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

AMERICAN HOTEL INCOME PROPERTIES REIT LP

For the three and six months ended June 30, 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	June 30, 2015	December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents		$ 31,049	$ 11,991
Restricted cash	5	16,212	17,579
Trade and other receivables		3,545	2,601
Prepaid expenses and deposits		3,566	2,274
Mezzanine loans receivable		-	514
Other assets		615	370
		54,987	35,329
Property, buildings and equipment	6	446,991	387,232
Intangible assets	7	7,712	8,207
Deferred income tax assets	8	3,041	2,947
		$ 512,731	$ 433,715
Liabilities and Partners' Capital			
Current liabilities:			
Accounts payable and accrued liabilities		$ 12,932	$ 12,836
Current portion of term loans	9	4,445	4,203
Contingent consideration	10	5,393	-
Deferred compensation payable	11	485	-
		23,255	17,039
Term loans	9	252,118	218,338
Contingent consideration	10	-	5,288
Deferred compensation payable	11	-	474
Preferred shares		125	125
Deferred income tax liabilities	8	1,309	1,215
		276,807	242,479
Partners' capital	12	235,924	191,236
Commitments and contingencies	15		
Subsequent events	20		
		$ 512,731	$ 433,715

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

	Note	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Revenue:					
Rooms		$ 30,660	$ 19,496	$ 56,588	$ 34,150
Food and beverage		3,097	2,861	6,434	5,260
Rental and other		374	184	638	354
		34,131	22,541	63,660	39,764
Hotel expenses:					
Operating expenses		16,636	11,231	32,411	19,969
Energy		1,317	961	2,853	2,064
Property maintenance		1,493	1,145	2,951	2,123
Property taxes and insurance		1,178	1,161	3,218	2,185
Depreciation and amortization		4,345	2,738	8,569	5,092
		24,969	17,236	50,002	31,433
Income from operating activities		9,162	5,305	13,658	8,331
Corporate and administrative		2,378	1,758	4,269	3,784
Loss on disposal of property and equipment		89	247	113	247
Business acquisition costs		1,369	543	1,495	912
Income before undernoted		5,326	2,757	7,781	3,388
Finance income		(30)	(20)	(42)	(49)
Finance costs	14	2,970	1,865	5,783	3,431
Income before income taxes		2,386	912	2,040	6
Deferred income tax recovery		-	261	-	115
Net income (loss) and comprehensive income (loss)		$ 2,386	$ 651	$ 2,040	$ (109)
Basic and diluted net income (loss) per unit		$ 0.08	$ 0.04	$ 0.08	$ (0.01)
Basic weighted average number of units outstanding		28,681,817	15,973,922	26,533,638	15,210,104
Diluted weighted average number of units outstanding		28,743,917	16,018,015	26,569,311	15,261,361

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)

Six months ended June 30, 2015 and 2014

	Note	Units outstanding	General partner [1]	Limited partners	Contributed surplus	Cumulative (deficit)	Total
Balance, January 1, 2015		24,335,563	$ -	$ 213,204	$ 71	$ (22,039)	$ 191,236
Securities-based compensation	13	-	-	-	92	-	92
Issuance of units on public offering, net of issuance costs		6,181,250	-	52,032	-	-	52,032
Issuance of units for hotel acquisition	16	66,927	-	600	-	-	600
Net income and comprehensive income for the period			-	-	-	2,040	2,040
Distributions	12	-	-	-	-	(10,076)	(10,076)
Balance, June 30, 2015		30,583,740	$ -	$ 265,836	$ 163	$ (30,075)	$ 235,924
Balance, January 1, 2014		14,437,800	$ -	$ 125,339	$ -	$ (9,100)	$ 116,239
Securities-based compensation	13	-	-	-	390	-	390
Issuance of units under securities-based compensation		28,500	-	281	(281)	-	-
Issuance of units on public offering, net of issuance costs		4,900,000	-	43,696	-	-	43,696
Issuance of units for hotel acquisition		101,247	-	1,000	-	-	1,000
Net loss and comprehensive loss for the period		-	-	-	-	(109)	(109)
Distributions	12	-	-	-	-	(6,277)	(6,277)
Balance, June 30, 2014		19,467,547	$ -	$ 170,316	$ 109	$ (15,486)	$ 154,939

[1] *The General Partner ("GP") is entitled to a 0.01% interest in American Hotel Income Properties REIT LP ("AHIP") in consideration for the GP having contributed $0.1 as a capital contribution to AHIP.*

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 June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash provided by (used in):					
Operating activities:					
Net income (loss) and comprehensive income (loss)		$ 2,386	$ 651	$ 2,040	$ (109)
Interest paid		(2,843)	(1,422)	(5,518)	(2,579)
Dividend on preferred shares	14	(4)	(3)	(8)	(7)
Items not affecting cash:					
Loss on disposal of property and equipment		89	247	113	247
Depreciation and amortization		4,345	2,738	8,569	5,092
Securities-based compensation expense	13	74	148	92	390
Accretion of contingent consideration	14	47	51	105	101
Amortization of deferred financing costs	14	139	128	198	220
Amortization of mark-to-market adjustments	14	(18)	-	(36)	-
Accretion of deferred compensation	14	6	-	11	-
Deferred income tax recovery		-	261	-	115
Interest expense		2,796	1,686	5,505	3,110
		7,017	4,485	11,071	6,580
Changes in non-cash operating working capital	18	(2,843)	249	(4,522)	(60)
		4,174	4,734	6,549	6,520
Investing activities:					
Cash held in escrow for acquisition		-	(15,675)	-	(15,675)
Draws from (funding of) restricted cash reserves net of interest income received		(1,537)	(107)	1,367	(6,460)
Additions to property, buildings and equipment		(4,715)	(672)	(6,431)	(1,113)
Acquisition of property under development		-	(3,591)	(6,257)	(3,591)
Franchise application fees paid		(510)	-	(510)	(448)
Acquisition of the Midwestern Portfolio, net of cash acquired	4	(53,220)	-	(53,220)	-
Acquisition of the Virginia Portfolio, net of cash acquired		-	-	-	(37,123)
		(59,982)	(20,045)	(65,051)	(64,410)
Financing activities:					
Units issued for cash on public offerings, net of expenses		52,032	43,696	52,032	43,696
Distributions paid		(3,763)	(2,976)	(8,196)	(5,920)
Proceeds from term loans		32,000	4,856	36,725	29,356
Payments on term loans		(1,071)	(888)	(2,133)	(1,772)
Net proceeds from revolver		-	(1,612)	-	-
Proceeds from issuance of preferred shares		-	-	-	125
Mezzanine loans receivable advanced		-	(296)	(135)	(459)
Financing costs paid		(673)	(73)	(733)	(895)
		78,525	42,707	77,560	64,131
Increase in cash and cash equivalents		22,717	27,396	19,058	6,241
Cash and cash equivalents, beginning of period		8,332	8,332	11,991	29,487
Cash and cash equivalents, end of period		$ 31,049	$ 35,728	$ 31,049	$ 35,728

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 ("Limited Partnership Agreement") dated October 12, 2012 and amended on February 20, 2013 and June 9, 2015. 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 August 12, 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; and

(*iii*) All exchange gains and losses are recognized in the condensed consolidated interim statements of comprehensive income (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 recorded on business combinations and the related allocations of purchase price as previously disclosed in AHIP's annual audited consolidated financial statements as at and for the year ended December 31, 2014.

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.

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

4. Business combinations:

On June 18, 2015, the acquisition of nine branded, select-service hotel properties located in five states with a total of 632 guestrooms (the "Midwestern Portfolio") was accounted for as a business combination. The aggregate purchase price for the Midwestern Portfolio was $53,229, of which $21,824 was paid in cash from the April 2015 Offering (as described in note 12) and the balance was financed by the Midwestern Portfolio Term Loan as disclosed in note 9.

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

Property, buildings and equipment	$ 53,500
Working capital	(280)
Cash acquired	9
Net assets	$ 53,229
Financed by:	
Cash	$ 21,824
Midwestern Portfolio Term Loan	31,405
Total consideration	$ 53,229

Total business acquisition costs related to the purchase of the Midwestern Portfolio were $896 of which $889 was expensed during the three months ended June 30, 2015. For the 13-day period from the acquisition date of the Midwestern Portfolio to June 30, 2015, AHIP recognized revenues of $680 and income from operating activities of $185. If the Midwestern Portfolio had been acquired on January 1, 2015, the proforma revenues for the three and six months ended June 30, 2015, would have been $4,281 and $8,082, respectively, and the proforma income from operating activities for the three and six months ended June 30, 2015, would have been $1,307 and $2,640, respectively.

5. Restricted cash:

	June 30, 2015	December 31, 2014
Property improvement plans reserve	$ 12,613	$ 15,027
Furniture, fixtures and equipment ("FF&E") reserves	1,227	1,137
Property tax reserves	2,119	1,263
Insurance and other reserves	253	152
	$ 16,212	$ 17,579

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Restricted cash (continued):

For each of the Branded Hotel portfolios, AHIP was required to fund restricted cash reserves for brand mandated property improvement plans ("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 and Midwestern Portfolios, the FF&E reserve contributions were waived for the initial 24-months of the respective loans.

6. Property, buildings and equipment:

	Land	Buildings	Equipment	Construction in progress	Total
Cost:					
Balance at January 1, 2014	$ 24,012	$ 155,996	$ 12,165	$ -	$ 192,173
Acquisition of Branded Hotels	14,547	161,430	12,676	-	188,653
Acquisition of Oak Tree Inn Hotels	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 Hotel	411	6,042	1,094	-	7,547
Acquisition of Midwestern Portfolio	4,700	47,833	967	-	53,500
Additions	-	2,987	3,178	229	6,394
Disposals	-	(74)	(121)	-	(195)
Balance at June 30, 2015	44,944	385,154	33,211	5,619	468,928
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	-	4,708	2,851	-	7,559
Disposals	-	(6)	(66)	-	(72)
Balance at June 30, 2015	-	13,979	7,958	-	21,937
Net book value at June 30, 2015	$ 44,944	$ 371,175	$ 25,253	$ 5,619	$ 446,991
Net book value at December 31, 2014	$ 39,833	$ 319,089	$ 22,920	$ 5,390	$ 387,232

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

7. Intangible assets:

	Railway Agreements	Contract Signing Fees	Franchise Agreements	Total
Cost:				
Balance at January 1, 2014	$ 9,030	$ 460	$ 485	$ 9,975
Branded Hotels franchise application fees	-	-	1,725	1,725
Balance at December 31, 2014	9,030	460	2,210	11,700
Midwestern Portfolio franchise application fees	-	-	510	510
Balance at June 30, 2015	$ 9,030	$ 460	$ 2,720	$ 12,210
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	901	23	81	1,005
Balance at June 30, 2015	$ 4,253	$ 69	$ 176	$ 4,498
Net book value at June 30, 2015	$ 4,777	$ 391	$ 2,544	$ 7,712
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 June 30, 2015 and December 31, 2014 is as follows:

	June 30, 2015	December 31, 2014
Deferred tax assets:		
Non capital losses carried forward	$ 905	$ 914
Contingent consideration	2,046	2,003
Other	90	30
	$ 3,041	$ 2,947
Deferred tax liabilities:		
Intangible assets	$ (659)	$ (992)
Prepaid insurance	(28)	(23)
Property, buildings and equipment	(622)	(200)
	$ (1,309)	$ (1,215)

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

8. Deferred income taxes (continued):

As at June 30, 2015, 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 (December 31, 2014 - $2,373).

9. Term loans:

	Note	June 30, 2015	December 31, 2014
Oak Tree Inn Hotel Loans	(a)	$ 79,666	$ 76,953
Branded Hotels Term Loans		149,254	149,375
Midwestern Portfolio Term Loan	(b)	32,000	-
		260,920	226,328
Unamortized portion of mark-to-market adjustments		419	455
Unamortized portion of deferred financing costs		(4,776)	(4,242)
		256,563	222,541
Current portion of term loans		(4,445)	(4,203)
		$ 252,118	$ 218,338

As at June 30, 2015, the term loans had a weighted effective interest rate of 5.03% after accounting for deferred financing costs (December 31, 2014 - 5.05%), and were secured by AHIP's hotel properties.

During the period ended June 30, 2015, the following transactions 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 interest 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 June 30, 2015, the principal balance on this term loan was $4,689 (December 31, 2014 - nil).

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

9. Term loans (continued):

(b) Midwestern Portfolio:

On June 18, 2015, certain AHIP subsidiaries ("Midwestern Borrowers") entered into a loan agreement with a major international bank for a $32,000 commercial mortgage backed securities ("CMBS") loan for a term of ten years maturing on July 6, 2025, at an interest rate of 4.24% per annum. This loan is interest only for the first seven years and then amortized over a thirty year period for the remainder of the term.

The Midwestern Portfolio Term Loan is secured by: (*i*) a first priority mortgage on eight hotels in the Midwestern 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 eight of the Midwestern Portfolio hotels and any other personal property relating to these eight Midwestern 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 Midwestern Borrowers.

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

(c) 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	$ 2,185
2016	4,613
2017	5,057
2018	59,615
2019	8,553
Thereafter	180,897
	$ 260,920

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

10. Contingent consideration:

	June 30, 2015	December 31, 2014
Opening balance	$ 5,288	$ 5,085
Accretion	105	203
Closing balance	$ 5,393	$ 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.

11. Deferred compensation payable:

	June 30, 2015	December 31, 2014
Opening balance	$ 474	$ 460
Accretion	11	14
Closing balance	$ 485	$ 474

Pursuant to the purchase agreement for the 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.

11. Deferred compensation payable (continued):

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 acquisition date, and the fees would be recognized upon the signing of each Qualifying New Contract. At June 30, 2015, $485 in deferred compensation payable (December 31, 2014 - $474) is included in the statements of financial position as a current liability which reflects the present value amount related to the signing of new railway contracts.

12. Partners' capital:

(a) Authorized:

The capital of AHIP consists of Units and the equity interest held by the General Partner.

(b) Issued:

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 the year ended December 31, 2014, AHIP issued a total of 9,897,763 Units from bought-deal public offerings, as well as partial consideration for the purchase of new Oak Tree Inn Hotels, and for the vesting of Units to an officer of the company.

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.

On April 28, 2015, AHIP completed a bought-deal public offering of 6,181,250 Units, including 806,250 Units related to the full exercise of the over-allotment option, at a price of Cdn$10.70 per Unit, for total gross proceeds of Cdn$66,139 (US$54,787) ("April 2015 Offering").

As at June 30, 2015 and December 31, 2014, total offering costs since inception of $20,492 and $17,736, respectively, have been deducted from partners' capital.

12. Partners' capital (continued):

(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 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.
- 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.

12. Partners' capital (continued):

(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 at the discretion of the General Partner.

The General Partner declared distributions of Cdn$0.225 (US$0.184) per Unit to be paid to Unitholders for the three months ended June 30, 2015, totaling $5,642 (June 30, 2014 - $3,334), and Cdn$0.450 (US$0.366) per Unit for the six months ended June 30, 2015, totaling $10,076 (June 30, 2014 - $6,277). Of this amount, $1,889 was included in accounts payable and accrued expenses as at June 30, 2015 (December 31, 2014 - $1,573).

13. Compensation plan:

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 totaling 21,752 Units that will vest over three years in equal annual instalments starting on December 31, 2015. The fair value of the STIP awards issued were $192.

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). 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. Of the remaining 19,208 Units of Restricted Stock representing 60% of the LTIP awards, 1,674 Units will vest on March 30, 2018 and the remaining 17,534 Units of Restricted Stock representing the Performance Awards are subject to a market performance condition based on AHIP's performance relative to a market index which could result in as few as no Units and as many as 35,068 Units being issued. The fair value of the LTIP awards issued were $271.

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

13. Compensation plan (continued):

The Unit grants will vest as follows:

Fiscal year ending	Number of units	Total fair value of units at grant date
December 31, 2015	22,251	$ 212
December 31, 2016	11,519	102
December 31, 2017	11,519	102
December 31, 2018	23,476	196
Total Units granted	68,765	$ 612

A summary of all 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
Granted	53,765	8.80
Vested	-	-
Unvested, June 30, 2015	68,765	$ 9.03

For the three and six months ended June 30, 2015, a total of $74 (2014 - $148) and $92 (2014 - $390) in securities-based compensation expense was included in corporate and administrative expense.

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

14. Finance costs:

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Amortization of mark-to market adjustments	$ (18)	$ -	$ (36)	$ -
Dividend on preferred shares	4	3	8	7
Accretion of deferred compensation	6	-	11	-
Accretion of contingent consideration	47	51	105	101
Amortization of deferred financing costs	139	128	198	220
Interest expense	2,792	1,683	5,497	3,103
	$ 2,970	$ 1,865	$ 5,783	$ 3,431

15. Commitments and contingencies:

(a) Operating leases:

AHIP and its subsidiaries have entered into operating leases for its premises, office equipment and hotel vehicles. Future minimum lease payments under non-cancelable operating leases as of June 30, 2015 are as follows:

2015	$ 467
2016	610
2017	435
2018	124
2019	54
Thereafter	-
	$ 1,690

The above amounts exclude the lease for AHIP's head office space located in Vancouver, British Columbia, Canada. A related party entered into the lease expiring on June 30, 2017 for an annual amount of Cdn$120. AHIP reimburses the related party for 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, certain AHIP subsidiaries agree 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.

15. Commitments and contingencies (continued):

(b) Lodging facility agreements (continued):

AHIP receives a fixed rate per rented room and 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 franchise agreements arising from its acquisition of Branded Hotels, certain AHIP subsidiaries are required to complete brand mandated property improvement plans. AHIP's operating subsidiaries have entered into contracts or commitments with various vendors to supply products and services in compliance with these renovation plans. Payments for these items are held as restricted cash (as described in note 5) and funds are dispersed in the ordinary course of business.

16. Related party transactions:

(a) Hotel manager:

Certain AHIP subsidiaries have 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 the payment of the following amounts to the Hotel Manager: a base management fee equal to 3.5% of gross revenues; a capital expenditure fee of 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 management fees for the year in which the incentive fee is earned.

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

16. 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		Six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Management fees	$ 1,216	$ 789	$ 2,250	$ 1,392
Administration fees	351	184	661	344
Total fees expensed	$ 1,567	$ 973	$ 2,911	$ 1,736

Capital management fees of $223 and $310 for the three and six months ended June 30, 2015 ($23 and $41 for the three and six months ended June 30, 2014) were capitalized to property, buildings and equipment. For the three and six months ended June 30, 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 and six months ended June 30, 2015, the Hotel Manager was reimbursed $9,508 and $18,783 from the hotel properties for general and administrative costs such as wages, insurance, travel, and office supplies ($6,566 and $12,319 for the three and six months ended June 30, 2014).

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

16. Related party transactions (continued):

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

Pursuant to the Master Development Agreement ("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, AHIP acquired the Wellington, Kansas hotel from SunOne on February 28, 2015 paid for as follows:

	Note	Wellington
Property, buildings and equipment		$ 7,480
Financed by:		
Cash		$ 1,507
Mezzanine loan receivable		648
New Oak Tree Inn Hotel loan	9(a)	4,725
Issuance of Units	12	600
		$ 7,480

The acquisition of the hotel from SunOne was considered to be an asset acquisition as the hotel was not operational on the acquisition date. The purchase price for this asset was calculated as 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 Development Agreement.

The mezzanine loan receivable was advanced in accordance with the Development Agreement and as at June 30, 2015, there was no mezzanine loan receivable from SunOne (December 31, 2014 - $514).

(c) Future acquisition from SunOne:

AHIP has a commitment with SunOne to construct a 24-room expansion at the existing Oak Tree Inn Hotel in Dexter, Missouri. The expansion will be financed and developed in accordance with the existing Development Agreement. AHIP will acquire the additional guestrooms for a total purchase price of $2,700.

(d) Compensation:

Key management includes those persons having authority and responsibility for planning, directing, and controlling the activities of AHIP. Total compensation awarded to key management for the three months and six months ended June 30, 2015 was $319 (2014 - $395) and $715 (2014 - $835), which included securities-based compensation expense of $74 (2014 - $148) and $92 (2014 - $390), respectively.

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

17. Capital management:

		June 30, 2015		December 31, 2014
Term loans	$	260,920	$	222,541
Partners' capital		235,924		191,236
Total capital	$	496,844	$	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 AHIP's Limited Partnership Agreement; 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.

18. Supplemental cash flow disclosure:

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Changes in non-cash operating working capital:				
Accounts payable and accrued liabilities	$ (424)	$ 679	$ (2,045)	$ 1,106
Other assets	(184)	(94)	(246)	29
Trade and other receivables	(733)	-	(944)	(818)
Prepaid expenses and deposits	(1,502)	(336)	(1,287)	(377)
	$ (2,843)	$ 249	$ (4,522)	$ (60)

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

19. 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 June 30, 2015 and December 31, 2014 and for the three and six months ended June 30, 2015 and June 30, 2014:

June 30, 2015	Oak Tree Inn Hotels	Branded Hotels	Corporate	Total
Total assets	$ 157,800	$ 332,714	$ 22,217	$ 512,731
Total liabilities	89,084	185,739	1,984	276,807

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 June 30, 2015:

June 30, 2015	Oak Tree Inn Hotels	Branded Hotels	Corporate	Total
Revenue	$ 14,918	$ 19,213	$ -	$ 34,131
Hotel expenses	(11,710)	(13,259)	-	(24,969)
Income from operating activities	$ 3,208	$ 5,954	$ -	$ 9,162

Income from operating activities for the three months ended June 30, 2014:

June 30, 2014	Oak Tree Inn Hotels	Branded Hotels	Corporate	Total
Revenue	$ 14,828	$ 7,713	$ -	$ 22,541
Hotel expenses	(12,117)	(5,090)	(29)	(17,236)
Income from operating activities	$ 2,711	$ 2,623	$ (29)	$ 5,305

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

19. Segment reporting (continued):

Income from operating activities for the six months ended June 30, 2015:

June 30, 2015	Oak Tree Inn Hotels	Branded Hotels	Corporate	Total
Revenue	$ 29,529	$ 34,131	$ -	$ 63,660
Hotel expenses	(24,284)	(25,718)	-	(50,002)
Income from operating activities	$ 5,245	$ 8,413	$ -	$ 13,658

Income from operating activities for the six months ended June 30, 2014:

June 30, 2014	Oak Tree Inn Hotels	Branded Hotels	Corporate	Total
Revenue	$ 27,935	$ 11,829	$ -	$ 39,764
Hotel expenses	(23,315)	(8,088)	(30)	(31,433)
Income from operating activities	$ 4,620	$ 3,741	$ (30)	$ 8,331

20. Subsequent events:

(a) Future acquisition from SunOne:

On July 2, 2015, AHIP entered into an agreement with SunOne to construct a 24-room expansion at the Oak Tree Inn Hotel in Glendive, Montana for a total purchase price of $2,800.

(b) Distributions:

On July 20, 2015, AHIP announced a cash distribution of Cdn$0.075 per unit for the period of July 1, 2015 to July 31, 2015. The distribution will be paid on August 14, 2015 to Unitholders of record on July 31, 2015.

(c) Potential acquisition of strategic railway hotel portfolio:

On July 23, 2015, AHIP announced that it had entered into a conditional Purchase and Sale Agreement ("PSA") for a strategic portfolio of five railway lodging facilities comprising approximately 600 total guest rooms servicing one of the top three major railway companies in the U.S. The hotels are located along major rail lines in New Mexico, South Dakota, Wyoming and Nebraska. The Railway Portfolio is being purchased at a price of US$45 million before closing costs, representing a weighted average trailing 12-month capitalization rate of approximately 10% after taking into account all hotel management fees and a reserve for furniture, fixtures and equipment. The PSA is subject to various conditions, including negotiation of formal legal documents and assignment of railway contracts.

20. Subsequent events (continued):

(d) Acquisition of Florida Portfolio:

On August 6, 2015, AHIP completed the acquisition of the Florida Portfolio for an aggregate purchase price of US$30,800, excluding brand mandated property improvement plans of approximately US$3,200, defeasance costs relating to existing loans of approximately US$1,000 and closing and post-acquisition adjustments. The Florida Portfolio consists of 352 guestrooms and includes three Marriott-franchised hotels including a Residence Inn, a Fairfield Inn & Suites, and a Courtyard. The acquisition was funded using a combination of cash from the April 2015 Offering and a new US$19,000 CMBS mortgage ("Florida Portfolio Term Loan"). The Florida Portfolio Term Loan is an interest only loan with a 10-year term and a fixed interest rate of 4.21%. The loan also provides for an FF&E reserve waiver for the first 24-months of the loan and is guaranteed by the U.S. REIT.

(e) Completion of Cdn$38,570 Unit issuance on August 11, 2015:

On August 11, 2015, AHIP completed a public offering of 3,800,000 Units, on a bought deal basis, at a price of Cdn$10.15 per Unit, for total gross proceeds of Cdn$38,570 (USD$29,479). As described in the short form prospectus dated July 28, 2015, AHIP intends to use the net proceeds of the offering to: (*i*) partially fund the potential acquisition of a portfolio of railway lodging facilities; (*ii*) partially fund potential expansion, conversion and new-build opportunities; and (*iii*) fund working capital and general corporate purposes.