INNSUITES HOSPITALITY TRUST
Form 10-K
May 01, 2013
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended January 31, 2013.

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

For the transition period from to .

Commission File No. 1-7062

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

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

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 o No ý

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

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

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. o

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

Large Accelerated Filer ¨   Accelerated Filer ¨   Non-Accelerated Filer ¨   Smaller reporting company ý
(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 o No ý

Aggregate market value of Shares of Beneficial Interest held by non-affiliates of the registrant as of July 31, 2012, based upon the closing sales price of the registrant's Shares of Beneficial Interest on that date, as reported on the NYSE MKT: $5,524,119.

Number of Shares of Beneficial Interest outstanding as of April 24, 2013: 9,199,570.

Documents incorporated by reference: Portions of the following documents are incorporated by reference: Proxy Statement for 2013 Annual Meeting of Shareholders (portions of which are incorporated by reference into Part III hereof)

PART I

Item 1. BUSINESS

INTRODUCTION TO OUR BUSINESS

InnSuites Hospitality Trust (the "Trust") is headquartered in Phoenix, Arizona and is an unincorporated Ohio real estate investment trust; however, the Trust is not a real estate investment trust for federal taxation purposes. The Trust, with its affiliates RRF Limited Partnership, a Delaware limited partnership (the "Partnership"), and InnSuites Hotels, Inc., a Nevada corporation ("InnSuites Hotels"), owns and operates five hotels, provides management services for eight hotels, and provides trademark license services for nine hotels. On January 31, 2013, the Trust owned a 72.04% sole general partner interest in the Partnership, which wholly-owned one InnSuites® hotels located in Tucson, Arizona, and together with the Trust controlled a 58.11% interest in another InnSuites® hotel located in Tucson, Arizona and controlled a 61.84% interest in a InnSuites® hotel located in Ontario, California. The Trust also owned a direct 99.9% interest in one InnSuites® hotel located in Yuma, Arizona and owned a direct 50.13% 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 sixty-one unrelated hotel properties. The Trust has approximately 250 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 MKT under the symbol "IHT." The Partnership has two outstanding classes of limited partnership interests, Class A and Class B, which are identical in all respects. However, each Class A Partnership unit is convertible, at the option of the Class A holder, into one newly-issued Share of Beneficial Interest of the Trust and each Class B Partnership unit is convertible, upon approval of the Board of Trustees of the Trust, into one newly-issued Share of Beneficial Interest of the Trust. The Partnership Agreement of the Partnership subjects both general and limited partner units to certain restrictions on transfer.

MANAGEMENT AND LICENSING CONTRACTS

The Trust directly manages the Hotels through the Trust's wholly-owned subsidiary, InnSuites Hotels. Under the management agreements, InnSuites Hotels manages the daily operations of the Hotels and the three hotels owned by affiliates of Mr. Wirth. Prior to February 1, 2012, InnSuites Hotels provided the personnel for the Hotels and the three hotels owned by affiliates of Mr. Wirth, the expenses of which were reimbursed at cost. This practice was ceased in fiscal year 2013. All Trust managed Hotel expenses, revenues and reimbursements among the Trust, InnSuites Hotels and the Partnership have been eliminated in consolidation. The management fees for the Hotels are 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 were set at 2.5% of room revenue and an annual accounting fee of $27,000, payable $1,000 per month with an additional payment of $15,000 due at year-end for annual accounting closing activities. The year-end accounting fees paid by the affiliate hotels were discontinued with no material effect on the financial operating results of the Trust. 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 have been eliminated in consolidation. From January 1, 2012 through December 31, 2012, the fees received by InnSuites Hotels were equal to $10 per month per room for the first 100 rooms, and $2 per month per room for the number of rooms exceeding 100. As of January 1, 2013, these fees were discontinued.

MEMBERSHIP AGREEMENTS

InnSuites Hotels has entered into membership agreements with Best Western International, Inc. 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, Inc. 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 $313,013 and $302,273 in total fees related to these agreements for the fiscal years ended January 31, 2013 and 2012, respectively.

COMPETITION IN THE HOTEL INDUSTRY

The hotel industry is highly competitive. The Trust expects the major challenge for fiscal year 2014 to be the overall economy and strong competition for all business in the markets in which the Trust operates, which may affect the Trust’s ability to increase room rates while maintaining 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 our Hotels in their respective markets.

The Trust has chosen to focus its hotel investments in the southwest region of the United States. The Trust has a concentration of assets in the southern Arizona market. In the markets in which the Trust operates, in particular, the Yuma, Arizona and Ontario, California markets, supply has increased during the past several years. In the Tucson, Arizona market, demand has increased during fiscal year 2013 based on an increase in tourism. Either an increase in supply or a decline in demand could result in increased competition, which could have an adverse effect on the revenue of our Hotels in their respective markets.

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

REGULATION

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

Under the Americans with Disabilities Act of 1990 (the “ADA”), all public accommodations are required to meet certain federal requirements related to access and use by disabled persons. In addition to ADA work completed to date, the Trust may be required to remove 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

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").

Item 1A. RISK FACTORS

Not required for smaller reporting companies.

Item 1B. UNRESOLVED STAFF COMMENTS

Not required for smaller reporting companies.

Item 2. PROPERTIES

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

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	50.13% (2)
InnSuites Hotel and Suites Tucson, Catalina Foothills Best Western	159	1981/1983	2005	42.34% (3)
InnSuites Hotels and Suites Yuma Best Western	166	1982/1984	2012	99.9% (4)
InnSuites Hotel and Suites Ontario Airport Best Western	150	1990	2012	44.56% (5)
InnSuites Hotels and Suites Tucson St. Mary's	267	1960/1971	2012	72.04% (6)
Total suites	843			

(1) The Trust defines a renovation as the remodeling of more than 10% of a property's available suites.
(2) The Trust owns a direct 50.13% interest in the Albuquerque, New Mexico Hotel.
(3) The Trust holds a direct 1.70% interest and the Partnership owns a 56.41% interest in the Tucson, Arizona Foothills Hotel. The Trust owns a 72.04% general partner interest in the Partnership.
(4) The Trust holds a direct 99.9% ownership interest in the Yuma, Arizona Hotel.
(5) The Trust holds a direct 0.05% interest and the Partnership owns a 61.79% interest in the Tucson, Arizona Foothills Hotel. The Trust owns a 72.04% general partner interest in the Partnership.
(6) As of January 31, 2013, the Partnership owns a 100% interest in the Tucson, Arizona Hotel. The Trust owns a 72.04% general partner interest in the Partnership.

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

See Note 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.

Item 4. MINE SAFETY DISCLOSURES

None.

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 MKT under the symbol "IHT." On April 24, 2013, the Trust had 9,199,570 shares outstanding and 385 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 reported on the NYSE MKT, as well as dividends declared thereon:

Fiscal Year 2013	High	Low	Dividends
First Quarter	$ 2.41	$ 2.00	—
Second Quarter	$ 2.35	$ 1.93	—
Third Quarter	$ 2.35	$ 1.98	—
Fourth Quarter	$ 2.20	$ 1.53	$ 0.01

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

The Trust intends to maintain a conservative dividend policy to facilitate the reduction of debt and internal growth. In fiscal years 2013 and 2012, the Trust paid dividends of $0.01 per share in the fourth quarter of each year. The Trust has paid dividends each fiscal year since its inception in 1971 and the Trust expects comparable cash dividends will continue to be paid in the future.

On January 2, 2001, the Board of Trustees approved a share repurchase program under Rule 10b-18 of the Securities Exchange Act of 1934, as amended, for the purchase of up to 250,000 Partnership units and/or Shares of Beneficial Interest in open market or privately negotiated transactions. On September 10, 2002, August 18, 2005 and September 10, 2007, the Board of Trustees approved the purchase of up to 350,000 additional Partnership units and/or Shares of Beneficial Interest in open market or privately negotiated transactions. Additionally, on January 5, 2009, September 15, 2009 and January 31, 2010, the Board of Trustees approved the purchase of up to 300,000, 250,000 and 350,000, respectively, additional Partnership units and/or Shares of Beneficial Interest in open market or privately negotiated transactions. Acquired Shares of Beneficial Interest will be held in treasury and will be available for future acquisitions and financings and/or for awards granted under the InnSuites Hospitality Trust 1997 Stock Incentive and Option Plan. During the three months ended January 31, 2013, the Trust acquired 13,380 Shares of Beneficial Interest in open market transactions at an average price of $1.93 per share. The average price paid includes brokerage commissions. The Trust intends to continue repurchasing Shares of Beneficial Interest in compliance with applicable legal and NYSE MKT requirements. The Trust remains authorized to repurchase an additional 278,820 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, 2012	400	$2.40	400	291,800
December 1 – December 31, 2012	425	$2.41	425	291,375
January 1 – January 31, 2013	12,555	$1.90	12,555	278,820
Total	13,380		13,380	

See Part III, Item 12 for information about our equity compensation plans.
See Note 2 to our Consolidated Financial Statements – "Summary of Significant Accounting Policies" for information related to grants and restricted shares.

Item 6. SELECTED FINANCIAL DATA

Not required for smaller reporting companies.

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

OVERVIEW

We are engaged in the ownership and operation of hotel properties. At January 31, 2013, 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 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 sixty-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. Management expects greater demand and steady supply to continue. However, either a further increase in supply or a further decline in demand could result in increased competition, which could have an adverse effect on the revenue of the Hotels in their respective markets.

Weak economic conditions, both generally and specifically in the travel industry, had a negative impact on our operations in fiscal years 2013 and 2012. We anticipate moderate improvement in these conditions during fiscal year 2014. 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 2014 to be the continuation of strong competition for corporate leisure group and government business in the markets in which we operate, which may affect our ability to increase room rates while maintaining market share. We believe that we have positioned the hotels to remain competitive through selective refurbishment, by carrying a relatively large number of two-room suites at each location and by maintaining a robust guest internet access system.

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, 2013, through our sole general partner’s interest in the Partnership, we owned a 72.04 % interest in a Hotel Tucson, Arizona, direct 50.13% interest in the Albuquerque, New Mexico Hotel, and a 99.9% direct interest in the Yuma, Arizona Hotel. Additionally, at January 31, 2013, we together with the Partnership owned a 58.11% interest in another hotel located in Tucson, Arizona and a 61.84% interest in a hotel located in Ontario, California. At January 31, 2012, through our sole general partner’s interest in the Partnership, we owned a 72.04 % interest in Hotels in Ontario, California and Tucson, Arizona, direct 42.25% interest in the Albuquerque, New Mexico Hotel, 42.20% interest in another Tucson, Arizona Hotel, and a 99.9% direct interest in the Yuma, Arizona Hotel. We purchased 7,631 Partnership Class A units during the year ended January 31, 2013. We purchased 75,726 Partnership Class A units during the year ended January 31, 2012.

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 2013, occupancy increased 2.86% to 64.59% from 61.73% in the prior year. ADR decreased by $3.77 or 5.2% to $67.43 in fiscal year 2013 from $71.20 in fiscal year 2012. The reduced ADR resulted in a decrease in REVPAR of $0.40 or 0.9% to $43.55 in fiscal year 2013 from $43.95 in fiscal year 2012. The increased occupancy and continued pressure on rates reflect the slowly improving economy and travel industry during fiscal year 2013. We have accepted slightly reduced rates to increase our occupancy.

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

	For the Years Ended January 31,	
	2013	2012
Occupancy	64.59%	61.73%
Average Daily Rate (ADR)	$ 67.43	$ 71.20
Revenue Per Available Room (REVPAR)	$ 43.55	$ 43.95

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," "Sale of Partnership Interests in Tucson Hospitality Properties Subsidiary," and "Sale of Partnership Interests in 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, 2013 compared to the year ended January 31, 2012.

Overview

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

	2013	2012	Changes	% Change
Total Revenues	$14,977,619	$17,068,036	$(2,090,417)	-12.25%
Less Payroll Reimbursements from Related Parties	-	(2,231,712)	2,231,712	-100.00%
Total Revenues	14,977,619	14,836,324	141,295	0.95%
Operating Expenses without Payroll Costs Related to Management Contracts	(15,100,697)	(14,760,882)	(339,815)	2.30%
Operating Income (Loss) without Payroll Costs Related to Management Contracts	(123,078)	75,442	(198,520)	-263.14%
Interest Income	8,937	3,721	5,216	140.18%

Interest Expense	(961,709)	(1,527,507)	565,798	-37.04 %
Consolidated Loss before Payroll Costs Related to Management Contracts	(1,075,850)	(1,448,344)	372,494	-25.72 %

Our overall results in fiscal year 2013 were positively affected by the improving economic environment and the hospitality industry in particular.

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Revenue:

For the twelve months ended January 31, 2013, we had total revenue of $15.0 million compared to $17.1 million for the twelve months ended January 31, 2012, a decrease of approximately $2.1 million. This decrease in total revenue is primarily due to the management agreements with the three affiliated hotels being amended. During fiscal year 2013, the Trust did not provide the personnel for the three hotels and therefore did not recognize payroll reimbursement revenue. These agreements were discontinued and the Trust does not expect to realize such revenue in the future. During fiscal year 2012, the Trust recognized income of $2.2 million related to personnel reimbursements. Total revenue for fiscal year 2012 was $14.8 million without these reimbursements. When compared to this adjusted total, fiscal year 2013 revenues increased $141,000 or 1.0%. During fiscal year 2014, we expect improvements in occupancy and modest improvements in rates.

Expenses:

Total expenses of $16.1 million for the twelve months ended January 31, 2013 reflect a decrease of approximately $2.5 million compared to total expenses of $18.5 million for the twelve months ended January 31, 2012. The decrease was primarily due to the amendments to the management contracts mentioned above resulting in no payroll expenses related to those three hotels. Total expenses for fiscal year 2012 were $16.3 million without these payroll expenses. When compared to this adjusted total, fiscal year 2013 total expenses decreased $226,000.

Room expense consisting of salaries and related taxes for property management, front office, housekeeping personnel, reservation fees and room supplies increased to $3.8 million for the fiscal year ended January 31, 2013 compared to $3.5 million in the prior year period for approximately an 8.5% increase in costs. The increase was primarily due to the 2.9% increase in occupancy rate.

General and administrative expenses include overhead charges for management, accounting, shareholder and legal services. General and administrative expenses of $3.0 million for the twelve months ended January 31, 2013 decreased $124,000 from $3.1 million for the twelve months ended January 31, 2012 primarily due to decreased payroll and professional fees at the corporate office.

Sales and marketing expenses of $1.1 million for the twelve months ended January 31, 2013 were consistent with the prior year as were most other expense categories.

Total operating expenses were $15.1 million for the twelve months ended January 31, 2013, a decrease of $1.9 million from the prior year total of $17.0 million. This was primarily due to the amendments to the management agreements with the affiliated hotels resulting in no payroll costs related to management contracts in fiscal year 2013. Total operating expenses for fiscal year 2012 were $14.8 million without these payroll expenses. When compared to this adjusted total, fiscal year 2013 operating expenses increased $340,000. The increase was primarily due to increased room expenses due to higher occupancy and higher food and beverage expenses due to higher revenues in that department.

Total interest expense for the twelve months ended January 31, 2013 was $962,000, a decrease of $566,000 from $1.5 million for the twelve months ended January 31, 2012. The decrease was primarily due to the restructuring of the Ontario mortgage note payable.

Net Loss:

We had a consolidated net loss before income taxes of $1.1 million for the twelve months ended January 31, 2013, compared to $1.4 million in the prior year. After deducting the loss allocated to the non-controlling interest of

$69,705, we had a net loss attributable to controlling interests of approximately $1.0 million for fiscal year 2013, which represented approximately $73,000 in additional income attributable to controlling interests, as compared to the twelve months ended January 31, 2012. Basic and diluted net loss per share was $(0.12) for the twelve months ended January 31, 2013, compared to $(0.13) for fiscal year 2012. The change from the prior year is primarily attributable to reduced interest expenses due to the restructure of the Ontario mortgage note payable. Overall, our non-controlling interest has decreased in the current fiscal year.

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

Hotel operations are significantly affected by occupancy and room rates at the Hotels. We anticipate occupancy and ADR will be improved in the coming year, capital improvements are expected to be reduced by approximately $800,000 from the prior year and we expect increased cash flow from the reduction of principal and interest payments on the Ontario property. Additionally, we have extended and increased our bank line of credit from $500,000 to $600,000 which matures on June 23, 2013. As of January 31, 2013, the Trust had $450,000 drawn on this line of credit. We are currently in discussions with the bank and anticipate a renewal of at least an additional year on this line of credit. As of April 24, 2013, the outstanding balance on the line of credit was $0.

With the expected decrease in capital improvements, the availability of the $600,000 bank line of credit which Management expects to renew and increased cash flow from the reduction of principal and interest payments on the Ontario property, management believes that it will have enough cash on hand to meet all of our financial obligations as they become due. Management is actively discussing with the bank an extension of the line of credit. In addition, our management is analyzing other strategic options available to us, including the refinancing of another property or raising additional funds through additional non-controlling interest sales.

We anticipate a moderate improvement in the weak overall economic situation that negatively affected results in fiscal year 2012 and 2013, which could result in higher revenues and operating margins. Challenges in fiscal year 2014 are expected to include continued competition for all types of business in the markets in which we operate and our ability to maintain room rates while maintaining market share.

Net cash provided by operating activities totaled $868,000 and $936,000 for the years ended January 31, 2013 and 2012, respectively. The decrease in fiscal year 2013 compared to fiscal year 2012 was due to the large decrease in prepaid balances and increase in payables in fiscal year 2012, which offset the $372,000 improvement in consolidated net loss in fiscal year 2013 compared to fiscal year 2012.

Net cash used in investing activities totaled $1.1 million and $ 970,000 for the years ended January 31, 2013 and 2012, respectively. The increase in funds used in 2013 was due to increased capital refurbishment projects.

Net cash used in financing activities totaled $215,000 for the year ended January 31, 2013, compared to cash provided by financing activities of $522,000 for the year ended January 31, 2012. The decrease was primarily due to the $1.0 million additional principal pay down of the mortgage note payable on the Ontario, California property, which was partially offset by net borrowings of $450,000 on the Trust's bank line of credit during fiscal year 2013.

As of January 31, 2013, 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 three of our properties. As of

January 31, 2013, $13,783 was held in these accounts and is reported on our Consolidated Balance Sheet as "Restricted Cash." The Fund is intended to be used for capital improvements to the Hotels and refurbishment and replacement of furniture, fixtures and equipment. During the twelve months ended January 31, 2013 and 2012, the Hotels spent approximately $1.3 million and $970,000, respectively, for capital expenditures. We consider the majority of these improvements to be revenue producing. Therefore, these amounts are capitalized and depreciated over their estimated useful lives. We plan to spend approximately $505,000 for capital expenditures in fiscal year 2014. The Hotels also spent approximately $1.4 million during both fiscal years 2013 and 2012 on repairs and maintenance and these amounts have been charged to expense as incurred.

We have minimum debt payments of approximately $1.4 million and approximately $6.2 million due during fiscal years 2014 and 2015, respectively. On November 23, 2010, we established a revolving bank line of credit, with a credit limit of $500,000 that was subsequently raised to $600,000. The line of credit bears interest at the prime rate plus 1.0% per annum with a 6.0% rate floor, has no financial covenants and matures on June 23, 2013. Management is actively working with the lender to extend this line of credit. 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, 2013, the Trust had drawn $450,000 under the line of credit. The largest outstanding balance on the line of credit during fiscal year 2013 was $600,000.

As of January 31, 2013, we had mortgage notes payable of $20.0 million outstanding with respect to the Hotels, $352,256 in secured promissory notes outstanding to unrelated third parties arising from the Shares of Beneficial Interest and Partnership unit repurchases, $450,000 outstanding under our bank line of credit, 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.

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 five years. After the five years, the Partnership will make distributions per the Partnership agreement at the discretion of the Managing Member. 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 2014 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, or $400,000 from Rare Earth. On August 28, 2012, the Trust repurchased an additional 31.5 units at $10,000 per unit, or $315,000 from Rare Earth. On January 31, 2012 the Trust purchased the Partnership's 114 units at $10,000 per unit, or $1,140,000, by reducing The Trust's receivable from the Partnership. As of January 31, 2013 and January 31, 2012, the Partnership does not hold any ownership interest in the Albuquerque entity, the Trust holds a 50.13 % ownership interest, Mr. Wirth and his affiliates hold a 0.13% 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 $140,350 and to Rare Earth of $350 per year payable quarterly for calendar years 2013 and 2014.

SALE OF PARTNERSHIP INTERESTS IN 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 non-controlling 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 limited partnership units in the Tucson entity, on a post-transaction basis, and the parties agreed to restructure the limited partnership agreement of the Tucson entity. The Board of Trustees approved this restructuring on January 31, 2011.

Under the restructured limited partnership agreement, Rare Earth became a general partner of the Tucson entity along with the Partnership. The limited 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. After the five years, the Partnership will make distributions per the Partnership agreement, at the discretion of the General Parnter. 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 $452,900 each year for fiscal years 2014 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, 2013, the Partnership had sold 259 units to unrelated parties at $10,000 per unit totaling $2,590,000. As of January 31, 2013, the Partnership holds a 56.41% ownership interest in the Tucson entity, the Trust holds a 1.70 % ownership interest, Mr. Wirth and his affiliates hold a 1.86% interest, and other parties hold a 40.03% interest. The Tucson entity has minimum preference payments to unrelated unit holders of $181,300, to the Trust of $7,700, to the Partnership of $255,500 and to Rare Earth of $8,400 per year payable quarterly for calendar years 2013 and 2014.

SALE OF PARTNERSHIP INTERESTS IN ONTARIO HOSPITALITY PROPERTIES SUBSIDIARY

On February 29, 2012, the Trust and Partnership entered into a restructuring agreement with Rare Earth to allow for the sale of minority interest units in Ontario Hospitality Properties, LP (the “Ontario entity”), which operates the Ontario 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 49% of the outstanding partnership units in the Ontario entity, on a post-transaction basis, and the parties agreed to restructure the limited partnership agreement of the Ontario entity. The Board of Trustees approved this restructuring on February 1, 2012.

Under the restructured limited partnership agreement, Rare Earth became a general partner of the Ontario entity along with the Partnership. The partnership interests in the Ontario 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 Ontario 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 Ontario entity. If certain triggering events related to the Ontario entity occur prior to the payment of all accumulated distributions to its members, such accumulated distributions will be paid out of any proceeds of the event before general distribution of the proceeds to the members. In the event that funds generated from a triggering event are insufficient to pay the total amount of all such accumulated distributions owed to the members, all Class A members will participate pro rata in the funds available for distribution to them until paid in full, then Class B, and then Class C. After all investors have received their initial capital plus a 7% per annum simple return, any additional profits will be allocated 50% to Rare

Earth, with the remaining 50% allocated proportionately to all unit classes. Priority distributions to all Classes are projected to be $446,600 for each of the fiscal years 2014 through 2017. The Ontario entity is required to use its best efforts to pay the priority distributions. The Trust does not guarantee and is not otherwise obligated to pay the cumulative priority distributions. InnSuites Hotels will continue to provide management, licensing and reservation services to the property.

At January 31, 2013, the Partnership had sold 233.5 units to unrelated parties at $10,000 per unit totaling $2,335,000. As of January 31, 2013, the Partnership holds a 61.79% ownership interest in the Ontario entity, the Trust holds a 0.05 % ownership interest, Mr. Wirth and his affiliates hold a 1.57% interest, and other parties hold a 36.6% interest. The Ontario entity has minimum preference payments to unrelated unit holders of $163,450, to the Trust of $210, to the Partnership of $275,940 and to Rare Earth of $7,000 per year payable quarterly for calendar years 2013 and 2014.

COMPLIANCE WITH CONTINUED LISTING STANDARDS OF NYSE MKT

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

The Trust was afforded the opportunity to submit a plan of compliance to the NYSE MKT and submitted its plan on February 5, 2013. On March 21, 2013, the NYSE MKT notified the Trust that it accepted the Trust's plan of compliance and granted the Trust an extension until April 30, 2014 to regain compliance with the continued listing standards. The Trust will be subject to periodic review by the NYSE MKT's staff during this extension period. Failure to make progress consistent with the plan or to regain compliance with continued listing standards by the end of the extension period could result in the Trust being delisted from the NYSE MKT.

FUTURE POSITIONING

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

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

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

Hotel Property Asset Values as of January 31, 2013

Hotel Property	Net Book Value	Mortgage Balance	Listed Asking Price
Albuquerque	$ 1,329,496	$ 1,227,744	$ 6,000,000
Ontario	5,917,780	6,323,592	16,900,000
Tucson Foothills	4,205,144	1,706,278	12,500,000
Tucson City Center	7,773,196	5,227,835	10,600,000
Yuma	5,461,164	5,469,475	14,000,000
Totals	$ 24,686,780	$ 19,954,924	$ 60,000,000

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

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 listed asking 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 sixty-one unrelated hotels. Sales and marketing for the expansion of the InnSuites Boutique Hotel Collection are being handled internally.

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.

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 2013 or 2012. As of January 31, 2013, our management does not believe that the carrying values of any of its hotel properties are impaired. For recent accounting pronouncements, see Note 2 to our Consolidated Financial Statements – "Summary of Significant Accounting Policies".

INFLATION

We rely entirely on the performance of the Hotels and InnSuites Hotels' ability to increase revenue to keep pace with inflation. Operators of hotels in general and InnSuites Hotels in particular can change room rates quickly, but competitive pressures may limit InnSuites Hotels' ability to raise rates as fast as or faster than inflation. Average daily rate per room declined $3.77 in the most recent fiscal year ended January 31, 2013.

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-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;
- our ability to sell any of our Hotels at market value, listed sale price or at all;
- interest rate fluctuations;
- changes in governmental regulations, including federal income tax laws and regulations;
- competition;
- any changes in our financial condition or operating results due to acquisitions or dispositions of hotel properties;
- insufficient resources to pursue our current strategy;
- concentration of our investments in the InnSuites Hotels® brand;
- loss of membership contracts;
- real estate and hospitality market conditions;
- hospitality industry factors;
- the Trust’s ability to remain listed on the NYSE MKT;
- effectiveness of the Trust’s software program;
- our ability to meet present and future debt service obligations;
- our inability to refinance or extend the maturity of indebtedness at, prior to, or after the time it matures;
- terrorist attacks or other acts of war;
- outbreaks of communicable diseases;
- natural disasters;
- data breaches; and
- loss of key personnel.

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

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INNSUITES HOSPITALITY TRUST
LIST OF CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

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

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

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

Report of Independent Registered Public Accounting Firm

The Shareholders and Board of Trustees of
InnSuites Hospitality Trust
Phoenix, AZ

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

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

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

Phoenix, AZ
April 30, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Board of Trustees
InnSuites Hospitality Trust

We have audited the accompanying consolidated balance sheet of InnSuites Hospitality Trust and subsidiaries (the “Trust”) as of January 31, 2012, and the related consolidated statements of operations, shareholders’ equity and cash flows for the year then ended. Our audit also included the 2012 financial statement schedules listed in Item 15(a). The consolidated financial statements and financial statement schedules are the responsibility of the Trust’s management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedules based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Trust 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 Trust’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of InnSuites Hospitality Trust and subsidiaries as of January 31, 2012, and the consolidated results of their operations and their cash flows for the year 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

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 31, 2013	2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents ($0 and $133,637 of variable interest entity (VIE), Note 6)	$493,953	$983,424
Restricted Cash ($0 and $31,300 of VIE)	13,783	136,808
Accounts Receivable, including $81,176 and $102,358 from related parties, net of Allowance for Doubtful Accounts of $34,415 and $38,159, as of January 31, 2013 and 2012, respectively ($0 and $12,653 of VIE)	568,186	619,916
Prepaid Expenses and Other Current Assets ($0 and $23,366 of VIE)	268,399	242,366
Total Current Assets	1,344,321	1,982,514
Hotel Properties, net ($0 and $1,415,155 of VIE)	24,686,780	25,141,748
Property, Plant and Equipment, net	112,977	149,377
Deferred Finance Costs and Other Assets ($0 and $15,858 of VIE)	137,884	108,619
TOTAL ASSETS	$26,281,962	$27,382,258
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses ($0 and $112,643 of VIE)	$2,298,497	$2,414,763
Current Portion of Mortgage Notes Payable	1,208,365	2,291,247
Current Portion of Notes Payable to Bank	450,000	-
Current Portion of Other Notes Payable	189,799	212,692
Total Current Liabilities	4,146,661	4,918,702
Mortgage Notes Payable	18,746,559	18,980,009
Other Notes Payable	162,457	337,960
TOTAL LIABILITIES	23,055,677	24,236,671
COMMITMENTS AND CONTINGENCIES (SEE NOTE 19)		
SHAREHOLDERS' EQUITY		
Shares of Beneficial Interest, without par value, unlimited authorization; 16,804,746 and 16,786,746 shares issued and 8,375,207 and 8,442,338 shares outstanding at January 31, 2013 and 2012, respectively	14,940,048	14,646,261
Treasury Stock, 8,429,539 and 8,344,408 shares held at January 31, 2013 and 2012, respectively	(11,877,886)	(11,682,575)
TOTAL TRUST SHAREHOLDERS' EQUITY	3,062,162	2,963,686
NON-CONTROLLING INTEREST	164,123	181,901
TOTAL EQUITY	3,226,285	3,145,587
TOTAL LIABILITIES AND EQUITY	$26,281,962	$27,382,258

See accompanying notes to

consolidated financial statements

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED JANUARY 31, 2013	2012
REVENUE		
Room	$ 13,436,362	$ 13,523,680
Food and Beverage	1,068,025	836,984
Telecommunications	—	1,882
Other	210,570	242,322
Management and Trademark Fees, including $248,234 and $216,963 from related parties for 2013 and 2012, respectively	262,662	231,456
Payroll Reimbursements from Related Parties	—	2,231,712
TOTAL REVENUE	14,977,619	17,068,036
OPERATING EXPENSES		
Room	3,759,867	3,546,069
Food and Beverage	1,006,975	869,574
Telecommunications	51,607	45,720
General and Administrative	2,977,901	3,102,388
Sales and Marketing	1,083,503	1,110,495
Repairs and Maintenance	1,430,524	1,430,645
Hospitality	808,064	790,634
Utilities	1,263,748	1,200,192
Hotel Property Depreciation	1,754,289	1,734,734
Real Estate and Personal Property Taxes, Insurance and Ground Rent	954,232	917,878
Other	9,987	12,553
Payroll Costs Related to Management Contracts	—	2,231,712
TOTAL OPERATING EXPENSES	15,100,697	16,992,594
OPERATING INCOME (LOSS)	(123,078)	75,442
Interest Income	8,937	3,721
TOTAL OTHER INCOME	8,937	3,721
Interest on Mortgage Notes Payable	909,366	1,490,995
Interest on Notes Payable to Banks	17,613	1,048
Interest on Other Notes Payable	34,730	35,464
TOTAL INTEREST EXPENSE	961,709	1,527,507
CONSOLIDATED LOSS BEFORE INCOME TAX PROVISION	(1,075,850)	(1,448,344)
Income Tax Provision	—	—
CONSOLIDATED NET LOSS	$ (1,075,850)	$ (1,448,344)
LESS: NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	$ (69,705)	$ (369,603)
NET LOSS ATTRIBUTABLE TO CONTROLLING INTERESTS	$ (1,006,145)	$ (1,078,741)
NET LOSS PER SHARE – Basic and Diluted	$ (0.12)	$ (0.13)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – Basic and Diluted	8,415,542	8,511,730
CASH DIVIDENDS PER SHARE	$ 0.01	$ 0.01

See accompanying notes to

consolidated financial statements

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INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JANUARY 31, 2013 and 2012

	Trust Shareholders' Equity						
	Shares of Beneficial Interest		Treasury Stock				
	Shares	Amount	Shares	Amount	Trust Shareholders' Equity	Non-Controlling Interest	Amount
Balance, January 31, 2011	8,546,793	$ 15,412,926	8,239,953	$ (11,456,375)	3,956,551	$ (675,950)	$ 3,280,601
Net Loss	-	(1,078,741)	-	-	(1,078,741)	(369,603)	(1,448,344)
Dividends	-	(84,430)	-	-	(84,430)	-	(84,430)
Purchase of Treasury Stock	(140,455)	-	140,455	(276,253)	(276,253)	-	(276,253)
Repurchase of Partnership Units	-	(130,700)	-	-	(130,700)	-	(130,700)
Shares of Beneficial Interest Issues for Services Rendered	36,000	1,787	(36,000)	50,053	51,840	-	51,840
Sale of Ownership Interests in Subsidiary	-	1,317,579	-	-	1,317,579	1,096,976	2,414,555
Repurchase of Ownership Interests in Subsidiary	-	(761,888)	-	-	(761,888)	361,888	(400,000)
Distribution to Non-Controlling Interests	-	11,863	-	-	11,863	(273,545)	(261,682)
Reallocation of Non-Controlling Interests	-	(42,135)	-	-	(42,135)	42,135	-
Balance, January 31, 2012	8,442,338	14,646,261	8,344,408	(11,682,575)	2,963,686	181,901	3,145,587
Net Loss	-	(1,006,145)	-	-	(1,006,145)	(69,705)	(1,075,850)
Dividends	-	(83,846)	-	-	(83,846)	-	(83,846)
Purchase of Treasury Stock	(85,131)	-	85,131	(195,311)	(195,311)	-	(195,311)
Repurchase of Partnership Units	-	(16,025)	-	-	(16,025)	-	