Consolidated Financial Statements
(Expressed in thousands of U.S. dollars)

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Years ended December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of American Hotel Income Properties REIT LP

We have audited the accompanying consolidated financial statements of American Hotel Income Properties REIT LP, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, the consolidated statements of comprehensive income (loss), partners' capital and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of American Hotel Income Properties REIT LP as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

March 19, 2015
Vancouver, Canada

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

December 31, 2014 and 2013

	Note	2014	2013
Assets			
Current assets:			
Cash and cash equivalents		$ 11,991	$ 29,487
Restricted cash	5	17,579	6,000
Trade and other receivables		2,601	1,209
Prepaid expenses and deposits		2,274	978
Mezzanine loans receivable	7	514	-
Other assets		370	362
		35,329	38,036
Property, buildings and equipment	6	387,232	187,391
Mezzanine loans receivable	7	-	322
Intangible assets	8	8,207	8,421
Deferred income tax assets	9	2,947	2,332
		$ 433,715	$ 236,502
Liabilities and Partners' Capital			
Current liabilities:			
Accounts payable and accrued liabilities		$ 12,836	$ 6,163
Current portion of term loans	10	4,203	3,534
		17,039	9,697
Term loans	10	218,338	103,208
Contingent consideration	11	5,288	5,085
Deferred compensation payable		474	460
Preferred shares	12	125	-
Deferred income tax liabilities	9	1,215	1,813
		242,479	120,263
Partners' capital	13	191,236	116,239
Commitments and contingencies	16		
Subsequent events	23		
		$ 433,715	$ 236,502

See accompanying notes to consolidated financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Consolidated Statements of Comprehensive Income (Loss)
(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

Years ended December 31, 2014 and 2013

	Note	2014	2013
Revenue:			
Rooms		$ 80,389	$ 38,631
Food and beverage		11,644	8,944
Rental and other		1,110	477
		93,143	48,052
Hotel expenses:			
Operating expenses		47,055	24,635
Energy		4,500	2,419
Property maintenance		4,795	2,630
Property taxes and insurance		4,793	2,323
Depreciation and amortization		11,709	6,368
		72,852	38,375
Income from operating activities		20,291	9,677
Corporate and administrative		7,573	4,862
Loss on disposal of property and equipment		605	142
Business acquisition costs		3,178	2,226
Income before undernoted		8,935	2,447
Finance income		(96)	(146)
Finance costs	15	8,116	3,663
Income (loss) before income taxes		915	(1,070)
Deferred income tax recovery		(1,213)	(752)
Net income (loss) and comprehensive income (loss)		$ 2,128	$ (318)
Basic and diluted net income (loss) per unit		$ 0.12	$ (0.03)
Basic weighted average number of units outstanding		18,220,718	10,058,647
Diluted weighted average number of units outstanding		18,261,263	10,058,647

See accompanying notes to consolidated financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Consolidated Statements of Partners' Capital
(Expressed in thousands of U.S. dollars, except units outstanding)

Years ended December 31, 2014 and 2013

	Units outstanding	General partner [1]	Limited partners	Contributed surplus	Cumulative income (deficit)	Total
Balance, January 1, 2014	14,437,800	$ -	$ 125,339	$ -	$ (9,100)	$ 116,239
Securities-based compensation (note 14)	-	-	-	501	-	501
Issuance of units under securities-based compensation plan (note 14)	43,500	-	430	(430)	-	-
Issuance of units on public offerings (net of expenses)	9,710,000	-	86,035	-	-	86,035
Issuance of units for hotel acquisition (note 17(b))	144,263	-	1,400	-	-	1,400
Net income and comprehensive income	-	-	-	-	2,128	2,128
Distributions (note 13)	-	-	-	-	(15,067)	(15,067)
Balance, as at December 31, 2014	24,335,563	$ -	$ 213,204	$ 71	$ (22,039)	$ 191,236

	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 (net of expenses)	10,005,000	-	88,570	-	-	88,570
Issuance of units on public offering of subscription receipts (net of expenses)	3,967,500	-	35,315	-	-	35,315
Issuance of units under securities-based compensation plan	65,300	-	647	-	-	647
Net loss and comprehensive loss	-	-	-	-	(318)	(318)
Distributions	-	-	-	-	(8,327)	(8,327)
Balance, as at December 31, 2013	14,437,800	$ -	$ 125,339	$ -	$ (9,100)	$ 116,239

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

See accompanying notes to consolidated financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

Years ended December 31, 2014 and 2013

	Note	2014	2013
Cash provided by (used in):			
Operating activities:			
Net income (loss) and comprehensive income (loss)		$ 2,128	$ (318)
Interest paid		(7,386)	(3,187)
Items not affecting cash:			
Depreciation and amortization		11,709	6,368
Loss on disposal of equipment		605	142
Securities-based compensation expense		501	647
Accretion of contingent consideration		217	169
Amortization of deferred financing costs		549	181
Amortization of mark-to-market adjustment		(37)	-
Deferred income tax recovery		(1,213)	(752)
Finance costs		8,116	3,663
		15,189	6,913
Changes in non-cash operating working capital	20	1,966	185
		17,155	7,098
Investing activities:			
Purchase of property, buildings and equipment		(8,630)	(6,057)
Proceeds on disposal of assets		-	2
Franchise application fees paid		(1,726)	(485)
Acquisition of properties under development	17	(10,002)	-
Acquisition of hotels, net of cash provided by seller	4	(175,439)	(115,474)
Funding of restricted cash reserves		(11,565)	(6,000)
		(207,362)	(128,014)
Financing activities:			
Units issued for cash on public offerings (net of expenses)		86,035	125,563
Distributions paid		(13,494)	(7,309)
Proceeds from term loans	10	117,322	40,144
Proceeds from issuance of preferred shares	12	125	-
Mezzanine loans receivable advanced	7	(1,722)	(322)
Principal payments on term loans	10	(12,799)	(6,959)
Debt financing costs paid		(2,756)	(1,150)
Release of escrow funds on initial public offering		-	250
		172,711	150,217
Increase (decrease) in cash and cash equivalents		(17,496)	29,301
Cash and cash equivalents, beginning of year		29,487	186
Cash and cash equivalents, end of year		$ 11,991	$ 29,487

See accompanying notes to consolidated financial statements.

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 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.

The U.S. REIT qualifies and intends to continue to qualify as a real estate investment trust pursuant to the United States 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$95,700 (US$94,100), including 870,000 Units from a partial exercise of the over-allotment option.

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$4,400 (US$4,200).

Concurrent with the closing of the IPO, AHIP indirectly acquired the outstanding share capital in a portfolio of 32 hotel properties located in 19 states (the "Oak Tree Inn hotels"), predominantly in smaller towns throughout the U.S. as disclosed in note 4(a). A substantial portion of the Oak Tree Inn hotels' revenue is generated through lodging agreements with several railroad 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 total gross proceeds of Cdn$40,300 (US$38,300) (the "October 2013 Offering").

On November 21, 2013, AHIP used partial proceeds from the October 2013 Offering along with new financing (the "Pittsburgh Portfolio Term Loans") to indirectly acquire four hotel properties, totaling 471 guestrooms, located in metropolitan Pittsburgh, Pennsylvania (the "Pittsburgh Portfolio").

(c) Acquisition of Virginia hotels:

On March 12, 2014, AHIP used partial proceeds from the October 2013 Offering along with new financing (the "Virginia Portfolio Term Loan") to indirectly acquire a portfolio of four hotel properties, totaling 403 guestrooms, located in Virginia (the "Virginia Portfolio").

1. Reporting entity (continued):

(d) June 2014 Public Offering:

On June 4, 2014, AHIP completed a bought-deal public offering (the “June 2014 Offering”) of 4,900,000 Units, including 552,000 Units related to a partial exercise of the over-allotment option, at a price of Cdn$10.35 per Unit, for total gross proceeds of Cdn$50,715 (US$46,357).

(e) Acquisition of NC/GA Portfolio (previously referred to as the “Southeastern Portfolio”):

On July 3, 2014, AHIP used partial proceeds from the June 2014 Offering along with debt financing (“the NC/GA Portfolio Term Loans”) to acquire three hotels in a portfolio of four branded hotel properties located in North Carolina and Georgia (the “NC/GA Portfolio”). AHIP acquired the fourth hotel in this portfolio on July 11, 2014. The NC/GA Portfolio has a total of 387 guest rooms.

(f) Acquisition of Texas Portfolio:

On October 27, 2014, AHIP completed the acquisition of the Texas Portfolio using partial proceeds from the June 2014 Offering along with new financing (the “Texas Portfolio Term Loan”). The Texas Portfolio consists of three hotels and 293 guestrooms.

(g) October 2014 Public Offering:

On October 28, 2014, AHIP completed a bought-deal public offering (the “October 2014 Offering”) of 4,810,000 Units, including a partial exercise of the over-allotment option of 500,000 Units, at a price of Cdn$10.45 per Unit, for total gross proceeds of Cdn$50,265 (US$44,716).

(h) Acquisition of Oklahoma Portfolio:

On November 3, 2014, AHIP completed the acquisition of the Oklahoma Portfolio using partial proceeds from the October 2014 Offering and new financing (the “Oklahoma Portfolio Term Loan”). The Oklahoma Portfolio consists of four hotels and 440 guestrooms.

(i) Acquisition of NC/FL Portfolio (previously referred to as the “Southeast Portfolio II”):

On November 26, 2014, AHIP completed the acquisition of a portfolio of four hotels (or 353 guestrooms) located in North Carolina and Florida (“NC/FL Portfolio”) using partial proceeds from the October 2014 Offering and new financing (the “NC/FL Portfolio Term Loan”).

The Pittsburgh Portfolio, Virginia Portfolio, NC/GA Portfolio, Texas Portfolio, Oklahoma Portfolio and NC/FL Portfolio are collectively referred to as the “Branded Hotels”.

1. Reporting entity (continued):

(j) Acquisition of new Oak Tree Inn Hotels from SunOne:

On February 20, 2013, AHIP entered into an agreement (the “Master Development Agreement”) with SunOne Developments Inc. (“SunOne”), a company affiliated with the Chief Executive Officer and a director of the General Partner to develop suitable hotel properties.

During 2014, AHIP acquired three new hotels from SunOne located in Santa Teresa, New Mexico, Glendive, Montana and in Brunswick, Maryland totaling 131 guestrooms.

2. Basis of presentation and statement of compliance:

(a) Statement of compliance:

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) incorporating interpretations issued by the Interpretations Committee (“IFRIC”). AHIP has consistently applied the accounting policies in all periods presented.

These consolidated financial statements were approved and authorized for issue by the directors of the General Partner on March 19, 2015.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

The functional and presentation currency of AHIP and its subsidiaries is United States (“U.S.”) dollars.

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

(*i*) Monetary assets and liabilities are translated at current rates of exchange and non-monetary assets and liabilities are translated at historical rates of exchange;

(*ii*) Revenues and expenses are translated at average rates of exchange for the period;

(*iii*) All exchange gains and losses are recognized in the consolidated statements of comprehensive income (loss).

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

(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 statements. 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 for the initial railway hotel portfolio. The value of intangible assets for branded hotels consists of franchise application fees paid upon acquisition of the properties.

(*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 lodging agreements or franchise agreements.

(e) Accounting standard adopted in the period:

The following new accounting standard was adopted by AHIP effective January 1, 2014. AHIP accounted for all of its subsidiaries under the new standards.

(*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 had no material impact on AHIP's consolidated financial statements.

3. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements comprise the financial statements of AHIP and subsidiaries controlled by AHIP. Control exists when AHIP is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

Intra-group transactions and balances are eliminated in preparing the consolidated financial statements. The consolidated financial statements reflect the financial position, results of operations and cash flows of AHIP and its subsidiaries.

AHIP owns and consolidates the following material wholly-owned subsidiaries:

	State of incorporation
American Hotel Income Properties REIT Inc.	Maryland
Lodging Properties LLC	Delaware
AHIP Properties LLC	Delaware
Lodging Enterprises, LLC	Delaware
AHIP Enterprises LLC	Delaware

(b) Property, buildings and equipment:

(*i*) Recognition and measurement:

Property, buildings and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. When parts of an item of property, buildings and equipment have different useful lives, they are accounted for as separate items of property, buildings and equipment, if significant.

Gains and losses on disposal of an item of property, buildings and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, buildings, and equipment, and are recognized as a separate line item in profit or loss.

3. Significant accounting policies (continued):

(b) Property, buildings and equipment (continued):

(*ii*) Subsequent costs:

The cost of replacing a part of an item of property, buildings and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to AHIP, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance of property, buildings and equipment are recognized in profit or loss as incurred.

(*iii*) Depreciation:

Depreciation is computed on a straight-line basis based on the useful lives of each component of property, buildings and equipment. Depreciation on new construction commences in the month after the asset is available for its intended use based upon the useful life of the asset, as outlined below.

Asset	Basis	Rate
Buildings	Straight-line	17 to 40 years
Equipment	Straight-line	5 to 15 years
Automobiles	Straight-line	5 years
Leasehold improvements	Straight-line	5 to 40 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(c) Intangible assets:

Intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss.

(*i*) Recognition and measurement:

AHIP's intangible assets consist of:

- lodging agreements with several railroad companies, which provide minimum guarantees on rooms reserved at AHIP's railway hotel properties, upon acquisition of the Oak Tree Inn hotels (note 4(a)).
- contract-signing fees payable upon entering into additional lodging facility agreements for guaranteed room rentals (note 4(a)).
- franchise application fees payable upon acquisition of branded hotels.

3. Significant accounting policies (continued):

(c) Intangible assets (continued):

(*ii*) Amortization:

Amortization is calculated based on the cost of the asset less its residual value. Amortization is recognized in earnings on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, specifically when the agreements come into effect, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The basis of amortization and estimated useful lives are as follows:

Asset	Basis	Rate (in years)
Lodging agreements	Straight-line	5
Contract signing fees	Straight-line	10
Franchise fees	Straight-line	10 to 20

(d) Impairment of non-financial assets:

The carrying amounts of AHIP's non-financial assets, consisting of property, buildings and equipment, and intangible assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

When the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. When an indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased, the recoverable amount of that asset is estimated. A reversal of an impairment loss is recognized immediately in profit or loss if the recoverable amount of a previously impaired asset has subsequently increased to the lower of the asset's or cash-generating unit's recoverable amount or carrying value had no impairment loss been recognized for the asset or cash-generating unit in prior years.

3. Significant accounting policies (continued):

(e) Financial instruments:

(*i*) Financial assets:

AHIP's financial assets are comprised of cash and cash equivalents, restricted cash, trade and other receivables, prepaid expenses and deposits, mezzanine loans receivable, and other assets. AHIP classifies these financial assets as loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(*ii*) Financial liabilities:

AHIP has the following non-derivative financial liabilities: accounts payable and accrued liabilities, term loans, contingent consideration, deferred compensation payable, and preferred shares. AHIP classifies each of its non-derivative financial liabilities as other financial liabilities. Initial measurement is at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these non-derivative financial liabilities are measured at amortized cost using the effective interest method. All non-derivative financial liabilities are initially recognized on the date that AHIP becomes a party to the contractual provisions of the instrument.

AHIP derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(*iii*) Impairment of financial assets:

Loans and receivables are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to AHIP on terms that AHIP would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

3. Significant accounting policies (continued):

(e) Financial instruments (continued):

(*iii*) Impairment of financial assets (continued):

AHIP considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(f) Cash and cash equivalents:

AHIP considers all liquid investments with original terms to maturity of three months or less when acquired to be cash equivalents. Cash and cash equivalents consist of cash on hand and cash held at banks.

(g) Restricted cash:

Pursuant to the terms of various loan agreements (note 10), AHIP must maintain a cash reserve on deposit with the lenders in respect of future capital expenditures, property taxes and insurance premiums.

(h) Provisions:

A provision is recognized if, as a result of a past event, AHIP has a present legal or constructive obligation that can be estimated reasonably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the time value of money is material, provisions are determined by discounting the expected future cash flows using a current rate that reflects the risk profile of the liability, and the increase to the provision due to the passage of time will be recognized as a finance cost.

(i) Revenue recognition:

Revenue is generated primarily from the operation of AHIP's hotels and restaurants. Rental and other income is comprised of vehicle and maintenance charges at offsite customer locations, insurance recoveries and other incidental income.

3. Significant accounting policies (continued):

(i) Revenue recognition (continued):

Revenue is recognized when services are rendered, the amount is earned, and collectability is reasonably assured.

AHIP may collect payments in advance of the utilization of a facility. These payments are recorded as deferred revenue until such time as the applicable facility is utilized, at which time the deferred revenue is recognized as revenue.

(j) Finance income and finance costs:

Finance income consists of interest on cash and cash equivalents and restricted cash, which is recognized in the period in which it is earned.

Finance costs comprise interest expense on borrowings, amortization of debt financing costs and mark-to-market adjustments, accretion of contingent consideration and deferred compensation payable and dividends paid on preferred shares. Interest expense on borrowings and dividends paid on preferred shares are recognized in the period in which they are incurred. Interest expense on borrowings used to finance the renovation and construction of the hotel properties is capitalized to construction-in-progress during the period of construction.

(k) Debt financing costs and mark-to-market adjustments:

Fees and costs related to obtaining debt financing are capitalized against the related debt and amortized over the term using the effective interest rate method, and are included in finance costs. The unamortized balance of the fees and costs is included and shown as a reduction in the related debt.

(l) Net income (loss) per unit:

Basic and diluted net income (loss) per unit is calculated by dividing net income (loss) by the weighted average number of units (basic and diluted) outstanding during the reporting period.

(m) Income taxes:

AHIP is not subject to tax under Part I of the *Income Tax Act* (Canada) (the "Tax Act"). Each partner of AHIP is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of AHIP for its fiscal year ending in or on the partner's taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

3. Significant accounting policies (continued):

(m) Income taxes (continued):

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings” (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the Unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership. Management believes that AHIP does not hold any “non-portfolio property” and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. Management intends to continue to operate AHIP in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. If AHIP becomes a SIFT partnership, it will generally be subject to income taxes at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations on its taxable non-portfolio earnings, if any.

AHIP filed an election to be treated as a partnership for U.S. federal income tax purposes. In addition, at least 90% of AHIP's gross income is expected to be qualifying income within the meaning of U.S. Internal Revenue Code (the “Code”) Section 7704 and AHIP is not required to register as an investment company under the Investment Company Act of 1940. As such, it is generally not subject to U.S. federal income tax under the Code.

Furthermore, the U.S. REIT has made and intends to maintain an election to be taxed as a real estate investment trust (“REIT”) under the Code. In order for the U.S. REIT to qualify as a REIT under the Code, it must meet a number of organizational and operational requirements, including a requirement to make annual dividend distributions to its stockholders equal to a minimum of 90% of its REIT taxable income, computed without regards to a dividends paid deduction and net capital gains. The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed to its stockholders annually. Management believes that all REIT conditions necessary to eliminate income taxes for the U.S. REIT for the reporting period have been met. Accordingly no provision for U.S. federal income taxes has been made for the U.S. REIT. Even though the U.S. REIT qualifies as a REIT under the Code, it may be subject to certain state and local taxes. These amounts are not material to the consolidated financial statements.

3. Significant accounting policies (continued):

(m) Income taxes (continued):

Management has operated and intends to continue operating the U.S. REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual and quarterly operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REIT may not be able to re-qualify as a REIT for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a REIT, it may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

The U.S. REIT's wholly-owned subsidiaries, Lodging Enterprises, LLC and AHIP Enterprises LLC ("TRS Subsidiaries"), are treated as taxable REIT subsidiaries for U.S. federal income tax purposes. All of the U.S. REIT's hotel properties are leased to the TRS Subsidiaries. The TRS Subsidiaries are subject to U.S. federal and state income tax on their taxable income. Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net earnings, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant accounting policies (continued):

(n) Securities-based compensation plan (the “Compensation Plan”):

As described in note 14, AHIP has a Compensation Plan that provides for the granting of Units to directors, officers, employees or consultants of AHIP, the General Partner or any of their respective affiliates, or other persons as the Compensation Committee of the Board of Directors may determine. The fair value determined at the grant date of the Units granted is expensed on a straight-line basis over the vesting period, based on AHIP’s estimate of the equity instruments that will eventually vest, with a corresponding increase to contributed surplus. Once issued, the Units are reclassified from contributed surplus to Units issued. The fair value of the Units granted are measured based on the share price of the Units on the grant date as each Unit is entitled to the same rights as all other outstanding Units issued.

(o) Segment reporting:

AHIP's operating segments are organized based on type of customer serviced and are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”) as disclosed in note 21. AHIP’s Board of Directors has the authority for resource allocation and assessment of AHIP's investments and is therefore the CODM.

(p) New standards and interpretations issued but not yet adopted:

(*i*) IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39, Financial Instruments: recognition and measurement (IAS 39) standard. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. We are assessing the impact of this standard on our consolidated financial statements.

(ii) IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (“IFRS 15”), which establishes a new five-step model that applies to revenue arising from contracts with customers. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue allowing greater comparability of revenues across industries. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017, with early adoption permitted. AHIP is currently assessing the impact of IFRS 15 and intends to adopt the new standard on the required effective date.

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

4. Business combinations:

(a) Oak Tree Inn hotels:

The aggregate purchase price for the Oak Tree Inn hotels was $134,100, of which $59,562 was paid in cash and $74,538 was assumed under an existing term loan, before the balance attributable to contingent consideration.

The purchase price was allocated to the assets acquired and liabilities assumed as follows:

Property, buildings and equipment	$	129,041
Intangible assets		9,030
Deferred income tax asset		1,967
Deferred income tax liability		(2,200)
Trade and other receivables		790
Other assets		414
Cash provided by seller		1,755
Deposits		224
Accounts payable and accrued expenses		(1,970)
Deferred revenue		(34)
Initial term loan		(74,538)
Net assets	$	64,479
Consideration:		
Cash	$	59,562
Contingent consideration (earn out)		4,917
	$	64,479

Pursuant to the Purchase Agreement, $5,500 of the purchase price was subject to an earn-out 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 $4,917 using a 4.0% discount rate. As at December 31, 2014, the contingent consideration balance was $5,288 (2013 - $5,085) after accretion of $203 for the year ended December 31, 2014 (2013 - $169).

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

4. Business combinations (continued):

(a) Oak Tree Inn hotels (continued):

The Purchase Agreement provided for an additional $250 compensation to be paid to the sellers for each “Qualifying New Contract” that AHIP enters into within two years of the Closing Date to a maximum of $1,250. A “Qualifying New Contract” is defined in the Purchase Agreement as a bona fide written agreement for guaranteed room rentals comprising financial and other terms substantially consistent with other similar contracts between Lodging Enterprises and any American or Canadian railway company with national operations that meet minimum contract term and revenue objectives. AHIP shall determine whether the contract satisfies the requirements of a Qualifying New Contract as outlined in the Purchase Agreement and shall provide the sellers of Lodging Enterprises with a computation notice within 10 business days following December 31, 2015.

Payment may be made in cash or Units, or a combination thereof, at the option of AHIP, and due within 20 days following December 31, 2015.

As it was uncertain whether any Qualifying New Contracts would be executed by December 31, 2015, the fees for the signing of Qualifying New Contracts were not included in the purchase price of the Oak Tree Inn hotels at the date of acquisition, and the fees would be recognized upon the signing of each Qualifying New Contract. At December 31, 2014, $474 in deferred compensation payable (2013 - $460) is included in the consolidated statements of financial position as a long-term liability which reflects the present value amount related to the signing of new railway contracts.

(b) 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 October 2013 Offering and the balance was financed by the Pittsburgh Portfolio Term Loans as disclosed in note 10.

The purchase price has been allocated to the assets acquired and liabilities assumed 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

There have been no changes to the allocation amounts previously reported.

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

4. Business combinations (continued):

(c) 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 $13,183 was paid in cash and the balance was financed by the Virginia Portfolio Term Loan as disclosed in note 10.

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

Property, buildings and equipment	$	37,200
Working capital		(77)
Cash provided by seller		3
Net assets	$	37,126
Financed by:		
Cash	$	13,183
Virginia Portfolio Term Loan		23,943
Total consideration	$	37,126

There have been no changes to the allocation amounts previously reported.

Total business acquisition costs related to the purchase of the Virginia Portfolio were $314. For the 294-day period from the date of the acquisition of the Virginia Portfolio to December 31, 2014, AHIP has recognized revenues of $9,420 and income from operating activities of $2,758. If the Virginia Portfolio had been acquired on January 1, 2014, the unaudited proforma revenues for the year ended December 31, 2014, would have been $10,977 and the unaudited proforma income from operating activities for the year ended December 31, 2014, would have been $3,349.

(d) NC/GA Portfolio:

The acquisition of the NC/GA Portfolio, on July 3, 2014 and July 11, 2014, has been accounted for as a business combination. The aggregate purchase price for the NC/GA Portfolio was $31,122. AHIP funded the purchase of the NC/GA Portfolio using a combination of cash of $11,665, the assumption of $13,627 in CMBS debt on two of the hotel properties, which includes $492 in mark-to-market adjustments on these assumed loans, and the balance attributable to the new CMBS debt on the remaining two hotels (all three loans are collectively known as the “NC/GA Portfolio Term Loans”) as described in note 10.

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

4. Business combinations (continued):

(d) NC/GA Portfolio (continued):

The purchase price has been allocated based on the fair values of the assets acquired and liabilities assumed as follows:

Property, buildings and equipment	$	30,992
Working capital		126
Cash provided by seller		4
Assumed term loans		(13,627)
Net assets	$	17,495
Financed by:		
Cash	$	11,665
Term Loan		5,830
Total consideration	$	17,495

Total business acquisition costs related to the purchase of the NC/GA Portfolio were $653.

For the period from the date of the acquisition of the NC/GA Portfolio, on July 3, 2014 and July 11, 2014 to December 31, 2014, AHIP has recognized revenues of $3,850 and income from operating activities of $619. If the NC/GA Portfolio had been acquired on January 1, 2014, the unaudited proforma revenues for the year ended December 31, 2014, would have been $6,058 and the unaudited proforma income from operating activities for the year ended December 31, 2014, would have been $2,035.

(e) Texas Portfolio:

The acquisition of the Texas Portfolio on October 27, 2014 has been accounted for as a business combination. The aggregate purchase price for the Texas Portfolio was $31,422, of which $15,776 was paid in cash and the balance was financed by the Texas Portfolio Term Loan as disclosed in note 10. The purchase price has been allocated to the assets acquired and liabilities assumed as follows:

Property, buildings and equipment	$	31,291
Working capital		131
Net assets	$	31,422
Financed by:		
Cash	$	15,776
Texas Portfolio Term Loan		15,646
Total consideration	$	31,422

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

4. Business combinations (continued):

(e) Texas Portfolio (continued):

Total business acquisition costs related to the purchase of the Texas Portfolio were $560. For the 65-day period from the date of the acquisition of the Texas Portfolio to December 31, 2014, AHIP has recognized revenues of $1,624 and income from operating activities of $369. If the Texas Portfolio had been acquired on January 1, 2014, the unaudited proforma revenues for the year ended December 31, 2014, would have been $8,553 and the unaudited proforma income from operating activities for the year ended December 31, 2014, would have been $2,936.

(f) Oklahoma Portfolio:

The acquisition of the Oklahoma Portfolio on November 3, 2014 has been accounted for as a business combination. The aggregate purchase price for the Oklahoma Portfolio was $48,306, of which $23,384 was paid in cash and the balance was financed by the Oklahoma Portfolio Term Loan as disclosed in note 10.

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

Property, buildings and equipment	$	48,170
Working capital		130
Cash		6
Net assets	$	48,306
Financed by:		
Cash	$	23,384
Oklahoma Portfolio Term Loan		24,922
Total consideration	$	48,306

Total business acquisition costs related to the purchase of the Oklahoma Portfolio were $568. For the 58-day period from the date of the acquisition of the Oklahoma Portfolio to December 31, 2014, AHIP has recognized revenues of $1,501 and income from operating activities of $171. If the Oklahoma Portfolio had been acquired on January 1, 2014, the unaudited proforma revenues for the year ended December 31, 2014, would have been $11,503 and the unaudited proforma income from operating activities for the year ended December 31, 2014, would have been $3,857.

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

4. Business combinations (continued):

(g) NC/FL Portfolio:

The acquisition of the NC/FL Portfolio, on November 26, 2014, has been accounted for as a business combination. The aggregate purchase price for the NC/FL Portfolio was $41,109, of which $15,420 was paid in cash and the balance was financed by the NC/FL Portfolio Term Loan as disclosed in note 10.

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

Property, buildings and equipment	$	41,000
Working capital		105
Cash		4
Net assets	$	41,109
Financed by:		
Cash	$	15,420
NC/FL Portfolio Term Loan		25,689
Total consideration	$	41,109

Total business acquisition costs related to the purchase of the NC/FL Portfolio were $537. For the 54-day period from the date of the acquisition of the NC/FL Portfolio to December 31, 2014, AHIP has recognized revenues of $926 and income from operating activities of $162. If the NC/FL Portfolio had been acquired on January 1, 2014, the unaudited proforma revenues for the year ended December 31, 2014, would have been $9,697 and the unaudited proforma income from operating activities for the year ended December 31, 2014, would have been $3,557.

5. Restricted cash:

		2014		2013
Property improvement plans (“PIPs”) reserve	$	15,027	$	6,000
Furniture, fixture and equipment reserve		1,137		-
Property tax reserve		1,263		-
Insurance and other reserves		152		-
	$	17,579	$	6,000

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

5. Restricted cash (continued):

For each of the Branded hotel portfolios, AHIP was required to fund restricted cash reserves for brand mandated PIPs arising from the purchase of these properties. In addition, these term loan facilities require AHIP to deposit reserves for ongoing furniture, fixture, and equipment expenses ("FF&E Reserves") property taxes and insurance premiums. These amounts are released to AHIP as the expenditures are incurred or paid directly to the service provider.

For the Virginia Portfolio, the FF&E Reserves for three of the four properties were waived for the initial 12 months and waived for the initial 24-months for the fourth property. For the Texas Portfolio, Oklahoma Portfolio and two of the four properties in the NC/GA portfolio, the FF&E Reserves were waived for the initial 12-months of the respective loans. For the NC/FL Portfolio, the FF&E Reserves were waived for the initial 24-months of the loan.

6. Property, buildings and equipment:

	Land	Buildings	Equipment	Construction in progress	Total
Cost:					
Balance at January 1, 2013	$ -	$ -	$ -	$ -	$ -
Acquisition of Oak Tree Inn Hotels	15,476	102,921	9,146	1,498	129,041
Acquisition of Pittsburgh Portfolio (note 4)	8,084	47,966	1,200	-	57,250
Additions	276	2,103	1,437	2,241	6,057
Transfers	176	3,042	521	(3,739)	-
Disposals	-	(36)	(139)	-	(175)
Balance at December 31, 2013	24,012	155,996	12,165	-	192,173
Acquisition of Virginia Portfolio (note 4)	3,935	30,848	2,417	-	37,200
Acquisition of NC/GA Portfolio (note 4)	2,371	26,941	1,680	-	30,992
Acquisition of Texas Portfolio (note 4)	2,958	24,575	3,758	-	31,291
Acquisition of Oklahoma Portfolio (note 4)	2,441	43,587	2,142	-	48,170
Acquisition of NC/FL Portfolio (note 4)	2,842	35,479	2,679	-	41,000
Acquisition of Oak Tree Inn - Santa Teresa (note 17(b))	228	4,483	445	-	5,156
Acquisition of Oak Tree Inn – Brunswick (note 17(b))	487	1,915	425	-	2,827
Acquisition of Oak Tree Inn – Glendive (note 17(b))	559	3,910	482	-	4,951
Additions	-	1,119	2,121	5,390	8,630
Disposals	-	(487)	(221)	-	(708)
Balance at December 31, 2014	39,833	328,366	28,093	5,390	401,682
Accumulated depreciation:					
Balance at January 1, 2013	-	-	-	-	-
Depreciation	-	2,937	1,877	-	4,814
Disposals	-	(2)	(29)	-	(31)
Balance at December 31, 2013	-	2,935	1,848	-	4,783
Depreciation	-	6,366	3,404	-	9,770
Disposals	-	(24)	(79)	-	(103)
Balance at December 31, 2014	-	9,277	5,173	-	14,450
Net book value at December 31, 2014	$ 39,833	$ 319,089	$ 22,920	$ 5,390	$ 387,232
Net book value at December 31, 2013	$ 24,012	$ 153,062	$ 10,317	$ -	$ 187,391

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

6. Property, buildings and equipment (continued):

There was no capitalized interest for the year ended December 31, 2014. During the year ended December 31, 2013, interest on the revolving line of credit (note 10) of $16 was capitalized to construction-in-progress during the period of construction and subsequently transferred to buildings upon completion.

7. Mezzanine loans receivable:

In accordance with the SunOne Master Development Agreement, AHIP may elect to finance (directly or indirectly) developments via a mezzanine loan, provided that: (*i*) all debt (senior and mezzanine in nature) will not exceed the aggregate of 90% of the cost of construction of such project; (*ii*) the value of the mezzanine loan may not exceed 80% of the difference between the aggregate construction costs and senior debt financing (and subject to SunOne committing the balance of the projected funding as equity capital that is subordinate to the mezzanine loan provided by the Issuer); (*iii*) the value of the mezzanine loan will not exceed the value of all senior construction financing; and (*iv*) the mezzanine loan is provided at an interest rate that is to be accretive to AHIP and in any event not less than a competitive market rate. Each of the mezzanine loans receivable is due twelve months from the date the related development property is substantially complete.

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

Properties under development	Completion date	Total mezzanine financing available	Annual interest rate	December 31, 2014 Mezzanine loan amount drawn	December 31, 2013 Mezzanine loan amount drawn
Santa Teresa, NM	Completed	$ 650	10%	$ -	$ 291
Glendive, MT	Completed	638	10%	-	-
Brunswick, MD	Completed	392	10%	-	31
Wellington, KS	February 25, 2015	931	10%	514	-
		$ 2,611	10%	$ 514	$ 322

The Wellington, KS hotel was completed and acquired by AHIP on February 25, 2015 as disclosed in note 23.

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

8. Intangible assets:

	Railway Agreements	Contract Signing Fees	Franchise Agreements	Total
Cost:				
Balance at January 1, 2013	$ -	$	$ -	$ -
Acquisition of Oak Tree Inn hotels	9,030		-	9,030
Oak Tree Inn hotels contract signing fees	-	460	-	460
Pittsburgh Portfolio franchise fees	-		485	485
Balance at December 31, 2013	9,030	460	485	9,975
Virginia Portfolio franchise fees	-		448	448
NC/GA Portfolio franchise fees	-		312	312
Texas Portfolio franchise fees	-		198	198
Oklahoma Portfolio franchise fees	-		337	337
NC/FL Portfolio franchise fees	-		430	430
Balance at December 31, 2014	$ 9,030	$ 460	$ 2,210	$ 11,700
Accumulated amortization:				
Balance at January 1, 2013	$ -	$	$ -	$ -
Amortization	1,549		5	1,554
Balance at December 31, 2013	1,549		5	1,554
Amortization	1,863	(14)	90	1,939
Balance at December 31, 2014	$ 3,412	$ (14)	$ 95	$ 3,493
Net book value at December 31, 2014	$ 5,618	$ 474	$ 2,115	$ 8,207
Net book value at December 31, 2013	$ 7,481	$ 460	$ 480	$ 8,421

9. Deferred income taxes:

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2014	2013
Deferred tax assets:		
Non capital losses carried forward	$ 914	$ 298
Contingent consideration	2,003	2,034
Other	30	-
	2,947	2,332
Deferred tax liabilities:		
Intangible assets	(992)	(1,676)
Prepaid insurance	(23)	(122)
Property and equipment	(200)	(15)
	(1,215)	(1,813)
Deferred tax assets (net)	$ 1,732	$ 519

As at December 31, 2014, AHIP had net operating losses for tax purposes totaling $2,373 (2013 - $838) which may be carried forward and applied against future taxable income.

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

10. Term loans:

	Note	2014	2013
Oak Tree Inn Hotel Loans	(a)	$ 76,953	$ 70,429
Pittsburgh Portfolio Term Loans	(b)	38,000	38,000
Virginia Portfolio Term Loan	(c)	24,500	-
NC/GA Portfolio Term Loans	(d)	19,265	-
Texas Portfolio Term Loan	(e)	16,000	-
Oklahoma Portfolio Term Loan	(f)	25,500	-
NC/FL Portfolio Term Loan	(g)	26,110	-
		226,328	108,429
Unamortized portion of mark-to-market adjustment		455	-
Unamortized portion of debt financing costs		(4,242)	(1,687)
		222,541	106,742
Current portion of term loans		(4,203)	(3,534)
		$ 218,338	$ 103,208

(a) Oak Tree Inn Hotel Loans:

The Oak Tree Inn Hotel Loans consist of:

(*i*) a $70,000 term loan with a fixed interest rate of 4.85%, a five-year term maturing on February 20, 2018 and a 180-month amortization period. As at December 31, 2014, the principal balance on this term loan was $64,193 (2013 - $67,579).

(*ii*) an amendment totaling $11,193 with a ten-year term maturing on January 1, 2025, bearing interest at 4.76% per annum and a 240-month amortization period. This aggregate loan replaces the $2,704 principal balance remaining on the $2,850 term loan that was provided under an amendment in 2013 and replaces the $3,154 principal balance remaining on the $3,243 term loan that was provided under the amendment on May 1, 2014.

The Oak Tree Inn Hotel Loans are secured by a first priority security interest on all business assets of two of AHIP's subsidiaries, Lodging Properties LLC and Lodging Enterprises, LLC, including a first priority mortgage on each of the Oak Tree Inn Hotels. The $11,193 aggregate term loan is also guaranteed by the U.S. REIT.

(b) Pittsburgh Portfolio Term Loans:

On November 21, 2013, certain AHIP subsidiaries ("Pittsburgh Borrowers") entered into loan agreements with a major international bank for a $38,000 loan for a term of 10 years maturing on December 6, 2023, at an interest rate of 5.02% per annum. The loans are being amortized over 30-years. The loans are interest only for the first three years of the term with the first principal payment starting in January 2017.

10. Term loans (continued):

(b) Pittsburgh Portfolio Term Loans (continued):

The Pittsburgh Portfolio Term Loans will be secured by: (*i*) a first priority mortgage on each of the four Pittsburgh Portfolio hotels; (*ii*) a first priority security interest in and assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the Pittsburgh Portfolio hotels; and (*iii*) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the Pittsburgh Borrowers

The four hotels in the Pittsburgh Portfolio are not cross-collateralized. The Pittsburgh Portfolio Term Loans are guaranteed by the U.S. REIT and are non-recourse except for fraud, willful misconduct and other similar circumstances

(c) Virginia Portfolio Term Loan:

On March 12, 2014, certain AHIP subsidiaries ("Virginia Borrowers") entered into a loan agreement with a major international bank for a $24,500 loan for a term of 10-years maturing on April 6, 2024, at an interest rate of 4.97% per annum. The loan is being amortized over 30-years. The loan is interest only for the first four years of the term with the first principal payment starting in May 2018.

The Virginia Portfolio Term Loans will be secured by: (*i*) a first priority mortgage on each of the four hotels in the Virginia Portfolio; (*ii*) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the four Virginia Portfolio hotels and any other personal property relating to the Virginia Portfolio hotels; and (*iii*) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the Virginia Borrowers.

The Virginia Portfolio Term Loan is secured by cross-collateralized mortgages over the four Virginia hotel properties, The Virginia Term Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

10. Term loans (continued):

(d) NC/GA Portfolio Term Loans:

On July 3, 2014 and July 11, 2014, certain AHIP subsidiaries assumed two CMBS loans as part of the acquisition of these properties. As at December 31, 2014, the balance of the first assumed loan was $7,655 at an interest rate of 5.28% per annum. The loan is being amortized over 30-years and matures on February 1, 2024. The balance of the second assumed loan was $5,610 at an interest rate of 5.69% per annum. The loan is being amortized over 25-years and matures on August 1, 2018. In addition, certain AHIP subsidiaries (“NC/GA Borrowers”) entered into a loan agreement with a major international bank for a $6,000 loan (“new NC/GA Loan”) for a term of 10-years maturing on July 6, 2024, at an interest rate of 4.72% per annum. The loan is being amortized over 30 years. The loan is interest only for the first 2-years of the term with the first principal payment starting in August 2016.

The NC/GA Portfolio Term Loans will be secured by: (*i*) a first priority mortgage on each of the hotels in the NC/GA Portfolio; (*ii*) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the hotels in the NC/GA Portfolio and any other personal property relating to the hotels in the NC/GA Portfolio; and (*iii*) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the NC/GA Borrowers.

The new NC/GA Term Loan is secured by cross-collateralized mortgages over two of the four NC/GA hotel properties. The new NC/GA Term Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

The assumption of the two CMBS loans resulted in a mark-to-market adjustment of $492 which is amortized using the effective interest method. During the year ended December 31, 2014, $37 in amortization of the mark-to-market adjustment was recorded as a reduction in finance costs (note 15).

(e) Texas Portfolio Term Loan:

On October 27, 2014, certain AHIP subsidiaries (“Texas Borrowers”) entered into a loan agreement with a major international bank for an interest only $16,000 loan for a term of 10-years maturing on November 6, 2024, at an interest rate of 4.20% per annum.

10. Term loans (continued):

(e) Texas Portfolio Term Loan (continued):

The Texas Portfolio Term Loan will be secured by: (*i*) a first priority mortgage on each of the three hotels in the Texas Portfolio; (*ii*) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the Texas Portfolio hotels and any other personal property relating to the Texas Portfolio hotels; and (*iii*) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the Texas Borrowers.

The Texas Portfolio Term Loan is secured by cross-collateralized mortgages over the three Texas hotel properties, The Texas Portfolio Term Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

(f) Oklahoma Portfolio Term Loan:

On November 3, 2014, certain AHIP subsidiaries (“Oklahoma Borrowers”) entered into a loan agreement with a major international bank for an interest only $25,500 loan for a term of 10-years maturing on November 6, 2024, at an interest rate of 4.20% per annum.

The Oklahoma Portfolio Term Loan will be secured by: (*i*) a first priority mortgage on each of the hotels in the Oklahoma Portfolio; (*ii*) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the Oklahoma Portfolio hotels and any other personal property relating to the Oklahoma Portfolio hotels; and (*iii*) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the Oklahoma Borrowers.

The Oklahoma Portfolio Term Loan is secured by cross-collateralized mortgages over the four Oklahoma hotel properties, The Oklahoma Portfolio Term Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

(g) NC/FL Portfolio Term Loan:

On November 26, 2014, certain AHIP subsidiaries (“NC/FL Borrowers”) entered into a loan agreement with a major international bank for a $26,110 loan for a term of 10-years maturing on December 6, 2024, at an interest rate of 4.27% per annum. The loan is interest only for the first seven years of the term with the first principal payment starting in January 2022, based on a 30-year amortization.

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

10. Term loans (continued):

(g) NC/FL Portfolio Term Loan (continued):

The NC/FL Portfolio Term Loan will be secured by: (*i*) a first priority mortgage on each of the four hotels in the NC/FL Portfolio; (*ii*) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the NC/FL Portfolio hotels and any other personal property relating to the NC/FL Portfolio hotels; and (*iii*) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the Oklahoma Borrowers.

The NC/FL Portfolio Term Loan is secured by cross-collateralized mortgages over the four NC/FL hotel properties, The NC/FL Portfolio Term Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

(h) Revolving line of credit:

AHIP has an interest only $4,000 revolving line of credit (“revolver”) with a floating interest rate based on the 30-day LIBOR plus 3.00% (with a minimum interest rate of 4.00%). Under an amendment, dated December 5, 2014, to the Oak Tree Inn Hotel Loans, the maturity date of the revolver was extended to February 20, 2016. Advances under the revolver are available to finance up to 75% of approved project costs or 75% of project appraised values, whichever is less, and to fund AHIP’s working capital requirements.

As at December 31, 2014 and 2013, there were no funds advanced under the revolver.

(i) Principal payments:

Future principal payments, excluding amortization of mark-to-market adjustments and debt financing costs, payable within the next five fiscal years and thereafter on the outstanding term loans are as follows:

2015	$ 4,203
2016	4,452
2017	4,889
2018	59,440
2019	8,371
Thereafter	144,973
	$ 226,328

Under the terms of the various loans, AHIP is required to maintain quarterly and annual debt covenants. As at December 31, 2014, AHIP was in compliance with all of its debt covenants.

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

11. Contingent consideration:

		2014		2013
Opening balance	$	5,085	$	-
Acquisition of Oak Tree Inn Hotels		-		4,916
Accretion		203		169
Closing balance	$	5,288	$	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 earn-out 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 AHIP Units, or a combination thereof, by January 20, 2016. This contingent consideration was initially recorded at a present value of $4,916 using a 4.0% discount rate. As at December 31, 2014, the contingent consideration balance was $5,288 (2013 - $5,085) after accumulated accretion of $203 (2013 - $169).

12. 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. These non-voting 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 rather than equity on the consolidated statements of financial position. Consequently, any dividend payments are classified as interest expense on the consolidated statements of comprehensive income (loss).

13. Partners' capital:

(a) Authorized:

The capital of AHIP consists of an unlimited number of limited partner units of AHIP and the equity interest held by the General Partner.

(b) Issued:

On October 12, 2012, the General Partner made a capital contribution of $100 and has no further obligation to contribute capital. On October 12, 2012, the initial limited partner of AHIP, Maverick Management Corp., subscribed for one unit of AHIP for $1.

On November 6, 2012, AHIP issued 799,999 Units to various subscribers, including the Principals and directors and officers of the General Partner (collectively, the "Seed Capital Investors"), for aggregate gross proceeds of $799. On February 20, 2013, the Seed Capital Investors' Units were consolidated on a two-for-one basis.

13. Partners' capital (continued):

(b) Issued (continued):

On February 20, 2013, AHIP closed its initial public offering ("IPO") of 9,570,000 Units, including, the partial exercise of the over-allotment option, priced at Cdn$10.00 per Unit, for gross proceeds of Cdn$95,700 (US$94,100). 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$4,400 (US$4,200).

On October 31, 2013, AHIP completed the Offering of Subscription Receipts, issuing a total of 3,967,500 Subscription Receipts at a price of Cdn$10.15 per Subscription Receipt for gross proceeds of Cdn$40,300 (US$38,300).

On November 21, 2013, upon completion of the acquisition of the Pittsburgh Portfolio, one Unit of AHIP was issued in exchange for each outstanding Subscription Receipt without payment of additional consideration, which resulted in the issuance of 3,967,500 Units.

On June 4, 2014, AHIP completed a bought-deal public offering of 4,900,000 limited partnership units, including 552,000 Units related to a partial exercise of the over-allotment option, at a price of Cdn$10.35 per Unit, for total gross proceeds of Cdn$50,715 (US$46,357).

On October 28 2014, AHIP completed a bought-deal public offering of 4,810,000 limited partnership units, including 500,000 Units related to a partial exercise of the over-allotment option, at a price of Cdn$10.45 per Unit, for total gross proceeds of Cdn$50,265 (US$44,716).

For the year ended December 31, 2014, total offering costs of $17,736 (2013 - $12,700) were deducted from partners' capital.

(c) Allocation of net income or net loss:

Where Distributable Cash (defined as, for any period, the aggregate of all amounts received by AHIP in such period, whether by way of dividends, interest or otherwise, from and in respect of its direct and indirect investment in the securities held by AHIP, including its investment in any subsidiaries, less reasonable reserves determined by the General Partner to be necessary to operate the affairs of AHIP in a prudent and businesslike manner, and less taxes, if any, payable by AHIP) is paid in respect of a fiscal year, the net income and taxable income of AHIP in respect of that fiscal year shall be allocated among all Partners (defined as General Partner and the Unitholders) that were Partners at any time in the fiscal year on the following basis:

(*i*) first, to the General Partner 0.01% of the net income and taxable income of AHIP to a maximum of $0.1 per annum; and

(*ii*) as to the balance, to the Unitholders as a class, and to each Unitholder in an amount calculated by multiplying such balance by a fraction, the numerator of which is the sum of

13. Partners' capital (continued):

(c) Allocation of net income or net loss (continued):

distributions received by such Unitholder with respect to such fiscal year and the denominator of which is the aggregate amount of distributions made by AHIP to the Unitholders as a group with respect to such fiscal year.

Where no Distributable Cash is paid in respect of a fiscal year, net income and taxable income of AHIP in respect of that fiscal year shall be allocated among the Partners on the following basis:

(*i*) first, to the General Partner 0.01% of the net income and taxable income of AHIP to a maximum of $0.1 per annum; and

(*ii*) as to the balance, to the Unitholders who were holders of Units at the end of each month ending in such fiscal year, pro-rata in accordance with their respective Proportionate Shares of the balance divided by 12. Proportionate Share, in respect of each Unitholder, means that fraction which, as of the date of such determination:

- has as its numerator the number of Units held by such Unitholder; and
- has as its denominator the aggregate number of Units outstanding.

Net loss and taxable loss of AHIP in respect of a fiscal year shall be allocated among all Partners that were Partners at any time in the fiscal year on the following basis:

- first, to the General Partner 0.01% of the net loss and taxable loss of AHIP to a maximum of $0.1 per annum; and
- as to the balance, to the Unitholders who were holders of Units at the end of each month ending in such fiscal year, pro-rata in accordance with their respective Proportionate Shares as at the end of each month, the balance divided by 12.

(d) 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. AHIP may also make additional distributions in excess of monthly distributions during the year, as the General Partner may determine.

For the year ended December 31, 2014, the General Partner declared distributions of Cdn$0.90 (US$0.771) per Unit (2013 - Cdn$0.771 and US$0.745 per Unit) to be paid to Unitholders totaling US$15,067 (2013 - US$8,327). Of this amount, US$1,573 (2013 - US$1,018) was included in accounts payable and accrued expenses.

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

14. Compensation plan:

On December 30, 2013 AHIP granted a total of 123,800 Units to certain of its employees with the following vesting dates:

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
Total units granted	123,800	$ 1,221

A summary of the details of the Units granted is as follows:

	Number of units	Weighted average grant date fair value
Opening balance, December 31, 2013	-	$ -
Granted	123,800	9.87
Vested	(65,300)	9.87
Unvested, January 1, 2014	58,500	9.87
Granted	-	-
Vested	(43,500)	9.87
Unvested, December 31, 2014	15,000	$ 9.87

For the year ended December 31, 2014, a total of $501 (2013 - $647) in securities-based compensation expense is included in corporate and administrative expense.

15. Finance costs:

	2014	2013
Interest on Term Loans and revolver	$ 7,372	$ 3,313
Amortization of debt financing costs	549	181
Accretion of contingent consideration and deferred compensation payable	217	169
Amortization of mark-to-market adjustment	(37)	-
Dividend on preferred shares	15	-
	$ 8,116	$ 3,663

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

16. Commitments and contingencies:

(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 December 31, 2014 are as follows:

2015	$	404
2016		314
2017		145
2018		55
2019		27
Thereafter		-
	$	945

The above amounts exclude the lease for AHIP's office space located at Suite 1660, 401 West Georgia Street, Vancouver, British Columbia, Canada. On March 12, 2013, O'Neill Hotels & Resorts Ltd. ("OHR"), a related party, entered into the lease for a term from May 1, 2013 to June 30, 2017 for an annual amount of Cdn$65. Effective January 1, 2015, additional space was leased by AHIP. As a result, the annual lease payments will increase to CDN$120. AHIP reimburses OHR for the related rental payments on a monthly basis.

(b) Lodging facility agreements:

The Oak Tree Inn Hotels have lodging facility 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) Purchase commitments:

In addition to the mezzanine financing commitment to SunOne (as disclosed in note 7), AHIP has committed to purchase the following property:

Property under development	Completion date	Rooms	Committed purchase price	Total mezzanine financing available
Wellington, KS	February 2015	110	$ 7,410	$ 931

The Wellington, KS property was acquired subsequent to December 31, 2014 as disclosed in note 23.

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

16. 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.

17. Related party transactions:

(a) Hotel Manager:

AHIP has entered into a hotel management agreement with various wholly owned subsidiaries of Tower Rock Hotels & Resorts Inc. (the "Hotel Manager"), 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 Manager 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 3.50% of gross revenues to be paid to the Hotel Manager. The Hotel Manager is also entitled to a capital expenditure fee equal to 5.0% of capital expenditures, including maintenance capital expenditures. In addition, commencing in 2014, the Hotel Manager is eligible to receive an incentive fee equal to 15% of the amount by which the gross operating profit of all hotels managed by the Hotel Manager, 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 administration fee of $15 is payable to the Hotel Manager per 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 property acquired subsequent to February 20, 2013. AHIP recorded the following fees charged by the Hotel Manager in corporate and administrative expenses.

	2014	2013
Management fee	$ 3,246	$ 1,682
Administration fee	813	440
Total fee expensed	$ 4,059	$ 2,122

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

17. Related party transactions (continued):

(a) Hotel Manager (continued):

In addition, management fees of $374 for the year ended December 31, 2014 (2013 - $213) were capitalized to property, buildings and equipment, of which $24 is included in accounts payable and accrued expenses as at December 31, 2014 (2013 - $22). For the year ended December 31, 2014, the Hotel Manager did not qualify for any incentive fees and as a result no incentive fee amounts have been recorded in these consolidated financial statements.

During the year ended December 31, 2014, the Hotel Manager incurred $28,403 (2013 - $17,296) in expenses on behalf of the hotel properties during the normal course of operations, comprised primarily of payroll costs for $27,805 (2013 - $17,032) and other general and administrative costs such as insurance, travel, and office supplies. Of this total, $1,258 is included in accounts payable and accrued expenses as at December 31, 2014 (2013 - $595).

(b) Acquisition of Oak Tree Inn hotels from SunOne:

During 2014, AHIP acquired three hotels from SunOne, paid for as follows:

	Santa Teresa	Glendive	Brunswick	Total
Property and equipment	$ 5,156	$ 4,951	$ 2,827	$ 12,934
Financed by:				
Cash	$ 382	$ 804	$ 2,397	$ 3,583
Holdback from SunOne	-	-	50	50
Mezzanine loan receivable	539	612	380	1,531
New Oak Tree Inn Hotel loans	3,235	3,135	-	6,370
Issuance of AHIP's Units	1,000	400	-	1,400
	$ 5,156	$ 4,951	$ 2,827	$ 12,934

The acquisition of these hotels are considered an asset acquisition as the hotels were not operational on the date of acquisition. The purchase price for these assets was calculated based on the greater of i) 95% of the fair market value of the property under development as determined by an independent appraisal and ii) the construction cost of the assets at substantial completion, as defined by the Master Development agreement with SunOne.

(c) Compensation:

Key management includes those persons having authority and responsibility for planning, directing, and controlling the activities of AHIP, directly or indirectly. Total compensation awarded to key management for the year ended December 31, 2014 was $1,975 (2013 - $1,283), which includes securities-based compensation expense of $501 (2013 - $647).

18. Financial instruments:

The carrying values of AHIP's cash and cash equivalents, restricted cash, trade and other receivables, mezzanine loans receivable, prepaid expenses and deposits, other assets, and accounts payables and accrued expenses approximates their fair values due to the short-term nature of these financial assets and liabilities.

The fair value of AHIP's terms loan was determined using present value calculations based on market-observable interest rates for loans with similar terms and conditions. The fair value of AHIP's term loans at December 31, 2014 was $222,541 (2013 - $106,742).

AHIP is exposed to a number of risks in its normal course of operations from its use of financial instruments. These risks, and the actions taken to manage them, are as follows:

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. AHIP monitors its interest rate exposure on an ongoing basis.

As described in note 10, AHIP's terms loans as at December 31, 2014 all have fixed interest rates. The revolver has a floating interest rate.

For the year ended December 31, 2013, the borrowing costs arising from the revolver were capitalized to the construction in progress to which the loan related during the period of construction. The construction in progress was substantially complete on May 16, 2013, so the capitalization of borrowing costs into the project ceased on that date.

For the year ended December 31, 2014, $3,150 was drawn on the revolver on October 28, 2014 and repaid on December 5, 2014, the amendment date of the Oak Tree Inn Hotel Loans. As there was no balance outstanding on the revolver, AHIP was not exposed to any interest rate risk at December 31, 2014.

(b) Credit risk and economic dependence:

Credit risk is the risk of financial loss to AHIP if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk is the full carrying value of the financial instrument.

AHIP is exposed to credit risk with respect to trade and other receivables. At December 31, 2014, trade and other receivables are $2,601 (2013 - $1,209). Amounts over 30 days total $532 (2013 - $22), all of which are expected to be collected. The bad debt write-off was $51 for the year ended December 31, 2014 (2013 - $22). The associated risk is mitigated by initiating a prompt collection process and credit checks on all new customers.

Revenues from one customer represent approximately $30,423 or 32.7% of AHIP's total revenues for the year ended December 31, 2014 (2013 - $23,719 or 49.4%). As at December 31, 2014, $564 was receivable from this customer (2013 - $299).

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

18. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk that AHIP will not be able to meet its financial obligations as they fall due. Property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. If AHIP were required to liquidate a property investment, the proceeds to AHIP may be significantly less than the aggregate carrying value of such property.

AHIP manages liquidity risk through monitoring the repayment dates and refinancing dates of its revolver and Term Loans, monitoring its debt covenants, and managing its cash flows. AHIP's objective is to maintain sufficient available credit facilities to fund ongoing operational and capital requirements. In addition to trade and other receivables, AHIP has cash and cash equivalents of $11,991 (2013 - $29,487) excluding the restricted cash amount of $17,579 at December 31, 2014 (2013 - $6,000).

The timing of estimated cash outflows relating to financial liabilities are outlined in the table below:

	Value at December 31, 2014	Maturity
Accounts payable and accrued expenses	$ 12,836	Less than 1 year
Current portion of term loans	4,203	Less than 1 year
Contingent consideration (earn-out) (note 4(a))	5,288	2016
Deferred compensation payable (note 4(a))	474	2016
Term loans	218,338	2018 - 2024

(d) Currency exchange rate risk:

AHIP's distributions are denominated in Canadian dollars. The Canadian dollar is not maintained at a fixed exchange rate compared to foreign currencies but rather the value of the Canadian dollar has a floating exchange rate in relation to other currencies. The U.S. REIT and its affiliates conduct business in the U.S. Consequently, income and expense or any ultimate gain on sale are earned or incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the cash required to fund future distributions may fluctuate with reference to U.S. dollars. Accordingly, AHIP's cash flow is subject to currency exchange rate risk. As at December 31, 2014, AHIP's consolidated statement of financial position included $384 of cash denominated in Canadian dollars. Increases or decreases in the exchange rate on this cash balance is not considered material to these financial statements.

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

19. Capital management:

	2014	2013
Term loans	$ 222,541	$ 106,742
Partners' capital	191,236	116,239
Total capital	$ 413,777	$ 222,981

AHIP defines capital as the aggregate of its term loans and partners' capital. AHIP's objectives in managing capital are to maintain a level of capital that: complies with investment and debt restrictions pursuant to the final prospectus dated February 12, 2013 as filed with the securities commissions and other securities regulatory authorities in all provinces and territories of Canada; complies with existing debt covenants; funds its business strategies; and builds long-term partners' value. AHIP's capital structure is periodically reviewed by the Board of Directors of the General Partner.

20. Supplemental cash flow disclosure:

	2014	2013
Accounts payable and accrued expenses	$ 4,281	$ 889
Other assets	7	52
Trade and other receivables	(1,273)	(316)
Prepaids and deposits	(1,049)	(440)
	$ 1,966	$ 185

21. Segment reporting:

AHIP's operations consist of hotel real estate properties in the U.S. only. AHIP structures its operations in two operating and reportable segments based on the way that AHIP organizes its operations for making operating decisions and assessing performance. AHIP's corporate costs are not allocated to the segments: (*i*) the Oak Tree Inn hotels that have railroad lodging agreements; and (*ii*) the Branded hotels that have franchise agreements.

The following provides segmented information as at December 31, 2014 and 2013 and for the years then ended:

December 31, 2014	Oak Tree Inn hotels	Branded hotels	Corporate	Total
Total assets	$ 154,282	$ 277,408	$ 2,025	$ 433,715
Total liabilities	86,199	152,727	3,553	242,479

(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

21. Segment reporting (continued):

December 31, 2013	Oak Tree Inn hotels	Branded hotels	Corporate	Total
Total assets	$ 149,099	$ 66,367	$ 21,036	$ 236,502
Total liabilities	79,476	38,178	2,609	120,263

Income from operating activities for the year ended December 31, 2014:

	Oak Tree Inn hotels	Branded hotels	Corporate	Total
Revenue	$ 58,724	$ 34,419	$ -	$ 93,143
Hotel expenses	(47,902)	(24,949)	(1)	(72,852)
Income from operating activities	$ 10,822	$ 9,470	$ (1)	$ 20,291

Income from operating activities for the year ended December 31, 2013:

	Oak Tree Inn hotels	Branded hotels	Corporate	Total
Revenue	$ 46,761	$ 1,291	$ -	$ 48,052
Hotel expenses	(37,180)	(1,195)	-	38,375
Income from operating activities	$ 9,581	$ 96	$ -	$ 9,677

22. Comparative information:

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

23. Subsequent events:

(a) Distributions:

On January 19, 2015, AHIP announced a cash distribution of Cdn$0.075 per unit for the period of January 1, 2015 to January 31, 2015. The distribution was paid on February 13, 2015 to Unitholders of record on January 30, 2015.

On February 17, 2015, AHIP announced a cash distribution of Cdn$0.075 per unit for the period of February 1, 2015 to February 28, 2015. The distribution was paid on March 13, 2015 to Unitholders of record on February 27, 2015.

On March 17, 2015, AHIP announced a cash distribution of Cdn$0.075 per unit for the period of March 1, 2015 to March 31, 2015. The distribution will be paid on April 15, 2015 to Unitholders of record on March 31, 2015.

23. Subsequent events (continued):

(b) Expansion of existing Oak Tree Inn Hotel at Dexter, MO:

On January 23, 2015, AHIP announced a commitment with SunOne to construct a 24-room expansion at the existing 109-room Oak Tree Inn and Penny's Diner located in Dexter, Missouri. The expansion will be financed and developed in accordance with the existing Master Development Agreement with SunOne. AHIP will acquire the additional guestrooms for a total purchase price of $2,700. Construction will begin immediately with completion targeted for late 2015.

(c) Acquisition of Oak Tree Inn at Wellington, KS:

On February 25, 2015, AHIP announced the acquisition of a newly built 110-room Oak Tree Inn hotel in Wellington, Kansas from SunOne for a total purchase price of $7,410 plus closing adjustments.

The acquisition was financed by a combination of: (*i*) approximately $1,435 from cash on hand; (*ii*) a new $4,725 mortgage on the Property; (*iii*) the offset of approximately $650 in mezzanine loans owed by SunOne to a subsidiary of AHIP; and (*iv*) the issuance of $600 (or 66,927 units) of AHIP units from treasury.

The new mortgage has a variable rate of the 30-day LIBOR rate plus 3.00% with a floor interest rate of 4.00%. It has a 10-year term with a 20-year amortization schedule. The newly-issued AHIP units were issued at Cdn$11.20 per unit, which represents the 5-day volume-weighted average trading price of the units on the Toronto Stock Exchange.

The acquisition of this hotel is considered an asset acquisition as the hotel was not operational on the date of acquisition. The purchase price for the Wellington, KS hotel was based on the greater of i) 95% of the fair market value of the property and ii) the construction cost of the property, pursuant to the Master Development agreement with SunOne.