Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

AMERICAN HOTEL INCOME PROPERTIES REIT LP

For the three months ended March 31, 2014 and 2013
(Unaudited)

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • V6B 5A1 • Canada • Telephone (604) 630-3134 • Fax (604) 629-0790

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in thousands of U.S dollars)

	Note	March 31, 2014	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents		$ 8,332	$ 29,487
Restricted cash	5	12,353	6,000
Trade and other receivables		2,050	1,209
Prepaids and deposits		1,046	978
Other assets		390	362
		24,171	38,036
Property, buildings and equipment	6	223,145	187,391
Mezzanine loans receivable	7	485	322
Intangible assets	8	8,405	8,421
Deferred income tax assets		2,478	2,332
		$ 258,684	$ 236,502
Liabilities and Partners' Capital			
Current liabilities:			
Accounts payable and accrued liabilities		$ 6,957	$ 6,163
Construction facility	9	1,612	-
Current portion of term loans	9	3,569	3,534
		12,138	9,697
Term loans	9	126,237	103,208
Contingent consideration	10	5,135	5,085
Deferred compensation payable	15(c)	460	460
Preferred shares	11	125	-
Deferred income tax liability		1,813	1,813
		145,908	120,263
Partners' capital		112,776	116,239
Commitments	15		
Subsequent events	19		
		$ 258,684	$ 236,502

See accompanying notes to condensed consolidated interim financial statements.

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AMERICAN HOTEL INCOME PROPERTIES REIT LP

Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited)
(Expressed in thousands of U.S dollars, except for per unit, number of unit figures)

	Note	Three months ended March 31, 2014	Three months ended March 31, 2013
Revenue:			
Rooms		$ 14,654	$ 4,407
Food		2,399	1,047
Rental and other		170	120
		17,223	5,574
Hotel expenses:			
Operating expenses		8,738	2,822
Energy		1,103	237
Property maintenance		978	290
Property taxes and insurance		1,024	282
Depreciation and amortization		2,354	772
		14,197	4,403
Income from operating activities		3,026	1,171
Corporate and administrative		2,026	607
Business acquisition costs		369	1,161
Income (loss) before finance costs and income taxes		631	(597)
Finance income		(29)	(6)
Finance costs	14	1,566	466
Loss before income taxes		(906)	(1,057)
Current income tax expense		-	57
Deferred income tax recovery		(146)	(71)
Loss and comprehensive loss for the period		$ (760)	$ (1,043)
Basic and diluted weighted average loss per unit		$ (0.05)	$ (0.21)
Basic and diluted weighted average number of units outstanding		14,437,800	4,969,831

See accompanying notes to condensed consolidated interim financial statements.

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AMERICAN HOTEL INCOME PROPERTIES REIT LP

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Expressed in thousands of U.S dollars, except number of Unit figures)

Three months ended March 31, 2014 and 2013

	Units outstanding	General partner [1]	Limited partners	Contributed surplus	Cumulative deficit	Total
Balance, January 1, 2014	14,437,800	$ -	$ 125,339	$ -	$ (9,100)	$ 116,239
Securities-based compensation (note 13)	-	-	-	242	-	242
Loss and comprehensive loss for the period	-	-	-	-	(760)	(760)
Distributions (note 12)	-	-	-	-	(2,945)	(2,945)
Balance, March 31, 2014	14,437,800	$ -	$ 125,339	$ 242	$ (12,805)	$ 112,776

	Units outstanding	General partner [1]	Limited partners	Contributed surplus	Cumulative deficit	Total
Balance, January 1, 2013	800,000	$ -	$ 807	$ -	$ (455)	$ 352
Consolidation of pre-initial public offering units	(400,000)	-	-	-	-	-
Issuance of units on initial public offering	10,005,000	-	98,307	-	-	98,307
Issuance cost on initial offering	-	-	(9,620)	-	-	(9,620)
Loss and comprehensive loss for the period	-	-	-	-	(1,043)	(1,043)
Distributions	-	-	-	-	(983)	(983)
Balance, March 31, 2013	10,405,000	$ -	$ 89,494	$ -	$ (2,481)	$ 87,013

[1] *Consists of $0.1 of General Partner Units*

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AMERICAN HOTEL INCOME PROPERTIES REIT LP

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in thousands of U.S dollars)

	Note	Three months ended March 31, 2014	Three months ended March 31, 2013
Cash provided by (used in):			
Operating activities:			
Loss and comprehensive loss		$ (760)	$ (1,043)
Interest paid		(1,161)	(86)
Items not affecting cash:			
Depreciation and amortization		2,354	772
Securities-based compensation expense		242	-
Accretion of contingent consideration		50	21
Amortization of deferred financing costs		92	29
Current income tax expense		-	57
Deferred income tax recovery		(146)	(71)
Interest expense	14	1,424	428
		2,095	107
Change in non-cash operating working capital	17	(456)	(1,025)
		1,639	(918)
Investing activities:			
Purchase of property, buildings and equipment		(444)	(1,054)
Franchise fees paid		(448)	-
Acquisition of the Oak Tree Inn hotels		-	(57,807)
Acquisition of the Virginia Portfolio net of cash provided by seller	4	(37,123)	-
Funding for cash reserves	5	(6,353)	-
		(44,368)	(58,861)
Financing activities:			
Units issued for cash on initial public offering, net of expense		-	90,366
Distributions paid		(2,945)	-
Proceeds from term loans	9	24,500	-
Proceeds from construction facility	9	1,612	1,123
Proceeds from issuance of preferred shares	11	125	-
Mezzanine loans receivable advanced	7	(163)	-
Payments on initial term loan	9	(842)	(4,501)
Payments on term loans	9	(42)	-
Financing costs paid		(644)	(1,001)
Release of escrow funds on initial public offering		-	(250)
		21,601	85,737
Increase (decrease) in cash and cash equivalents		(21,155)	25,958
Cash and cash equivalents, beginning of period		29,487	186
Cash and cash equivalents, end of period		$ 8,332	$ 26,144

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1. Reporting entity:

American Hotel Income Properties REIT LP ("AHIP") is a limited partnership formed under the *Limited Partnerships Act* (Ontario) to invest in hotel real estate properties in the United States. AHIP was established by and among 8290768 Canada Inc. (renamed American Hotel Income Properties REIT (GP) Inc.) (AHIP's "General Partner") and Maverick Management Corp. as the initial limited partner, pursuant to the terms of AHIP's Limited Partnership Agreement dated October 12, 2012. AHIP's head office and address for service is located at 1660 - 401 West Georgia Street, Vancouver, British Columbia, Canada, V6B 5A1.

AHIP was established, among other things, for the purpose of:

(a) acquiring common shares and, where applicable, a ROC Share of American Hotel Income Properties REIT Inc. (the "U.S. REIT"), a ROC Share being defined as a share in the capital of the U.S. REIT which is designated within such capital as a preferred share;

(b) temporarily holding cash and investments for the purposes of paying the expenses and liabilities of AHIP and making distributions to Unitholders (a Unitholder is defined as a person at any time that is a limited partner in AHIP and who is the beneficial owner of one or more Units). Units means AHIP limited partnership units; and

(c) in connection with the undertaking set out above, reinvesting income and gains of AHIP and taking other actions besides the mere protection and preservation of AHIP's property.

AHIP is not a SIFT Partnership under the Income Tax Act (Canada) and is not subject to a SIFT Tax.

The U.S. REIT qualified and intends to continue to qualify as a real estate investment trust pursuant to the U.S. Internal Revenue Code.

AHIP's Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol HOT.UN and also in the United States on the OTCQX International marketplace under the symbol AHOTF.

(a) Initial Public Offering ("IPO") and acquisition of initial portfolio:

On February 20, 2013, AHIP completed its IPO of 9,570,000 Units priced at Cdn$10.00 per Unit, for total gross proceeds of Cdn$95.7 million (US$94.1 million). Included in the closing were 870,000 Units for total gross proceeds of Cdn$8.7 million (US$8.5 million) from a partial exercise of the over-allotment option described in AHIP's final prospectus dated February 12, 2013 as filed with the securities commissions and other securities regulatory authorities in all provinces and territories of Canada.

On March 1, 2013, the exercise of the remaining balance of the over-allotment option was completed, resulting in the issuance of an additional 435,000 Units at a price of Cdn$10.00 per Unit for gross proceeds of Cdn$4.4 million (US$4.2 million).

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1. Reporting entity (continued):

(a) Initial Public Offering ("IPO") and acquisition of initial portfolio (continued):

Concurrent with the closing of the IPO, AHIP indirectly acquired the outstanding share capital in a portfolio comprising an aggregate of 32 hotel properties (the "Oak Tree Inn hotels") located in 19 states, predominantly in smaller towns throughout the U.S. A substantial portion of the Oak Tree Inn hotels' revenue is generated through lodging agreements with several railway companies.

(b) Offering and acquisition of Pittsburgh hotels:

On October 31, 2013, AHIP completed the public offering of 3,967,500 subscription receipts ("Subscription Receipts") on a bought-deal basis, inclusive of 517,500 Subscriptions Receipts related to an over-allotment option, at a price of Cdn$10.15 per Subscription Receipt for gross proceeds of Cdn$40.3 million (US$38.3 million) (the "Offering").

On November 21, 2013, AHIP used partial proceeds from the Offering along with new financing ("Pittsburgh Portfolio Term Loans") to indirectly acquire four hotel properties located in metropolitan Pittsburgh, Pennsylvania ("Pittsburgh Portfolio"). The Pittsburgh Portfolio hotels comprise an aggregate of 471 guest rooms and consists of three hotels under the 'Hampton Inn' flag (a Hilton brand), and one hotel under the 'Residence Inn' flag (a Marriott brand).

(c) Acquisition of Virginia hotels:

On March 12, 2014, AHIP used partial proceeds from the Offering along with new financing (the "Virginia Portfolio Term Loan") to indirectly acquire a portfolio of four hotel properties located in Virginia (the "Virginia Portfolio"). The Virginia Portfolio hotels comprise an aggregate of 403 guest rooms and consists of three hotels under the 'Hampton Inn' flag (a Hilton brand), and one hotel under the 'Fairfield Inn & Suites' flag (a Marriott brand).

The Virginia Portfolio and the Pittsburgh Portfolio are collectively referred to as the "Other Branded hotels".

2. Basis of presentation and statement of compliance:

(a) Statement of compliance:

The condensed consolidated interim financial statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Statements*. Selected explanatory notes are included to explain significant events and transactions that have occurred since December 31, 2013. These condensed consolidated interim financial statements do not contain all of the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual reporting purposes and should be read in conjunction with AHIP's annual audited consolidated financial statements as at and for the year ended December 31, 2013.

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2. Basis of presentation and statement of compliance (continued):

(a) Statement of compliance (continued):

These condensed consolidated interim financial statements were approved and authorized for issue by the directors of the General Partner on May 8, 2014.

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on a historical cost basis.

(c) Functional and presentation currency:

AHIP and its subsidiaries use United States ("U.S.") dollars as their functional and presentation currency.

Transactions denominated in Canadian dollars are translated to U.S. dollars as follows:

- Monetary assets and liabilities are translated at current rates of exchange;
- Non-monetary assets and liabilities are translated at historical rates of exchange; and
- Revenues and expenses are translated at average rates of exchange for the period.

All exchange gains and losses are recognized in the consolidated statement of comprehensive loss.

(d) Measurement uncertainty (use of estimates):

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimates include the following:

(*i*) Business combinations:

The acquisition of a business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition dates. AHIP obtained third-party valuations to support management's determination of the fair value of property, buildings and equipment. Management evaluated the incremental earning stream attributable to the lodging agreements discounted at an expected rate of return to support the determination of the value of intangible assets.

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2. Basis of presentation and statement of compliance (continued):

(d) Measurement uncertainty (use of estimates) (continued):

(*ii*) Depreciation and amortization:

Management has estimated the useful lives of property, buildings and equipment in the determination of depreciation. The estimated useful lives of property, buildings, and equipment are determined based on various factors including historical data and AHIP's expected use of the assets. Intangible assets are amortized over the average remaining contractual term of the rail lodging agreements.

3. Significant accounting policies:

(a) Significant accounting policies:

Except as described below, these condensed consolidated interim financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements as at and for the year ended December 31, 2013. The following changes in accounting policies are also expected to be reflected in AHIP's annual audited consolidated financial statements as at and for the year ended December 31, 2014.

(*i*) Changes in accounting standards:

AHIP has adopted the following new standard effective January 1, 2014:

(*i*) IFRIC 21, *Levies*:

IFRIC 21 provides an interpretation of the requirements in IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, for the recognition of liabilities for obligations to pay levies that are within the scope of IFRIC 21. The standard has no material impact on AHIP's condensed consolidated interim financial statements.

(b) Comparative information:

Certain comparative information in the prior period has been reclassified to conform to the current period presentation.

4. Business combinations:

(a) Pittsburgh Portfolio:

The acquisition of the Pittsburgh Portfolio on November 21, 2013 has been accounted for as a business combination. The aggregate purchase price for the Pittsburgh Portfolio was $57,671, of which $20,377 was paid in cash from the Offering and the balance was financed by a term loan (the "Pittsburgh Portfolio Term Loans") (note 9).

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4. Business combinations (continued):

(a) Pittsburgh Portfolio (continued):

The purchase price has been allocated to the assets acquired and liabilities assumed on a preliminary basis as follows:

Property, buildings and equipment	$	57,250
Working capital		417
Cash provided by seller		4
Net assets	$	57,671
Financed by:		
Cash	$	20,377
Pittsburgh Portfolio Term Loans		37,294
Total consideration	$	57,671

Total business acquisition costs related to the purchase of the Pittsburgh Portfolio were $667 of which $32 was expensed in the three months ended March 31, 2014.

(b) Virginia Portfolio:

The acquisition of the Virginia Portfolio on March 12, 2014 has been accounted for as a business combination. The aggregate purchase price for the Virginia Portfolio was $37,126, of which $13,259 was paid in cash and the balance was financed by a new term loan (the "Virginia Portfolio Term Loan") (note 9).

The purchase price has been allocated to the assets acquired and liabilities assumed on a preliminary basis as follows:

Property, buildings and equipment	$	37,200
Working capital		(77)
Cash provided by seller		3
Net assets	$	37,126
Financed by:		
Cash	$	13,259
Virginia Portfolio Term Loans		23,867
Total consideration	$	37,126

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4. Business combinations (continued):

(b) Virginia Portfolio (continued):

Total business acquisition costs related to the purchase of the Virginia Portfolio were $399 of which $278 was expensed in the three months ended March 31, 2014.

For the 20 day period ended March 31, 2014, subsequent to the date of acquisition, AHIP has recognized revenue of $571 and income from operating activities of $184 from the Virginia Portfolio.

5. Restricted cash:

	March 31, 2014	December 31, 2013
Property improvement plans	$ 12,002	$ 6,000
Furniture, fixture and equipment reserve	231	-
Property tax escrow	120	-
	$ 12,353	$ 6,000

Pursuant to the terms of the Pittsburgh Portfolio Term Loans, AHIP funded a $6,000 restricted cash reserve for brand mandated property improvement plans. Pursuant to the terms of the Virginia Portfolio Term Loan, AHIP funded another $6,000 restricted cash reserve for brand mandated property improvement plans. In addition, both term loan facilities require AHIP to place on deposit reserves for ongoing furniture, fixture, and equipment expenses (based on 4% of gross revenues, but is waived for the initial 12 months on all properties of the Virginia Portfolio, except for one property where the reserve is waived for the initial 24 months) and property taxes. These amounts are released to AHIP as the expenditures are incurred.

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6. Property, buildings and equipment:

	Land	Buildings	Equipment	Automobiles	Leasehold improvements	Construction in progress	Total
Cost:							
Balance at January 1, 2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Acquisition of Oak Tree Inn hotels	15,476	102,899	9,107	39	22	1,497	129,040
Acquisition of Pittsburgh Portfolio (note 4)	8,084	47,966	1,200	-	-	-	57,250
Additions	276	2,103	1,438	-	-	2,241	6,058
Transfers	176	3,042	520	-	-	(3,738)	-
Disposals	-	(36)	(139)	-	-	-	(175)
Balance at December 31, 2013	24,012	155,974	12,126	39	22	-	192,173
Acquisition of Virginia Portfolio (note 4)	3,935	30,848	2,417	-	-	-	37,200
Additions	-	257	187	-	-	-	444
Balance at March 31, 2014	27,947	187,079	14,730	39	22	-	229,817
Accumulated depreciation:							
Balance at January 1, 2013	-	-	-	-	-	-	-
Depreciation	-	2,932	1,869	8	4	-	4,813
Disposals	-	(2)	(29)	-	-	-	(31)
Balance at December 31, 2013	-	2,930	1,840	8	4	-	4,782
Depreciation	-	1,218	669	2	1	-	1,890
Disposals	-	-	-	-	-	-	-
Balance at March 31, 2014	-	4,148	2,509	10	5	-	6,672
Net book value at March 31, 2014	$ 27,947	$ 182,931	$ 12,221	$ 29	$ 17	$ -	$ 223,145
Net book value at December 31, 2013	$ 24,012	$ 153,044	$ 10,286	$ 31	$ 18	$ -	$ 187,391

7. Mezzanine loans receivable:

On February 20, 2013, AHIP entered into an agreement with a related party, SunOne Developments Inc. (“SunOne”) pursuant to which SunOne provides exclusive development services to subsidiaries of AHIP (the “Master Development Agreement”). See note 15(c).

In accordance with the Master Development Agreement, AHIP may elect to finance (directly or indirectly) developments via a mezzanine loan subject to certain terms and conditions. Each of the mezzanine loans receivable is due twelve months from the date the related development property is substantially complete.

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7. Mezzanine loans receivable (continued):

As at March 31, 2014 and December 31 2013, AHIP had the following mezzanine loans receivable due from SunOne:

Properties under development	Expected completion date	Total mezzanine financing available	Annual interest rate	March 31, 2014 Mezzanine loan amount drawn	December 31, 2013 Mezzanine loan amount drawn
Santa Teresa, NM	May 2014	$ 650	10%	$ 346	$ 291
Brunswick, MD	September 2014	392	10%	66	31
Wellington, KS	November 2014	931	10%	-	-
Glendive, MT	December 2014	638	10%	73	-
		$ 2,611		$ 485	$ 322

8. Intangible assets:

	Railway Agreements	Franchise Agreements	Total
Cost:			
Balance at January 1, 2013	$ -	$ -	$ -
Acquisition of Oak Tree Inn hotels	9,030	-	9,030
Additions	460	-	460
Acquisition of Pittsburgh Portfolio	-	485	485
Balance at December 31, 2013	9,490	485	9,975
Acquisition of Virginia Portfolio	-	448	448
Balance at March 31, 2014	$ 9,490	$ 933	$ 10,423
Accumulated amortization:			
Balance at January 1, 2013	$ -	$ -	$ -
Amortization	(1,549)	(5)	(1,554)
Balance at December 31, 2013	(1,549)	(5)	(1,554)
Amortization	(451)	(13)	(464)
Balance at March 31, 2014	$ (2,000)	$ (18)	$ (2,018)
Net book value at March 31, 2014	$ 7,490	$ 915	$ 8,405
Net book value at December 31, 2013	$ 7,941	$ 928	$ 8,421

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9. Construction facility and term loans:

	March 31, 2014	December 31, 2013
Oak Tree Hotel Loans including amendment (a)	$ 69,545	$ 70,429
Pittsburgh Portfolio Term Loans (b)	38,000	38,000
Virginia Portfolio Term Loan (c)	24,500	-
Construction Facility (d)	1,612	-
	133,657	108,429
Less: unamortized portion of debt issuance costs	(2,239)	(1,687)
	131,418	106,742
Current portion of construction facility	(1,612)	-
Current portion of term loans	(3,569)	(3,534)
	$ 126,237	$ 103,208

(a) Oak Tree Hotel Loans:

Oak Tree Hotel Loans consist of a $70,000 term loan and a $2,850 amendment.

The $70,000 term loan has a fixed interest rate of 4.85%, a five year term and a 180 month amortization period, with the remaining principal balance due and payable at the end of the term, subject to certain prepayment provisions. The term loan includes, among other things, financial covenants and contains restrictions on the borrowers' ability to make distributions or pay management fees or leasing expenses if a default or event of default exists under the Initial Debt Financing. As at March 31, 2014, the principal balance on the term loan was $66,737 (December 31, 2013 - $67,579)

The $2,850 amendment provides an additional term loan with a ten year term, bearing interest at 4.00% per annum during the first five years of the term. The interest rate for the remainder of the term is a variable rate equal to the sum of the one-year constant maturity United States Treasury Department obligations plus 2.75%. The $2,850 amendment can be prepaid, without premium or penalty, in minimum aggregate amounts of $500 or such lesser amount as shall be remaining outstanding under the loan with written notice to the lender. As at March 31, 2014, the principal balance on the additional term loan was $2,808 (December 31, 2013 - $2,850).

(b) Pittsburgh Portfolio Term Loans:

On November 21, 2013, certain AHIP subsidiaries entered into loan agreements with a subsidiary of a major international bank, in the aggregate principal amount of $38,000 for a term of 10 years at an interest rate of 5.02% per annum. The loan is being amortized over 360 months. The loans are interest only for the first three years of the term with the first principal payment starting in January 2017. The Pittsburgh Portfolio Term Loans are guaranteed by the U.S. REIT and the four Pittsburgh hotel properties are not cross-collateralized.

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9. Construction facility and term loans (continued):

(b) Pittsburgh Portfolio Term Loans (continued):

The Pittsburgh Portfolio Term Loans include, among other things, financial covenants and restrictions on AHIP's ability to make distributions or pay management fees or leasing expenses if a default or event of default exists under these loans.

(c) Virginia Portfolio Term Loan:

On March 12, 2014, certain AHIP subsidiaries entered into a loan agreement with a subsidiary of a major international bank for a $24,500 loan for a term of 10 years at an interest rate of 4.97% per annum. The loan is being amortized over 360 months. The loans are interest only for the first four years of the term with the first principal payment starting in May 2018. The Virginia Portfolio Term Loan is guaranteed by the U.S. REIT and is cross collateralized by the four Virginia hotel properties.

The Virginia Portfolio Term Loan includes, among other things, financial covenants and restrictions on AHIP's ability to make distributions or pay management fees or leasing expenses if a default or event of default exists under these loans.

(d) Construction facility:

The Construction Facility is an interest only loan with a floating interest rate based on the 30-day LIBOR plus 3.0% (with a floor of 4.0%), matures on February 20, 2015 and has a maximum available limit of $4,000. Advances under the Construction Facility are available to finance up to 75% of approved project costs or 75% of project appraised value, whichever is less. On March 28, 2014, $1,612 was advanced to AHIP under this facility (December 31, 2013 - nil).

As at March 31, 2014 AHIP was in compliance with all of its debt covenants.

Principal installments payable within the next five fiscal years and thereafter on the outstanding term loans and construction facility are as follows:

2014	$	2,649
2015		5,315
2016		3,879
2017		4,613
2018		53,964
Thereafter		63,237
	$	133,657

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10. Contingent consideration:

		March 31, 2014		December 31, 2013
Opening balance	$	5,085	$	-
Acquisition of Oak Tree Inn hotels		-		4,916
Accretion		50		169
Closing balance	$	5,135	$	5,085

Pursuant to the purchase agreement for the Oak Tree Inn hotels on February 20, 2013, $5,500 of the purchase price was subject to an earnout provision upon achievement of certain performance-based targets prior to December 31, 2015. To the extent earned, AHIP's indirect U.S. subsidiary has the option of paying such amount in cash or in units of AHIP, or a combination thereof, by January 20, 2016. This contingent consideration has been recorded at a present value of $4,916 using a 4.0% discount rate. As at March 31, 2014, the contingent consideration balance was $5,135 (December 31, 2013 - $5,085) after accumulated accretion of the balance for $219 (December 31, 2013 - $169).

11. Preferred shares:

On January 17, 2014, the U.S. REIT completed a private placement offering of preferred shares in the U.S. REIT to 125 preferred shareholders for total offering proceeds of $125. The shares have a par value of $1 with a fixed rate of dividend at 12.5% per annum. As such, these preferred shares are classified as liabilities on the consolidated statement of financial position.

12. Partners' capital:

Distribution policy:

AHIP intends to make monthly distributions to Unitholders of record on the last business day of each month. Distributions will be paid on or about the 15th day following the end of each month. .

For the three months ended March 31, 2014, AHIP declared distributions of Cdn$0.225 (US$0.20) per Unit to be paid to Unitholders totaling US$2,945. Of this amount, US$979 is included in accounts payable and accrued expenses at March 31, 2014.

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13. Compensation plan:

On December 30, 2013, AHIP granted a total of 123,800 Units at a grant price of $9.87 per Unit (Cdn$10.50 per Unit) to certain employees with the following vesting dates:

	Number of units	Total fair value of Units at grant date
December 30, 2013	65,300	$ 644
May 15, 2014	28,500	281
December 30, 2014	15,000	148
December 30, 2015	15,000	148
	123,800	$ 1,221

For the three months ended March 31, 2014, a total of $242 in securities-based compensation expense was included in corporate and administrative expense.

14. Finance costs:

	Three months ended March 31, 2014	Three months ended March 31, 2013
Dividends on preferred shares	$ 4	$ -
Debt issuance costs related to Construction Facility	23	50
Interest on Term Loans and Construction Facility	1,397	366
Accretion of contingent consideration	50	21
Amortization of debt issuance costs	92	29
	$ 1,566	$ 466

15. Commitments:

(a) Operating leases:

AHIP has entered into operating leases for its office facility, office equipment and automobiles. Future minimum lease payments under non-cancelable operating leases as of March 31, 2014 are as follows:

2014	$ 255
2015	221
2016	160
2017	76

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15. Commitments (continued):

(b) Lodging agreements:

The Oak Tree Inn hotels have various lodging agreements with several railway companies. Under these agreements, AHIP typically agrees to operate and maintain lodging and restaurant properties for the use of authorized railway employees. The agreements provide for a minimum number of rooms to be available, and they also specify certain quality, service, transportation, and insurance requirements to be provided by AHIP. AHIP receives a fixed rate per rented room. AHIP may rent the remaining rooms to the general public. These agreements have terms ranging from annual renewals to expirations in 2024.

(c) Mezzanine financing, deferred compensation and purchase commitments:

In 2013, AHIP entered into agreements with SunOne to purchase four Oak Tree Inn hotels and three Penny's Diners, each secured by a 10-year railway contract. These hotels will be financed and developed in accordance with the Master Development Agreement between SunOne and AHIP.

Two of these railway contracts meet the definition of "Qualifying New Contract", as defined in the purchase agreement for the Oak Tree Inn hotels as a bona fide written agreement for guaranteed room rentals comprising financial and other terms substantially consistent with other similar contracts between one of AHIP's U.S. subsidiaries and any American or Canadian railway company with national operations that meet minimum contract term and revenue objectives. Each Qualifying New Contract may result in an additional $250 compensation, up to a maximum of $1,250, to be paid to the sellers of the Oak Tree Inn hotels. As at March 31, 2014 and December, 31, 2013, the present value amount of $460 in deferred compensation payable related to the signing of two railway contracts is reflected as a long-term liability in the consolidated statements of financial position.

In addition to the mezzanine financing commitment to SunOne (note 7), AHIP has committed to purchase these completed properties at the following purchase prices:

Property under development	Expected completion date	Rooms	Committed purchase price	Total mezzanine financing available
Santa Teresa, NM	May 2014	56	$ 5,130	$ 650
Brunswick, MD	September 2014	25	2,755	392
Wellington, KS	November 2014	110	7,410	931
Glendive, MT	December 2014	50	4,940	638
		241	$ 20,235	$ 2,611

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15. Commitments (continued):

(d) In the normal course of operations, AHIP and its subsidiaries may become subject to a variety of legal and other claims. Management and legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the costs to satisfy such claims. Although the outcome of legal and other claims are not reasonably determinable, management believes that any such outcome will not have a material adverse effect on these consolidated financial statements.

16. Related party transactions:

Hotel Manager:

AHIP has entered into a hotel management agreement with various wholly owned subsidiaries of Tower Rock Hotels & Resorts Inc. (the “Hotel Managers”), a company indirectly controlled by a director of the General Partner to manage and operate the hotel properties.

The operating subsidiary of AHIP is responsible for reimbursing the Hotel Managers for any operating expenses and direct costs incurred with respect to the operations of the properties and their lodging businesses, such as salary and benefit costs of hotel staff and other operating expenses. The hotel management agreements also provide for an amount equal to 3.5% of gross revenues to be paid to the Hotel Managers. The Hotel Managers are also entitled to a capital expenditure fee equal to 5.0% of capital expenditures, including maintenance capital expenditures. In addition, commencing in fiscal 2014 the Hotel Managers are eligible to receive an incentive fee equal to 15.0% of the amount by which the gross operating profit of all hotels managed by the Hotel Managers, on an aggregate basis, exceeds the annual budgeted gross operating profit for all hotels as approved by the independent directors of the General Partner. The incentive fee may not exceed 50% of the aggregate base hotel management fees for the year in which the incentive fee is earned.

In addition, an annual administration fee of $15 per property is payable to the hotel manager for each property acquired on February 20, 2013 for each of the first and second years of the agreement, $20 per property in the third year of the agreement, and $25 per property in each year thereafter. A fee of $25 per property is payable for properties acquired subsequent to February 20, 2013.

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16. Related party transactions (continued):

AHIP recorded the following fees charged by the Hotel Manager in corporate and administrative expenses, of which $242 is included in accounts payable and accrued expenses for the three months ended March 31, 2014 (December 31, 2013 - $56):

	Three months ended March 31, 2014	Three months ended March 31, 2013
Management fee	$ 603	$ 197
Administration fee	160	51
Total fees expensed	$ 763	$ 248

In addition, capital management fees of $18 have been capitalized to property, buildings and equipment for the three months ended March 31, 2014 (three months ended March 31, 2013 - $8).

During the three months ended March 31, 2014, the Hotel Manager incurred $5,800 (three months ended March 31 2013 - $1,600) in expenses on behalf of the hotel properties during the normal course of operations, comprised primarily of payroll costs of $5,700 (three months ended March 31, 2013 - $1,600) and other general and administrative costs such as travel and office expenses. Of this total, $777 is included in accounts payable and accrued expenses as at March 31, 2014 (December 31, 2013 - $595).

17. Supplemental cash flow disclosure:

Changes in non-cash operating working capital balances:

	Three months ended March 31, 2014	Three months ended March 31, 2013
Trade and other receivables	$ (818)	$ (507)
Other assets	(28)	68
Prepaids and deposits	(40)	(415)
Accounts payable and accrued expenses	430	(171)
	$ (456)	$ (1,025)

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18. Segment reporting:

AHIP's operations consist of hotel real estate properties in the U.S. only. AHIP's operations are separated into operating and reportable segments based on the structure that AHIP maintains for making operating decisions and assessing performance. The two segments are: (*i*) the Oak Tree Inn hotels that have railway lodging agreements; and (*ii*) the Other Branded Hotels that have no railway lodging agreements. AHIP's corporate costs are not allocated to the segments.

The following provides segmented information as at and for the three months ended March 31, 2014:

	Oak Tree Inn Hotels	Other Branded Hotels	Corporate	Total
Total assets	$ 145,819	$ 111,243	$ 1,622	$ 258,684
Total liabilities	80,659	62,992	2,257	145,908
Revenue	$ 13,107	$ 4,116	$ -	$ 17,223
Hotel expenses	11,138	3,059	-	14,197
Income from operating activities	1,969	1,057	-	3,026

For the three months ended March 31, 2013, AHIP only had one operational segment, Oak Tree Inn hotels as the Other Branded Hotels had not yet been acquired.

19. Subsequent events:

(a) Distributions:

On April 17, 2014, AHIP announced a cash distribution of $985 (or Cdn$0.075 per unit, which is equivalent to Cdn$0.90 per Unit on an annualized basis), for the period of April 1, 2014 to April 30, 2014 to be paid to Unitholders of record on April 30, 2014. The distribution will be paid on May 15, 2014.

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19. Subsequent events (continued):

(b) Additional mezzanine financing advanced to SunOne:

On April 10, 2014, AHIP advanced $290 in additional mezzanine loans to SunOne pursuant to the Master Development Agreement with SunOne (note 7) for the following properties:

Properties under development	Total mezzanine financing available	As at March 31, 2014 Mezzanine loan amount drawn (note 7)	Additional loans drawn	As at May 8, 2014 Mezzanine loan amount drawn	As at May 8, 2014 Mezzanine financing available
Santa Teresa, NM	$ 650	$ 346	$ 186	$ 532	$ 118
Brunswick, MD	392	66	32	98	294
Wellington, KS	931	-	72	72	859
Glendive, MT	638	73	-	73	565
	$ 2,611	$ 485	$ 290	$ 775	$ 1,836

(c) Acquisition of Santa Teresa:

On May 1, 2014, pursuant to the terms of the Master Development Agreement with SunOne and upon the completion of the construction of the Oak Tree Inn hotel at Santa Teresa, NM, AHIP purchased the property from SunOne for $5,130. The purchase was financed by cash of $355, a term loan of $3,243, cancellation of the mezzanine loan receivable of $532, and the issuance of Units of $1,000.

As part of this transaction, the existing Oak Tree Hotel Loan agreement was amended ("Amendment #2") to provide additional proceeds of $3,243 for a term of 5 years at an interest rate of 4.25% per annum. The loan is being amortized over 180 months with the first principal payment starting in June 2014. This loan is guaranteed by the US REIT and contains certain covenants and restrictions.

Partial consideration for this purchase includes the issuance of 101,247 Units with the number of Units based on the five-day volume-weighted average Unit price of Cdn$10.825 as of April 30, 2014 converted from Canadian dollars to US dollars at 1.096 Cdn$/US$.

(d) Construction Facility:

Amendment #2 also converted amounts outstanding under the Construction Facility into an additional $1,612 term loan for a term of 5 years at an interest rate of 4.25% per annum. The loan is being amortized over 180 months with the first principal payment starting in June 2014. This loan is guaranteed by the US REIT and contains certain covenants and restrictions.

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