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

AMERICAN HOTEL INCOME PROPERTIES REIT LP

For the three months ended March 31, 2015 and 2014
(Unaudited)

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

	Note	March 31, 2015	December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents		$ 8,332	$ 11,991
Restricted cash	4	14,675	17,579
Trade and other receivables		2,812	2,601
Prepaid expenses and deposits		2,059	2,274
Mezzanine loans receivable	6	-	514
Other assets		432	370
		28,310	35,329
Property, buildings and equipment	5	392,710	387,232
Intangible assets	7	7,703	8,207
Deferred income tax assets	8	2,961	2,947
		$ 431,684	$ 433,715
Liabilities and Partners' Capital			
Current liabilities:			
Accounts payable and accrued liabilities		$ 11,252	$ 12,836
Current portion of term loans	9	4,391	4,203
Contingent consideration	10	5,340	-
Deferred compensation payable	11	480	-
		21,463	17,039
Term loans	9	221,793	218,338
Contingent consideration	10	-	5,288
Deferred compensation payable	11	-	474
Preferred shares	12	125	125
Deferred income tax liabilities	8	1,229	1,215
		244,610	242,479
Partners' capital	13	187,074	191,236
Commitments and contingencies	16		
Subsequent events	21		
		$ 431,684	$ 433,715

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Revenue:			
Rooms		$ 25,928	$ 14,654
Food and beverage		3,337	2,399
Rental and other		264	170
		29,529	17,223
Hotel expenses:			
Operating expenses		15,775	8,738
Energy		1,536	1,103
Property maintenance		1,458	978
Property taxes and insurance		2,040	1,024
Depreciation and amortization		4,224	2,354
		25,033	14,197
Income from operating activities		4,496	3,026
Corporate and administrative		1,891	2,026
Loss on disposal of property and equipment		24	-
Business acquisition costs		126	369
Income before undernoted		2,455	631
Finance income		(12)	(29)
Finance costs	15	2,813	1,566
Loss before income taxes		(346)	(906)
Deferred income tax recovery		-	(146)
Net loss and comprehensive loss		$ (346)	$ (760)
Basic and diluted net loss per unit		$ (0.01)	$ (0.05)
Basic weighted average number of units outstanding		24,361,590	14,437,800
Diluted weighted average number of units outstanding		24,376,590	14,437,800

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

Three months ended March 31, 2015 and 2014

	Note	Units outstanding	General partner [1]	Limited partners	Contributed surplus	Cumulative (deficit)	Total
Balance at January 1, 2015		24,335,563	$ -	$ 213,204	$ 71	$ (22,039)	$ 191,236
Securities-based compensation	14	-	-	-	18	-	18
Issuance of units for hotel acquisition	17	66,927	-	600	-		600
Net loss and comprehensive loss		-	-	-	-	(346)	(346)
Distributions	13	-	-	-	-	(4,434)	(4,434)
Balance at March 31, 2015		24,402,490	$ -	$ 213,804	$ 89	$ (26,819)	$ 187,074
Balance at January 1, 2014		14,437,800	$ -	$ 125,339	$ -	$ (9,100)	$ 116,239
Securities-based compensation	14	-	-	-	242	-	242
Net loss and comprehensive loss		-	-	-	-	(760)	(760)
Distributions	13	-	-	-	-	(2,945)	(2,945)
Balance at March 31, 2014		14,437,800	$ -	$ 125,339	$ 242	$ (12,805)	$ 112,776

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

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Cash provided by (used in):			
Operating activities:			
Net loss and comprehensive loss		$ (346)	$ (760)
Interest paid		(2,679)	(1,161)
Items not affecting cash:			
Loss on disposal of property and equipment		24	-
Depreciation and amortization		4,224	2,354
Securities-based compensation expense	14	18	242
Accretion of contingent consideration	15	52	50
Amortization of deferred financing costs		59	92
Amortization of mark-to-market adjustments	15	(18)	-
Amortization of deferred compensation	11	6	-
Deferred income tax recovery		-	(146)
Interest expense		2,810	1,424
		4,150	2,095
Changes in non-cash operating working capital	19	(1,772)	(456)
		2,378	1,639
Investing activities			
Purchase of property, buildings and equipment		(1,717)	(444)
Franchise fees paid		-	(448)
Acquisition of an Oak Tree Inn hotel	17	(6,256)	-
Acquisition of the Virginia Portfolio, net of cash provided by seller		-	(37,123)
Proceeds from (funding for) cash reserves		2,903	(6,353)
		(5,070)	(44,368)
Financing activities:			
Distributions paid	13	(4,434)	(2,945)
Proceeds from term loans	9	4,725	24,500
Payments on term loans	9	(1,056)	(884)
Net proceeds from revolver		-	1,612
Proceeds from issuance of preferred shares	12	-	125
Mezzanine loans receivable advanced	6	(135)	(163)
Financing costs paid		(67)	(671)
		(967)	21,574
Decrease in cash and cash equivalents		(3,659)	(21,155)
Cash and cash equivalents, beginning of year		11,991	29,487
Cash and cash equivalents, end of year		$ 8,332	$ 8,332

See accompanying notes to condensed consolidated interim 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 and amended on February 20, 2013. AHIP's head office and address for service is located at 1660 - 401 West Georgia Street, Vancouver, British Columbia, Canada, V6B 5A1.

AHIP has two operating segments: (i) Oak Tree Inn Hotels are hotels that have railway lodging agreements; and (ii) Branded Hotels are hotels that have franchise agreements.

AHIP's limited partnership units ("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.

2. Basis of presentation and statement of compliance:

(a) Statement of compliance:

The condensed consolidated interim financial statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Statements*. Selected explanatory notes are included to explain significant events and transactions that have occurred since December 31, 2014. These condensed consolidated interim financial statements do not contain all of the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual reporting purposes and should be read in conjunction with AHIP's annual audited consolidated financial statements as at and for the year ended December 31, 2014.

These condensed consolidated interim financial statements were approved and authorized for issue by the directors of the General Partner on May 13, 2015.

(b) Basis of measurement:

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

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

(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 condensed consolidated interim statements of comprehensive loss.

(d) Measurement uncertainty (use of estimates):

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. 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.

Actual results may differ from these estimates.

The significant areas of estimates that are critical to the determination of the amounts reported are disclosed in AHIP's annual audited consolidated financial statements as at and for the year ended December 31, 2014.

There have been no changes to the amounts of the business combinations and the allocation of the purchase price as previously disclosed in AHIP's annual audited consolidated financial statements as at and for the year ended December 31, 2014.

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

3. Significant accounting policies:

(a) Significant accounting policies:

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as AHIP's annual audited consolidated financial statements as at and for the year ended December 31, 2014.

(b) Comparative information:

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

4. Restricted cash:

	March 31, 2015	December 31, 2014
Property improvement plans ("PIPs") reserve	$ 11,624	$ 15,027
Furniture, fixture and equipment ("FF&E") reserve	1,262	1,137
Property tax reserve	1,633	1,263
Insurance and other reserves	156	152
	$ 14,675	$ 17,579

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, term loans related to these acquisitions require AHIP to deposit reserves for ongoing FF&E expenses, 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 reserve contribution waiver period for three of the four properties expired on March 12, 2015 and is waived on the fourth property until March 12, 2016. For the Texas Portfolio, Oklahoma Portfolio and two of the four properties in the NC/GA portfolio, FF&E reserve contributions were waived for the initial 12-months of the respective loans. For the NC/FL Portfolio, the FF&E reserve contributions were waived for the initial 24-months of the loan.

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

5. Property, buildings and equipment:

	Note	Land	Buildings	Equipment	PIP construction	Total
Cost:						
Balance at January 1, 2014		$ 24,012	$ 155,996	$ 12,165	$ -	$ 192,173
Acquisition of Virginia Portfolio		3,935	30,848	2,417	-	37,200
Acquisition of NC/GA Portfolio		2,371	26,941	1,680	-	30,992
Acquisition of Texas Portfolio		2,958	24,575	3,758	-	31,291
Acquisition of Oklahoma Portfolio		2,441	43,587	2,142	-	48,170
Acquisition of NC/FL Portfolio		2,842	35,479	2,679	-	41,000
Acquisition of Oak Tree Inns		1,274	10,308	1,352	-	12,934
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
Acquisition of Oak Tree Inn	17	411	6,042	1,094	-	7,547
Additions		-	87	614	972	1,673
Disposals		-	-	(49)	-	(49)
Balance at March 31, 2015		40,244	334,495	29,752	6,362	410,853
Accumulated depreciation:						
Balance at January 1, 2014		-	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
Depreciation		-	2,306	1,412	-	3,718
Disposals		-	-	(25)	-	(25)
Balance at March 31, 2015		-	11,583	6,560	-	18,143
Net book value at March 31, 2015		$ 40,244	$ 322,912	$ 23,192	$ 6,362	$ 392,710
Net book value at December 31, 2014		$ 39,833	$ 319,089	$ 22,920	$ 5,390	$ 387,232

6. Mezzanine loans receivable:

In accordance with the Master Development Agreement with SunOne Developments Inc. ("SunOne"), AHIP may elect to finance (directly or indirectly) developments via a mezzanine loan.

As at March 31, 2015, there was no mezzanine loan balance receivable due from SunOne. As at December 31, 2014, AHIP had the following mezzanine loans receivable due from SunOne:

Property under development	Completion date	Total mezzanine financing available	Annual interest rate	March 31, 2015 Mezzanine loan amount drawn	December 31, 2014 Mezzanine loan amount drawn
Wellington, KS	February 25, 2015	$ 931	10%	$ -	$ 514

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

7. Intangible assets:

	Railway Agreements	Contract Signing Fees	Franchise Agreements	Total
Cost:				
Balance at January 1, 2014	$ 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
Additions	-	-	-	-
Balance at March 31, 2015	$ 9,030	$ 460	$ 2,210	$ 11,700
Accumulated amortization:				
Balance at January 1, 2014	$ 1,549	$ -	$ 5	$ 1,554
Amortization	1,803	46	90	1,939
Balance at December 31, 2014	3,352	46	95	3,493
Amortization	451	12	41	504
Balance at March 31, 2015	$ 3,803	$ 58	$ 136	$ 3,997
Net book value at March 31, 2015	$ 5,227	$ 402	$ 2,074	$ 7,703
Net book value at December 31, 2014	$ 5,678	$ 414	$ 2,115	$ 8,207

8. Deferred income taxes:

The analysis of deferred tax assets and deferred tax liabilities as at March 31, 2015 and December 31, 2014 is as follows:

	March 31, 2015	December 31, 2014
Deferred tax assets:		
Non capital losses carried forward	$ 905	$ 914
Contingent consideration	2,024	2,003
Other	32	30
	2,961	2,947
Deferred tax liabilities:		
Intangible assets	(828)	(992)
Prepaid insurance	(29)	(23)
Property, buildings and equipment	(372)	(200)
	(1,229)	(1,215)
Deferred tax assets (net)	$ 1,732	$ 1,732

As at March 31, 2015 and December 31, 2014, AHIP had net operating losses for tax purposes totaling $2,373 which may be carried forward for up to 20 years from the date of origination and applied against future taxable income.

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

9. Term loans:

	Note		March 31, 2015		December 31, 2014
Oak Tree Inn Hotel Loans	(a)	$	80,683	$	76,953
Pittsburgh Portfolio Term Loans			38,000		38,000
Virginia Portfolio Term Loan			24,500		24,500
NC/GA Portfolio Term Loans			19,204		19,265
Texas Portfolio Term Loan			16,000		16,000
Oklahoma Portfolio Term Loan			25,500		25,500
NC/FL Portfolio Term Loan			26,110		26,110
			229,997		226,328
Unamortized portion of mark-to-market adjustment			437		455
Unamortized portion of deferred financing costs			(4,250)		(4,242)
			226,184		222,541
Current portion of term loans			(4,391)		(4,203)
		$	221,793	$	218,338

As at March 31, 2015, the term loans bear a weighted effective interest rate of 5.03% after accounting for deferred financing costs (December 31, 2014 - 5.05%), and are secured by charges on AHIP's hotel properties.

During the three months ended March 31, 2015, the following transaction occurred:

(a) Oak Tree Inn Hotel Loans:

The Oak Tree Inn Hotel Loans were amended to provide an additional $4,725 term loan with a 10-year term maturing on March 1, 2025. The loan has a variable rate based on the 30-day LIBOR rate plus 3.00% with a floor interest rate of 4.00%. The loan is being amortized over 240 months with the first principal payment starting in April 2015. As at March 31, 2015, the principal balance on this term loan was $4,725 (December 31, 2014 - nil).

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

9. Term loans (continued):

(b) Principal payments:

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

2015	$	3,262
2016		4,613
2017		5,057
2018		59,615
2019		8,553
Thereafter		148,897
	$	229,997

Under the terms of the various loans, AHIP is required to maintain quarterly and annual debt covenants. As at March 31, 2015 and December 31, 2014, AHIP was in compliance with all of its debt covenants.

10. Contingent consideration:

		March 31, 2015		December 31, 2014
Opening balance	$	5,288	$	5,085
Accretion		52		203
Closing balance	$	5,340	$	5,288

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 March 31, 2015, the contingent consideration balance was $5,340 (December 31, 2014 - $5,288) after accumulated accretion of $425 (December 31, 2014 - $203).

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

11. Deferred compensation payable:

	March 31, 2015	December 31, 2014
Opening balance	$ 474	$ 460
Accretion	6	14
Closing balance	$ 480	$ 474

Pursuant to the purchase agreement for Oak Tree Inn Hotels on February 20, 2013, an additional $250 compensation will 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. Payment may be made in cash or Units, or a combination thereof, at the option of AHIP, by January 20, 2016.

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 March 31, 2015, $480 in deferred compensation payable (December 31, 2014 - $474) is included in the statements of financial position as a short-term liability which reflects the present value amount related to the signing of new railway contracts.

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 condensed consolidated interim statements of financial position. Consequently, any dividend payments are classified as interest expense on the condensed consolidated interim statements of comprehensive loss.

13. Partner's capital:

(a) Authorized:

The capital of AHIP consists of an unlimited number of limited partner units ("Units") 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.

From the date of formation on October 12, 2012 to December 31, 2012, AHIP issued 799,999 Units to certain Seed Capital Investors, for aggregate gross proceeds of $799. On February 20, 2013, those Units were consolidated on a two-for-one basis.

From the closing date of AHIP's initial public offering ("IPO") on February 20, 2013 to December 31, 2013, AHIP issued 13,972,500 Units for gross proceeds of Cdn$140,400 (US$136,600).

On June 4, 2014, AHIP completed a bought-deal public 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).

On October 28 2014, AHIP completed a bought-deal public offering of 4,810,000 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).

On February 25, 2015, as partial consideration for the purchase of a new Oak Tree Inn Hotel in Wellington, Kansas, AHIP issued 66,927 Units at a price of Cdn$11.20 per Unit.

As at March 31, 2015 and December 31, 2014, total offering costs since inception of $17,736 have been 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:

13. Partner's capital (continued):

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

(*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 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 declare 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 three months ended March 31, 2015, the General Partner declared distributions of Cdn$0.225 (US$0.182) per Unit (March 31, 2014 - Cdn$0.225 (US$0.204) per Unit) to be paid to Unitholders totaling US$4,434 (March 31, 2014 - US$2,945). Of this amount, US$1,433 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 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
Unvested, January 1, 2014	58,500	$ 9.87
Vested	(43,500)	9.87
Unvested, December 31, 2014	15,000	9.87
Vested	-	9.87
Unvested, March 31, 2015	15,000	$ 9.87

For the three months ended March 31, 2015, a total of $18 (March 31, 2014 - $242) in securities-based compensation expense is included in corporate and administrative expense.

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

15. Finance costs:

		Three months ended March 31, 2015		Three months ended March 31, 2014
Debt issuance costs related to revolver	$	-	$	23
Amortization of mark-to market adjustment		(18)		-
Dividend on preferred shares		4		4
Amortization of deferred compensation		6		-
Accretion of contingent consideration		52		50
Amortization of deferred financing costs		62		92
Interest on term loans and revolver		2,707		1,397
	$	2,813	$	1,566

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 March 31, 2015 are as follows:

2015	$	439
2016		470
2017		295
2018		118
2019		52
Thereafter		-
	$	1,374

The above amounts exclude the lease for AHIP's head office space located in Vancouver, British Columbia, Canada. On March 12, 2013, 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. AHIP reimburses the related party for rental payments on a monthly basis.

Effective January 1, 2015, additional space was leased by AHIP. As a result, the annual lease payments increased to Cdn$120.

16. Commitments and contingencies (continued):

(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) Brand Mandated Property Improvement Plans:

Under the terms of AHIP's franchise agreements arising from its acquisition of certain Branded Hotels, AHIP is required to complete brand mandated property improvement plans. AHIP's operating subsidiaries have entered into contracts or commitments with various suppliers to supply products and services in compliance with these renovation plans. Payments for these items are held as restricted cash (as described in note 4) and funds are dispersed in the ordinary course of business.

17. Related party transactions:

(a) Hotel Manager:

AHIP has entered into hotel management agreements 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.

AHIP's operating subsidiaries are 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 provide for payment of the following amounts to the Hotel Manager: a base management fee equal to 3.5% of gross revenues; a capital expenditure fee equal to 5.0% of capital expenditures, including maintenance capital expenditures; an annual administration fee of $20 for each property acquired on February 20, 2013 (the "Initial Portfolio") and $25 for each property acquired after February 20, 2013; and an incentive management fee if certain thresholds are met. The Initial Portfolio annual administration fee was $15 effective February 20, 2013; $20 effective February 20, 2015 and $25 effective February 20, 2016. The incentive fee may not exceed 50% of the aggregate base hotel management fees for the year in which the incentive fee is earned.

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

17. Related party transactions (continued):

(a) Hotel Manager (continued):

AHIP recorded the following fees charged by the Hotel Manager in corporate and administrative expenses.

	Three months ended March 31, 2015	Three months ended March 31, 2014
Management fee	$ 1,034	$ 603
Administration fee	310	160
Total fee expensed	$ 1,344	$ 763

Capital management fees of $87 for the three months ended March 31, 2015 (March 31, 2014 - $18) were capitalized to property, buildings and equipment. For the three months ended March 31, 2015 and 2014, the Hotel Manager did not qualify for any incentive fees and as a result no incentive fee amounts were recorded in these condensed consolidated interim financial statements.

In addition, during the three months ended March 31, 2015, the Hotel Manager was reimbursed $359 from the hotel properties for general and administrative costs such as insurance, travel, and office supplies (March 31, 2014 - $74).

As at March 31, 2015, a total of $789 is due to the Hotel Manager and is included in accounts payable and accrued expenses (December 31, 2014 - $382).

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

During 2015, AHIP acquired the Wellington, KS hotel from SunOne, paid for as follows:

	Note	Wellington
Property and equipment		$ 7,480
Financed by:		
Cash		$ 1,507
Mezzanine loan receivable	6	648
New Oak Tree Inn Hotel loan	9(a)	4,725
Issuance of Units		600
		$ 7,480

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

17. Related party transactions (continued):

(b) Acquisition of Oak Tree Inn hotel from SunOne (continued):

The acquisition of the hotel from SunOne is considered an asset acquisition as the hotel was 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 three months ended March 31, 2015 was $198 (March 31, 2014 - $413), which includes securities-based compensation expense of $18 (March 31, 2014 - $242).

18. Capital management:

	March 31, 2015	December 31, 2014
Term loans	$ 226,184	$ 222,541
Partners' capital	187,074	191,236
Total capital	$ 413,258	$ 413,777

AHIP defines capital as the aggregate of the face value 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; complies with existing debt covenants; funds its business strategies; and builds long-term value. AHIP's capital structure is periodically reviewed by the Board of Directors of the General Partner.

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

19. Supplemental cash flow disclosure:

	Three months ended March 31, 2015	Three months ended March 31, 2014
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	$ (1,714)	$ (818)
Other assets	(62)	(28)
Trade and other receivables	(211)	(40)
Prepaid expenses and deposits	215	430
	$ (1,772)	$ (456)

20. 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.

The following provides segmented information as at March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and March 31, 2014:

March 31, 2015	Oak Tree Inn Hotels	Branded Hotels	Corporate	Total
Total assets	$ 159,372	$ 272,300	$ 12	$ 431,684
Total liabilities	91,243	153,083	284	244,610

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

Income from operating activities for the three months ended March 31, 2015:

	Oak Tree Inn Hotels	Branded Hotels	Corporate	Total
Revenue	$ 14,611	$ 14,918	$ -	$ 29,529
Hotel expenses	12,574	12,459	-	25,033
Income from operating activities	$ 2,037	$ 2,459	$	$ 4,496

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

20. Segment reporting (continued):

Income from operating activities for the three months ended March 31, 2014:

	Oak Tree Inn Hotels	Branded Hotels	Corporate	Total
Revenue	$ 13,107	$ 4,116	$ -	$ 17,223
Hotel expenses	11,138	3,059	-	14,197
Income from operating activities	$ 1,969	$ 1,057	$ -	$ 3,026

21. Subsequent events:

(a) Distributions:

On April 17, 2015, AHIP announced a cash distribution of Cdn$0.075 per unit for the period of April 1, 2015 to April 30, 2015. The distribution will be paid on May 15, 2015 to Unitholders of record on April 30, 2015.

(b) Completion of Cdn$66.1 million Unit issuance on April 28, 2015:

On April 28, 2015, AHIP completed a public offering of 6,181,250 Units, on a bought deal basis, at a price of Cdn$10.70 per Unit, for total gross proceeds of Cdn$66,139 (USD$54,796). Included in the offering were 806,250 Units from a full exercise of the over-allotment option. As described in the short form prospectus dated April 21, 2015, AHIP intends to use the net proceeds of the offering to: (i) partially fund the potential acquisition of two high-quality nationally-branded hotel portfolios; (ii) fund potential expansion, conversion and new-build opportunities,; and (iii) fund working capital and general corporate purposes.

21. Subsequent events (continued):

(c) Equity grants:

On May 6, 2015, certain members of AHIP senior management received short term incentive plan ("STIP") awards for their performance during the year ended December 31, 2014. The STIP awards were issued in the form of Units of Restricted Stock and were issued at Cdn$10.75 per Unit of Restricted Stock, which price represents the 5-day volume weighted average trading price at which the Units had traded on the Toronto Stock Exchange during the five most recent trading days ending on the trading day immediately prior to the grant date. The total number of Units of Restricted Stock issued was 21,752, and they will vest over three years in equal annual instalments starting on December 31, 2015.

On May 6, 2015, certain members of AHIP senior management received long term incentive plan ("LTIP") awards. The LTIP awards were issued in the form of Units of Restricted Stock and Performance Awards (also in the form of Units of Restricted Stock) and were issued at Cdn$10.75 per Unit of Restricted Stock, which price represents the 5-day volume weighted average trading price at which the Units had traded on the Toronto Stock Exchange during the five most recent trading days ending on the trading day immediately prior to the grant date. 12,805 Units of Restricted Stock, which represent 40% of the LTIP awards, will vest over three years in equal annual instalments starting on March 31, 2016. 1,674 Units of Restricted Stock, which represent 60% of the LTIP award for one member of AHIP senior management, will vest on March, 30, 2018. The Performance Awards, which represent 60% of the LTIP awards for certain members of AHIP senior management, will vest on March 30, 2018 subject to a multiplier based on the performance of the Units relative to a market benchmark which could result in as few as zero and as many as 35,068 Units being issued as settlement therefor.