

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, 2014 and 2013
(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, 2014	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents		\$ 33,024	\$ 29,487
Restricted cash	5	14,880	6,000
Cash held in escrow	6	2,127	-
Trade and other receivables		1,797	1,209
Prepaid expenses and deposits		2,746	978
Mezzanine loans receivable	8	838	-
Other assets		397	362
		55,809	38,036
Property, buildings and equipment	7	256,054	187,391
Mezzanine loans receivable	8	-	322
Intangible assets	9	7,738	8,421
Deferred income tax assets		2,212	2,332
		\$ 321,813	\$ 236,502
Liabilities and Partners' Capital			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 9,363	\$ 6,163
Current portion of term loans	10	4,111	3,534
Deferred income tax liabilities		281	-
		13,755	9,697
Term loans	10	148,023	103,208
Contingent consideration	11	5,237	5,085
Deferred compensation payable	16 (c)	464	460
Preferred shares	12	125	-
Deferred income tax liabilities		1,165	1,813
		168,769	120,263
Partners' capital		153,044	116,239
Commitments	16		
Subsequent events	21		
		\$ 321,813	\$ 236,502

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 units and per unit amounts)

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenue:				
Rooms	\$ 22,239	\$ 11,285	\$ 56,389	\$ 26,474
Food and beverage	3,127	2,800	8,386	6,456
Other	163	258	518	627
	25,529	14,343	65,293	33,557
Hotel expenses:				
Operating expenses	12,457	7,208	32,426	16,867
Energy	1,153	735	3,218	1,616
Property maintenance	1,292	792	3,414	1,820
Property taxes and insurance	1,179	721	3,363	1,609
Depreciation and amortization	2,929	1,802	8,021	4,346
	19,010	11,258	50,442	26,258
Income from operating activities	6,519	3,085	14,851	7,299
Loss on disposal of equipment	84	-	331	-
Corporate and administrative costs	1,810	1,104	5,594	2,803
Business acquisition costs	703	271	1,615	1,754
Income before finance costs and income taxes	3,922	1,710	7,311	2,742
Finance income	(23)	(6)	(72)	(30)
Finance costs (note 15)	2,162	976	5,594	2,401
Income before income taxes	1,783	740	1,789	371
Current income tax expense	91	67	91	101
Deferred income tax expense (recovery)	(337)	(369)	(222)	(368)
Net income and comprehensive income for the period	\$ 2,029	\$ 1,042	\$ 1,920	\$ 638
Basic and diluted net income and comprehensive income per unit	\$ 0.10	\$ 0.10	\$ 0.12	\$ 0.07
Basic weighted average number of units outstanding	19,467,547	10,405,000	16,608,741	8,904,252
Diluted weighted average number of units outstanding	19,497,547	10,405,000	16,653,043	8,904,252

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

Nine months ended September 30, 2014 and 2013

	Units outstanding	General partner ¹	Limited partners	Contributed surplus	Cumulative deficit	Total
Balance, January 1, 2014	14,437,800	\$ -	\$ 125,339	\$ -	\$ (9,100)	\$ 116,239
Securities-based compensation (note 14)	-	-	-	445	-	445
Issuance of units under securities-based compensation (note 14)	28,500	-	281	(281)	-	-
Issuance of units on public offering and over-allotment (net of expenses)	4,900,000	-	43,700	-	-	43,700
Issuance of units for hotel acquisition (note 8)	101,247	-	1,000	-	-	1,000
Net income and comprehensive income for the period	-	-	-	-	1,920	1,920
Distributions (note 13)	-	-	-	-	(10,260)	(10,260)
Balance, September 30, 2014	19,467,547	\$ -	\$ 170,320	\$ 164	\$ (17,440)	\$ 153,044

	Units outstanding	General partner ¹	Limited partners	Contributed surplus	Cumulative deficit	Total
Balance, January 1, 2013	800,000	\$ -	\$ 807	\$ -	\$ (455)	\$ 352
Consolidation of pre-initial public offering units	(400,000)	-	-	-	-	-
Issuance of units on initial public offering, net of issuance costs	9,570,000	-	94,073	-	-	94,073
Issuance costs of units issued on initial public offering / over-allotment	-	-	(9,738)	-	-	(9,738)
Issuance of units on over-allotment	435,000	-	4,235	-	-	4,235
Net income and comprehensive income for the period	-	-	-	-	638	638
Distributions	-	-	-	-	(5,526)	(5,526)
Balance, September 30, 2013	10,405,000	\$ -	\$ 89,377	\$ -	\$ (5,343)	\$ 84,034

¹ Consists of \$0.1 of General Partner Units

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Cash provided by (used in):				
Operating activities:				
Net income and comprehensive income	\$ 2,029	\$ 1,042	\$ 1,920	\$ 638
Interest paid	(2,249)	(877)	(4,835)	(1,894)
Items not affecting cash:				
Depreciation and amortization	2,929	1,802	8,021	4,346
Loss on disposal of equipment	84	-	331	-
Securities-based compensation expense	55	-	445	-
Accretion of contingent consideration	56	49	156	119
Amortization of deferred financing costs	139	52	360	120
Amortization of mark-to-market adjustment	(18)	-	(18)	-
Current income tax expense	91	67	91	101
Deferred income tax recovery	(337)	(369)	(222)	(368)
Interest expense	1,985	875	5,096	2,162
	4,764	2,641	11,345	5,224
Change in non-cash operating working capital (note 18)	222	(327)	161	(2,079)
	4,986	2,314	11,506	3,145
Investing activities:				
Cash held in escrow for acquisition (note 6)	13,547	-	(2,127)	-
Funding of restricted cash reserves	(2,405)	-	(8,866)	-
Purchase of property, buildings and equipment	(1,138)	(1,939)	(2,250)	(4,913)
Acquisition of hotel property (note 8)	-	-	(3,591)	-
Franchise fees paid	(312)	(465)	(760)	(465)
Acquisition of Oak Tree Inn hotels	-	-	-	(57,807)
Acquisition of the Southeastern Portfolio net of cash provided by seller (note 4)	(17,250)	-	(17,250)	-
Acquisition of the Virginia Portfolio net of cash provided by seller (note 4)	-	-	(37,123)	-
	(7,558)	(2,404)	(71,967)	(63,185)
Financing activities:				
Units issued for cash on public offerings, net of expense	4	-	43,701	90,248
Distributions paid	(3,993)	(2,245)	(9,913)	(4,774)
Proceeds from term loans (note 10)	6,011	-	35,366	-
Proceeds from (payments on) construction facility (note 10)	-	-	-	2,250
Proceeds from issuance of preferred shares (note 12)	-	-	125	-
Mezzanine loans receivable advanced (note 8)	(596)	-	(1,055)	-
Payments on term loans (note 10)	(1,004)	(804)	(2,776)	(6,100)
Financing costs paid	(554)	(10)	(1,450)	(1,011)
Restricted cash	-	(14)	-	199
	(132)	(3,073)	63,998	80,812
Increase (decrease) in cash and cash equivalents	(2,704)	(3,163)	3,537	20,772
Cash and cash equivalents, beginning of period	35,728	24,121	29,487	186
Cash and cash equivalents, end of period	\$ 33,024	\$ 20,958	\$ 33,024	\$ 20,958

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

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 (“U.S.”). AHIP was established by American Hotel Income Properties REIT (GP) Inc. (“General Partner”) and Maverick Management Corp. as the initial limited partner, pursuant to the terms of AHIP’s Limited Partnership Agreement dated October 12, 2012. AHIP’s head office and address for service is located at 1660 - 401 West Georgia Street, Vancouver, British Columbia, Canada, V6B 5A1.

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

- (a) acquiring common shares and, where applicable, a ROC Share of American Hotel Income Properties REIT Inc. (the “U.S. REIT”). A ROC Share is defined as a share in the capital of the U.S. REIT which is designated as a preferred share;
- (b) temporarily holding cash and investments for the purposes of paying the expenses and liabilities of AHIP and making distributions to Unitholders. A Unitholder is defined as a person, at any time, that is a limited partner in AHIP and who is the beneficial owner of one or more Units. Units mean AHIP limited partnership units; and
- (c) in connection with the undertaking set out above, reinvesting income and gains of AHIP and taking other actions besides the mere protection and preservation of AHIP’s property.

AHIP is not a specified investment flow-through tax partnership (“SIFT”) under the Income Tax Act (Canada) and is not subject to SIFT Tax.

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

AHIP’s Units are listed on the Toronto Stock Exchange (the “TSX”) under the symbol HOT.UN and also in the U.S. on the OTCQX International marketplace under the symbol AHOTF.

- (a) Initial Public Offering (“IPO”) and acquisition of initial portfolio:

On February 20, 2013, AHIP completed its IPO of 9,570,000 Units, including a partial exercise of the over-allotment option of 870,000 Units, priced at Cdn\$10.00 per Unit, for total gross proceeds of Cdn\$95,700 (US\$94,100). AHIP’s final prospectus, dated February 12, 2013 was filed with the securities commissions and other securities regulatory authorities in all provinces and territories of Canada.

On March 1, 2013, the exercise of the remaining balance of the over-allotment option was completed, resulting in the issuance of an additional 435,000 Units at a price of Cdn\$10.00 per Unit for total gross proceeds of Cdn\$4,400 (US\$4,200).

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

1. Reporting entity (continued):

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

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

(b) Offering and acquisition of Pittsburgh hotels:

On October 31, 2013, AHIP completed the public offering of 3,967,500 subscription receipts (“Subscription Receipts”) on a bought-deal basis, inclusive of 517,500 Subscriptions Receipts related to an over-allotment option, at a price of Cdn\$10.15 per Subscription Receipt for total gross proceeds of Cdn\$40,300 (US\$38,300) (the “October 2013 Offering”).

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

(c) Acquisition of Virginia hotels:

On March 12, 2014, AHIP used partial proceeds from the October 2013 Offering along with new financing (the “Virginia Portfolio Term Loan”) to indirectly acquire a portfolio of four hotel properties located in Virginia (the “Virginia Portfolio”). The Virginia Portfolio comprises an aggregate of 403 guest rooms and consists of three Hampton Inn hotels (a Hilton brand) and one Fairfield Inn & Suites hotel (a Marriott brand).

(d) June 2014 Public Offering:

On June 4, 2014, AHIP completed a bought-deal public offering (the “June 2014 Offering”) of 4,900,000 Units, including 552,000 Units related to a partial exercise of the over-allotment option, at a price of Cdn\$10.35 per Unit, for total gross proceeds of Cdn\$50,715 (US\$46,357). AHIP’s short form prospectus dated May 29, 2014 was filed with the securities commissions and other securities regulatory authorities in all provinces and territories of Canada.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

1. Reporting entity (continued):

(e) Acquisition of Southeastern Portfolio:

On July 3, 2014, AHIP used partial proceeds from the June 2014 Offering along with the Southeastern Portfolio Term Loans to acquire three hotels in a portfolio of four branded hotel properties located in North Carolina and Georgia ("Southeastern Portfolio"). AHIP acquired the fourth hotel in this portfolio on July 11, 2014. The Southeastern Portfolio consists of two Fairfield Inn & Suites (a Marriott brand), one Springhill Suites (a Marriott brand) and one Hampton Inn (a Hilton brand), totaling 387 guest rooms.

The Pittsburgh Portfolio, Virginia Portfolio and Southeastern Portfolio are collectively referred to as the "Branded Hotels".

2. Basis of presentation and statement of compliance:

(a) Statement of compliance:

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Directors of the General Partner on November 13, 2014.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

AHIP and its subsidiaries use U.S. dollars as their functional and presentation currency.

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

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

All exchange gains and losses are recognized in the condensed consolidated interim statements of comprehensive income.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

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

(d) Measurement uncertainty (use of estimates):

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

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

Significant areas of estimates include the following:

(i) Business combinations:

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

(ii) Depreciation and amortization:

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

3. Significant accounting policies:

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

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

3. Significant accounting policies (continued):

(a) Changes in accounting standards:

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

(i) IFRIC 21, *Levies*:

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

4. Business combinations:

(a) Pittsburgh Portfolio:

The acquisition of the Pittsburgh Portfolio on November 21, 2013 has been accounted for as a business combination. The aggregate purchase price for the Pittsburgh Portfolio was \$57,671, of which \$20,377 was paid in cash from the October 2013 Offering and the balance was financed by the Pittsburgh Portfolio Term Loans as disclosed in note 10.

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

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

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

(b) Virginia Portfolio:

The acquisition of the Virginia Portfolio on March 12, 2014 has been accounted for as a business combination. The aggregate purchase price for the Virginia Portfolio was \$37,126, of which \$13,259 was paid in cash and the balance was financed by the Virginia Portfolio Term Loans as disclosed in note 10.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

4. Business combinations (continued):

(b) Virginia Portfolio (continued):

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

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

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

Total business acquisition costs related to the purchase of the Virginia Portfolio was \$329 of which \$25 was expensed in the three months ended September 30, 2014. For the 203-day period from the date of the acquisition of the Virginia Portfolio to September 30, 2014, AHIP has recognized revenues of \$6,768 and income from operating activities of \$2,623. For the three months ended September 30, 2014, AHIP has recognized revenues of \$3,123 and income from operating activities of \$1,465 from the Virginia Portfolio. If the Virginia Portfolio had been acquired on January 1, 2014, the proforma revenues for the three and nine months ended September 30, 2014, would have been \$3,123 and \$8,505, respectively, and the proforma income from operating activities for the three and nine months ended September 30, 2014, would have been \$1,465 and \$2,977, respectively.

(c) Southeastern Portfolio:

The acquisition of the Southeastern Portfolio on July 3 and July 11, 2014 has been accounted for as a business combination. The aggregate purchase price for the Southeastern Portfolio was \$30,630, before customary closing and post-acquisition adjustments, excluding \$1,500 for the completion of the brand mandated property improvement plans which will be completed by the seller for a fixed-price. AHIP funded the purchase of the Southeastern Portfolio using a combination of cash of \$11,665 and the assumption of \$13,376 in CMBS debt on two of the hotel properties, and the balance attributable to the new CMBS debt on the remaining two hotels (all three loans are collectively known as the "Southeastern Portfolio Term Loans").

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

4. Business combinations (continued):

(c) Southeastern Portfolio (continued):

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

Property, buildings and equipment	\$	30,992
Working capital		126
Cash provided by seller		4
Assumed term loans		(13,868)
Net assets	\$	17,254
Financed by:		
Cash	\$	11,665
New Southeastern Portfolio Term Loan		5,589
Total consideration	\$	17,254

Total business acquisition costs related to the purchase of the Southeastern Portfolio was \$644 of which \$88 was expensed during the three months ended September 30, 2014

For the period from the date of the acquisition of the Southeastern Portfolio on July 3, 2014 and July 11, 2014 to September 30, 2014, AHIP has recognized revenues of \$2,026 and income from operating activities of \$709. If the Southeastern Portfolio had been acquired on January 1, 2014, the proforma revenues for the three month and nine month period ended September 30, 2014, would have been \$2,104 and \$4,234, respectively, and the proforma income from operating activities for the three month and nine month periods ended September 30, 2014, would have been \$747 and \$2,125, respectively.

5. Restricted cash:

	September 30, 2014	December 31, 2013
Property improvement plans ("PIPs") reserve	\$ 13,667	\$ 6,000
Furniture, fixture and equipment reserve	929	-
Property tax reserve	192	-
Insurance and other reserves	92	-
	\$ 14,880	\$ 6,000

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

5. Restricted cash (continued):

For each of the Pittsburgh Portfolio Term Loans, Virginia Term Loan, and Southeastern Portfolio Term loans, AHIP was required to fund restricted cash reserves for brand mandated PIPs. In addition, these term loan facilities require AHIP to deposit reserves for ongoing furniture, fixture, and equipment expenses ("FF&E Reserves") and property taxes. These amounts are released to AHIP as the expenditures are incurred. For the Virginia Portfolio, the FF&E Reserves for three of the four properties were waived for the initial 12 months and waived for the initial 24 months for the fourth property.

6. Cash held in escrow:

AHIP deposited \$2,127 in escrow accounts, which was applied towards the acquisition of hotels that occurred after September 30, 2014 as disclosed in note 21.

7. Property, buildings and equipment:

	Land	Buildings	Equipment	Construction in progress	Total
Cost:					
Balance at January 1, 2013	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition of Oak Tree Inn Hotels	15,476	102,921	9,146	1,497	129,040
Acquisition of Pittsburgh Portfolio (note 4)	8,084	47,966	1,200	-	57,250
Additions	276	2,103	1,438	2,241	6,058
Transfers	176	3,042	520	(3,738)	-
Disposals	-	(36)	(139)	-	(175)
Balance at December 31, 2013	24,012	155,996	12,165	-	192,173
Acquisition of Virginia Portfolio (note 4)	3,935	30,848	2,417	-	37,200
Acquisition of Southeastern Portfolio (note 4)	2,371	26,941	1,680	-	30,992
Acquisition of Oak Tree Inn - Santa Teresa	228	4,457	445	-	5,130
Additions	-	679	1,571	-	2,250
Disposals	-	(207)	(205)	-	(412)
Balance at September 30, 2014	30,546	218,714	18,073	-	267,333
Accumulated depreciation:					
Balance at January 1, 2013	-	-	-	-	-
Depreciation	-	2,936	1,877	-	4,813
Disposals	-	(2)	(29)	-	(31)
Balance at December 31, 2013	-	2,934	1,848	-	4,782
Depreciation	-	4,232	2,346	-	6,578
Disposals	-	(9)	(72)	-	(81)
Balance at September 30, 2014	-	7,157	4,122	-	11,279
Net book value at September 30, 2014	\$ 30,546	\$ 211,557	\$ 13,951	\$ -	\$ 256,054
Net book value at December 31, 2013	\$ 24,012	\$ 153,062	\$ 10,317	\$ -	\$ 187,391

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

8. Mezzanine loans receivable:

On February 20, 2013, AHIP entered into an agreement (the "Master Development Agreement") with SunOne Developments Inc. ("SunOne"), a company controlled by a director of the General Partner, pursuant to which SunOne provides exclusive development services to subsidiaries of AHIP for the purchase of hotels secured by long term railway agreements. See note 16(c) for additional information.

In accordance with the Master Development Agreement, AHIP may elect to partially finance developments through mezzanine loans subject to certain terms and conditions. Each of the mezzanine loans receivable is due twelve months from the date the related development property is substantially complete.

On May 1, 2014, AHIP acquired the new Oak Tree Inn hotel and Penny's Diner in Santa Teresa, New Mexico for a total purchase price of \$5,130. The purchase was financed by cash of \$355, a term loan of \$3,243, cancellation of the mezzanine loan receivable of \$532, and the issuance of \$1,000 in Units.

As at September 30, 2014 and December 31, 2013, AHIP had the following mezzanine loans receivable due from SunOne:

Properties under development	Expected completion date	Total mezzanine financing available	Annual interest rate	September 30, 2014 Mezzanine loan amount drawn	December 31, 2013 Mezzanine loan amount drawn
Santa Teresa, NM	Completed	\$ 650	10%	\$ -	\$ 291
Glendive, MT	Completed	638	10%	422	-
Brunswick, MD	November 2014	392	10%	258	31
Wellington, KS	January 2015	931	10%	158	-
		\$ 2,611	10%	\$ 838	\$ 322

The Glendive property was completed and acquired by AHIP on October 28, 2014 as disclosed in note 21.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

9. Intangible assets:

	Railway Agreements	Franchise Agreements	Total
Cost:			
Balance at January 1, 2013	\$ -	\$ -	\$ -
Acquisition of Oak Tree Inn Hotels	9,030	-	9,030
Additions	460	-	460
Acquisition of Pittsburgh Portfolio	-	485	485
Balance at December 31, 2013	9,490	485	9,975
Acquisition of Virginia Portfolio	-	448	448
Acquisition of Southeastern Portfolio	-	312	312
Balance at September 30, 2014	\$ 9,490	\$ 1,245	\$ 10,735
Accumulated amortization:			
Balance at January 1, 2013	\$ -	\$ -	\$ -
Amortization	1,549	5	1,554
Balance at December 31, 2013	1,549	5	1,554
Amortization	1,386	57	1,443
Balance at September 30, 2014	\$ 2,935	\$ 62	\$ 2,997
Net book value at September 30, 2014	\$ 6,555	\$ 1,183	\$ 7,738
Net book value at December 31, 2013	\$ 7,941	\$ 480	\$ 8,421

10. Term loans:

	Note	September 30, 2014	December 31, 2013
Oak Tree Inn Hotel Loans including amendments	(a)	\$ 72,574	\$ 70,429
Pittsburgh Portfolio Term Loans	(b)	38,000	38,000
Virginia Portfolio Term Loan	(c)	24,500	-
Southeastern Portfolio Term Loans	(d)	19,321	-
		154,395	108,429
Unamortized portion of mark-to-market adjustment		474	-
Unamortized portion of debt issuance costs		(2,735)	(1,687)
		152,134	106,742
Current portion of term loans		(4,111)	(3,534)
		\$ 148,023	\$ 103,208

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

10. Term loans (continued):

(a) Oak Tree Inn Hotel Loans:

The Oak Tree Inn Hotel Loans consist of:

- (i) a \$70,000 term loan with a fixed interest rate of 4.85%, a five-year term maturing on February 20, 2018 and a 180 month amortization period. As at September 30, 2014, the principal balance on this term loan was \$65,057 (December 31, 2013 - \$67,579).
- (ii) an amendment providing an additional \$2,850 term loan with a ten-year term maturing on January 1, 2024, bearing interest at 4.00% per annum during the first five years of the term. The interest rate for the remainder of the term is a variable rate equal to the sum of the one-year constant maturity United States Treasury Department obligations plus 2.75%. The loan is being amortized over 180 months. As at September 30, 2014, the principal balance on this term loan was \$2,738 (December 31, 2013 - \$2,850).
- (iii) an amendment providing an additional \$1,612 term loan with a five-year term maturing on May 1, 2019, bearing interest at 4.25% per annum. The loan is being amortized over 180 months. As at September 30, 2014, the principal balance on this term loan was \$1,587 (December 31, 2013 - nil).
- (iv) an amendment providing an additional \$3,243 term loan with a ten-year term maturing on May 1, 2024, bearing interest at 4.25% per annum. The loan is being amortized over 180 months with the first principal payment starting in June 2014. As at September 30, 2014, the principal balance on this term loan was \$3,192 (December 31, 2013 - nil).

The Oak Tree Inn Hotel Loans are secured by a first priority security interest on all business assets of two of AHIP's subsidiaries, Lodging Properties LLC and Lodging Enterprises LLC, including a first priority mortgage on each of the Oak Tree Inn Hotels.

(b) Pittsburgh Portfolio Term Loans:

On November 21, 2013, certain AHIP subsidiaries entered into loan agreements with a subsidiary of a major international bank, for a \$38,000 loan for a term of 10 years maturing on December 6, 2023, at an interest rate of 5.02% per annum. The loans are being amortized over 360 months. The loans are interest only for the first three years of the term with the first principal payment due in January 2017. The Pittsburgh Portfolio Term Loans are guaranteed by the U.S. REIT and the four Pittsburgh hotel properties are not cross-collateralized.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

10. Term loans (continued):

(c) Virginia Portfolio Term Loan:

On March 12, 2014, certain AHIP subsidiaries entered into a loan agreement with a subsidiary of a major international bank for a \$24,500 loan for a term of 10 years maturing on April 6, 2024, at an interest rate of 4.97% per annum. The loan is being amortized over 360 months. The loan is interest only for the first four years of the term with the first principal payment due in May 2018. The Virginia Portfolio Term Loan is guaranteed by the U.S. REIT and is cross collateralized by the four Virginia hotel properties.

(d) Southeastern Portfolio Term Loans:

On July 3 and July 11, 2014, certain AHIP subsidiaries assumed two CMBS loans as part of the acquisition of these properties. As at September 30, 2014, the first assumed loan has a balance outstanding of \$7,705 (December 31, 2013 - nil) at an interest rate of 5.28% per annum. The loan is being amortized over 360 months and matures on February 1, 2024. The second assumed loan has a balance outstanding of \$5,670 (December 31, 2013 - nil) at an interest rate of 5.69% per annum. The loan is being amortized over 300 months and matures on August 1, 2018. In addition, certain AHIP subsidiaries entered into a loan agreement ("New Southeastern Portfolio Loan") with a subsidiary of a major international bank for a \$6,000 loan for a term of 10 years maturing on July 6, 2024, at an interest rate of 4.72% per annum. The loan is being amortized over 360 months. The loan is interest only for the first two years of the term with the first principal payment due in August 2016. The New Southeastern Portfolio Loan is guaranteed by the U.S. REIT and is cross collateralized by two of the hotel properties.

The assumption of the two CMBS loans resulted in a mark-to-market adjustment of \$492 which is amortized using the effective interest method. During the three months ended September 30, 2014, \$18 in amortization of the mark-to-market adjustment was recorded as a reduction in finance costs (note 15).

(e) Construction facility:

AHIP has an interest only construction facility loan with a floating interest rate based on the 30-day LIBOR plus 3.0% (with a minimum interest rate of 4.0%). This facility matures on February 20, 2015 and has a maximum available limit of \$4,000. Advances under the construction facility are available to finance up to 75% of approved project costs or 75% of project appraised value, whichever is less. As at September 30, 2014, there were no funds advanced under this facility (December 31, 2013 - nil).

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

10. Term loans (continued):

(f) Fair value of term loans:

The fair value of AHIP's terms loan was determined using present value calculations based on market-observable interest rates for loans with similar terms and conditions. The fair value of AHIP's term loans at September 30, 2014 was \$158,885 (December 31, 2013 - \$106,742).

Under the terms of the various loans, AHIP is required to maintain quarterly and annual debt covenants. As at September 30, 2014, AHIP was in compliance with all of its debt covenants.

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

2014	\$	997
2015		4,181
2016		4,415
2017		5,232
2018		59,669
Thereafter		79,901
	\$	154,395

11. Contingent consideration:

	September 30, 2014	December 31, 2013
Opening balance	\$ 5,085	\$ -
Acquisition of Oak Tree Inn Hotels	-	4,916
Accretion	152	169
Closing balance	\$ 5,237	\$ 5,085

Pursuant to the purchase agreement for the Oak Tree Inn Hotels on February 20, 2013, \$5,500 of the purchase price was subject to an earn-out provision, upon achievement of certain performance-based targets prior to December 31, 2015. To the extent earned, AHIP's indirect U.S. subsidiary has the option of paying such amount in cash or in AHIP Units, or a combination thereof, by January 20, 2016. This contingent consideration was initially recorded at a present value of \$4,916 using a 4.0% discount rate. As at September 30, 2014, the contingent consideration balance was \$5,237 (December 31, 2013 - \$5,085) after accumulated accretion of \$321 (December 31, 2013 - \$169).

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

12. Preferred shares:

On January 17, 2014, the U.S. REIT completed a private placement offering of preferred shares in the U.S. REIT to 125 preferred shareholders for total offering proceeds of \$125. These non-voting shares have a par value of \$1 with a fixed rate of dividend at 12.5% per annum. As such, these preferred shares are classified as liabilities rather than equity on the consolidated statements of financial position. Consequently, any dividend payments are classified as interest expense on the condensed consolidated interim statements of comprehensive income.

13. Partners' capital:

Distribution policy:

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

AHIP declared monthly distributions of Cdn\$0.075 per Unit to be paid to Unitholders for the three months ended September 30, 2014, totaling \$3,983 (September 30, 2013 - \$2,255), and Cdn\$0.675 per Unit for the nine months ended September 30, 2014, totaling \$10,260 (September 30, 2013 - \$5,526). Of this amount, \$1,368 is included in accounts payable and accrued liabilities as at September 30, 2014.

14. Compensation plan:

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

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

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

14. Compensation plan (continued):

	Number of units	Weighted average grant date fair value
Opening balance, December 31, 2013	-	\$ -
Granted	123,800	9.87
Vested	(65,300)	9.87
Unvested, January 1, 2014	58,500	9.87
Granted	-	9.87
Vested	(28,500)	9.87
Unvested, September 30, 2014	30,000	\$ 9.87

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

15. Finance costs:

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Interest on Term Loans and Construction Facility	\$ 1,974	\$ 875	\$ 5,078	\$ 2,162
Amortization of debt issuance costs	139	52	360	120
Accretion of contingent consideration and deferred compensation payable	56	49	156	119
Amortization of mark-to-market adjustment	(18)	-	(18)	-
Dividends on preferred shares	11	-	18	-
	\$ 2,162	\$ 976	\$ 5,594	\$ 2,401

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

16. Commitments:

(a) Operating leases:

AHIP and its subsidiaries have entered into operating leases for its office facility, office equipment and hotel automobiles. Future minimum lease payments under non-cancelable operating leases as of September 30, 2014 are as follows:

2014	\$	105
2015		313
2016		240
2017		87
2018 and thereafter		-

(b) Lodging facility agreements:

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

(c) Deferred compensation, purchase commitments and contingencies:

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

Two of these railway contracts meet the definition of a "Qualifying New Contract", as defined in the purchase agreement for the Oak Tree Inn Hotels. Each Qualifying New Contract may result in an additional compensation of \$250, up to a maximum of \$1,250, to be paid to the sellers of the Oak Tree Inn Hotels. As at September 30, 2014, the present value amount of \$464 (December 31, 2013 - \$460) in deferred compensation payable related to the signing of two railway contracts is reflected as a long-term liability in the condensed consolidated statements of financial position. The present value has been calculated using a 4.0% discount rate.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

16. Commitments (continued):

- (c) Deferred compensation, purchase commitments and contingencies (continued):

In addition to the mezzanine financing commitment to SunOne (as disclosed in note 8), AHIP has committed to purchase these completed properties at the following purchase prices:

Property under development	Expected completion date	Rooms	Committed purchase price	Total mezzanine financing available
Glendive, MT	Completed	50	\$ 4,940	\$ 638
Brunswick, MD	November 2014	25	2,755	392
Wellington, KS	January 2015	110	7,410	931
		185	\$ 15,105	\$ 1,961

The Glendive, MT property was acquired subsequent to September 30, 2014 as disclosed in note 21.

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

17. Related party transactions:

- (a) Hotel Manager:

AHIP has entered into a hotel management agreement with various wholly owned subsidiaries of Tower Rock Hotels & Resorts Inc. (the "Hotel Managers"), a company indirectly controlled by a director of the General Partner to manage and operate the hotel properties. The operating subsidiaries of AHIP are responsible for reimbursing the Hotel Managers for any operating expenses and direct costs incurred with respect to the operations of the properties and their lodging businesses, such as salary and benefit costs of hotel staff and other operating expenses. The hotel management agreements also provide for payment of hotel management fees in an amount equal to 3.5% of gross revenues. The Hotel Managers are also entitled to a capital expenditure fee equal to 5.0% of capital expenditures, including maintenance capital expenditures. In addition, commencing in fiscal 2014, the Hotel Managers are eligible to receive an incentive fee equal to 15.0% of the amount by which the gross operating profit of all hotels managed by the Hotel Managers, on an aggregate basis, exceeds the annual budgeted gross operating profit for all hotels as approved by the independent directors of the General Partner. The incentive fee may not exceed 50% of the aggregate base hotel management fees for the year in which the incentive fee is earned.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

17. Related party transactions (continued):

(a) Hotel Manager (continued):

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

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

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Management fees	\$ 887	\$ 497	\$ 2,278	\$ 1,174
Administration fees	210	125	554	298
Total fees expensed	\$ 1,097	\$ 622	\$ 2,832	\$ 1,472

In addition, capital management fees of \$48 and \$78 have been capitalized to property, buildings and equipment for the three and nine months ended September 30, 2014, respectively (\$47 and \$163 for the three and nine months ended September 30, 2013, respectively).

During the three and nine months ended September 30, 2014, the Hotel Manager incurred \$7,156 and \$19,475, respectively (\$4,947 and \$11,845 for the three and nine months ended September 30, 2013, respectively) in expenses on behalf of the hotel properties during the normal course of operations, comprised primarily of payroll costs and other general and administrative costs such as travel and office expenses.

18. Supplemental cash flow disclosure:

Changes in non-cash operating working capital balances:

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Trade and other receivables	\$ 350	\$ (67)	\$ (468)	\$ (744)
Other assets	(15)	(51)	14	8
Prepaid expenses and deposits	(1,290)	(547)	(1,667)	(767)
Accounts payable and accrued liabilities	1,177	338	2,282	(576)
	\$ 222	\$ (327)	\$ 161	\$ (2,079)

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

19. Segment reporting:

AHIP's operations consist of hotel real estate properties in the U.S. only. AHIP's operations are separated into operating and reportable segments based on the structure that AHIP maintains for making operating decisions and assessing performance. The two segments are: (i) the Oak Tree Inn Hotels that have railway lodging agreements; and (ii) the Branded Hotels that have franchise agreements. AHIP's corporate costs are not allocated to the segments.

The following provides segmented information as at and for the three and nine months ended September 30, 2014:

	Oak Tree Inn Hotels	Branded Hotels	Corporate	Total
Total assets	\$ 151,532	\$ 149,560	\$ 20,721	\$ 321,813
Total liabilities	83,266	83,419	2,563	169,248

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

	Oak Tree Inn 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

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

	Oak Tree Inn 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

For the three and nine months ended September 30, 2013, AHIP only had one operational segment, Oak Tree Inn Hotels as no Branded Hotels were acquired until the fourth quarter of 2013.

20. Comparative information:

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

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

21. Subsequent events:

(a) Distributions:

On October 20, 2014, AHIP announced a cash distribution of Cdn\$0.075 per unit, which is equivalent to Cdn\$0.90 per Unit on an annualized basis for the period of October 1, 2014 to October 31, 2014 to be paid to Unitholders of record on October 31, 2014. The distribution was paid on November 14, 2014.

(b) Additional mezzanine financing advanced to SunOne:

On October 3, 2014 and on October 9, 2014, AHIP advanced \$223 and \$162 in additional mezzanine loans to SunOne pursuant to the Master Development Agreement (as disclosed in note 8) for the following properties:

Properties under development	Total mezzanine financing available	As at	As at November 13, 2014		
		September 30, 2014	Additional loans drawn	Mezzanine loan amount drawn	Mezzanine financing available
		Mezzanine loan amount drawn (note 8)			
Glendive, MT	\$ 638	\$ 422	\$ 185	\$ 607	\$ 31
Brunswick, MD	392	258	38	296	96
Wellington, KS	931	158	162	320	611
	\$ 1,961	\$ 838	\$ 385	\$ 1,223	\$ 738

The Glendive, MT property was acquired subsequent to September 30, 2014 and the mezzanine loan amount receivable was repaid as disclosed below.

(c) Acquisition of Texas Portfolio:

On October 27, 2014, AHIP completed the acquisition of the Texas Portfolio for an aggregate purchase price of US\$31,400, excluding brand mandated property improvement plans of up to approximately US\$400 and closing and post-acquisition adjustments. The Texas Portfolio consists of 293 guestrooms and includes a Holiday Inn hotel (an IHG brand), a Fairfield Inn & Suites hotel (a Marriott brand) and a Sleep Inn & Suites hotel (a Choice brand). The acquisition was funded using a combination of cash from the June 2014 Offering and a new US\$16.0 million CMBS mortgage ("Texas Portfolio Term Loan"). The Texas Portfolio Term Loan is an interest only loan with a 10 year term and a fixed interest rate of 4.20%. The loan also provides for an FF&E waiver for the first 12 months of the loan and is guaranteed by the U.S. REIT.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

For the three and nine months ended September 30, 2014 and 2013

21. Subsequent events (continued):

(d) October 2014 Public Offering:

On October 28, 2014, AHIP completed a public bought deal offering (the "October 2014 Offering") of 4,810,000 Units, including a partial exercise of the over-allotment option of 500,000 Units, at a price of Cdn\$10.45 per Unit, for total gross proceeds of Cdn\$50,265 (US\$44,716). AHIP's short form prospectus dated October 21, 2014 was filed with the securities commissions and other securities regulatory authorities in all provinces and territories of Canada.

(e) Acquisition of Development Property in Glendive, Montana:

On October 28, 2014, AHIP acquired from SunOne a new 50-room railway hotel located in Glendive, Montana for a total purchase price of \$4,940. The purchase was financed by cash of \$779, advances from the construction facility of \$3,150, cancellation of the mezzanine loan receivable of \$611, and the issuance of \$400 in Units at a price of Cdn\$10.45 per Unit, which was equivalent to 43,016 Units.

(f) Acquisition of Oklahoma Portfolio:

On November 3, 2014, AHIP completed the acquisition of the Oklahoma Portfolio for an aggregate purchase price of US\$48,000, excluding brand mandated property improvement plans of approximately US\$700 and closing and post-acquisition adjustments. The Oklahoma Portfolio consists of 440 guestrooms and includes two Holiday Inn hotels (an IHG brand), a Staybridge Suites hotel (an IHG brand) and a Hampton Inn hotel (a Hilton brand). The acquisition was funded using a combination of cash from the October 2014 Offering and a new US\$25.5 million CMBS mortgage ("Oklahoma Portfolio Term Loan"). The Oklahoma Portfolio Term Loan is an interest only loan with a 10 year term and a fixed interest rate of 4.20%. The loan also provides for an FF&E waiver for the first 12 months of the loan and is guaranteed by the U.S. REIT.

(g) Waiver of Conditions on Southeast Portfolio II:

On November 7, 2014, AHIP waived its due diligence and closing conditions related to the acquisition of the Southeast Portfolio II for an aggregate purchase price of US\$41,000, excluding brand mandated property improvement plans of approximately US\$2,532 and closing and post-acquisition adjustments. The Southeast Portfolio II consists of 353 guestrooms and includes two Fairfield Inn & Suites hotels (a Marriott brand), a Courtyard by Marriott hotel (a Marriott brand) and a Hampton Inn hotel (a Hilton brand). The acquisition will be funded using a combination of cash from the October 2014 Offering and a new approximately US\$25.0 million CMBS mortgage ("Southeast Portfolio II Term Loan"). The Southeast Portfolio II Term Loan is expected to be for a 10 year term with a fixed interest rate of approximately 4.40%. The loan will be guaranteed by the U.S. REIT. The transaction is expected to be completed on or about November 17, 2014.