10,480,926
Mortgage Notes Payable	18,980,009	13,865,957
Other Notes Payable	337,960	307,614
TOTAL LIABILITIES	24,236,671	24,654,497
COMMITMENTS AND CONTINGENCIES (SEE NOTE 19)		
SHAREHOLDERS' EQUITY		
Shares of Beneficial Interest, without par value; unlimited authorization; 8,442,328 and 8,546,783 shares issued and outstanding at January 31, 2012 and 2011, respectively	14,646,261	15,412,926
Treasury Stock, 8,344,408 and 8,239,963 shares held at January 31, 2012 and 2011, respectively	(11,682,575)	(11,456,375)
TOTAL TRUST SHAREHOLDERS' EQUITY	2,963,686	3,956,551
NON-CONTROLLING INTEREST	181,901	(675,950)
TOTAL EQUITY	3,145,587	3,280,601
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 27,382,258	$ 27,935,098

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Consolidated Statements of Shareholders' Equity (USD $)	Controlling Interest [Member]	Noncontrolling Interest [Member]	Total
BALANCE at Jan. 31, 2010	$ 4,534,540	$ (569,649)	$ 3,964,891
Net Loss	(2,007,691)	(689,065)	(2,696,756)
Dividends	(85,472)		(85,472)
Purchase of Treasury Stock	(87,745)		(87,745)
Shares of Beneficial Interest issued for Services Rendered	48,600		48,600
Sale of Ownership Interests in Subsidiary	1,540,314	616,686	2,157,000
Distribution to Minority Interest Holders	(14,223)	(5,695)	(19,918)
Reallocation of Non-Controlling Interests	28,228	(28,227)	1
BALANCE at Jan. 31, 2011	3,956,551	(675,950)	3,280,601
Net Loss	(1,078,741)	(369,603)	(1,448,344)
Dividends	(84,430)		(84,430)
Purchase of Treasury Stock	(276,253)		(276,253)
Repurchase of Partnership Units	(130,700)		(130,700)
Shares of Beneficial Interest issued for Services Rendered	51,840		51,840
Sale of Ownership Interests in Subsidiary	1,317,579	1,096,976	2,414,555
Repurchase of Ownership Interests in Subsidiary	(761,888)	361,888	(400,000)
Distribution to Minority Interest Holders	11,863	(273,545)	(261,682)
Reallocation of Non-Controlling Interests	(42,135)	42,135	
BALANCE at Jan. 31, 2012	$ 2,963,686	$ 181,901	$ 3,145,587

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 15 - Federal Income Taxes	12 Months Ended Jan. 31, 2012
Income Tax Disclosure [Text Block]	15. FEDERAL INCOME TAXES

The Trust and subsidiaries have income tax net operating loss carryforwards of approximately $13.2 million at January 31, 2012. In 2005, the Trust had an ownership change within the meaning of Internal Revenue Code Section 382. However, the Trust determined that such ownership change would not have a material impact on the future use of the net operating losses. The Trust and subsidiaries have federal and state net operating loss carryforwards of approximately $13,174,000 and $4,893,000, respectively, having expiration dates ranging from fiscal 2013 to 2032.

Total and net deferred income tax assets at January 31,	2012	2011
Net operating loss carryforwards	$ 4,844,000	$ 4,855,000
Bad debt allowance	(11,000)	5,000
Accrued expenses	1,018,000	90,000
Prepaid insurance	13,000	42,000
Alternative minimum tax credit	61,000	61,000
Total deferred income tax assets	5,925,000	5,053,000
Deferred income tax liability associated with book/tax differences in hotel properties	(2,731,000)	(2,996,000)
Net deferred income tax asset	3,194,000	2,057,000
Valuation allowance	(3,194,000)	(2,057,000)
Net deferred income tax asset	$ -	$ -

Income taxes for the year ended January 31,	2012	2011
Current income tax provision (benefit)	$ -	$ 27,000
Deferred income tax benefit (provision)	-	-
Net income tax provision (benefit)	$ -	$ 27,000

The differences between the statutory and effective tax rates are as follows for the year ended January 31, 2012:

Federal statutory rates	$ (428,000)	(34%)
State income taxes	(89,000)	(7%)
Change in valuation allowance	1,137,000	90%
True-ups to prior year return	(620,000)	(49%)
Other	-	0%
Effective rate	$ -	0%

The differences between the statutory and effective tax rates are as follows for the year ended January 31, 2011:

Federal statutory rates	$ (673,000)	(34%)
State income taxes	(140,000)	(7%)
Change in valuation allowance	468,000	24%
True-ups to prior year return	270,000	14%
Other	102,000	5%
Effective rate	$ 27,000	1%

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The valuation allowance increased by approximately $1,137,000 and $468,000 in the years ended January 31, 2012 and 2011, respectively.

The Trust and certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction and several states. Neither the Trust nor any of its subsidiaries are currently under audit examination by federal or state taxing authorities for any previous tax years.

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, 2012 and 2011.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 17 - Fair Value of Financial Instruments	12 Months Ended Jan. 31, 2012
Fair Value Disclosures [Text Block]	17. FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB has issued guidance that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Trust has no financial assets or liabilities measured at fair value in the accompanying balance sheets at January 31, 2012 and 2011. For footnote disclosure purposes, the fair value of 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 not recognized in the accompanying consolidated balance sheets at January 31,

	2012		2011	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Mortgage notes payable	$ 21,271,256	$20,593,950	$ 22,080,716	$21,280,238
Notes payable to banks	—	—	—	—
Other notes payable	550,652	542,824	480,553	483,356

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Consolidated Statements of Cash Flows (USD $)	12 Months Ended	
	Jan. 31, 2012	Jan. 31, 2011
CASH FLOW FROM OPERATING ACTIVITIES		
Consolidated Net Loss	$ (1,448,344)	$ (2,696,756)
Adjustments to Reconcile Consolidated Net Loss to Net Cash Provided by Operating Activities:		
Stock-Based Compensation	51,840	48,600
Provision for Uncollectible Receivables	(2,837)	1,929
Hotel Property Depreciation	1,734,734	1,853,164
Loss on Disposal Sale of Hotel Property	1,253	2,643
Amortization of Deferred Loan Fees	33,244	43,875
Changes in Assets and Liabilities:		
Prepaid Expenses and Other Assets	200,677	47,495
Accounts Receivable	43,945	(206,516)
Accounts Payable and Accrued Expenses	321,535	226,855
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	936,047	(678,711)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from Casualty Loss		116,309
Improvements and Additions to Hotel Properties	(969,963)	(1,146,520)
Change in Restricted Cash	366	(55,753)
NET CASH USED IN INVESTING ACTIVITIES	(969,597)	(1,085,964)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Deferred Loan Fees		(28,948)
Principal Payments on Mortgage Notes Payable	(809,460)	(826,238)
Net Proceeds from Refinancings of Mortgage Notes Payable		1,000,000
Payments on Notes Payable to Banks	(641,711)	(544,856)
Borrowings on Notes Payable to Banks	641,711	434,719
Proceeds from Sale of Non-Controlling Ownership Interests in Subsidiary	2,414,555	2,157,000
Repurchase of Subsidiary Equity	(400,000)	
Distributions to Minority Interest Holders	(261,682)	
Repurchase of Partnership Units	(1,044)	
Repurchase of Treasury Stock	(151,235)	(87,745)
Payment of Dividends	(84,430)	(85,472)
Borrowings on Other Notes Payable	8,250	
Payments on Other Notes Payable	(192,824)	(165,326)
NET CASH PROVIDED BY FINANCING ACTIVITIES	522,130	1,853,134
NET INCREASE IN CASH AND CASH EQUIVALENTS	488,580	88,459
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	494,844	406,385
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 983,424	$ 494,844

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Consolidated Balance Sheets (Parentheticals) (USD $)	Jan. 31, 2012	Jan. 31, 2011
Cash and Cash Equivalents, Variable Interest Entity (VIE)	$ 133,637	$ 10,107
Restricted Cash, Variable Interest Entity (VIE)	31,300	26,763
Accounts Receivable from related parties	102,358	290,232
Allowance for Doubtful Accounts	38,159	40,997
Accounts Receivable, Variable Interest Entity (VIE)	12,653	19,179
Prepaid Expenses and Other Current Assets, Variable Interest Entity (VIE)	23,366	45,173
Hotel Properties, Variable Interest Entity (VIE)	1,415,155	1,458,838
Deferred Finance Costs and Other Assets, Variable Interest Entity (VIE)	15,858	17,485
Accounts Payable and Accrued Expenses, Variable Interest Entity (VIE)	$ 112,643	$ 193,218
Shares of Beneficial Interest, without par value (in Dollars per share)	$ 0	$ 0
Shares of Beneficial Interest; unlimited shares authorized (in Shares)		
Shares of Beneficial Interest, Shares issued (in Shares)	8,442,328	8,546,783
Shares of Beneficial Interest, Shares outstanding (in Shares)	8,442,328	8,546,783
Treasury Stock, Shares held (in Shares)	8,344,408	8,239,963

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 10 - Mortgage Notes Payable	12 Months Ended Jan. 31, 2012
Mortgage Notes Payable Disclosure [Text Block]	10. MORTGAGE NOTES PAYABLE

At January 31, 2012, 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 December 2013 to November 1, 2021. Weighted average interest rates on the mortgage notes payable for the fiscal years ended January 31, 2012 and 2011 were 6.70% and 6.65%, respectively.

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

	2012	2011
Mortgage note payable, due in interest only monthly payments of $23,333 at an interest rate of 7.0% per year, through December 30, 2013, plus a balloon payment of $4,023,333 in December 2013, secured by the Yuma property with a carrying value of $5.6 million at January 31, 2012.	$ 4,000,000	$ 4,000,000
Mortgage note payable, due in interest only monthly payments of $6,667 at an interest rate of 8.0% per year, through December 30, 2013, plus a balloon payment of $1,006,667 in December 2013, secured by the Yuma property with a carrying value of $5.6 million at January 31, 2012.	1,000,000	1,000,000
Mortgage note payable, due in monthly installments of $48,738, including interest at 8% per year, through May 1, 2016, secured by the Tucson Foothills property with a carrying value of $4.3 million at January 31, 2012.	2,135,796	2,532,396
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 $6.0 million at January 31, 2012.	7,405,289	7,555,870
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 with a carrying value of $1.4 million at January 31, 2012. At the discretion of the lender, the interest rate can be increased to the market rate, as determined by lender, on November 1, 2014.	1,321,015	1,407,352
Mortgage note payable, due in variable monthly installments ($29,776 as of January 31, 2012) including interest at prime rate (3.25% per year as of January 31, 2012), through January 28, 2015, plus a balloon payment of $4,874,612 in January 2015, secured by the Tucson St. Mary's property with a carrying value of $7.8 million at January 31, 2012.	5,409,156	5,585,098
Totals	$ 21,271,256	$ 22,080,716

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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. None of the other mortgage notes are recourse to the Partnership or the Trust.

Mr. Wirth has guaranteed 100% of the Tucson St. Mary's mortgage note payable.

On February 14, 2012, subsequent to the balance sheet date, the mortgage note payable on the Ontario property was written down by the lender reducing the open principal balance by $500,000 to $6,905,289. The Trust accounted for the $500,000 writedown as a forgiveness of debt. The Trust paid down the balance by an additional $1,000,000. The principal balance as of February 14, 2012 is $5,905,289. The modified note is due in monthly installments of $31,701 and the interest rate is 5.0% for a term of three years maturing on January 14, 2015 at which time a balloon payment of $5,630,315 is due.

On April 7, 2010, we increased our mortgage note payable secured by the Yuma, Arizona property by $1.0 million. The new balance of the mortgage note payable is $5.0 million. The additional $1.0 million borrowed bears interest at 8.0% and matures on December 30, 2013. The note is due in monthly interest-only installments of $30,000, an increase of $6,667 from the previous monthly interest-only installments of $23,333. The proceeds of the mortgage financing were used for working capital purposes.

See Note 13 – "Minimum Debt Payments" for scheduled minimum payments.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Document And Entity Information (USD $)	12 Months Ended Jan. 31, 2012	Apr. 15, 2012	Jul. 29, 2011
Document and Entity Information [Abstract]			
Entity Registrant Name	INNSUITES HOSPITALITY TRUST		
Document Type	10-K		
Current Fiscal Year End Date	--01-31		
Entity Common Stock, Shares Outstanding		8,427,610	
Entity Public Float			$ 2,897,541
Amendment Flag	false		
Entity Central Index Key	0000082473		
Entity Current Reporting Status	Yes		
Entity Voluntary Filers	No		
Entity Filer Category	Smaller Reporting Company		
Entity Well-known Seasoned Issuer	No		
Document Period End Date	Jan. 31, 2012		
Document Fiscal Year Focus	2011		
Document Fiscal Period Focus	FY		

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 11 - Notes Payable to Banks	12 Months Ended Jan. 31, 2012
Long-term Debt [Text Block]	11. NOTES PAYABLE TO BANKS As of January 31, 2012, the Trust has a revolving bank line of credit agreement, with a credit limit of $500,000. The line of credit bears interest at the prime rate plus 2.75% per annum, has no financial covenants and matures on May 23, 2012. If the Trust maintains bank balances of at least $250,000 with the lender, the line of credit bears interest at the prime rate plus 1.0% with a 6.0% rate floor. 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 no funds drawn on this line of credit as of January 31, 2012.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Consolidated Statements of Operations (USD $)	12 Months Ended	
	Jan. 31, 2012	Jan. 31, 2011
REVENUE		
Room	$ 13,523,680	$ 12,043,627
Food and Beverage	836,984	765,851
Telecommunications	1,882	14,314
Other	242,322	208,266
Management and Trademark Fees, including $216,963 and $275,306 from related parties for 2012 and 2011, respectively	231,456	281,096
Payroll Reimbursements from Related Parties	2,231,712	2,427,273
TOTAL REVENUE	17,068,036	15,740,427
OPERATING EXPENSES		
Room	3,546,069	3,448,986
Food and Beverage	869,574	818,657
Telecommunications	45,720	62,171
General and Administrative	3,102,388	2,937,016
Sales and Marketing	1,110,495	1,148,629
Repairs and Maintenance	1,430,645	1,291,422
Hospitality	790,634	730,961
Utilities	1,200,192	1,158,771
Hotel Property Depreciation	1,734,734	1,853,164
Real Estate and Personal Property Taxes, Insurance and Ground Rent	917,878	929,923
Other	12,553	15,747
Payroll Costs Related to Management Contracts	2,231,712	2,427,273
TOTAL OPERATING EXPENSES	16,992,594	16,822,720
OPERATING INCOME (LOSS)	75,442	(1,082,293)
Interest Income	3,721	1,297
TOTAL OTHER INCOME	3,721	1,297
Interest on Mortgage Notes Payable	1,490,995	1,548,724
Interest on Notes Payable to Banks	1,048	76
Interest on Other Notes Payable	35,464	39,960
TOTAL INTEREST EXPENSE	1,527,507	1,588,760
CONSOLIDATED LOSS BEFORE INCOME TAX BENEFIT (PROVISION)	(1,448,344)	(2,669,756)
Income Tax Provision		(27,000)
CONSOLIDATED NET LOSS	(1,448,344)	(2,696,756)
LESS: NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(369,603)	(689,065)
NET LOSS ATTRIBUTABLE TO CONTROLLING INTERESTS	$ (1,078,741)	$ (2,007,691)
NET LOSS PER SHARE – Basic and Diluted (in Dollars per share)	$ (0.13)	$ (0.23)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – Basic and Diluted (in Shares)	8,511,730	8,577,558
CASH DIVIDENDS PER SHARE (in Dollars per share)	$ 0.01	$ 0.01

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 5 - Restructuring Agreement for Ontario Hospitality Properties Subsidiary	12 Months Ended
	Jan. 31, 2012
Restructuring, Impairment, and Other Activities Disclosure [Text Block]	5. RESTRUCTURING AGREEMENT FOR ONTARIO HOSPITALITY PROPERTIES SUBSIDIARY

At the February 1, 2012 Board of Trustees meeting, the Board authorized the Trust's management to enter into a contract to sell less than 50% of the Partnership's ownership interest in Ontario Hospitality Properties, LP (the "Ontario entity"), which operates the Ontario, California property and was then wholly-owned by the Partnership. 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 the Ontario entity. Under the agreement, Rare Earth agreed to either purchase or bring in other investors to purchase up to 250 units of the Ontario entity for $10,000 per unit, which represents approximately 49.02% of the outstanding Partnership units in the Ontario entity, and the parties agreed to restructure the limited partnership agreement of the Ontario entity.

Under the restructured limited partnership agreement, Rare Earth became a general partner of the Ontario entity along with the Partnership. Additionally, the partnership interests in the Ontario entity were allocated to three classes with differing cumulative priority distribution rights. Class A units will be owned by unrelated third parties and will have first priority for distributions, Class B units will be owned by the Trust and/or the Partnership and will have second priority for distributions, and Class C units will be owned by Rare Earth or other affiliates of Mr. Wirth and will have the lowest priority for distributions from the Ontario entity. Rare Earth is also entitled to a formation fee equal to $320,000 or an alternate fee of 8% of total capital raised, payable in either cash or units in the Ontario entity. 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. The first funds related to this syndication were received on March 5, 2012 and as of April 6, 2012, the Partnership has received $900,000 in connection with the Ontario syndication. InnSuites Hotels will continue to provide management, licensing and reservation services to the property. Priority distributions to all Classes are projected to be approximately $192,000 for the remainder of fiscal year 2013, approximately $82,250 for fiscal year 2014, $89,250 for fiscal years 2015 through 2017 and $22,312 for fiscal year 2018.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 4 - Restructuring Agreement for Tucson Hospitality Properties Subsidiary	12 Months Ended Jan. 31, 2012
Restructuring and Related Activities Disclosure [Text Block]	4. RESTRUCTURING AGREEMENT FOR TUCSON HOSPITALITY PROPERTIES SUBSIDIARY On February 17, 2011, the Trust and Partnership entered into a restructuring agreement with Rare Earth to allow for the sale of minority interest units in Tucson Hospitality Properties, LP (the “Tucson entity”), which operates the Tucson Foothills hotel property and 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 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. Under the restructured limited partnership agreement, Rare Earth became a general partner of the Tucson entity along with the Partnership. The partnership interests in the Tucson entity were allocated to three classes with differing cumulative priority distribution rights. Class A units are owned by unrelated third parties and have first priority for distributions, Class B units are owned by the Trust and/or the Partnership and have second priority for distributions, and 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 are cumulative for five years. Rare Earth also received a formation fee of $320,000, conditioned upon and arising from the sale of the first 160 units in the Tucson entity. 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. Priority distributions to all Classes are projected to be $428,400 each year for fiscal years 2013 through 2017. The Tucson 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 property. At January 31, 2012, the Partnership had sold 245.5 units to unrelated parties at $10,000 per unit totaling $2,447,000. As of January 31, 2012, the Partnership holds a 56.17% ownership interest in the Tucson entity, the Trust holds a 1.79 % ownership interest, Mr. Wirth and his affiliates hold a 1.96% interest, and other parties hold a 40.11% interest. The Tucson entity has minimum preference payments to unrelated unit holders of $171,850, to the Trust of $7,700, to the Partnership of $240,450 and to Rare Earth of $8,400 per year payable quarterly for calendar years 2013 and 2014. During calendar year 2012, the Tucson entity has remaining

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

minimum preference payments to unrelated unit holders of $77,038, to the Trust of $130, to the Partnership of $231,559 and to Rare Earth of $1,100.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 16 - Other Related Party Transactions	12 Months Ended Jan. 31, 2012
Related Party Transactions Disclosure [Text Block]	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, 2012 and 2011, Mr. Wirth and his affiliates held 3,407,938 Class B limited partnership units, which represented 25.8% of the total outstanding partnership units. As of January 31, 2012 and 2011, Mr. Wirth and his affiliates held 5,573,624 Shares of Beneficial Interest in the Trust, which represented 66.0% and 65.2%, respectively, of the total issued and outstanding Shares of Beneficial Interest.

As of January 31, 2012 and 2011, the Trust owned 71.98% and 71.41% of the Partnership. As of January 31, 2012, the Partnership owned 100% of two InnSuites® hotels located in Tucson, Arizona and Ontario, California and together with the Trust owned a 57.96% interest in another InnSuites® hotel located in Tucson, Arizona and incurred the related expenses. 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 42.25% interest in one InnSuites® hotel located in Albuquerque, New Mexico.

The management fees for the three hotels owned by affiliates of Mr. Wirth are 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. 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.

During the first eleven months of fiscal year 2010, InnSuites Hotels received 1.25% of room revenue from the three hotels owned by affiliates of Mr. Wirth in exchange for use of the "InnSuites" trademark. Effective January 1, 2010 and through January 31, 2012, the fees for hotels owned by affiliates of Mr. Wirth were amended to a per-room calculation, with fees equal to $10 per month per room for the first 100 rooms, and $2 per month per room for the amount above 100 rooms. These agreements have no expiration date and may be cancelled by either party with 12-months written notice or 90-days written notice in the event the property changes ownership. InnSuites Hotels received 0.5% of room revenue from an unrelated hotel in Buena Park, California in exchange for licensing services during fiscal years 2012 and 2011. This agreement has no expiration date and may be cancelled by either party with 30-days written notice.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 12 - Other Notes Payable	12 Months Ended Jan. 31, 2012
Debt Disclosure [Text Block]	12. OTHER NOTES PAYABLE As of January 31, 2012, the Trust had $550,653 in secured promissory notes outstanding to unrelated third parties arising from the repurchase of 174,844 Class A limited partnership units in the Partnership and the repurchase of 439,431 Shares of Beneficial Interest in privately negotiated transactions. The promissory notes bear interest at 7% per year and are due in varying monthly payments through August 2016. The repurchased Class A limited partnership units and Shares of Beneficial Interest secure the notes. As of January 31, 2011, the Trust had $480,552 in secured promissory notes outstanding to unrelated third parties arising from the repurchase of 99,118 Class A limited partnership units in the Partnership and the repurchase of 404,698 Shares of Beneficial Interest in privately negotiated transactions.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 8 - Prepaid Expenses and Other Current Assets	12 Months Ended Jan. 31, 2012
Deferred Costs, Capitalized, Prepaid, and Other Assets Disclosure [Table Text Block]	8. PREPAID EXPENSES AND OTHER CURRENT ASSETS Prepaid expenses and other current assets are carried at face value and expect to be consumed within one year. As of January 31, prepaid expenses and other current assets consisted of the following:

	2012	2011
Prepaid Insurance	$ 69,908	$ 177,054
Tax and Insurance Escrow	113,709	206,068
Other Prepaid Expenses and Current Assets	58,749	59,921
Total Prepaid Expenses and Current Assets	$ 242,366	$ 443,043

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 6 - Variable Interest Entity	12 Months Ended Jan. 31, 2012
Variable Interest Entities Disclosure [Text Block]	6. VARIABLE INTEREST ENTITY Management evaluates the Trust's explicit and implicit variable interests to determine if they have any variable interests in VIEs. Variable interests are contractual, ownership, or other pecuniary interests in an entity whose value changes with changes in the fair value of the entity's net assets, exclusive of variable interests. Explicit variable interests are those which directly absorb the variability of a VIE and can include contractual interests such as loans or guarantees as well as equity investments. An implicit variable interest acts the same as an explicit variable interest except it involves the absorbing of variability indirectly, such as through related party arrangements or implicit guarantees. The analysis includes consideration of the design of the entity, its organizational structure, including decision making ability over the activities that most significantly impact the VIE's economic performance. Generally accepted accounting principles require a reporting entity to consolidate a VIE when the reporting entity has a variable interest, or combination of variable interest, that provides it with a controlling financial interest in the VIE. The entity that consolidates a VIE is referred to as the primary beneficiary of that VIE. The Partnership and Trust have determined that the Albuquerque entity is a variable interest entity with the Partnership and Trust as the primary beneficiary. In its determination, management considered the following qualitative and quantitative factors: a) The Partnership, Trust and their related parties, which share common ownership and management, have guaranteed material financial obligations of the Albuquerque entity, including its mortgage note payable and distribution obligations, which based on the capital structure of the Albuquerque entity, management believes could potentially be significant. b) The Partnership, Trust and their related parties have maintained, as a group, a controlling ownership interest in the Albuquerque entity, with the largest ownership belonging to the Partnership. c) The Partnership, Trust and their related parties have maintained control over the decisions which most impact the financial performance of the Albuquerque entity, including providing the personnel to operate the property on a daily basis. During the fiscal years ending January 31, 2012 and 2011, neither the Trust nor the Partnership have provided any implicit or explicit financial support for which they were not previously contracted.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 7 - Property, Plant, and Equipment, Hotel Properties	12 Months Ended Jan. 31, 2012
Property, Plant and Equipment Disclosure [Text Block]	7. PROPERTY, PLANT, AND EQUIPMENT, HOTEL PROPERTIES

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

	2012	2011
Land	$ 7,005	$ 7,005
Building and improvements	75,662	75,662
Furniture, fixtures and equipment	459,058	391,808
Total property, plant and equipment	541,725	474,475
Less accumulated depreciation	(392,349)	(334,588)
Property, Plant and Equipment, net	$ 149,376	$ 139,887

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

	2012	2011
Land	$ 2,817,515	$ 2,817,515
Building and improvements	34,567,267	34,298,863
Furniture, fixtures and equipment	5,337,765	5,207,459
Work in progress	—	62,146
Total hotel properties	42,722,547	42,385,983
Less accumulated depreciation	(17,580,799)	(16,468,720)
Hotel properties, net	$ 25,141,748	$ 25,917,263

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 9 - Accounts Payable and Accrued Liabilities	12 Months Ended Jan. 31, 2012
Accounts Payable and Accrued Liabilities Disclosure [Text Block]	9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of January 31, accounts payable and accrued liabilities consisted of the following:

	2012	2011
Accounts Payable	$ 634,926	$ 608,905
Accrued Salaries and Wages	385,552	454,681
Accrued Vacation	131,036	218,711
Sales Tax Payable	212,813	168,751
Income Tax Payable	27,000	27,000
Accrued Interest Payable	293,511	91,293
Advanced Customer Deposits	122,075	80,214
Accrued Property Taxes	256,997	218,069
Accrued Land Lease	92,840	101,811
Accrued Other	258,013	123,793
Total Accounts Payable and Accrued Liabilities	$2,414,763	$2,093,228

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 14 - Description of Capital Stock	12 Months Ended Jan. 31, 2012
Stockholders' Equity Note Disclosure [Text Block]	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 therefor. 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 limited partnership units in the Partnership 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 limited partnership units in the Partnership 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 limited partnership units in the Partnership 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. The Trust intends to continue repurchasing Shares of Beneficial Interest in compliance with applicable legal and NYSE Amex requirements. The Trust remains authorized to repurchase an additional 113,954 limited partnership units and/or Shares of Beneficial Interest pursuant to the share repurchase program, which has no expiration date. For the years ended January 31, 2012 and 2011, the Trust repurchased 140,455 and 58,640 Shares of Beneficial Interest at an average price of $2.04 and $1.50 per share, respectively. Repurchased Shares of Beneficial Interest are accounted for as treasury stock in the Trust's Consolidated Statements of Shareholders' Equity.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 19 - Commitments and Contingencies	12 Months Ended Jan. 31, 2012
Commitments and Contingencies Disclosure [Text Block]	19. COMMITMENTS AND CONTINGENCIES

Two of the Hotels are subject to non-cancelable ground leases expiring in 2050 and 2033. Total expense associated with the non-cancelable ground leases for the fiscal years ended January 31, 2012 and 2011 was $204,206 and $204,206, respectively, plus a variable component based on gross revenues of each property that totaled approximately $68,000 and $95,000, respectively.

During the second quarter of fiscal year 2010, the Trust entered into a five-year office lease for its corporate headquarters. The Trust recorded $29,611 and $25,034 of general and administrative expense related to the lease during fiscal year 2012 and 2011, 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:

Fiscal Year Ending	
2013	$ 242,577
2014	251,377
2015	228,177
2016	210,177
2017	210,177
Thereafter	5,194,612
Total	$ 6,337,097

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 arrangements with Best Western International for four of the hotel properties. These agreements provide for fees to be paid by the Hotels based on revenue and reservations received, and contain no minimum payment provisions.

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, 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.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Consolidated Statements of Operations (Parentheticals) (USD $)	12 Months Ended	
	Jan. 31, 2012	Jan. 31, 2011
Management and Trademark Fees, related parties	$ 216,963	$ 275,306

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 3 - Sale of Ownership Interests in Albuquerque Subsidiary	12 Months Ended
	Jan. 31, 2012
Sale Of Ownership Interests In Subsidiary [Text Block]	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 additional 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 51% 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 October 29, 2010, the parties revised the operating agreement.

Under the new operating agreement, Rare Earth became the administrative member of the Albuquerque entity, in charge of the day-to-day management of the company. Additionally, the membership interests in the Albuquerque entity were allocated to three classes with differing cumulative priorty distribution rights. Class A units are owned by unrelated third parties and have first priority for distributions, Class B units are owned by the Trust and/or the Partnership and have second priority for distributions, and 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 are cumulative for 5 years. Rare Earth also earned a formation fee equal to $320,000, payable in either cash or units in the Albuquerque entity, which was intended for 32 Class C units in the Albuquerque entity after the sale of at least 160 units. 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 distributions to the members. In the event that the proceeds 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. Priority distributions to all Classes are projected to be $280,000 each year for fiscal years 2013 through 2016. The Albuquerque entity is required to use its best efforts to pay the cumulative priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the property.

On July 29, 2010, the Partnership sold approximately 11% of its sole membership interest in the Albuquerque entity for $400,000 to Rare Earth. The price paid reflects the net assets of the Albuquerque entity calculated using the third-party appraisal value for the hotel property and the carrying cost of all other assets and liabilities. Subsequently, Rare Earth received an additional 32 units, or approximately 8%, worth $320,000 as a formation fee resulting in Rare Earth having a total ownership interest of approximately 19% as of January 31, 2011. During the fiscal year ended January 31, 2011, the Partnership sold an additional

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

approximately 47% of its membership interests for $1,754,000 to unrelated third parties and approximately 1% for $20,000 to Mr. Lawrence Pelegrin, who is a member of the Board of Trustees. The transactions were a reduction in the Partnership's controlling interest (see Note 6 – "Variable Interest Entity"), and therefore no gain or loss was reflected in the statements of operations and funds received in excess of cost basis were recorded to equity. On January 24, 2012 the Trust purchased 40 units at $10,000 per unit from Rare Earth, and on January 31, 2012 the Trust purchased Partnership's 114 units at $10,000 per unit by reducing the Trust's receivable from the Partnership. As of January 31, 2012, the Partnership does not hold any ownership interest in the Albuquerque entity, the Trust holds a 42.25 % ownership interest, Mr. Wirth and his affiliates hold an 8.00% interest, and other parties hold a 49.75% interest. The Albuquerque entity has minimum preference payments to unrelated unit holders of $139,300, to the Trust of $118,300 and to Rare Earth of $22,400 per year payable quarterly for calendar years 2013 and 2014. During calendar year 2012, the Albuquerque entity has remaining minimum preference payments to unrelated unit holders of $134,774, to the Trust of $7,875, to the Partnership of $84,520 and to Rare Earth of $48,728.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 20 - Stock Option Plan	12 Months Ended Jan. 31, 2012
Disclosure of Compensation Related Costs, Share-based Payments [Text Block]	20. STOCK OPTION PLAN 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 limited 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 2012 or 2011, and no options outstanding as of January 31, 2012. 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, 2012, have been issued. See Note 2 – "Summary of Significant Accounting Policies" for information related to grants of restricted shares.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 13 - Minimum Debt Payments	12 Months Ended Jan. 31, 2012
Schedule of Maturities of Long-term Debt [Table Text Block]	13. MINIMUM DEBT PAYMENTS The scheduled minimum payments of debt have been reduced to reflect the $500,000 forgiveness of debt as of February 14, 2012 (Note 10) and are as follows in the respective fiscal years indicated:

FISCAL YEAR	MORTGAGES	OTHER NOTES PAYABLE	TOTAL
2013	$ 1,791,248	$ 216,692	$ 2,007,940
2014	5,845,416	182,129	6,027,545
2015	11,379,127	66,013	11,445,140
2016	663,186	52,688	715,874
2017	318,788	33,130	351,918
Thereafter	773,491	—	773,491
	$ 20,771,256	$ 550,652	$21,321,908

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document