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

AMERICAN HOTEL INCOME PROPERTIES REIT LP

For the three and nine months ended September 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	September 30, 2015	December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents		$ 17,788	$ 11,991
Restricted cash	5	19,437	17,579
Trade and other receivables		3,791	2,601
Prepaid expenses and deposits		4,179	2,274
Mezzanine loans receivable		-	514
Other assets		1,116	370
		46,311	35,329
Property, buildings and equipment	6	517,264	387,232
Intangible assets	7	13,452	8,207
Deferred income tax assets	8	2,802	2,947
		$ 579,829	$ 433,715
Liabilities and Partners' Capital			
Current liabilities:			
Accounts payable and accrued liabilities		$ 14,770	$ 12,836
Current portion of term loans	9	4,514	4,203
Contingent consideration	10	5,446	-
Deferred compensation payable	11	741	-
		25,471	17,039
Term loans	9	288,267	218,338
Contingent consideration	10	-	5,288
Deferred compensation payable	11	670	474
Preferred shares		125	125
Deferred income tax liabilities	8	1,365	1,215
		315,898	242,479
Partners' capital	12	263,931	191,236
Commitments and contingencies	15		
Subsequent events	20		
		$ 579,829	$ 433,715

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

		Three months ended		Nine months ended	
	Note	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenue:					
Rooms		$ 36,467	$ 22,239	$ 93,055	$ 56,389
Food and beverage		3,533	3,127	9,967	8,386
Rental and other		349	163	987	518
		40,349	25,529	104,009	65,293
Hotel expenses:					
Operating expenses		19,465	12,457	51,876	32,426
Energy		1,911	1,153	4,764	3,218
Property maintenance		1,797	1,292	4,748	3,414
Property taxes and insurance		1,649	1,179	4,867	3,363
Depreciation and amortization		5,040	2,929	13,609	8,021
		29,862	19,010	79,864	50,442
Income from operating activities		10,487	6,519	24,145	14,851
Corporate and administrative		2,718	1,810	6,987	5,594
Loss on disposal of property and equipment		36	84	149	331
Business acquisition costs		1,235	703	2,730	1,615
Income before undernoted		6,498	3,922	14,279	7,311
Finance income		(5)	(23)	(47)	(72)
Finance costs	14	3,496	2,162	9,279	5,594
Income before income taxes		3,007	1,783	5,047	1,789
Current income tax expense		-	91	-	91
Deferred income tax expense (recovery)		295	(337)	295	(222)
Net income and comprehensive income		$ 2,712	$ 2,029	$ 4,752	$ 1,920
Basic and diluted net income per unit		$ 0.08	$ 0.10	$ 0.17	$ 0.12
Basic weighted average number of units outstanding		32,787,544	19,467,547	28,641,181	16,608,741
Diluted weighted average number of units outstanding		32,870,578	19,497,547	28,692,815	16,653,043

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)

Nine months ended September 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	-	-	-	181	-	181
Issuance of units on public offering, net of issuance costs	12	10,406,250	-	82,996	-	-	82,996
Issuance of units for hotel acquisition	12, 16	66,927	-	600	-	-	600
Net income and comprehensive income for the period		-	-	-	-	4,752	4,752
Distributions	12	-	-	-	-	(15,834)	(15,834)
Balance, September 30, 2015		34,808,740	$ -	$ 296,800	$ 252	$ (33,121)	$ 263,931
Balance, January 1, 2014		14,437,800	$ -	$ 125,339	$ -	$ (9,100)	$ 116,239
Securities-based compensation	13	-	-	-	445	-	445
Issuance of units under securities-based compensation		28,500	-	281	(281)	-	-
Issuance of units on public offering, net of issuance costs		4,900,000	-	43,700	-	-	43,700
Issuance of units for hotel acquisition		101,247	-	1,000	-	-	1,000
Net income and comprehensive income for the period		-	-	-	-	1,920	1,920
Distributions	12	-	-	-	-	(10,260)	(10,260)
Balance, September 30, 2014		19,467,547	$ -	$ 170,320	$ 164	$ (17,440)	$ 153,044

[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 September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Operating activities:					
Net income and comprehensive Income		$ 2,712	$ 2,029	$ 4,752	$ 1,920
Interest paid		(2,851)	(2,249)	(8,784)	(4,835)
Items not affecting cash:					
Loss on disposal of equipment		36	84	149	331
Depreciation and amortization		5,040	2,929	13,609	8,021
Securities-based compensation expense		89	55	181	445
Accretion of contingent consideration	14	53	51	158	151
Amortization of deferred financing costs	14	178	139	376	360
Amortization of mark-to-market adjustment	14	(19)	(18)	(55)	(18)
Accretion of deferred compensation	14	6	5	17	5
Current income tax expense		-	91	-	91
Deferred income tax expense (recovery)	8	295	(337)	295	(222)
Interest expense	14	3,278	1,985	8,783	5,096
		8,817	4,764	19,481	11,345
Change in non-cash operating working capital	18	(148)	222	(2,703)	161
		8,669	4,986	16,778	11,506
Investing activities:					
Cash held in escrow for acquisition		-	13,547	-	(2,127)
Additions to property, buildings and equipment		(4,140)	(1,138)	(10,595)	(2,250)
Acquisition of property under development			-	(6,232)	(3,591)
Franchise application fees paid		(440)	(312)	(950)	(760)
Acquisition of the Virginia Portfolio, net of cash acquired		-	-	-	(37,123)
Acquisition of the NC/GA Portfolio, net of cash acquired		-	(17,250)	-	(17,250)
Acquisition of the Midwestern Portfolio, net of cash acquired		-	-	(53,220)	-
Acquisition of the Florida Portfolio net of cash acquired		(30,790)	-	(30,790)	-
Acquisition of the Railway Portfolio net of cash acquired		(44,680)	-	(44,680)	-
Funding of restricted cash for property improvement		(3,225)	(2,405)	(1,859)	(8,866)
		(83,275)	(7,558)	(148,326)	(71,967)
Financing activities:					
Units issued for cash on public offerings, net of expenses		30,964	4	82,996	43,701
Distributions paid		(5,638)	(3,993)	(15,396)	(9,913)
Proceeds from term loans		39,000	6,011	75,725	35,366
Payments on term loans		(1,090)	(1,004)	(3,222)	(2,776)
Proceeds from issuance of preferred shares		-	-	-	125
Mezzanine loans receivable repaid		-	(596)	(135)	(1,055)
Financing costs paid		(1,891)	(554)	(2,623)	(1,450)
		61,345	(132)	137,345	63,998
Increase (decrease) in cash and cash equivalents		(13,261)	(2,704)	5,797	3,537
Cash and cash equivalents, beginning of period		31,049	35,728	11,991	29,487
Cash and cash equivalents, end of period		$ 17,788	$ 33,024	$ 17,788	$ 33,024

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) Rail Hotels are hotels that have railway lodging agreements and includes AHIP's Oak Tree Inn Hotels; and (ii) Branded Hotels are hotels that have franchise agreements with International hotel brands.

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 November 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.

(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.

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.

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

4. Business combinations:

Branded Hotels:

(a) Midwestern Portfolio:

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 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
Non-cash net 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 $1,021 of which $58 and $947 was expensed during the three and nine months ended September 30, 2015, respectively. For the 105-day period from the acquisition date of the Midwestern Portfolio to September 30, 2015, AHIP recognized revenues of $5,133 and income from operating activities of $1,438. If the Midwestern Portfolio had been acquired on January 1, 2015, the proforma revenues for the nine months ended September 30, 2015, would have been $8,734, and the proforma income from operating activities for the nine months ended September 30, 2015, would have been $3,893.

There have been no changes to the amounts previously reported.

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

4. Business combinations (continued):

Branded Hotels (continued):

(b) Florida Portfolio:

On August 6, 2015, the acquisition of three branded, select service hotel properties located in Ocala, Florida with a total of 352 guestrooms (the "Florida Portfolio") was accounted for as a business combination. The aggregate purchase price for the Florida Portfolio was $30,795, of which $13,132 was paid in cash and the balance was financed by the Florida 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	$ 30,815
Non-cash net working capital	(25)
Cash acquired	5
Net assets	$ 30,795
Financed by:	
Cash	$ 13,132
Florida Portfolio Term Loan	17,663
Total consideration	$ 30,795

Total business acquisition costs related to the purchase of the Florida Portfolio were $432 of which $216 was expensed during the three months ended September 30, 2015. For the 56-day period from the acquisition date of the Florida Portfolio to September 30, 2015, AHIP recognized revenues of $952 and income from operating activities of $68. If the Florida Portfolio had been acquired on January 1, 2015, the proforma revenues for the nine months ended September 30, 2015, would have been $6,858, and the proforma income from operating activities for the nine months ended September 30, 2015, would have been $3,214.

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

4. Business combinations (continued):

Rail Hotels:

(c) Railway Portfolio:

On September 16, 2015, the strategic acquisition of a portfolio of five railway lodging facilities located in four states with a total of 586 guestrooms (the "Railway Portfolio") was accounted for as a business combination. The aggregate purchase price for the Railway Portfolio was $45,600, of which $25,085 was paid in cash and the balance was financed by the Railway Portfolio Term Loan (note 9) and deferred compensation payable (note 11).

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

Property, buildings and equipment	$ 39,870
Intangible assets	5,825
Non-cash net working capital	(95)
Net assets	$ 45,600
Financed by:	
Cash	$ 25,085
Deferred compensation payable (note 11)	920
Railway Portfolio Term Loan	19,595
Total consideration	$ 45,600

Total business acquisition costs related to the purchase of the Railway Portfolio were $679 of which $539 was expensed during the three months ended September 30, 2015. For the 15-day period from the acquisition date of the Railway Portfolio to September 30, 2015, AHIP recognized revenues of $435 and income from operating activities of $195. If the Railway Portfolio had been acquired on January 1, 2015, the proforma revenues for the nine months ended September 30, 2015, would have been $7,778, and the proforma income from operating activities for the nine months ended September 30, 2015, would have been $3,780.

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Restricted cash:

	September 30, 2015	December 31, 2014
Property improvement plans reserve	$ 15,394	$ 15,027
Furniture, fixtures and equipment (“FF&E”) reserves	1,341	1,137
Property tax reserves	2,428	1,263
Insurance and other reserves	274	152
	$ 19,437	$ 17,579

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 with the lender 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 and Oklahoma Portfolios, FF&E reserve contributions were waived for the initial 12-months of the respective loans. For the NC/FL, Midwestern and Florida Portfolios and for two of the four properties in the NC/GA Portfolio, 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	1,095	-	7,548
Acquisition of Midwestern Portfolio	4,700	47,833	967	-	53,500
Acquisition of Florida Portfolio	2,880	27,057	878	-	30,815
Acquisition of Railway Portfolio	2,246	37,324	300	-	39,870
Additions	-	959	2,160	7,416	10,535
Transfers	-	8,012	3,932	(11,944)	-
Disposals	-	(89)	(174)	-	(263)
Balance at September 30, 2015	$ 50,070	$ 455,504	$ 37,251	$ 862	$ 543,687

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

6. Property, buildings and equipment (continued):

	Land	Buildings	Equipment	Construction in progress	Total
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	-	7,596	4,483	-	12,079
Disposals	-	(7)	(99)	-	(106)
Balance at September 30, 2015	$ -	$ 16,866	$ 9,557	$ -	$ 26,423
Net book value at September 30, 2015	$ 50,070	$ 438,638	$ 27,694	$ 862	$ 517,264
Net book value at December 31, 2014	$ 39,833	$ 319,089	$ 22,920	$ 5,390	$ 387,232

7. Intangible assets:

	Railway Agreements	Contract Signing Fees	Franchise Agreements	Total
Cost:				
Balance at January 1, 2014	$ 9,030	$ 460	$ 485	$ 9,975
Franchise application fees	-	-	1,725	1,725
Balance at December 31, 2014	9,030	460	2,210	11,700
Franchise application fees	-	-	950	950
Rail contracts	5,825	-	-	5,825
Balance at September 30, 2015	$ 14,855	$ 460	$ 3,160	$ 18,475
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	1,351	35	144	1,530
Balance at September 30, 2015	$ 4,703	$ 81	$ 239	$ 5,023
Net book value at September 30, 2015	$ 10,152	$ 379	$ 2,921	$ 13,452
Net book value at December 31, 2014	$ 5,678	$ 414	$ 2,115	$ 8,207

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

8. Deferred income taxes:

The analysis of deferred tax assets and deferred tax liabilities as at September 30, 2015 and December 31, 2014 is as follows:

	September 30, 2015	December 31, 2014
Deferred tax assets:		
Non capital losses carried forward	$ 664	$ 914
Contingent consideration	2,079	2,003
Other	59	30
	$ 2,802	$ 2,947
Deferred tax liabilities:		
Intangible assets	$ (505)	$ (992)
Prepaid insurance	7	(23)
Property, buildings and equipment	(867)	(200)
	$ (1,365)	$ (1,215)

As at September 30, 2015, AHIP had net operating losses for tax purposes totaling $1,735 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	September 30, 2015	December 31, 2014
Oak Tree Inn Hotel Loans	(a)	$ 78,635	$ 76,953
Branded Hotels Term Loans		149,196	149,375
Midwestern Portfolio Term Loan	(b)	32,000	-
Florida Portfolio Term Loan	(c)	19,000	-
Railway Portfolio Term Loan	(d)	20,000	-
		298,831	226,328
Unamortized portion of mark-to-market adjustment		400	455
Unamortized portion of deferred financing costs		(6,450)	(4,242)
		292,781	222,541
Current portion of term loans		(4,514)	(4,203)
		$ 288,267	$ 218,338

9. Term loans (continued):

As at September 30, 2015, the term loans had a weighted effective interest rate of 4.65% after accounting for deferred financing costs (December 31, 2014 - 5.05%), and were secured by AHIP's hotel properties.

During the nine month period ended September 30, 2015, the following transactions occurred:

(a) Oak Tree Inn Hotel loans:

The Oak Tree Inn Hotel Loans were amended in February 2015 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 commencing in April 2015. As at September 30, 2015, the principal balance on this term loan was $4,650 (December 31, 2014 - nil).

(b) Midwestern Portfolio Term Loan:

On June 18, 2015, certain AHIP subsidiaries ("Midwestern Portfolio 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 lender has also agreed to provide an FF&E reserve waiver for the first 24 months.

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 Portfolio Borrowers.

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

9. Term loans (continued):

(c) Florida Portfolio Term Loan:

On August 6, 2015, certain AHIP subsidiaries ("Florida Portfolio Borrowers") entered into a loan agreement with a major international bank for a $19,000 CMBS loan for a term of ten years maturing on August 6, 2025, at an interest rate of 4.21% per annum. This mortgage is interest only for the entire term of the loan and the lender has also agreed to provide an FF&E reserve waiver for the first 24 months.

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

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

(d) Railway Portfolio Term Loan:

On September 16, 2015, certain AHIP subsidiaries entered into a loan agreement for a $20,000 mortgage for a term of ten years maturing on September 16, 2025. The mortgage has a fixed interest rate of 4.25% for the first five years. Commencing on September 16, 2020, the interest rate will be based on a rate equal to the greater of *(i)* Swap Rate plus 2.54% basis points, or *(ii)* 4.25%. The mortgage is also interest only for the first year and is then amortized over a 17-year term.

The Railway Portfolio Term Loan is secured by: (*i*) a first priority mortgage on the hotels in the Railway Portfolio; (*ii*) a first security interest in all assets in the Railway Portfolio, *(iii)* the assignment of rents and leases and assignment of rents and crew lodging contracts at the Railway Portfolio hotels; and (*iv*) other security agreements, guarantees or instruments customary for a loan of this type.

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

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

9. Term loans (continued):

(e) 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	$ 1,095
2016	4,814
2017	5,882
2018	60,476
2019	9,425
Thereafter	217,139
	$ 298,831

10. Contingent consideration:

	September 30, 2015	December 31, 2014
Opening balance	$ 5,288	$ 5,085
Accretion	158	203
Closing balance	$ 5,446	$ 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.

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

11. Deferred compensation payable:

	September 30, 2015	December 31, 2014
Opening balance	$ 474	$ 460
Addition	920	-
Accretion	17	14
	1,411	474
Current portion of deferred compensation payable	(741)	-
Closing balance	$ 670	$ 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 AHIP 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 acquisition date, and the fees would be recognized upon the signing of each Qualifying New Contract. At September 30, 2015, $491 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 two new railway contracts.

In addition, pursuant to the Purchase and Sale Agreement for the Railway Portfolio acquired on September 16, 2015, $1,000 of the purchase price is payable over four years in equal installments on a quarterly basis. The present value amount of $920 is included in the total deferred compensation payable balance at September 30, 2015, of which $250 is reflected the current portion of the deferred compensation payable.

12. Partners' capital:

(a) Authorized:

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

(b) Issued:

As at December 31, 2014, AHIP had 24,335,563 Units issued and outstanding.

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").

On August 11, 2015, AHIP completed a bought-deal public offering of 3,800,000 Units, at a price of Cdn$10.15 per Unit, for total gross proceeds of Cdn$38,570 (US$29,479). On August 31, 2015, AHIP completed a bought-deal public offering of 425,000 Units related to a partial exercise of the over-allotment option, at a price of Cdn$10.15 per Unit, for total gross proceeds of Cdn$4,314 (US$3,250) (collectively known as the "August 2015 Offering").

As at September 30, 2015 and December 31, 2014, total offering costs since inception of $22,256 and $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:

(*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.

12. Partners' capital (continued):

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

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.

(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$0.172) per Unit to be paid to Unitholders for the three months ended September 30, 2015, totaling $5,758 (September 30, 2014 - $3,983), and Cdn$0.675 (US$0.538) per Unit for the nine months ended September 30, 2015, totaling $15,834 (September 30, 2014 - $10,260). Of this amount, $2,009 was included in accounts payable and accrued expenses as at September 30, 2015 (December 31, 2014 - $1,573).

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

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.

The Unit grants will vest as follows:

Vesting dates	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

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

13. Compensation plan (continued):

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, September 30, 2015	68,765	$ 9.03

For the three and nine months ended September 30, 2015, a total of $89 (2014 - $55) and $181 (2014 - $445) in securities-based compensation expense was included in corporate and administrative expense.

14. Finance costs:

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Amortization of mark-to-market adjustment	$ (19)	$ (18)	$ (55)	$ (18)
Accretion of deferred compensation	6	5	17	5
Accretion of contingent consideration	53	51	158	151
Amortization of debt issuance costs	178	139	376	360
Interest expense on term loans and dividends on preferred shares	3,278	1,985	8,783	5,096
	$ 3,496	$ 2,162	$ 9,279	$ 5,594

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

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 September 30, 2015 are as follows:

2015	$	335
2016		631
2017		452
2018		161
2019		81
Thereafter		-
	$	1,660

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 Rail 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.

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.

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

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 profit 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.

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

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Management fees	$ 1,396	$ 887	$ 3,645	$ 2,278
Administration fees	418	210	1,079	554
Total fees expensed	$ 1,814	$ 1,097	$ 4,724	$ 2,832

Capital management fees of $162 and $472 for the three and nine months ended September 30, 2015 ($48 and $78 for the three and nine months ended September 30, 2014) were capitalized to property, buildings and equipment. For the three and nine months ended September 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 nine months ended September 30, 2015, the Hotel Manager was reimbursed $11,065 and $29,848 from the hotel properties for general and administrative costs such as wages, insurance, travel, and office supplies ($7,156 and $19,475 for the three and nine months ended September 30, 2014).

(Tabular amounts 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, KS 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 with SunOne.

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

(c) Future acquisition from SunOne:

On July 2, 2015, AHIP entered into an agreement with SunOne to construct a 24-room expansion of its existing Oak Tree Inn Hotel in Glendive, Montana for a total purchase price of $2,800. The expansion is expected to be completed by December 31, 2015.

(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 nine months ended September 30, 2015 was $596 (2014 - $629) and $1,169 (2014 - $1,334), which included securities-based compensation expense of $89 (2014 - $55) and $181 (2014 - $445), respectively.

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

17. Capital management:

	September 30, 2015	December 31, 2014
Term loans	$ 298,831	$ 226,328
Partners' capital	263,931	191,236
Total capital	$ 562,762	$ 417,564

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		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Changes in non-cash operating working capital:				
Accounts payable and accrued liabilities	$ 1,021	$ 1,177	$ 941	$ 2,282
Other assets	(476)	(15)	(721)	14
Trade and other receivables	(246)	350	(1,189)	(468)
Prepaid expenses and deposits	(447)	(1,290)	(1,734)	(1,667)
	$ (148)	$ 222	$ (2,703)	$ 161

(Tabular amounts 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 September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and September 30, 2014:

September 30, 2015	Rail Hotels	Branded Hotels	Corporate	Total
Total assets	$ 204,851	$ 367,554	$ 7,424	$ 579,829
Total liabilities	108,789	204,304	2,805	315,898

December 31, 2014	Rail 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 September 30, 2015:

September 30, 2015	Rail Hotels	Branded Hotels	Corporate	Total
Revenue	$ 16,291	$ 24,058	$ -	$ 40,349
Hotel expenses	(12,476)	(17,386)	-	(29,862)
Income from operating activities	$ 3,815	$ 6,672	$ -	$ 10,487

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

September 30, 2014	Rail Hotels	Branded Hotels	Corporate	Total
Revenue	$ 15,444	$ 10,085	$ -	$ 25,529
Hotel expenses	(12,348)	(6,689)	27	(19,010)
Income from operating activities	$ 3,096	$ 3,396	$ 27	$ 6,519

(Tabular amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

19. Segment reporting (continued):

Income from operating activities for the nine months ended September 30, 2015:

September 30, 2015	Rail Hotels	Branded Hotels	Corporate	Total
Revenue	$ 45,820	$ 58,189	$ -	$ 104,009
Hotel expenses	(36,760)	(43,104)	-	(79,864)
Income from operating activities	$ 9,060	$ 15,085	$ -	$ 24,145

Income from operating activities for the nine months ended September 30, 2014:

September 30, 2014	Rail Hotels	Branded Hotels	Corporate	Total
Revenue	$ 43,379	$ 21,914	$ -	$ 65,293
Hotel expenses	(35,663)	(14,777)	(2)	(50,442)
Income from operating activities	$ 7,716	$ 7,137	$ (2)	$ 14,851

20. Subsequent events:

(a) Distributions:

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

(b) Acquisition of 24-room Expansion in Dexter, Missouri:

On October 30, 2015, AHIP completed the acquisition of a 24-room expansion at the existing Oak Tree Inn Hotel in Dexter, Missouri for a total purchase price of $2,300. The expansion was constructed by SunOne pursuant to a development agreement. AHIP funded the expansion with cash on hand and the issuance of $300 (or 39,032 units) Units from treasury. The Units were issued at a price of Cdn$10.12, which represents the five-day volume-weighted average trading price of the AHIP Units.

(c) Renewal of railway lodging contracts:

On October 27, 2015, AHIP completed the renewal of 15 railway hotel lodging contracts (the “Contract Renewal”) with its largest railway customer for a term of five years, effective November 1, 2015. The Contract Renewal encompasses 15 Oak Tree Inn hotels located in 13 states covering 1,363 guestrooms. As part of the renewal, AHIP has committed to spend approximately $2,000 to refurbish the hotels.

20. Subsequent events (continued):

(d) Three new-24 room hotel expansions in Nebraska, Oregon and Texas

On November 2, 2015, AHIP announced the construction of three new 24-room expansions at certain high occupancy railway hotels in North Platte, Nebraska, Hermiston, Oregon and Hearne, Texas. The expansions will be constructed by SunOne Developments Inc. for a fixed price of $6,400 and will be completed during the first half of 2016. AHIP expects to fund this investment with cash on hand, mortgage debt and the issuance of AHIP Units.

(e) Acquisition of 70-room railway hotel in Fort Scott, Kansas

On November 10, 2015, AHIP completed the acquisition of a 70-room railway lodging hotel in Fort Scott, Kansas for an aggregate purchase price of approximately $3.3 million including planned capital expenditures and excluding closing and post-acquisition adjustments. The acquisition was funded with cash on hand. AHIP intends to obtain a mortgage on this property prior to year end.