AMERICAN HOTEL
INCOME PROPERTIES
REIT LP

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS AND OPERATIONS AND FINANCIAL CONDITION
For the three months and six months ended June 30, 2015
(Expressed in U.S. Dollars)

Dated: August 12, 2015

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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FORWARD-LOOKING DISCLAIMER

This Management's Discussion and Analysis of Results of Operations and Financial Condition ("**MD&A**") contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements). Forward-looking statements generally can be identified by words such as "anticipate", "believe", "continue", "expect", "estimates", "intend", "may", "outlook", "objective", "plans", "should", "will" and similar expressions suggesting future outcomes or events. Forward-looking-statements include, but are not limited to, statements made or implied relating to the objectives of American Hotel Income Properties REIT LP ("**AHIP**"), AHIP's strategies to achieve those objectives and AHIP's beliefs, plans, estimates, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Some specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to: the use of the proceeds from AHIP's bought deal offering of Units that closed on April 28, 2015 and August 11, 2015, including, without limitation, to partially fund, the potential acquisition of the Railway Portfolio, the expansion of the Oak Tree Inn hotel in Dexter, Missouri and Glendive, Montana and the other potential conversion, expansion and new-build opportunities for Oak Tree Inn railway lodging facilities; references to the cost of the Railway Portfolio, references to the cost of the expansion of the Oak Tree Inn hotel in Glendive, Montana and the targeted date for the completion of the expansion; the targeted date for completion of the renovations of the Hampton Inn Harrisonburg University; the expectations of STR (as defined below) with respect to key performance indicators in the U.S. hotel and lodging industry; AHIP management's expectations and outlook with respect to RevPAR (as defined below), ADR (as defined below), occupancy rates, cash flows from hotel operations, real estate values and other key performance indicators over the next 24 months; AHIP management's expectations with respect to how it will pay expenses, service debt and pay distributions to Unitholders if cash flow from operations is insufficient to cover such obligations in quarter; expected impact of oil prices on the overall economy, the U.S. hotel and lodging industry and AHIP's performance for the remainder of 2015; expected terms of future debt financings; the maturities and amortization periods on long term debt; the expected increase in RevPAR for the Oak Tree Inn Hotels (as defined below) that is to result from contractual cost of living rate increases; AHIP's review of other potential portfolio acquisition opportunities of branded hotels; AHIP's expectation of the value Mr. McAuley will create for AHIP's unitholders and the services he will provide AHIP; AHIP's expectation of its operating results for the remainder of 2015; the targeted date for completion of the design of the DC&P and ICFR; AHIP's expectation of its operating results in 2015 relative to the distributions for 2015; AHIP's intention to maintain total indebtedness at approximately 50-55% of AHIP's gross book value; AHIP's intention to provide stable, sustainable and growing cash flows through operation of its properties and AHIP's other stated objectives; the estimated useful lives of AHIP's assets; AHIP's intention to declare regular monthly cash distributions and the expected timing of the record and payment dates for monthly distributions.

Although AHIP believes that the expectations reflected in the forward-looking information contained in this MD&A are reasonable, AHIP can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this MD&A as well as the following: capital markets will provide AHIP with readily available access to equity and/or debt financing on terms acceptable to AHIP; AHIP's future level of indebtedness and AHIP's future growth potential will remain consistent with AHIP's current expectations; there will be no changes to tax laws adversely affecting AHIP's financing capability, operations, activities, structure or distributions; the U.S. REIT will continue to qualify as a real estate investment trust for U.S. federal income tax purposes; the SIFT measures in the *Income Tax Act* (Canada) will continue to not apply to AHIP; AHIP will retain and continue to attract qualified and knowledgeable personnel as AHIP expands its portfolio and business; the impact of the current economic climate and the current global financial conditions on AHIP's operations, including AHIP's financing capability and asset value, will remain consistent with AHIP's current expectations; there will be no material changes to government and environmental regulations adversely affecting AHIP's operations; and conditions in the international and, in particular, the U.S. hotel and lodging industry, including competition for acquisitions, will be consistent with the economic climate.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. In addition, forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results. Those risks and uncertainties include, among other things, risks related to: general economic conditions and consumer confidence; the growth in the U.S. hotel and lodging industry; Unit prices; liquidity; tax risks; ability to access debt and capital markets; financing risks; changes in interest rates; real property risks including environmental risks; the degree and nature of competition; ability to acquire accretive hotel investments; ability to integrate new hotels; construction of new hotels; renewal of rail contracts; environmental matters; and changes in legislation. Additional information about risks and uncertainties is contained in this MD&A and in AHIP's annual information form ("**AIF**") for the year ended December 31, 2014, a copy of which is available on SEDAR at www.sedar.com.

The forward-looking information contained in this MD&A is expressly qualified in its entirety by these cautionary statements. All forward-looking statements in this MD&A are made as of August 12, 2015. AHIP does not undertake any obligation to update any such forward looking information, whether as a result of new information, future events or otherwise, except as required by applicable law.

The potential acquisitions described in this MD&A under the heading "*Subsequent Events – Potential Acquisition of Railway Portfolio*" is indicative only, as this potential transaction is being evaluated and negotiated with the applicable seller. In addition, the acquisition, if it proceeds, would be subject to conditions, including assignment of railway contracts and negotiation of formal legal documents. For example, AHIP cautions that there can be no assurance that any transaction will result from the conditional agreements described herein, or what the terms of such a transaction, if any, may be. AHIP undertakes no obligation to update investors on the status of any potential acquisitions described in this MD&A unless and until its acquisition due diligence is complete.

BASIS OF PRESENTATION

This MD&A for the three months and six months ended June 30, 2015 has been prepared and includes material financial information as of August 12, 2015. This MD&A should be read in conjunction with AHIP's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2015 and 2014 and the audited consolidated financial statements for the years ended December 31, 2014 and 2013, prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

All amounts presented in this MD&A are in United States dollars ("U.S. dollars"), unless otherwise noted.

Additional information relating to AHIP, including AHIP's AIF for the year ended December 31, 2014 is available on SEDAR at www.sedar.com.

AHIP's Board of Directors, upon recommendation of its Audit Committee, approved the contents of this MD&A for release on August 12, 2015.

NON-IFRS MEASURES

AHIP has included certain non-IFRS financial measures throughout this MD&A. Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate industry use these non-IFRS financial measures to evaluate AHIP's performance, ability to generate cash flows and financial condition. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. In addition, they do not have standardized meanings and may not be comparable to measures used by other issuers in the real estate industry. The non-IFRS financial measures used in this MD&A include debt-to-gross book value, funds from operations, adjusted funds from operations, FFO per Unit, Core FFO per Unit, AFFO per Unit, Core AFFO per Unit, gross operating profit, net operating income, furniture, fixtures and equipment reserves, earnings before interest, taxes, depreciation and amortization, interest coverage ratio, same property metrics, occupancy, average daily rate, revenue per available room and payout ratio.

a) Debt-to-Gross Book Value

AHIP believes that debt-to-gross book value is an important supplemental measure of financial condition.

"**Debt**" means the face value (excluding deferred financing costs and unamortized mark-to-market adjustments) of the revolving line of credit, term loans, contingent consideration and deferred compensation payable.

"**Gross book value**" means, at any time, the book value of the total assets of AHIP and its consolidated subsidiaries, as shown on its then most recent consolidated statement of financial position, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto, less: (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by the AHIP; and (ii) deferred income tax liabilities arising out of fair value adjustments in respect of indirect acquisitions.

b) Funds from Operations ("**FFO**") and Adjusted Funds from Operations ("**AFFO**")

AHIP believes FFO and AFFO are important measures of operating performance of real estate properties. In addition, AHIP believes that AFFO is indicative of AHIP's ability to pay distributions.

"FFO" is not defined under IFRS. AHIP calculates FFO in accordance with the Real Property Association of Canada ("**REALpac**") White Paper on Funds from Operations issued April 2014. FFO is defined as net income (loss) and comprehensive income (loss) calculated in accordance with IFRS, excluding: (i) depreciation and amortization; (ii) gains (or losses) from sales of hotel properties and equipment; (iii) business acquisition costs related to the purchase of a property being accounted for as a business combination; (iv) deferred income tax (expense) recovery; (v) foreign exchange gains and losses on monetary items such as loans and receivables due to a net investment in a foreign operation; and (vi) adjustments for property taxes accounted for under IFRIC 21 *Levies* ("**IFRIC 21**"), an interpretation of the requirements under IFRS in IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets* for the recognition of liabilities for obligations to pay levies and taxes.

"AFFO" is not defined under IFRS and may not be comparable to AFFO used by other issuers. AHIP has defined AFFO as FFO subject to certain adjustments, including: (i) amortization of deferred financing costs; (ii) accretion of contingent consideration; (iii) amortization of mark-to-market adjustments on assumed term loans; (iv) accretion of deferred compensation payable; (v) securities-based compensation; and (vi) deducting FF&E Reserves for normalized maintenance capital expenditures. Other adjustments may be made to AFFO as determined by the General Partner at its discretion. Upon the acquisition of certain hotels, AHIP has negotiated FF&E Reserve waivers with its lenders for periods of up to 48 months. AHIP does not factor in the benefit of these FF&E Reserve waivers in calculating AFFO.

c) Core FFO per Unit and Core AFFO per Unit

Management believes that the computation of FFO per Unit and AFFO per Unit includes certain items that are not indicative of the results provided by AHIP's operating portfolio and affect the comparability of AHIP's period-over-period performance. This includes the dilutive impact of proceeds from the April 2015 Offering not fully utilized by quarter end and securities-based compensation. Therefore, in addition to FFO per Unit and AFFO per Unit, management uses Core FFO per Unit and Core AFFO per Unit to exclude these items. Management believes that Core FFO per Unit and Core AFFO per Unit are useful supplemental measures, however, this may not be comparable to the modified FFOs per Unit or modified AFFOs per Unit of other issuers.

d) Gross Operating Profit ("**GOP**") and Net Operating Income ("**NOI**")

AHIP believes GOP and NOI are important measures of operating performance of real estate properties.

"GOP" is defined as total revenues less hotel operating expenses, energy and property maintenance (excluding depreciation and amortization).

"NOI" is defined as GOP less property taxes and insurance (excluding depreciation and amortization).

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AHIP calculates "**GOP Margin**" as GOP divided by total revenues. AHIP calculates "**NOI Margin**" as NOI divided by total revenues.

e) Furniture, Fixtures and Equipment Reserves ("**FF&E Reserves**")

"FF&E Reserves" are calculated as three percent of room revenues for the Oak Tree Inn Hotel portfolio and four percent of total revenues for the Branded Hotel portfolio.

f) Earnings before interest, taxes, depreciation and amortization ("**EBITDA**")

AHIP calculates "EBITDA" as net operating income less corporate and administrative expenses.

AHIP calculates "**EBITDA Margin**" as EBITDA divided by total revenues.

g) Interest Coverage Ratio

AHIP calculates the "**Interest Coverage Ratio**" as EBITDA for the period divided by interest expensed during the period. Specifically, interest expense is computed as net finance costs less non-cash items including accretion of contingent consideration, accretion of deferred compensation payable, amortization of deferred financing costs and amortization of mark-to-market adjustments on assumed term loans. The interest coverage ratio is a measure of AHIP's ability to service its debt.

h) Same Property Metrics

Same property metrics represent operating results for the same properties over comparable reporting periods, and is intended to measure the period-over-period performance of the same asset base. A property must be owned for the entire quarter for inclusion in this metric. These metrics exclude the impact of properties that have been acquired during the comparable reporting periods.

i) Occupancy

"**Occupancy**" represents the total number of hotel rooms sold in a given period divided by the total number of rooms available during such period. Occupancy measures the utilization of a hotel's available capacity.

j) Average Daily Rate ("**ADR**")

"ADR" represents the total room revenues divided by total number of rooms sold in a given period. ADR is a measure of the average rate paid for rooms sold.

k) Revenue Per Available Room ("**RevPAR**")

"RevPAR" is the product of occupancy and ADR for the period.

l) Payout Ratio

AHIP calculates its "**Payout Ratio**" as distributions declared divided by AFFO for the period.

SEASONALITY

The lodging industry is seasonal in nature, which can be expected to cause quarterly fluctuations in occupancy rates, room rates, revenues, operating expenses and cash flows. Historically, occupancies, revenues and cash flows tend to be higher in the second and third quarters and lower in the first and fourth quarters. Quarterly earnings may also be influenced by factors beyond our control including overall economic cycles and weather conditions. To the extent the cash flow from operations is insufficient during any quarter, due to temporary or seasonal fluctuations in revenues, we expect to utilize cash on hand or borrowings under our credit facility to pay expenses, service debt or to make distributions to unitholders.

OVERVIEW

About AHIP

AHIP is a limited partnership formed under the *Limited Partnerships Act* (Ontario) to invest in hotel real estate properties primarily in the U.S. AHIP was established by American Hotel Income Properties REIT (GP) Inc. (the "**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, which was subsequently amended and restated on February 20, 2013 and June 9, 2015 ("**Limited Partnership Agreement**"). 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 for the purposes of:

(a) acquiring common shares and, 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; 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.

The principal business of AHIP is to issue limited partnership units ("**Units**") and to acquire and hold shares of the U.S. REIT. The U.S. REIT was established for the purposes of indirectly acquiring and owning hotel real estate properties in the U.S. AHIP has two operating segments: (i) "**Oak Tree Inn Hotels**" are properties that have railway lodging agreements; and (ii) "**Branded Hotels**" are properties that have franchise agreements.

AHIP's long-term objectives are to:

(i) generate stable and growing cash distributions from hotel properties substantially in the U.S.;

(ii) enhance the value of its assets and maximize the long-term value of the hotel properties through active management; and

(iii) expand its asset base and increase its AFFO per Unit through an accretive acquisition program, participation in strategic development opportunities and improvements to the properties through targeted value-added capital expenditure programs.

AHIP's Units trade on the Toronto Stock Exchange ("**TSX**") under the symbol HOT.UN and on the OTCQX International Marketplace in the U.S. under the symbol AHOTF.

As of August 12, 2015, AHIP's diversified portfolio is comprised of 73 hotels located in 26 states across the U.S., representing an aggregate of 6,212 guestrooms. AHIP's operating properties include 38 hotels which operate under AHIP's proprietary "Oak Tree Inn" brand. These Oak Tree Inn Hotels have been specifically designed for freight railway employee lodging customers while providing transient customers with a superior quality, select service experience. Management estimates that approximately 72% of the total available room-nights within the Oak Tree Inn Hotels are covered under contracts containing minimum occupancy guarantees. The 35 Branded Hotels are located near transportation hubs and other major demand generators that cater primarily to corporate transient travelers and are supported by distribution networks of the world's largest hotel brands. This operating segment includes twelve properties under various Marriott brands (Courtyard, Fairfield Inn & Suites, Residence Inn and Springhill Suites), eleven properties under various Intercontinental Hotels Group ("**IHG**") brands (Holiday Inn, Holiday Inn Express and Staybridge Suites), ten properties under a Hilton brand (Hampton Inn), one property under a Carlson-Rezidor brand (Country Inn & Suites) and one property under a Choice brand (Sleep Inn).

Recent Developments

a) Completion of Cdn$66.1 million Bought Deal Offering of Units on April 28, 2015 ("**April 2015 Offering**")

On April 28, 2015, AHIP completed a public offering of 6,181,250 Units, on a bought deal basis, at a price of Cdn$10.70 per Unit, for total gross proceeds of Cdn$66.1 million ($54.8 million). Included in the offering were 806,250 Units from a full exercise of the over-allotment option. As described in the short form prospectus dated April 21, 2015, AHIP used the net proceeds of the offering to: (i) partially fund the potential acquisition of two high-quality nationally-branded hotel portfolios; (ii) fund potential expansion, conversion and new-build opportunities, including the expansion of the Oak Tree Inn railway lodging facility in Dexter, Missouri; and (iii) fund working capital and for general corporate purposes.

b) Announced Acquisition of Florida Portfolio for $30.8 million

On June 15, 2015, AHIP announced the acquisition of a portfolio of three Marriott-branded, select-service hotel properties ("**Florida Portfolio**") for an aggregate purchase price of $30.8 million excluding approximately $3.2 million for brand mandated property improvement plans and approximately $1.0 million for the defeasance of existing loans and before customary closing and post-closing adjustments. The Florida Portfolio consists of 352 guestrooms and consists of an 87-room Residence Inn hotel, a 96-room Fairfield Inn hotel and a 169-room Courtyard hotel located in Ocala, Florida. The properties were acquired at a weighted-average capitalization rate of 8.1% on trailing twelve months net operating income (after inclusion of all hotel management fees, a 4.0% FF&E reserve, property improvement plans and defeasance costs). The transaction was financed by the proceeds from the April 2015 Offering and a new $19.0 million interest-only commercial mortgage backed securities ("**CMBS**") mortgage. The mortgage has a 10-year term with a fixed interest rate of 4.21%. The transaction was completed on August 6, 2015.

c) Announced Multi-Year Railway Contract at the Holiday Inn Oklahoma City Airport

On June 16, 2015, AHIP entered into a new two-year railway lodging contract for 50 rooms per night at the Holiday Inn Oklahoma City Airport with a national railway company. The new contract commenced in July 2015 and will secure 34% of the hotel's available guestrooms.

d) Completed Acquisition of Midwestern Portfolio for $53.5 million

On June 18, 2015, AHIP completed the acquisition of a portfolio of nine branded, select-service hotel properties ("**Midwestern Portfolio**") for an aggregate purchase price of $53.5 million, excluding $3.5 million for brand mandated property improvement plans and before customary closing and post-closing adjustments. The hotels are located in five states with a total of 632 guestrooms and are franchised with leading hotel brands including IHG, Hilton Hotels and Resorts and Carlson-Rezidor Hotels Group. The portfolio consists of seven-Holiday Inn Express hotels, one-Hampton Inn hotel and one-Country Inn and Suites. The acquisition was financed by proceeds from the April 2015 Offering and a new $32.0 million CMBS mortgage. The mortgage has a 10-year term and a fixed interest rate of 4.24% and is interest-only for the first seven years and then amortized over 30 years for the rest of the loan term.

e) Completion of a $3.3 million Renovation of the Residence Inn Cranberry Township (Pittsburgh)

On June 26, 2015, AHIP announced the successful completion of a $3.3 million brand mandated property improvement plan and grand re-opening of the 96-room Residence Inn by Marriott in Cranberry Township (Pittsburgh). The renovation was extensive and positions the hotel as the leading, extended-stay property in the local marketplace.

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Outlook

The U.S. hotel industry continues to perform well with robust travel activity with both group and transient demand exhibiting positive momentum contributing to record breaking occupancy levels. STR, Inc. ("**STR**") reported positive second quarter 2015 results for three key performance metrics of the U.S. hotel industry. In year-over-year results, occupancy was up 1.6% to 69.1%, ADR rose 4.8% to $120.60 and RevPAR increased 6.5% to $83.87. Industry demand increased 2.7% during the second quarter while supply was limited to 1.1%. RevPAR has now increased for 64 consecutive months and this trend is expected to continue. For the remainder of 2015, STR is expecting strong and steady demand growth coupled with limited new supply resulting in occupancy growth of 1.7% and ADR growth of 5.1%. This is expected by STR to translate into RevPAR growth rates of 6.8% for 2015 and a further 6.0% in 2016 driven primarily by growth in ADR. Generally, management expects AHIP's Branded Hotel portfolio to participate in the expected growth over the next 24 months.

AHIP continues to evaluate opportunities to acquire high quality, select service hotel assets in the U.S. on an accretive basis at prices below replacement costs. AHIP specifically targets markets that have strong demand generators and where demand growth is expected to outpace new supply. Recent portfolio acquisitions are representative examples of newer, good physical quality assets with strong in-place cash flows and yields that AHIP is targeting. The CMBS market continues to drive transaction activity with 10-year interest only term loans for conservatively leveraged transactions in the 50-55% range priced with interest rates of approximately 4.25%. Collectively, this type of financing provides a highly accretive environment for hotel acquisitions priced at trailing, capitalization rates of 8.0-9.0%, after management fees and an FF&E reserve.

The Oak Tree Inn Hotels are expected to have modest RevPAR growth arising from contractual cost of living rate increases negotiated in the various railway contracts and guaranteed occupancies from railway employees. According to Rail Time Indicators, an independent railroad industry publication, total rail traffic for the second quarter of 2015 was down 1.9% led by lower carloads driven by fewer coal shipments due to many electricity producers increasing the use of low cost natural gas to generate electricity coupled with lower coal exports arising from the strong U.S. dollar. This was offset by intermodal traffic increasing by 4.3% during the second quarter reflecting the underlying strength of the U.S. economy. This is expected to result in continued strong demand from the railways for hotel rooms. We are currently in discussions with a railway customer regarding the renewal of several hotel contracts that expire in August 2015. These contracts cover over 1,100 guestrooms with contracted room guarantees of approximately 700 guestrooms. Negotiations are ongoing and expected to be completed in the coming weeks. We are also evaluating a number of opportunities to grow our stable Oak Tree Inn portfolio including acquisitions, conversions and expansions.

AHIP has proven its ability to execute on its business plan and with financial results in line with expectations; AHIP is focused on optimizing the performance of our portfolio and creating value for unitholders.

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FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

(US$000s unless otherwise noted and except per unit amounts)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30 , 2015	Six months ended June 30, 2014
Number of rooms[1]	5,860	3,571	5,860	3,571
Number of properties[1]	70	43	70	43
Number of restaurants[1]	29	24	29	24
Properties under development[1]	2	3	2	3
Rooms under development[1]	48	185	48	185
Occupancy rate	80.1%	84.9%	77.5%	81.6%
Average daily room rate ("ADR")	$ 79.00	$ 71.10	$ 76.98	$ 68.76
Revenue per available room ("RevPAR")	$ 63.28	$ 60.36	$ 59.66	$ 56.08
Revenues	$ 34,131	$ 22,541	$ 63,660	$ 39,764
Net operating income ("NOI")	$ 13,507	$ 8,043	$ 22,227	$ 13,423
Net income (loss) and comprehensive income (loss)	$ 2,386	$ 651	$ 2,040	$ (109)
EBITDA	$ 11,129	$ 6,285	$ 17,958	$ 9,639
EBITDA Margin %	*32.6%*	*27.9%*	*28.2%*	*24.2%*
Funds from operations ("FFO") – As Reported	$ 7,605	$ 4,440	$ 11,960	$ 6,438
Diluted FFO per unit – As Reported	$ 0.27	$ 0.28	$ 0.45	$ 0.42
Diluted Core FFO per unit	$ 0.31	$ 0.32	$ 0.49	$ 0.47
Adjusted funds from operations ("AFFO") – As Reported	$ 6,741	$ 4,098	$ 10,292	$ 5,998
Diluted AFFO per unit – As Reported	$ 0.24	$ 0.26	$ 0.39	$ 0.39
Diluted Core AFFO per unit	$ 0.28	$ 0.28	$ 0.42	$ 0.41
Distributions declared – US$	$ 5,642	$ 3,334	$ 10,076	$ 6,277
AFFO payout ratio	83.7%	81.4%	97.9%	104.7%
Debt-to-gross book value[1]	49.6%	45.2%	49.6%	45.2%
Interest coverage ratio	4.0x	3.7x	3.3x	3.1x
Weighted average loan face interest rate[1]	4.65%	4.88%	4.65%	4.88%
Weighted average loan term to maturity[1]	7.5 years	6.6 years	7.5 years	6.6 years
Number of units outstanding[1]	30,583,740	19,467,547	30,583,740	19,467,547
Diluted weighted average number of units outstanding – As Reported	28,743,917	16,018,015	26,569,311	15,261,361
Diluted weighted average number of units outstanding – Core	24,464,590	14,564,169	24,417,826	14,530,422
Same property occupancy	81.4%	84.2%	79.0%	80.7%
Same property ADR	$ 72.16	$ 71.89	$ 69.47	$ 69.59
Same property RevPAR	$ 58.74	$ 60.53	$ 54.88	$ 56.19

(1) At period end. On August 11, 2015, AHIP issued an additional 3,800,000 units upon completion of the August 2015 Offering. Therefore, the current number of units outstanding is 34,383,740.

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Operational and Financial Highlights

The increase in ADR, RevPAR, revenues and NOI for the three and six months ended June 30, 2015 compared to the same periods last year can be attributed to the growth of the portfolio during the past 12 months. Specifically, the acquisition of 24 Branded Hotels totaling 2,105 guestrooms coupled with the opening of three Oak Tree Inn Hotels totaling 185 guest rooms since June 30, 2014 all contributed to the improved operating results. The change in occupancy was due primarily to changes in the portfolio mix between rail and branded hotels as there were more high occupancy rail hotels in the prior year. In addition, weakness in the oil and gas industry coupled with guest displacement due to hotel renovations also contributed to lower occupancy. ADR for the quarter was up 11.1% due to the addition of 24 high-ADR Branded Hotels compared to last year. This resulted in RevPAR increasing by 4.9% for the quarter compared to the same period in the prior year.

FFO was $7.6 million and $12.0 million for the three and six months ended June 30, 2015 respectively (2014 - $4.4 million and $6.4 million, respectively). The increase was due to higher NOI from the addition of new hotels to the portfolio during the period. Diluted FFO per Unit – As Reported was $0.27 and $0.45 for the three and six months ended June 30, 2015, respectively, compared to $0.28 and $0.42 for the same periods last year. Diluted Core FFO per Unit, which adjusts for the dilutive impacts of the April 2015 Offering and securities-based compensation, was $0.31 and $0.49 for the three and six months ended June 30, 2015, respectively, compared to $0.32 and $0.47 for the same periods in the prior year. The net dilutive impact on FFO per Unit of the April 2015 Offering was $0.03.

AFFO was $6.7 million and $10.3 million for the three and six months ended June 30, 2015 respectively (2014 - $4.1 million and $6.0 million, respectively). The increase was due to higher NOI arising from new hotels joining the portfolio offset by increasing FF&E Reserves based on more revenues. Diluted AFFO per Unit – As Reported was $0.24 and $0.39 for the three and six months ended June 30, 2015, compared to $0.26 and $0.39 for the same periods in the prior year. Diluted Core AFFO per Unit, which adjusted for the dilutive impact of the April 2015 Offering, was $0.28 and $0.42 for the three and six months ended June 30, 2015 compared to $0.28 and $0.41 in the prior year. The net dilutive impact on AFFO per Unit of the April 2015 Offering was $0.04.

RESULTS OF OPERATIONS

Operations

The following discussion highlights selected financial information for AHIP for the three month and six months ended June 30, 2015 and June 30, 2014. This information should be read in conjunction with the condensed consolidated interim financial statements and the related notes to the financial statements for the three and six months ended June 30, 2015 and June 30, 2014.

(US$000s unless otherwise noted and except per unit amounts)	**Three months ended June 30, 2015**	**Three months ended June 30, 2014**	**Six months ended June 30, 2015**	**Six months ended June 30, 2014**
Revenues	$ 34,131	$ 22,541	$ 63,660	$ 39,764
Hotel expenses	20,624	14,498	41,433	26,341
Net operating income	13,507	8,043	22,227	13,423
Depreciation and amortization	4,345	2,738	8,569	5,092
Income from operating activities	9,162	5,305	13,658	8,331
Corporate and administrative	2,378	1,758	4,269	3,784
Loss on disposal of property and equipment	89	247	113	247
Business acquisition costs	1,369	543	1,495	912
Income before finance costs and income taxes	5,326	2,757	7,781	3,388
Finance income	(30)	(20)	(42)	(49)
Finance costs	2,970	1,865	5,783	3,431
Income before income taxes	2,386	912	2,040	6
Deferred income tax expense	-	261	-	115
Net income (loss) and comprehensive income (loss)	$ 2,386	$ 651	$ 2,040	$ (109)
Basic and diluted net income (loss) per unit	$ 0.08	$ 0.04	$ 0.08	$ (0.01)
Basic weighted average number of units outstanding	28,681,817	15,973,922	26,533,638	15,210,104
Diluted weighted average number of units outstanding	28,743,917	16,018,015	26,569,311	15,261,361

The increase in revenues, expenses and NOI can be attributed to hotel additions that occurred between reporting periods. Hotel expenses consist of hotel operating expenditures including labor costs, sales and marketing, franchise fees, energy, property maintenance, property taxes and insurance.

Depreciation and amortization expenses consist of depreciation charges on property, buildings and equipment, and amortization of intangible assets. Depreciation and amortization expenses for the quarter were $4.3 million (2014 - $2.7 million) and $8.6 million for the six months ended June 30, 2015 (2014 - $5.1 million). The increase reflects the portfolio changes between the reporting periods.

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Corporate and administrative expenses consist of hotel management fees, salaries, benefits and directors' fees, foreign exchange gains and losses, securities-based compensation, professional fees and office and general expenses as noted in the following table.

(US$000s)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Hotel management fees	$ 1,567	$ 973	$ 2,911	$ 1,736
Salaries, benefits and directors fees	283	220	461	502
Foreign exchange losses (gains)	69	(50)	(123)	271
Securities-based compensation	74	148	92	390
Professional fees	215	276	626	550
Office and general	170	191	302	335
Total corporate and administrative expenses	$ 2,378	$ 1,758	$ 4,269	$ 3,784

The increase in corporate and administrative expenses was due primarily to higher management fees resulting from higher revenues for the current quarter compared to the same quarter last year. As a percentage of total revenues, corporate and administrative expenses have decreased to 7.0% (2014 – 7.8%) for the current quarter compared to the same period last year.

Business acquisition costs consisted primarily of professional fees directly attributable to the acquisition of hotel properties. Under IFRS, all transactional costs related to business combinations are expensed in the period incurred irrespective of the final outcome of the acquisition. Business acquisition costs were approximately $1.4 million and $1.5 million for the three and six months ended June 30, 2015, respectively, compared to approximately $0.5 million and $0.9 million for the same periods in 2014. The difference is due to the specific transactions undertaken during each period. Specifically, business acquisition costs in 2015 were higher due to the acquisition of the Midwestern Portfolio during the current quarter and the completion of the Florida Portfolio acquisition in August 2015. Due to the nature of these expenses, a majority of these costs were incurred prior to the end of the quarter even though the transaction was not completed until the following quarter.

Finance costs consist of interest on term loans, preferred share dividends, accretion on contingent consideration and deferred compensation payable, amortization of deferred financing costs and the mark-to-market adjustment on assumed loans offset by interest income.

Net finance costs were $2.9 million and $5.7 million for the three and six months ended June 30, 2015, respectively, compared to $1.8 million and $3.4 million for the same periods in 2014. The increase was the result of the acquisition of hotel properties and related financing.

AHIP is a not a SIFT limited partnership pursuant to the *Income Tax Act* (Canada). Under the *Income Tax Act* (Canada), as long as AHIP meets prescribed conditions relating to the nature of its assets and revenues, it is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period. AHIP's indirect subsidiaries, Lodging Enterprises LLC and AHIP Enterprises LLC are taxable real estate investment trust ("**REIT**") subsidiaries ("**TRS**") of the U.S. REIT and are subject to income taxes. Deferred income tax is recognized in respect of temporary differences between the carrying amounts of the intangible assets and contingent consideration for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. AHIP has used a blended tax rate of approximately 40% to calculate its related deferred income tax provisions.

The U.S. REIT is taxed as a REIT for U.S. federal income tax purposes. For purposes of the REIT qualification rules, the U.S. REIT cannot directly operate any of its hotels. Instead, it must lease its hotels to a third party lessee or to a TRS, provided that the TRS engages an eligible independent contractor to manage the hotels. As of June 30, 2015, the U.S. REIT had leased all of its hotels to its wholly-owned TRS (or wholly-owned subsidiaries of such entities). Each of these TRS entities, or its wholly-owned subsidiary, pays qualifying rent, and the TRS entities, or their applicable wholly-owned subsidiaries, have entered into management contracts with qualified independent managers. The TRS directly receives all revenue from, and funds all expenses relating to, hotel operations.

Total Portfolio Operating Statements

(US$000s unless otherwise noted)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Number of rooms(1)	5,860	3,571	5,860	3,571
Number of properties(1)	70	43	70	43
Number of restaurants(1)	29	24	29	24
Occupancy %	80.1%	84.9%	77.5%	81.6%
Average daily room rate (“ADR”)	$ 79.00	$ 71.10	$ 76.98	$ 68.76
Revenue per available room (“RevPAR”)	$ 63.28	$ 60.36	$ 59.66	$ 56.08
Revenues				
Rooms	$ 30,660	$ 19,496	$ 56,588	$ 34,150
Food and beverage	3,097	2,861	6,434	5,260
Other	374	184	638	354
TOTAL REVENUES	34,131	22,541	63,660	39,764
Expenses				
Operating expenses	16,636	11,231	32,411	19,969
Energy	1,317	961	2,853	2,064
Property maintenance	1,493	1,145	2,951	2,123
TOTAL EXPENSES	19,446	13,337	38,215	24,156
GROSS OPERATING PROFIT (“GOP”)	14,685	9,204	25,445	15,608
GOP Margin %	*43.0%*	*40.8%*	*40.0%*	*39.3%*
Taxes and insurance	1,178	1,161	3,218	2,185
NET OPERATING INCOME (“NOI”)	$ 13,507	$ 8,043	$ 22,227	$ 13,423
NOI Margin %	*39.6%*	*35.7%*	*34.9%*	*33.8%*

(1) At period end.

Overall portfolio ADR increased by 11.1% and RevPAR increased by 4.8% for the three month period ended June 30, 2015 compared to the same period in 2014. This was due to the change in the portfolio mix with the addition of 24 Branded Hotels and three Oak Tree Inn Hotels between the reporting periods as Branded Hotels typically achieve higher ADR than the Oak Tree Inn Hotels. For the three and six months ended June 30, 2015, the Branded Hotels had an ADR of $103.14 and $101.40, respectively, compared to the Oak Tree Inn Hotels ADR of $58.16 and $57.67 for the same periods.

Several markets within the Branded Hotel portfolio achieved strong pro-forma RevPAR gains for the three months ended June 30, 2015, which included operating results for periods prior to their ownership by AHIP. Specifically, the NC/FL Portfolio was up 11.1% and the Texas Portfolio was up 7.0%. On year-to-date basis, pro-forma RevPAR growth was strong in the NC/FL Portfolio at 13.4%, the Midwestern Portfolio at 8.7%, the Virginia Portfolio at 7.8% and the Texas Portfolio at 6.2%.

Overall portfolio occupancy was 80.1% and 77.5% for the three and six months ended June 30, 2015, respectively, compared to 84.9% and 81.6% for the same periods last year. The decline in occupancy was primarily due to changes in the portfolio mix between the two reporting periods. In the prior year, over 75% of the available rooms were high occupancy rail guestrooms. As at June 30, 2015, the split between rail and branded hotel guestrooms was

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approximately 50/50. Other factors that affected occupancy included lower activity at certain hotels due to weakness in the oil and gas industry, along with the impact of new supply and major renovations taking place at several Branded Hotels as part of planned renovation programs that resulted in some guest displacement. Specifically, a $3.3 million brand mandated property improvement plan was completed in late June 2015 at the Residence Inn Cranberry Township (Pittsburgh) and a $3.8 million renovation at the 160-room Hampton Inn Harrisonburg University that will be completed in September 2015. Rail related occupancies remained stable during the quarter compared to the prior year.

Total revenues grew by 51% to $34.1 million for the quarter and by 60% to $63.7 million for the six months ended June 30, 2015 (2014 - $22.5 million and $39.8 million). The increase in total revenues is directly attributable to the acquisition of 24 Branded Hotels and the opening of three Oak Tree Inn Hotels compared to the prior year.

GOP margin increased to 43.0% in the current quarter compared to 40.8% during the same quarter in 2014 and GOP margin increased to 40.0% for the six months ended June 30, 2015 compared to 39.3% last year. The improvement in GOP margin reflected the impacts of a greater weighting of Branded Hotels in the current year compared to the prior year, which provided strong ADR growth and higher RevPAR.

NOI margin increased during the current quarter to 39.6% from 35.7% in the prior year due to higher revenues from the new properties coming online, specifically the large number of higher-margin Branded Hotels compared to last year. Branded Hotels had an average quarterly margin of 42.3% compared to 36.1% for the Oak Tree Inn Hotels.

Oak Tree Inn Hotels Operating Statements

(US$000s unless otherwise noted)	**Three months ended June 30, 2015**	**Three months ended June 30, 2014**	**Six months ended June 30, 2015**	**Six months ended June 30, 2014**
Number of rooms[(1)]	2,881	2,697	2,881	2,697
Number of properties[(1)]	38	35	38	35
Number of restaurants[(1)]	26	24	26	24
Occupancy %	79.4%	85.0%	79.7%	82.2%
Average daily room rate ("ADR")	$ 58.16	$ 57.34	$ 57.67	$ 57.01
Revenue per available room ("RevPAR")	$ 46.18	$ 48.72	$ 45.96	$ 46.88
Revenues				
Rooms	$ 12,110	$ 11,862	$ 23,673	$ 22,444
Food and beverage	2,672	2,861	5,662	5,260
Other	136	105	194	231
TOTAL REVENUES	14,918	14,828	29,529	27,935
Expenses				
Operating expenses	7,421	7,747	15,368	14,605
Energy	675	706	1,475	1,590
Property maintenance	802	909	1,622	1,663
TOTAL EXPENSES	8,898	9,362	18,465	17,858
GROSS OPERATING PROFIT ("GOP")	6,020	5,466	11,064	10,077
GOP Margin%	*40.4%*	*36.9%*	*37.5%*	*36.1%*
Taxes and insurance	636	855	1,599	1,647
NET OPERATING INCOME ("NOI")	$ 5,384	$ 4,611	$ 9,465	$ 8,430
NOI Margin %	*36.1%*	*31.1%*	*32.1%*	*30.2%*

(1) At period end.

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Total revenues were higher in 2015 and reflected the addition of four Oak Tree Inn Hotels during 2014 and Wellington (Kansas) in February 2015.

The decline in occupancy arose from lower non-rail room sales at certain hotels due to the completion of several large construction projects in late 2014 and weakness in the oil and gas industry.

ADR increased by 1.4% to $58.16 and by 1.2% to $57.67 for the three and six months ended June 30, 2015, respectively, from $57.34 and $57.01 for the same periods in 2014, due to contractual cost of living rate increases.

GOP margin for the current quarter was 40.4% compared to 36.9% in the prior period. GOP margin for the six months ended June 30, 2015 was 37.5% compared to 36.1% for the same period in 2014. The GOP margin increase is due to higher ADR offset by lower occupancy-related hotel operating expenses. In addition, the Oak Tree Inn Hotels incurred lower energy costs in 2015 due to the milder winter as compared to 2014.

For the three and six months ended June 30, 2015, NOI margin was 36.1% and 32.1% respectively (2014 - 31.1% and 30.2%). The improvements to NOI margin were due to the addition of new hotels coupled with better cost controls.

Branded Hotels Operating Statements

(US$000s unless otherwise noted)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Number of rooms(1)	2,979	874	2,979	874
Number of properties(1)	32	8	32	8
Number of restaurants(1)	3	-	3	-
Occupancy %	81.0%	84.7%	74.9%	79.1%
Average daily room rate ("ADR")	$ 103.14	$ 113.33	$ 101.40	$ 113.64
Revenue per available room ("RevPAR")	$ 83.54	$ 95.98	$ 75.95	$ 89.92
Revenues				
Rooms	$ 18,550	$ 7,634	$ 32,915	$ 11,706
Food and beverage	425	-	772	-
Other	238	79	444	123
TOTAL REVENUES	19,213	7,713	34,131	11,829
Expenses				
Operating expenses	9,215	3,484	17,043	5,364
Energy	642	255	1,378	474
Property maintenance	691	236	1,329	460
TOTAL EXPENSES	10,548	3,975	19,750	6,298
GROSS OPERATING PROFIT ("GOP")	8,665	3,738	14,381	5,531
GOP Margin %	*45.1%*	*48.5%*	*42.1%*	*46.8%*
Taxes and insurance	542	306	1,619	538
NET OPERATING INCOME ("NOI")	$ 8,123	$ 3,432	$ 12,762	$ 4,993
NOI Margin %	*42.3%*	*44.5%*	*37.4%*	*42.2%*

(1) At period end.

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The higher NOI margin for the Branded Hotels compared to the Oak Tree Inn Hotels reflects the rooms-only and transient guest focus of these limited service properties, which have higher average daily rates. The significant growth in revenues and GOP was due to the acquisition of 24 hotels since June 2014.

The change in operating metrics of occupancy, ADR and RevPAR between the reporting periods reflects, in part, the change in the mix within the Branded Hotel Portfolio. In addition, significant renovations during 2015 resulted in some displacement at certain properties and impacted operating results. Specifically, there was a $3.3 million renovation at the Residence Inn Cranberry, a $3.8 million renovation at the Hampton Inn Harrisonburg University and a $1.0 million renovation at the Hampton Inn Asheboro. New supply and market weakness arising from lower oil prices also impacted the operating performance at certain properties. It is expected that with ongoing growth in the U.S. hotel industry, significant renovations being completed at certain hotels and the recently announced two-year railway lodging contract for 50 rooms per night at the Holiday Inn Oklahoma City Airport hotel, operating results are anticipated to improve going forward.

The remaining Branded Hotels continued to perform well reflecting the broader strength of the U.S. hotel industry and the diversification of the AHIP portfolio.

The decline in NOI margins compared to last year can be attributed to lower revenues at those hotels under renovation, which resulted in guest displacement coupled with the impact of new supply and a drop in oil prices that resulted in lower occupancies at certain hotels. Hotel operations consist of a number of fixed expenditures such as property taxes, insurance and energy charges. As a result, declines in revenues often have a directly proportional impact on NOI margins.

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Same Property Operating Metrics

Oak Tree Inn Hotels – Same Property

The following table presents same property operating metrics for the three and six months ended June 30, 2015 and June 30, 2014. A property must be owned for the entire quarter for inclusion in this table, which adjusts for the impact of properties that have been acquired during the year.

(US$000s unless otherwise noted)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Number of properties[(1)]	33	33	33	33
Number of restaurants[(1)]	22	22	22	22
Occupancy %	80.7%	84.0%	80.5%	81.2%
Average daily room rate ("ADR")	$ 57.79	$ 57.63	$ 57.22	$ 57.47
Revenue per available room ("RevPAR")	$ 46.64	$ 48.41	$ 46.06	$ 46.67
Revenues				
Rooms	$ 10,861	$ 11,287	$ 21,353	$ 21,519
Food and beverage	2,215	2,679	4,727	4,975
Other	134	71	190	145
TOTAL REVENUES	13,210	14,037	26,270	26,639
Expenses				
Operating expenses	6,568	7,307	13,644	13,950
Energy	592	659	1,310	1,493
Property maintenance	729	855	1,479	1,583
TOTAL EXPENSES	7,889	8,821	16,433	17,026
GROSS PROFIT ("GOP")	5,321	5,216	9,837	9,613
GOP Margin %	*39.5%*	*37.2%*	*37.4%*	*36.1%*
Taxes and insurance	808	779	1,618	1,580
NET OPERATING INCOME ("NOI")	$ 4,513	$ 4,437	$ 8,219	$ 8,033
NOI Margin %	*33.5%*	*31.6%*	*31.3%*	*30.2%*

(1) At period end.

Total revenues were lower during the quarter due to lower non-rail occupancy as fewer rooms were sold for construction projects that were completed in late 2014 and early 2015.

GOP margin for the current quarter was 39.5% compared to 37.2% for the prior period reflecting effective cost controls achieved by the manager coupled with lower utility and maintenance costs.

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Branded Hotels – Same Property

The following table presents same property operating metrics for the three months ended June 30, 2015 and June 30, 2014, respectively. A property must be owned for the entire quarter for inclusion in this table, which adjusts for the impact of properties that have been acquired during the year. Same property calculations included only the eight hotels in the Pittsburgh and Virginia Portfolio.

(US$000s unless otherwise noted)	**Three months ended June 30, 2015**	**Three months ended June 30, 2014**	**Six months ended June 30, 2015**	**Six months ended June 30, 2014**
Number of rooms(1)	874	874	874	874
Number of properties(1)	8	8	8	8
Number of restaurants(1)	-	-	-	-
Occupancy %	83.7%	84.7%	74.4%	79.1%
Average daily room rate (“ADR”)	$ 112.76	$ 113.34	$ 108.28	$ 113.66
Revenue per available room (“RevPAR”)	$ 94.38	$ 96.00	$ 80.56	$ 89.91
Revenues				
Rooms	$ 7,502	$ 7,635	$ 12,750	$ 11,708
Food and beverage	-	-	-	-
Other	75	76	145	119
TOTAL REVENUES	7,577	7,711	12,895	11,827
Expenses				
Operating expenses	3,458	3,457	6,219	5,317
Energy	229	256	551	474
Property maintenance	277	264	569	508
TOTAL EXPENSES	3,964	3,977	7,339	6,299
GROSS OPERATING PROFIT (“GOP”)	3,613	3,734	5,556	5,528
GOP Margin %	*47.7%*	*48.4%*	*43.1%*	*46.7%*
Taxes and insurance	309	306	603	538
NET OPERATING INCOME (“NOI”)	$ 3,304	$ 3,428	$ 4,953	$ 4,990
NOI Margin %	*43.6%*	*44.5%*	*38.4%*	*42.2%*

(1) At period end.

For the current quarter, the decline in occupancy, ADR and operating performance can be attributed to the significant renovations being undertaken at the Residence Inn Cranberry Township and Hampton Inn Harrisonburg University. The renovations were pre-planned to minimize guest impacts. However, due to the extensive nature of the renovations, this has resulted in moderate displacement as rooms were taken out of service. The Residence Inn renovations were completed in June 2015 and the Hampton Inn renovations are scheduled to be completed in September 2015.

RECONCILIATION OF NON-IFRS OPERATING RESULTS

FUNDS FROM OPERATIONS (FFO)

FFO is a supplemental non-IFRS financial measure of operating performance widely used in the Canadian real estate industry. FFO is not defined under IFRS and should not be used as a substitute for net income (loss), cash flow from operations, or any other operating or liquidity measure prescribed under IFRS. Instead, FFO has been included to provide readers and investors with additional information to improve their understanding of AHIP’s operating results. AHIP calculates FFO in accordance with the REALpac White Paper on Funds from Operations as described under the heading "Non-IFRS Measures" above. Net income (loss) and comprehensive income (loss) reconciled to FFO is calculated as follows:

(US$000s unless otherwise noted and except unit and per unit amounts)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Net income (loss) and comprehensive income (loss)	**$ 2,386**	**$ 651**	**$ 2,040**	**$ (109)**
Add/(deduct):				
Depreciation and amortization	4,345	2,738	8,569	5,092
Loss on disposal of property and equipment	89	247	113	247
Business acquisition costs	1,369	543	1,495	912
IFRIC 21 property taxes	(584)	-	(257)	-
Foreign exchange losses	-	-	-	181
Deferred income tax expense	-	261	-	115
Funds from operations ("FFO") – As reported	**$ 7,605**	**$ 4,440**	**$ 11,960**	**$ 6,438**
Add/(deduct):				
Securities based compensation expense	74	148	92	390
Midwestern Portfolio – net income	(116)	-	(116)	-
FFO – Core	**$ 7,563**	**$ 4,588**	**$ 11,936**	**$ 6,828**
Diluted weighted average number of units outstanding – As Reported	28,743,917	16,018,015	26,569,311	15,261,361
Diluted FFO per Unit – As Reported	**$ 0.27**	**$ 0.28**	**$ 0.45**	**$ 0.42**
Diluted weighted average number of units outstanding – Core	24,464,590	14,564,169	24,417,826	14,530,422
Diluted Core FFO per Unit	**$ 0.31**	**$ 0.32**	**$ 0.49**	**$ 0.47**

FFO increased by 71% to $7.6 million for the current quarter (2014 - $4.4 million) and increased by 86% to $12.0 million for six months ended June 30, 2015 (2014 - $6.4 million). The increase was due to higher NOI arising from hotel acquisitions. The higher business acquisition costs were due to higher transactional activity in 2015 compared to the same periods in the prior year.

Diluted FFO per Unit – As Reported was $0.27 and $0.45 for the three and six months ended June 30, 2015, respectively, compared to $0.28 and $0.42 for the same periods last year. The proceeds from the April 2015 Offering were partially deployed towards the end of the second quarter and the balance was deployed in August 2015. Diluted Core FFO per Unit, which adjusts for the dilutive impact of the April 2015 Offering and securities-based compensation expense, was $0.31 and $0.49 for the three and six months ended June 30, 2015, respectively, compared to $0.32 and $0.47 in the prior year.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

Hotel operations require maintenance capital expenditures to maintain the occupancy and revenue streams of the business. AFFO is a widely used non-IFRS measure in the Canadian real estate industry to indicate economic performance and available cash flow after maintenance capital expenditures. AFFO is not defined under IFRS and the method applied by AHIP to calculate AFFO may differ from methods applied by other issuers and as a result may not be comparable with measures used by other issuers.

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In calculating AFFO, AHIP makes certain adjustments to FFO as described under the heading "Non-IFRS Measures" above. The reconciliation of FFO to AFFO is calculated as follows:

(US$000s unless otherwise noted and except unit and per unit amounts)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Funds from operations ("FFO")	**$ 7,605**	**$ 4,440**	**$ 11,960**	**$ 6,438**
Add/(deduct):				
Securities-based compensation expense	74	148	92	390
Accretion of contingent consideration	47	51	105	101
Accretion of deferred compensation	6	-	11	-
Amortization of deferred financing costs	139	128	198	220
Amortization of mark to market adjustment	(18)		(36)	-
FFE reserve (1)	(1,112)	(669)	(2,038)	(1,151)
Adjusted Funds from operations ("AFFO") – As Reported	**$ 6,741**	**$ 4,098**	**$ 10,292**	**$ 5,998**
Deduct:				
Midwestern Portfolio – net income	(89)	-	(89)	-
AFFO – Core	**$ 6,652**	**$ 4,098**	**$ 10,203**	**$ 5,998**
Diluted weighted average number of units outstanding – As Reported	28,743,917	16,018,015	26,569,311	15,261,361
Diluted AFFO per Unit – As Reported	**$ 0.24**	**$ 0.26**	**$ 0.39**	**$ 0.39**
Diluted weighted average number of units outstanding – Core	24,464,590	14,564,169	24,417,826	14,530,422
Diluted Core AFFO per Unit	**$ 0.28**	**$ 0.28**	**$ 0.42**	**$ 0.41**

(1) AHIP has negotiated FF&E Reserve waivers with its lenders for periods of up to 48 months. AHIP does not factor in the benefit of these FF&E Reserve waivers in calculating AFFO.

AFFO increased by $2.6 million to $6.7 million for the current quarter (2014 - $4.1 million) and was up by $4.3 million to $10.3 million for the six months ended June 30, 2015 (2014 - $6.0 million). The increase in AFFO reflected higher revenues and NOI arising from portfolio acquisitions compared to the prior year offset by higher FF&E Reserves.

AFFO per Unit – As Reported was $0.24 and $0.39 for the three and six months ended June 30, 2015, respectively, compared to $0.26 and $0.39 for the same periods last year with the higher NOI from hotel acquisitions offset by the increase in the number of Units outstanding from the April 2015 Offering. The proceeds from the April 2015 Offering were partially deployed towards the end of the second quarter and the balance was deployed in August 2015. Diluted Core AFFO per Unit, which adjusts for the dilutive impact of the April 2015 Offering, was $0.28 and $0.42 for the three and six months ended June 30, 2015 compared to $0.28 and $0.41 of the prior year.

CAPITAL EXPENDITURES

After AHIP acquires a branded hotel property, it may be required to complete a property improvement plan ("PIP") in order to be granted a new franchise license for that particular hotel property. PIPs are intended to bring the hotel property up to the franchisors' current standards. AHIP's lenders require that we escrow, for property improvement plans, the funds required for the completion of these PIPs. In addition, on a regular basis, AHIP is required to escrow additional FF&E Reserves over the term of the respective loans. AHIP intends to spend the amounts necessary to comply with any reasonable loan or franchisor requirements and otherwise to the extent that such expenditures are in the best interests of the hotel to optimize operating performance and ensure the assets are competitive in their market segment.

AHIP has made significant investments at certain properties over the past few quarters including approximately $10.0 million at the Pittsburgh, Virginia and North Carolina properties. The renovations were quite extensive and resulted in some guest displacement and impacted hotel operating performance. The following table summarizes changes in revenues and NOI for those hotels under renovation compared to the same periods last year.

(US$000s unless otherwise noted)	Three months ended June 30, 2015 Revenue Variance	Three months ended June 30, 2015 NOI Variance	Six months ended June 30, 2015 Revenue Variance	Six months ended June 30, 2015 NOI Variance
Hotels under renovation	$ (328)	$ (118)	$ (985)	$ (585)

As an alternative measure of cash flow from operations, AFFO is indicative of AHIP's ability to pay distributions to Unitholders. In calculating AFFO, AHIP makes certain adjustments to cash flow from operations as calculated below:

(US$000s unless otherwise noted)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash flow from operations	$ 4,174	$ 4,734	$ 6,549	$ 6,520
Add/(deduct):				
Change in non-cash working capital	2,843	(249)	4,522	60
Business acquisition costs	1,369	543	1,495	912
IFRIC 21 property tax adjustment	(584)	-	(257)	-
Foreign exchange losses	-	-	-	181
Interest paid	2,847	1,425	5,526	2,586
Interest expense	(2,796)	(1,686)	(5,505)	(3,110)
FF&E Reserves(1)	(1,112)	(669)	(2,038)	(1,151)
AFFO – As Reported	6,741	4,098	10,292	5,998
Distributions declared	$ 5,642	$ 3,334	$ 10,076	$ 6,277
Payout ratio	83.7%	81.4%	97.9%	104.7%

(1) AHIP has negotiated FF&E Reserve waivers with its lenders for periods of up to 48 months. AHIP does not factor in the benefit of these FF&E Reserve waivers in calculating AFFO.

The increase in the payout ratio reflects the short term dilutive impact of the April 2015 Offering, which will be recovered as the new investments generate operating cash flows.

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DISTRIBUTIONS DECLARED COMPARED TO OPERATING CASH FLOWS

(US$000s)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash flow from operations (includes interest paid)	$ 4,174	$ 4,734	$ 6,549	$ 6,520
Distributions declared	(5,642)	(3,334)	(10,076)	(6,277)
Excess (shortfall) of cash flow to distributions	$ (1,468)	$ 1,400	$ (3,527)	$ 243

For the three and six months ended June 30, 2015 and 2014, distributions exceeded cash flow from operations. This shortfall was funded by cash on hand. The temporary shortfall arose due to distributions on undeployed cash proceeds from the April 2015 Offering, which was fully deployed late in the second quarter and during the third quarter of this year. The cash flows from these new investments and from the seasonally strong third quarter is expected to offset this temporary shortfall.

USE OF PROCEEDS

Use of Proceeds from AHIP's April 2015 Offering

In AHIP's short-form prospectus dated April 21, 2015, AHIP disclosed that the total net proceeds from the sale of the Offered Units under the April 2015 Offering was estimated to be Cdn$62,793,800 (inclusive of the estimated net proceeds if the Over-Allotment Option was exercised in full) after deducting the Underwriters' Fees of Cdn$2,645,575 and deducting the estimated expenses of the Offering of Cdn$700,000. In its prospectus, AHIP estimated the net proceeds would be used: (i) as to approximately Cdn$34.0 million, to partially fund the acquisition of the Midwestern Portfolio; (ii) as to approximately Cdn$16.9 million to partially fund the acquisition of the Florida Portfolio (formerly known as the Southeastern Portfolio); (iii) as to approximately $1.4 million to partially fund the recently announced 24 room expansion to the Oak Tree Inn railway lodging facility in Dexter, Missouri; (iv) as to approximately Cdn$2.2 million, to partially fund additional conversion, expansion and new-build opportunities for Oak Tree Inn railway lodging facilities over the next 12 months; and (v) as to the balance, if any, to fund working capital and for general corporate purposes.

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The table below compares the estimated and actual use of proceeds in connection with AHIP's April 2015 Offering for the specific identified uses:

Item	**Estimated Use of Proceeds (Cdn$)**	**Actual Use of Proceeds (Cdn$)**	**Variance (Cdn$)**
Expenses of Offering and related overallotment	$ 3,345,575	$ 3,328,713	$ 16,862
Equity proceeds used for purchase of the Midwestern Portfolio	34,000,000	33,404,121	595,879
Equity proceeds used for purchase of the Florida Portfolio	16,900,000	22,369,810	(5,469,810)
Equity proceeds for the Dexter expansion	1,400,000	-	1,400,000
Equity proceeds used for the conversion, expansion and new build opportunities	2,200,000	-	2,200,000
TOTAL	**$ 57,845,575**	**$ 59,102,645**	**$ (1,257,070)**

Net proceeds used for the purchase of the Florida Portfolio was higher than estimated as lower loan proceeds were utilized to fund this acquisition. As a result, greater proceeds from the offering were required to complete this transaction. The net proceeds for the Dexter expansion and other opportunities will be utilized during the latter part of the year as these projects are completed. The total variance to these estimates was Cdn$1,257,070 and had no impact on AHIP's ability to achieve its business objectives.

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SUMMARY OF QUARTERLY RESULTS

In accordance with Item 1.5 of Form 51-102F1 – *Management's Discussion & Analysis*, quarterly information has been presented for the prior eight quarters.

(US$000s except Units and per Unit amounts)	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Revenues	$ 34,131	$ 29,529	$ 27,849	$ 25,529	$ 22,541	$ 17,224	$ 14,495	$ 14,343
NOI	13,507	8,720	9,126	9,448	8,043	5,380	4,400	4,887
Net income (loss) and comprehensive income (loss)	2,386	(346)	209	2,029	651	(760)	(955)	1,042
FFO	7,605	4,355	4,741	5,408	4,440	1,998	1,297	2,746
AFFO	6,741	3,547	4,167	4,869	4,098	1,900	1,690	2,508
Distributions	5,642	4,434	4,807	3,983	3,334	2,945	2,802	2,255
Total assets	$ 512,731	$ 431,684	$ 433,715	$ 321,813	$ 304,577	$ 258,684	$ 236,502	$ 165,118
Total debt (face value)	$ 260,920	$ 229,997	$ 226,328	$ 154,395	$ 136,012	$ 133,657	$ 108,429	$ 70,652
Basic weighted average number of Units outstanding (000s)	28,682	24,362	22,897	19,468	15,974	14,438	13,051	10,405
Amounts on a per Unit Basis								
Basic and diluted net income (loss) per Unit	$ 0.08	$ (0.01)	$ 0.01	$ 0.10	$ 0.04	$ (0.05)	$ (0.07)	$ 0.10
Diluted FFO per Unit	$ 0.27	$ 0.18	$ 0.21	$ 0.28	$ 0.28	$ 0.14	$ 0.10	$ 0.26
Diluted AFFO per Unit	$ 0.24	$ 0.15	$ 0.18	$ 0.25	$ 0.26	$ 0.13	$ 0.13	$ 0.24

The hotel industry is seasonal in nature. Generally, occupancy rates, revenues and operating results for hotels located in the U.S. are greater in the second and third quarters of the calendar year than in the first and fourth quarters. These fluctuations may impact earnings and cash flow.

Furthermore, the seasonality of revenues also has an impact on earnings, specifically EBITDA margin, due to certain fixed expenditures such as property taxes, insurance and utilities.

FINANCIAL CONDITION

Liquidity

The principal liquidity needs of AHIP are for working capital requirements, debt servicing and repayment obligations, distributions to Unitholders, maintenance capital expenditures and future hotel acquisitions.

Cash flows from operations, cash on hand and AHIP's operating line of credit represent the primary sources of liquidity. Cash flows from operations are dependent on hotel operations including occupancy levels, room rates and operating costs. AHIP will repay maturing debt with proceeds from refinancing such debt, and raises new equity by issuing units from treasury to finance investment activities.

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The following table provides an overview of AHIP's change in cash from operating, financing and investing activities for the three and six months ended June 30, 2015 and June 30, 2014:

(US$000s)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Net change in cash related to:				
Operating activities	$ 4,174	$ 4,734	$ 6,549	$ 6,520
Investing activities	(59,982)	(20,045)	(65,051)	(64,410)
Financing activities	78,525	42,707	77,560	64,131
Increase in cash	$ 22,717	$ 27,396	$ 19,058	$ 6,241

The change in cash for the three and six months ended June 30, 2015 compared to the same periods in 2014 was largely due to:

- Operating activities – higher NOI in 2015 from the acquisitions offset by higher interest payments arising from the related new term loans;
- Investing activities – acquisition of the Midwestern Portfolio in 2015 compared to the NC/GA portfolio which was acquired in July 2014 and the Virginia Portfolio in March 2014;
- Financing activities – loan proceeds related to the acquisition of the Midwestern Portfolio in 2015 as well as a larger public offering in April 2015 compared to the June 2014 public offering.

The following table sets out AHIP's contractual obligations at their face values over the next five years and thereafter.

(US$000s)	TOTAL	2015	2016	2017	2018	2019	Thereafter
Term loans	$ 260,920	$ 2,185	$ 4,613	$ 5,057	$ 59,615	$ 8,553	$ 180,897
Operating leases	1,690	467	610	435	124	54	-
Deferred compensation payable	500	-	500	-	-	-	-
Contingent consideration	5,500	-	5,500	-	-	-	-
	$ 268,610	$ 2,652	$ 11,223	$ 5,492	$ 59,739	$ 8,607	$ 180,897

Under the terms of AHIP's franchise agreements arising from its acquisition of Branded Hotels, AHIP is required to complete brand mandated property improvement plans ("**PIPs**"). AHIP's operating subsidiaries have entered into contracts or commitments with various suppliers to supply products and services in compliance with these renovation plans. Payments for these items are held as restricted cash and funds are dispersed in the ordinary course of business. As at June 30, 2015, AHIP's total restricted cash balance related to PIPs and FF&E Reserves was $13.8 million (December 31, 2014 - $16.2 million).

Debt Strategy

AHIP's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis with terms to maturity that allow AHIP to:

i) achieve and maintain staggered debt maturities that reduce its exposure to interest rate fluctuations and re-financing risk in any particular period; and

ii) fix rates and extend loan terms when borrowing conditions are favorable.

The fixed rate mortgages are expected to be primarily first charge mortgages. Management currently intends to maintain total indebtedness at approximately 50-55% of AHIP's gross book value. In accordance with AHIP's Limited Partnership Agreement, the maximum debt limit is 60% (65% including convertible debentures) of AHIP's gross book value. As at June 30, 2015, AHIP's debt-to-gross book value was 49.6% (2014 – 45.2%).

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(US$000s unless otherwise noted)	June 30, 2015	December 31, 2014	June 30, 2014
Debt	$ 266,920	$ 228,541	$ 142,012
Gross Book Value	$ 537,857	$ 443,457	$ 314,144
Debt-to-Gross Book Value	49.6%	51.5%	45.2%

The following table calculates AHIP's interest coverage ratio for the three and six months ended June 30, 2015 compared to the same periods in the prior year:

(US$000s unless otherwise noted)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
EBITDA	$ 11,129	$ 6,285	$ 17,958	$ 9,639
Interest expense(1)	$ 2,796	$ 1,686	$ 5,505	$ 3,110
Interest coverage ratio (times)	4.0x	3.7x	3.3x	3.1x

(1) Interest expense is computed as finance costs adjusted for non-cash items including accretion of contingent consideration, accretion of deferred compensation payable, amortization of deferred financing costs and amortization of mark-to-market adjustments on assumed term loans.

The following table sets out the interest rates and terms of AHIP's existing debt financing obligations:

(US$000s unless otherwise noted)	Balance at June 30, 2015	Interest Rate	Initial Term (years)	Maturity Date
Oak Tree Inn Hotel Loan	$ 62,432	4.85%	5	March 1, 2018
NC/GA Portfolio Assumed Loan #1	5,544	5.69%	5	August 1, 2018
Oak Tree Hotel Loan Amendment	1,527	4.25%	5	May 1, 2019
Pittsburgh Portfolio Term Loans	38,000	5.02%	10	December 6, 2023
NC/GA Portfolio Assumed Loan #2	7,600	5.28%	10	February 1, 2024
Virginia Portfolio Term Loan	24,500	4.97%	10	April 6, 2024
NC/GA Portfolio Term Loan	6,000	4.72%	10	July 6, 2024
Texas Portfolio Term Loan	16,000	4.20%	10	November 6, 2024
Oklahoma Portfolio Term Loan	25,500	4.20%	10	November 6, 2024
NC/FL Portfolio Term Loan	26,110	4.27%	10	December 6, 2024
Oak Tree Hotel Loan Amendment	11,018	4.76%	10	January 1, 2025
Oak Tree Hotel Loan Amendment	4,689	4.00%(1)	10	April 1, 2025
Midwestern Portfolio Term Loan	32,000	4.24%	10	July 6, 2025
	$ 260,920			

(1) Floating rate loan bears interest at 30-day LIBOR plus 3.00% with a minimum rate of 4.00%.

The weighted average face interest rate as at June 30, 2015 was 4.65% (2014 – 4.88%) and the weighted average loan term to maturity as at June 30, 2015 was 7.5 years (2014 – 6.6 years). As at June 30, 2015, approximately 98.2% (2014 – 100.0%) of AHIP's total mortgages were fixed rate mortgages.

Capital Resources

Management intends to obtain additional equity financing and/or secured debt financing with similar interest rates and terms to meet AHIP's planned growth strategy. Management has not identified any unfavourable trends or fluctuations that may impact AHIP's ability to obtain additional equity financing and/or secured debt financing. AHIP has not obtained or made use of any additional sources of financing that are not disclosed in its condensed consolidated interim financial statements.

Partners' Capital

AHIP is authorized to issue an unlimited number of Units.

From the closing date of AHIP's initial public offering ("IPO") on February 20, 2013 to December 31, 2013, AHIP issued 13,972,500 Units. For the year ended December 31, 2014, AHIP issued a total of 9,897,763 Units from bought-deal public offerings, as partial consideration for the purchase of new Oak Tree Inn Hotels, and for the issuance of Units to senior management.

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 the partial exercise of the over-allotment option of 806,250 Units, priced at Cdn$10.70 per Unit for gross proceeds of Cdn$66.1 million.

As at June 30, 2015, there were 68,765 Units of Restricted Stock issued and outstanding related to short-term and long-term incentive plans for senior management. The Units of Restricted Stock vest over three years and based on the achievement of certain performance metrics.

As at June 30, 2015, there were 30,583,740 Units outstanding. On June 30, 2015, the Units were traded on the TSX with a closing price of Cdn$10.31, and on the OTCQX with a closing price of $8.28. As at August 12, 2015, there were 34,383,740 Units outstanding.

DISTRIBUTION HISTORY

Distribution Policy

AHIP's current policy is to declare and pay monthly cash distributions using available cash. Management's goal is to maintain a conservative AFFO payout ratio. The declaration of distributions is subject to the discretion of the Board of Directors of the General Partner and is evaluated periodically and may be revised. AHIP is currently paying monthly cash distributions of Cdn$0.075 per Unit to Unitholders, which is equivalent to Cdn$0.90 per Unit on an annualized basis. Distribution declarations will be paid to Unitholders of record at the close of business on the last business day of each month on or about the 15th day of the following month.

Distributions Summary

AHIP declared and paid cash distributions to Unitholders of record from January 1, 2015 to June 30, 2015 as per the following table:

Month	Record Date	Payment Date	Distribution per Unit (Cdn$)	Amount (Cdn$000s)	Amount ($000s)
January 2015	January 30, 2015	February 13, 2015	$ 0.075	$ 1,825	$ 1,525
February 2015	February 27, 2015	March 13, 2015	$ 0.075	$ 1,830	$ 1,476
March 2015	March 31, 2015	April 15, 2015	$ 0.075	$ 1,830	$ 1,433
April 2015	April 30, 2015	May 15, 2015	$ 0.075	$ 2,294	$ 1,876
May 2015	May 29, 2015	June 15, 2015	$ 0.075	$ 2,294	$ 1,876
June 2015	June 30, 2015	July 15, 2015	$ 0.075	$ 2,309	$ 1,890
			$ 0.450	$ 12,382	$ 10,076

Distributions totaling Cdn$6.9 million ($5.6 million) and Cdn$12.4 million ($10.1 million) were declared during the three and six months ended June 30, 2015 (June 30, 2014 – Cdn$3.6 million ($3.3 million) and Cdn$6.9 million ($6.3 million)), of which Cdn$2.3 million ($1.9 million) was included in accounts payable and accrued liabilities at June 30, 2015 and subsequently paid on July 15, 2015.

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(Cdn$ except as noted)	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Annualized distribution	$ 0.90	$ 0.90	$ 0.90	$ 0.90	$ 0.90	$ 0.90	$ 0.90	$ 0.90
Period-end close price	$ 10.31	$ 11.21	$ 10.03	$ 10.61	$ 10.29	$ 10.40	$ 10.59	$ 10.60
Annualized distribution yield on closing price (%)	8.7%	8.0%	9.0%	8.5%	8.7%	8.7%	8.5%	8.5%

OFF-BALANCE SHEET ARRANGEMENTS

AHIP does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

AHIP has entered into hotel management agreements with various wholly owned subsidiaries of Tower Rock Hotels & Resorts Inc. (the "**Hotel Manager**"), a company indirectly controlled by the Chief Executive Officer of the General Partner, to manage and operate AHIP's 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 also provide for payment of the following amounts to the Hotel Manager: a base management fee equal to 3.5% of gross revenues; a capital expenditure fee equal to 5.0% of capital expenditures, including maintenance capital expenditures; and an annual administration fee of $20,000 for each property acquired on February 20, 2013 ("**Initial Portfolio**") and $25,000 for each property acquired after February 20, 2013. The annual administration fee for the Initial Portfolio was $15,000 effective February 20, 2013; $20,000 effective February 20, 2015 and $25,000 effective February 20, 2016. Commencing in 2014, the Hotel Manager was also eligible to receive an incentive fee if certain thresholds are met. The incentive fee may not exceed 50% of the aggregate base hotel 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 for the three and six months ended June 30, 2015 and June 30, 2014.

(US$000s)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Management fees	$ 1,216	$ 789	$ 2,250	$ 1,392
Administration fees	351	184	661	344
	$ 1,567	$ 973	$ 2,911	$ 1,736
Total fees as a percentage of total revenues	4.6%	4.3%	4.6%	4.4%

Capital management fees of $223 and $310 for the three and six months ended June 30, 2015 (June 30, 2014 - $23 and $41) were capitalized to property, buildings and equipment. For the three and six months ended June 30, 2015 and June 30, 2014, the Hotel Manager did not qualify for any incentive fees and as a result no incentive fee amounts were recorded in the condensed consolidated interim financial statements. In addition, during the three and six months ended June 30, 2015, the Hotel Manager was reimbursed $9.5 million and $18.8 million respectively from the hotel properties for general and administrative costs (June 30, 2014 - $6.6 million and $12.3 million).

During 2015, AHIP acquired the Wellington, Kansas hotel from SunOne Developments Inc. ("**SunOne**"), a company affiliated with the Chief Executive Officer and a director of the General Partner. The purchase price was calculated based on the greater of: i) 95% of the fair market value of the property under development as determined by an independent appraisal; and ii) the construction cost of the assets at substantial completion, as defined by the Master Development agreement with SunOne. The hotel was paid for as follows:

	Wellington
Property, buildings and equipment	$ 7,480

Financed by:	
Cash	$ 1,507
Mezzanine loan receivable	648
New Oak Tree Inn Hotel loan	4,725
Issuance of 66,927 Units	600
	$ 7,480

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING STANDARDS

The preparation of the condensed consolidated interim 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, liabilities and disclosure of contingent assets and liabilities as at the date of the condensed consolidated interim financial statements, and the reported amounts of income and expenses during the financial reporting period. Actual results may differ from these estimates.

Accounting estimates

Significant areas of estimates include the following:

i) Business combinations

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

Accounting standards adopted in the period:

No new accounting standards were adopted during the current period.

SUBSEQUENT EVENTS

a) Expansion of Oak Tree Inn hotel in Glendive, Montana

On July 2, 2015, AHIP announced increased room commitments at the recently acquired 50- room Oak Tree Inn hotel located in Glendive, Montana (the "Glendive Property"). The railway customer at the Glendive Property increased their daily room commitment from 40 guestrooms to 55 guestrooms. In order to accommodate this increased demand, AHIP entered into an agreement with SunOne to construct a 24-room expansion at the Glendive Property for a total purchase price of US$2.8 million. The expansion is part of AHIP's previously announced railway growth strategy of constructing additional guestrooms at existing, high occupancy Oak Tree Inn hotels.

b) Appointment of Mr. Ian McAuley as Executive Vice President – Asset Management, effective September 1, 2015

On July 17, 2015, AHIP announced the appointment of Mr. Ian McAuley as Executive Vice President – Asset Management. Mr. McAuley will oversee and interface with the hotel manager on property operating performance, capital investments, risk management and brand relations for AHIP's growing portfolio of Oak Tree Inn Hotels and Branded Hotels. As a key member of AHIP's executive team, Mr. McAuley will actively participate in implementing AHIP's growth strategy, delivering industry leading operating performance and creating value for AHIP's unitholders.

c) Distributions

On July 20, 2015, 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 July 1, 2015 to July 31, 2015 to be paid to Unitholders of record on July 31, 2015. The distribution will be paid on August 15, 2015.

d) Potential Acquisition of Strategic Railway Hotel Portfolio for $45.0 million ("**Railway Portfolio**")

On July 23, 2015, AHIP announced that it had entered into a conditional purchase and sale agreement ("**PSA**") for the potential acquisition of a strategic portfolio of five railway lodging facilities comprising approximately 600 guestrooms servicing one of the top three major railway companies in the United States. The hotels are located along major rail lines in Nebraska, New Mexico, South Dakota and Wyoming. The properties are being purchased for $45.0 million before closing costs representing a weighted average trailing twelve month capitalization rate of approximately 10% after taking into account all hotel management fees and an FF&E reserve. The lodging contracts guarantee in excess of 80% of the available guestrooms with average contract terms of approximately nine years. The PSA is subject to various conditions including negotiation of formal legal documents and assignment of railway contracts. If these conditions are met, the acquisition is expected to be financed with cash from the August 2015 Offering and a new 10-year $20 million mortgage with fixed interest rates of between 4.00-4.25% for the first five years and a variable rate thereafter.

e) Completion of Acquisition of the Florida Portfolio for $30.8 million

On August 6, 2015, AHIP completed the acquisition of the 3-hotel Florida Portfolio for $30.8 million excluding brand mandated property improvement plans, defeasance costs and closing costs. The acquisition was financed with cash proceeds from the April 2015 Offering and a new 10-year, $19.0 million interest-only mortgage with a fixed interest rate of 4.21%.

f) Completion of Cdn$38.6 million Bought Deal Offering of Units on August 11, 2015 ("**August 2015 Offering**")

On August 11, 2015 AHIP completed a public offering of 3,800,000 Units, on a bought deal basis, at a price of Cdn$10.15 per Unit, for total gross proceeds of Cdn$38.6 million ($29.5 million). As described in the short form prospectus dated August 5, 2015, AHIP intends to use the net proceeds of the offering to: (i) partially fund the potential acquisition of a strategic portfolio of railway lodging facilities; (ii) partially fund potential expansion, conversion and new-build opportunities; and (iii) fund working capital and for general corporate purposes.

INTERNAL CONTROLS

National Instrument 52-109 "*Certification of Disclosure in Issuers' Annual and Interim Filings*" ("**NI 52-109**") requires the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") to be responsible for establishing and maintaining disclosure controls and procedures ("**DC&P**") and internal controls over financial reporting ("**ICFR**"), as defined in the instrument. DC&P are designed to provide reasonable assurance that material

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information required to be disclosed by AHIP in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Furthermore, DC&P are designed to ensure that material information required to be disclosed by AHIP in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to AHIP's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

AHIP's ICFR may not prevent or detect all misstatements because of the inherent limitations of any control system. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with AHIP's policies and procedures.

As at June 30, 2015, AHIP's management, under the supervision of its CEO and CFO, has designed DC&P and ICFR, with the exception of the scope of design of DC&P and ICFR as noted below. Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") in Internal Control – Integrated Framework (2013). There has been no change in AHIP's DC&P and ICFR during the six months ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect AHIP's DC&P and ICFR.

In accordance with Section 3.3(1)(b) of NI 52-109, AHIP's CEO and CFO have limited the scope of design of DC&P and ICFR to exclude the controls, policies and procedures related to the NC/GA, Texas, Oklahoma, NC/FL and Midwestern Portfolios within the Branded Hotel portfolio, as they were acquired less than 365 days before the last day of the three months ended June 30, 2015. The results of these Branded Hotel portfolios constitutes approximately 33.7% and 36.6% of AHIP's income from operating activities for the three and six months ended June 30, 2015, respectively, included in the condensed consolidated interim financial statements and related notes. AHIP intends to complete the design of DC&P and ICFR for the NC/GA Portfolio by September 30, 2015, for the NC/GA, Texas, Oklahoma and NC/FL Portfolios by December 31, 2015 and for the Midwestern Portfolio by June 30, 2016.

CURRENCY SWAP ARRANGEMENTS

All of AHIP's investments and almost all of its operations are conducted in U.S. dollars and AHIP pays distributions to Unitholders in Canadian dollars. Therefore, AHIP has exposure to fluctuations in currency exchange rates. In general, AHIP benefits from a stronger U.S. Dollar relative to the Canadian Dollar with the greatest impact on the monthly distributions. Conversely, a weaker Canadian Dollar increases the amount of equity funds required to complete investments in the United States. For the three and six months ended June 30, 2015, AHIP did not enter into any currency swap arrangements. Management continues to explore currency swap arrangements on a regular basis as a risk management tool.

The following table provides the quarterly Cdn$/US$ exchange rates over the past 12 months:

Cdn$/US$ Exchange Rate[(1)]	**Jun 30, 2015**	**Mar 31, 2015**	**Dec 31, 2014**	**Sept 30, 2014**	**Jun 30, 2014**
Period end	$ 1.2474	$ 1.2683	$ 1.1601	$ 1.1208	$ 1.0676

(1) Bank of Canada noon rate on the respective dates

RISKS AND UNCERTAINTIES

Investing in Units involves a high degree of risk. In addition to the risks identified in this section and elsewhere in this MD&A, investors should carefully consider all of the risk factors noted in AHIP's AIF, a copy of which is available on SEDAR at www.sedar.com, before purchasing Units. The occurrence of any of such risks, or other risks not presently known to AHIP or that AHIP currently believes are immaterial, could materially and adversely affect AHIP's investments, prospects, cash flows, results of operations or financial condition and AHIP's ability to make cash distributions to Unitholders. In that event, the value of the Units could decline and investors may lose all or part of their investment.

The Units involve a certain degree of risk. Any person currently holding or considering the purchase of Units should be aware of these and other factors set forth in AHIP's AIF and should consult with his or her legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their investment.

ADDITIONAL INFORMATION

Additional information relating to AHIP, including the company's AIF, is available on SEDAR at www.sedar.com.

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DETAILS OF OAK TREE INN PORTFOLIO AS AT AUGUST 12, 2015

Hotel Address	Location	Number of Rooms	Restaurant
2407 East Holland Avenue	Alpine, TX	40	Yes
3522 N. Highway 59	Bill, WY	112	Yes
620 Souder Road(1)	Brunswick, MD	25	Yes
3475 Union Road	Buffalo, NY	56	-
1625 Stillwater Avenue	Cheyenne, WV	60	Yes
2300 Valley West Ct.	Clinton, IA	123	-
21233 Coal River Road	Comfort, WY	25	-
1608 W U.S. Business 60	Dexter, MO	109	Yes
4000 Siskiyou Avenue	Dunsmuir, CA	21	Yes
95 Spruce Road	Elko, NV	120	-
2700 N Diers Parkway	Fremont, NE	100	Yes
2006 North Merrill Avenue(2)	Glendive, MT	50	Yes
220 15th Street SE	Glenwood, MN	56	Yes
1170 W. Flaming Gorge Way	Green River, WY	191	Yes
1051 North Market Street	Hearne, TX	116	Yes
1110 SE 4th Street	Hermiston, OR	62	-
1710 Jefferson Street(3)	Jefferson City, MO	77	-
501 SW Boulevard(4)	Kansas City, KS	110	-
7875 Airline Highway	Livonia, LA	42	Yes
8233 Airline Highway	Livonia, LA	60	-
123 Westvaco Road	Low Moor, VA	30	Yes
1127 Pony Express Highway	Marysville, KS	139	Yes
528 S. George Nigh Expressway	McAlester, OK	61	-
777 W Center Street	Milford, UT	75	Yes
128 S. Willow Road	Missouri Valley, IA	41	Yes
707 E. Webster Street	Morrill, NE	97	Yes
451 Halligan Drive	North Platte, NE	111	Yes
22 N. Frontage Street	Pecos, TX	61	-
2005 E. Daley Street	Rawlins, WY	62	Yes
12 Kitty Hawk Road(5)	Santa Teresa, NM	56	Yes
K27 & Commerce Street	Sharon Springs, KS	50	Yes
U.S. 285 & 2nd Street	Vaughn, NM	60	Yes
1177 E. 16th Street	Wellington, KS	80	Yes
1004 E 16th Street(6)	Wellington, KS	110	-
1706 N. Park Drive	Winslow, AZ	72	-
98 Moffat Avenue	Yampa, CO	37	Yes
35450 Yermo Road	Yermo, CA	65	Yes
1731 S. Sunridge Drive	Yuma, AZ	119	Yes
TOTAL OAK TREE INN HOTELS	**38 properties**	**2,881**	**26**

Footnotes:

(1) Acquired on November 24, 2014
(2) Acquired on October 28, 2014
(3) Opened on February 4, 2014
(4) One hotel room was converted to an office during 2015.
(5) Opened on May 5, 2014
(6) Acquired on February 25, 2015

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DETAILS OF BRANDED HOTEL PORTFOLIO AS AT AUGUST 12, 2015

Hotel Address	Brand	Location	Number of Rooms	Restaurant
Hilton Hotels				
85 University Boulevard (8)	Hampton Inn	Harrisonburg, VA	160	-
555 Trumbull Drive (7)	Hampton Inn	Pittsburgh, PA	132	-
8514 University Boulevard (7)	Hampton Inn	Moon (Pittsburgh), PA	127	-
210 Executive Drive (7)	Hampton Inn	Cranberry Township, PA	116	-
1137 E. Dixie Drive (9)	Hampton Inn	Asheboro, NC	111	-
898 Wiggins Road (8)	Hampton Inn	Emporia, VA	85	-
2814 Williams Avenue (11)	Hampton Inn	Woodward, OK	81	-
1508 Cinema Drive (12)	Hampton Inn	Statesville, NC	80	-
43 Covenant Drive (8)	Hampton Inn	Harrisonburg, VA	68	-
3004 South 4th Street (13)	Hampton Inn	Chickasha, OK	63	-
Marriott Hotels				
4101 SW 38th Ct (14)	Courtyard	Ocala, FL	169	Yes
10024 US Highway 15 & 501 (9)	Springhill Suites	Pinehurst, NC	107	-
1308 Freedom Road (7)	Residence Inn	Cranberry Township, PA	96	-
4735 Helen Hauser Blvd. (12)	Fairfield Inn & Suites	Titusville, FL	96	-
3610 SW 38th Ave (14)	Residence Inn	Ocala, FL	96	-
1530 Cinema Drive (12)	Courtyard	Statesville, NC	94	-
150 Arnold Drive (8)	Fairfield Inn & Suites	South Hill, VA	90	-
920 Executive Way (9)	Fairfield Inn & Suites	Asheboro, NC	87	-
3712 SW 38th Ave (14)	Fairfield Inn & Suites	Ocala, FL	87	-
4355 West New Haven Ave. (12)	Fairfield Inn & Suites	Melbourne, FL	83	-
1319 East King Avenue (9)	Fairfield Inn & Suites	Kingsland, GA	82	-
1740 Airport Boulevard (10)	Fairfield Inn & Suites	Amarillo, TX	79	-
IHG Hotels				
8231 Amarillo Boulevard West (10)	Holiday Inn	Amarillo, TX	151	Yes
4401 SW 15th Street (11)	Holiday Inn	Oklahoma City, OK	147	Yes
13800 Quail Springs Parkway (11)	Holiday Inn	Oklahoma City, OK	109	Yes
4411 SW 15th Street (11)	Staybridge Suites	Oklahoma City, OK	103	-
2080 Holliday Drive (13)	Holiday Inn Express	Dubuque, IA	87	-
121 Swords Drive (13)	Holiday Inn Express	Mattoon, IL	69	-
2501 Holiday Lane (13)	Holiday Inn Express	Jacksonville, IL	69	-
7840 NW 39 Expressway (13)	Holiday Inn Express	Bethany, OK	69	-
311 S. Johnson Drive (13)	Holiday Inn Express	Nevada, MO	68	-
3007 W. 18th Ave (13)	Holiday Inn Express	Emporia, KS	68	-
2610 S. 4th Street (13)	Holiday Inn Express	Chickasha, OK	62	-
Carlson-Rezidor Hotel				
960 Ed Noble Parkway (13)	Country Inn	Norman, OK	77	-
Choice Hotel				
6915 I-40 West (10)	Sleep Inn & Suites	Amarillo, TX	63	-
TOTAL BRANDED HOTELS		**35 properties**	**3,331**	**4**
GRAND TOTAL		**73 properties**	**6,212**	**30**

Footnotes:

(7) The "**Pittsburgh Portfolio**" means the portfolio of four branded hotels and 471 guestrooms located in Pittsburgh, Pennsylvania acquired on November 21, 2013;

(8) The "**Virginia Portfolio**" means the portfolio of four branded hotels and 403 guestrooms located in Virginia acquired on March 12, 2014;

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(9) The "**NC/GA Portfolio**" means the portfolio of four branded hotels and 387 guestrooms located in North Carolina and Georgia acquired on July 3 and July 11, 2014;
(10) The "**Texas Portfolio**" means the portfolio of three branded hotels and 293 guestrooms located in Amarillo, Texas acquired on October 27, 2014;
(11) The "**Oklahoma Portfolio**" means the portfolio of four branded hotels and 440 guestrooms located in Oklahoma on November 3, 2014;
(12) The "**NC/FL Portfolio**" means the portfolio of four branded hotels and 353 guestrooms located in North Carolina and Florida acquired on November 25, 2014;
(13) The "**Midwestern Portfolio**" means the portfolio of nine branded hotels and 632 guestrooms located in Illinois, Iowa, Kansas, Missouri and Oklahoma acquired on June 18, 2015;
(14) The "**Florida Portfolio**" means the portfolio of three branded hotels and 352 guestrooms located in Ocala, Florida acquired on August 6, 2015.

DETAILS OF PROPERTIES UNDER DEVELOPMENT AS OF AUGUST 12, 2015

Hotel Address	Location	Number of Rooms	Restaurant
1608 W U.S. Business 60 (expansion)	Dexter, MO	24	-
2006 North Merrill Avenue (expansion)	Glendive, MT	24	-
TOTAL DEVELOPMENTS	**2 Properties**	**48**	**-**

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