AMERICAN HOTEL INCOME PROPERTIES REIT LP

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2013
Dated: March 17, 2014

AMERICAN HOTEL INCOME PROPERTIES REIT LP
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American Hotel Income Properties REIT LP

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FORWARD-LOOKING DISCLAIMER

Management's discussion and analysis ("MD&A") of the financial position and the results of operations of American Hotel Income Properties REIT LP ("AHIP") for the year ended December 31, 2013 should be read in conjunction with AHIP's audited consolidated financial statements and related notes for the same period. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied under the headings "*Overview*", "*Results of Operations*", "*Financial Condition*", "*Liquidity and Capital Resources*", *"Subsequent Events"* and "*Risks and Uncertainties*" relating to AHIP's objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by words such as "outlook", "believe", "expect", "may", "anticipate", "should", "intend", "estimates" and similar expressions.

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. 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; unit prices; liquidity; tax risk; ability to access capital markets; competition for real property investments; environmental matters and changes in legislation. Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available; however, management can give no assurance that actual results will be consistent with these forward-looking statements.

Factors and assumptions that were applied in drawing conclusions and could cause actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and AHIP's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities, and statements regarding AHIP's future economic performance. AHIP has based these forward-looking statements on AHIP's current expectations about future events.

Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to AHIP, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

These forward-looking statements are made as of March 17, 2014 and AHIP assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

BASIS OF PRESENTATION

The consolidated financial statements of AHIP for the year ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts presented in this MD&A are in United States dollars, unless otherwise noted.

AHIP was formed on October 12, 2012 and had no operating activities prior to indirectly acquiring its initial portfolio, Lodging Enterprises (included within the "Oak Tree Inn hotels"), on February 20, 2013 and the acquisition of the four hotels in Pittsburgh, Pennsylvania (the "Other Branded hotels") on November 21, 2013. Therefore, comparative operating results for AHIP's indirectly-owned subsidiaries are not available for the year ended December 31, 2012. As such, certain operating results of AHIP presented for the year ended December 31, 2013 reflect only the operational results of the Oak Tree Inn hotels for the 314-day period from the date of acquisition on February 20, 2013 to December 31, 2013 and the operational results of the Other Branded hotels for the 41-day period from the date of

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acquisition on November 21, 2013 to December 31, 2013. Any comparative information provided is for reference purposes only and is not intended to represent a comprehensive comparison of the consolidated financial results.

NON-IFRS MEASURES

Certain non-IFRS financial measures are included in this MD&A, which include debt to gross book value, funds from operations ("FFO"), adjusted funds from operations ("AFFO") and net operating income ("NOI"). These terms are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. Real estate investment trusts often refer to FFO, AFFO and NOI as supplemental measures of performance and debt to gross book value as a supplemental measure of financial condition.

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

"Debt" means the face value of term loans, contingent consideration, and deferred compensation payable as at December 31, 2013.

"Gross book value" means, at any time, the book value of the total assets of AHIP, 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 deferred income tax liabilities arising out of fair value adjustments in respect of indirect acquisitions.

AHIP believes that AFFO is an important measure of economic performance and is indicative of AHIP's ability to pay distributions; however, AHIP believes that there is not adequate consensus among preparers and users of reporting issuer's financial statements to allow comparability. AHIP believes FFO and NOI are important measures of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO, AFFO and NOI is net income. See "*Reconciliation of Non-IFRS Operating Results*" for a reconciliation of FFO, AFFO and NOI to net income for the applicable reporting period.

"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 in 2004 and revised in 2010 for the impact of IFRS. FFO is defined as net income (loss) and comprehensive income (loss) 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; and (iv) deferred income tax (expense)recovery.

"AFFO" is defined as FFO subject to certain adjustments, including: (i) amortization of deferred financing costs (ii) amortization of contingent consideration; (iii) non-cash compensation items; and (iv) deducting a reserve for normalized maintenance capital expenditures, as determined by the General Partner (defined below). Other adjustments may be made to AFFO as determined by the General Partner in its discretion.

"NOI" is defined as revenue after operating expenses have been deducted (excluding depreciation and amortization).

Debt to gross book value, FFO, AFFO and NOI should not be construed as alternatives to measurements determined in accordance with IFRS as indicators of AHIP's performance or financial condition. AHIP's method of calculating debt, gross book value, FFO, AFFO and NOI may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

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Overview

About AHIP

AHIP is a limited partnership formed under the Limited Partnership Act (Ontario) to invest in hotel real estate properties primarily in the U.S. AHIP was established by and among 8290768 Canada Inc. (renamed "American Hotel Income Properties REIT (GP) Inc." on October 26, 2012) (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. AHIP's head office and address for service is located at 1660 – 401 West Georgia Street, Vancouver, British Columbia, Canada, V6B 5A1.

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

(a) acquiring common shares and, where applicable, a ROC Share of American Hotel Income Properties REIT Inc. (the "U.S. REIT"), a ROC share being defined as a share in the capital of the U.S. REIT which is designated within such capital 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 units of AHIP ("Units") and to acquire and hold shares of the U.S. REIT. The U.S. REIT was established, among other things, for the purposes of indirectly acquiring and owning hotel real estate properties in the U.S.

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 under the symbol HOT.UN and on the OTCQX International marketplace in the U.S. under the symbol AHOTF.

Operational and financial highlights

1. Completion of Initial Public Offering ("IPO") and acquisition of initial portfolio

On February 20, 2013, AHIP completed its IPO of 9,570,000 Units priced at Cdn$10.00 per Unit, for total gross proceeds of Cdn$95.7 million (US$94.1 million). Included in the closing were 870,000 Units for total gross proceeds of Cdn$8.7 million (US$8.5 million) from a partial exercise of the over-allotment option described in AHIP's final prospectus dated February 12, 2013 (the "IPO Prospectus") as filed with the securities commissions and other securities regulatory authorities in all provinces and territories of Canada.

On March 1, 2013, the exercise of the remaining balance of the over-allotment option was completed, resulting in the issuance of an additional 435,000 Units at a price of Cdn$10.00 per Unit for gross proceeds of Cdn$4.4 million (US$4.2 million).

The net proceeds of the offering and over-allotment were used to indirectly acquire 100% of the outstanding share capital of the Oak Tree Inn hotel chain, which consisted of 32 hotel properties located in 19 U.S. states that focus on railroad employee accommodation, with the remainder set aside for the acquisition of additional suitable hotel properties and for general working capital purposes. See "Use of Proceeds". The Oak Tree Inn hotels include one property operating under the Best Western brand.

2. **Completed bought deal public offering of subscription receipts ("Subscription Receipts") totaling Cdn$40.3 Million on October 31, 2013**

   On October 31, 2013, AHIP completed the public offering of 3,967,500 Subscription Receipts inclusive of 517,500 Subscriptions Receipts related to an over-allotment option, at a price of Cdn$10.15 per Subscription Receipt for gross proceeds to AHIP of Cdn$40.3 million (US$38.3 million) (the "Offering").

   On November 21, 2013, upon completion of the acquisition of the four hotel properties in Pittsburgh, Pennsylvania (the "Other Branded hotels") described below, one AHIP Unit was issued in exchange for each outstanding Subscription Receipt without payment of additional consideration, which resulted in the issuance of 3,967,500 Units.

   A portion of the net proceeds from the Offering was used to satisfy the cash portion of the aggregate purchase price of the Other Branded hotels including the funding of the property improvement plans ("PIPs"). The balance of the net proceeds of the Offering will be used for general corporate and working capital purposes. See "Use of Proceeds".

3. **Acquisition of four hotel properties in Pittsburgh on November 21, 2013 (the "Pittsburgh Portfolio")**

   On November 21, 2013, AHIP indirectly acquired the Other Branded hotels for a total purchase price of US$57.7 million, of which US$20.4 million was paid in cash and the balance attributable to new term loans (the "2013 Term Loans"). The Other Branded hotels comprise an aggregate of 471 guest rooms and consists of three hotels under the 'Hampton Inn' flag (a Hilton brand), and one hotel under the 'Residence Inn' flag (a Marriott brand). The Other Branded hotels are extended-stay and focused-service hotels that cater primarily to corporate-transient travelers.

4. **Acquisition of four hotel properties in Virginia on March 12, 2014 (the "Virginia Portfolio")**

   On March 12, 2014, AHIP completed the acquisition of the four hotel properties located in Virginia for an aggregate purchase price of approximately US$37.2 million, including up to US$1.48 million for defeasance of existing debt and US$0.1 million for additional land, and excluding post-acquisition adjustments and brand mandated PIPs. The Virginia Portfolio is comprised of an aggregate of 403 guest rooms and consists of three hotels under the "Hampton Inn" flag (a Hilton brand), and one hotel under the "Fairfield Inn & Suites" flag (a Marriott brand). The properties are located in Harrisonburg, Emporia and South Hill, Virginia, near transportation hubs and other major demand generators such as James Madison University, manufacturing facilities, distribution centres, and medical centres. The properties cater primarily to corporate travelers seeking select-service lodging and fits within AHIP's Other Branded hotels operating segment.

   In connection with the acquisition of the Virginia Portfolio, AHIP entered into a loan agreement with a major international bank (the "Lender") for a $24.5 million loan. The initial term of the Loan is 10 years after the closing date of March 12, 2014 (the "Term"). The interest rate on the Loan is locked at 4.97% per annum. The Loan will be secured by a first-priority mortgage encumbering each of hotels in the Virginia Portfolio, a first-priority security interest in all the business assets and personal property used in or useful in the operation of the Virginia Portfolio and a first-priority security interest in all accounts that are held by a manager for the benefit of AHIP or the Virginia Portfolio. The four properties will be cross-collateralized and cross-defaulted. The Lender will have the right to sell, assign, syndicate, securitize or participate in the Loan, in whole or in part, without AHIP's consent, and AHIP will be required to cooperate in a reasonable manner with any such sale, assignment, syndication, securitization or participation.

   The Loan will be amortized as interest-only for the first three years of the Term; thereafter, a constant monthly payment of principal and interest will be due and payable in an amount sufficient to fully amortize the Loan over a 30-year amortization schedule, subject to prepayment. AHIP is required to establish and fund reserves to cover the payment of, among other things, all of the costs required by the PIPs and other planned capital improvements for the Virginia Portfolio for $6.0 million in aggregate. An ongoing capital expenditures reserve

("FF&E reserve") of 4% will be required. The ongoing FF&E reserve is waived for the initial 12 months on all properties except for one, where the FF&E reserve is waived for the initial 24 months.

5. Expansion of Oak Tree Inn hotel chain

(a) The following Oak Tree Inn hotels opened or were acquired in 2013:

- *Oak Tree Inn Glenwood, Minnesota*

On May 13, 2013, AHIP announced the opening of the 56-room Oak Tree Inn and Penny's Diner in Glenwood, Minnesota. The property is secured by a long-term railway contract.

- *Oak Tree Inn Livonia, Louisiana*

On May 13, 2013, AHIP announced the opening of the 60-room Oak Tree Inn hotel located in Livonia, Louisiana. The property is secured by a long-term railway contract.

- *Oak Tree Inn Jefferson City, Missouri*

On September 12, 2013, AHIP acquired a 77-room hotel located in Jefferson City, Missouri.

On November 21, 2013, AHIP announced the signing of a long-term contract for railway crew accommodation at the Jefferson City location. Renovations to improve the existing hotel to Oak Tree Inn quality standards were completed according to plan and on February 4, 2014 AHIP announced the grand opening of the fully renovated Oak Tree Inn.

(b) The following properties were approved by the Board and are presently under development by SunOne Developments Inc. ("SunOne"):

- *Oak Tree Inn Santa Teresa, New Mexico*

On July 9, 2013, AHIP announced the commitment with SunOne to purchase a 56-room Oak Tree Inn hotel and Penny's Diner located in Santa Teresa, New Mexico, secured by a long-term railway contract. The property is expected to open in May 2014.

- *Oak Tree Inn Brunswick, Maryland*

On August 23, 2013, AHIP announced that its Board of Directors approved the commitment with SunOne to purchase a new 25-room Oak Tree Inn and Penny's Diner located in Brunswick, Maryland, secured by a long-term railway contract. The property is expected to open in June 2014.

- *Oak Tree Inn Wellington, Kansas*

On November 7, 2013, AHIP announced the commitment with SunOne to purchase a 110-room Oak Tree Inn hotel located in Wellington, Kansas, secured by a long-term railway contract. The property is expected to open in September 2014.

- *Oak Tree Inn Glendive, Montana*

On November 7, 2013, AHIP announced the commitment with SunOne to purchase a 50-room Oak Tree Inn hotel and Penny's Diner located in Glendive, Montana, secured by a long-term railway contract. The property is expected to open in November 2014.

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Summary Financial Review

Certain operating results of AHIP presented for the year ended December 31, 2013 reflect only the operational results of the Oak Tree Inn hotels for the 314-day period from the date of acquisition on February 20, 2013 to December 31, 2013 and the operational results of the Other Branded hotels for the 41-day period from the date of acquisition on November 21, 2013 to December 31, 2013.

		As at December 31, 2013
Cash balance (excluding restricted cash of $6.0 million)	$	29,486,899
Gross Book Value [5]	$	241,025,439
Debt outstanding [5]	$	112,286,497
Debt to gross book value [5]		46.6%
Distributions declared	$	8,327,366
Distributions declared per Unit [6]	$	0.77
Distributions paid [7]	$	7,309,221

(5) see "Non-IFRS measures"

(6) Cdn $0.096 per Unit for March 2013 and Cdn$0.075 per Unit from April to December 2013

(7) $1,018,145 is included in accounts payable and accrued liabilities at December 31, 2013 and paid on January 15, 2014. Distributions represent Cdn $0.90 per Unit on an annualized basis.

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SUMMARY OF KEY OPERATING METRICS

As at December 31, 2013	Oak Tree Inn hotels [5]	Other Branded hotels	Total
Number of properties in operation	34	4	38
Number of available rooms	2,642	471	3,113
Occupancy rate [1][2]	82.3%	56.6%	81.7%

For year ended December 31, 2013 [1][2]	Oak Tree Inn hotels	Other Branded hotels	Total
Room revenue	$ 36,934,128	$ 1,277,435	$ 38,211,563
Revenue per available room ("RevPAR") [1][2]	$ 46.15	$ 65.35	$ 46.60
Funds from Operations ("FFO") [3]			$ 7,408,078
FFO per weighted average number of units			$ 0.74
Adjusted Funds from Operations ("AFFO") [3]			$ 7,245,397
AFFO per weighted average number of units			$ 0.72
AFFO payout ratio [4]			114.9%
AFFO (restated) per weighted average number of units, using actual contributions to FF&E reserve			$ 0.77
AFFO payout ratio (restated) using actual contributions to FF&E reserve			107.3%

[1] Oak Tree Inn hotels: for 314-day period from date of acquisition on February 20, 2013 to December 31, 2013
[2] Other Branded hotels: for 41-day period from date of acquisition on November 21, 2013 to December 31, 2013
[3] see "Reconciliation of non-IFRS Operating Results"
[4] AFFO payout ratio is calculated as distributions declared divided by AFFO
[5] Includes one Best Western franchise hotel

Outlook

Following the closing of the Virginia Portfolio, AHIP's portfolio is comprised of 42 hotels located in 20 states across the U.S., representing an aggregate of 3,516 rooms, excluding the four previously announced properties currently under development through SunOne, which represent 241 additional rooms in the aggregate. Of AHIP's 38 operating properties at December 31, 2013, 33 operate under AHIP's flagship 'Oak Tree Inn' brand, one under the 'Best Western' brand, three under the 'Hampton Inn' brand, and one under the 'Residence Inn' brand. The Virginia Portfolio acquisition added another three hotels under the 'Hampton Inn' brand and one hotel under the 'Fairfield Inn & Suites' brand comprising 403 rooms, for a total of 42 hotels and an aggregate of 3,757 rooms inclusive of the properties under development. The 33 hotels under the Oak Tree Inn brand were specifically designed for railway employee lodging customers. Upon closing the Virginia acquisition, Management estimates that approximately 62% of the total available room-nights in AHIP's portfolio are covered under contracts containing minimum occupancy guarantees.

AHIP continues to evaluate opportunities to acquire additional high quality economy, select service and extended stay hotel assets in the U.S. on an accretive basis. Management remains focused on augmenting its initial portfolio and since last quarter has examined over $1 billion of for-sale hotel inventory to evaluate the product against AHIP's investment criteria. Preliminary offers have been negotiated on multiple hotel portfolios and AHIP is in its initial phase of due diligence evaluating some of those opportunities. The Virginia Portfolio and Pittsburgh Portfolio acquisitions are representative examples of the good physical quality and strong in-place cash flow / yield that AHIP requires for its acquisitions.

In January 2014, at America's Lodging Investment Summit ("ALIS"), PKF Hospitality Research ("PKF-HR") projected national U.S. RevPAR growth of 6.6% in 2014 followed by a further 7.5% increase in 2015. At ALIS, PKF-HR president Mark Woodworth said, "I happen to think it's going to be a terrific year this year." He noted that hotel profits increased by more than 10% since 2011, a trend that is expected to continue through to at least 2015. Woodworth said that his firm's optimism stems in part from limited new supply and hoteliers' improved pricing power. In addition to RevPAR growth, Woodworth said that occupancy should increase to 63.2% in 2014, from 62.3% in 2013, while the average daily rate ("ADR") should increase by 4.8% in 2014, from 3.9% in 2013. In 2015, PKF-HR is forecasting occupancy of 64.4% and ADR growth of 5.6%. Woodworth said that demand has recovered in 44 of the 50 U.S. markets that PKF-HR monitors, while supply remains below the long-run average in 47 of the top-50 markets. Management agrees that this projection is generally reflective of AHIP's Other Branded hotels' expected performance.

Some of the key initiatives for AHIP in 2014 include:

- In addition to closing the Virginia Portfolio acquisition, advance existing negotiations and enter into new negotiations to close on approximately $200 million of accretive acquisitions in 2014
- Achieve a minimum Cdn$250 million market capitalization by the end of 2014
- Maintain an overall leverage of approximately 50% of gross book value
- Maintain and increase Unit distributions, while decreasing the AFFO payout ratio on a run rate basis to 75%
- Continue to internalize acquisition and diligence professional services within AHIP and its subsidiaries to reduce transaction costs and to shorten the timeline between equity raises and the closing of acquisitions, and to utilize the intellectual knowledge and infrastructure created over the past year to reduce the cost of un-deployed equity.

Management believes that AHIP has entered the hotel market at an opportune time. Hotels in secondary and tertiary markets continue to sell at or below replacement cost, average daily rates and occupancy rates continue to be strong and management expects RevPar to grow by 6% for the hotel industry in 2014 as the cycle extends. U.S. CMBS debt availability is at historic underwriting levels for hotels with approximately $13 billion of debt extended in 2013, which is anticipated to increase in 2014. With hotel supply growth slowly returning to pre-2006 levels of 2% to 3%, we believe that this cycle will continue and AHIP will be able to grow to a minimum market capitalization of Cdn$250 million through accretive acquisitions, which is a key initiative for 2014, to provide additional liquidity and scale to further strengthen AHIP’s foundation for continued accretive growth.

Management believes AHIP has proven its ability to execute its business plan, with hotel results generally consistent with management's expectations: new hotels in the Oak Tree Inn portfolio coming online in 2013 on target and on budget, the acceleration of negotiations and finalization of agreements for the construction of new hotels within the Oak Tree Inn portfolio secured by five to ten year railway contracts, and the acquisition of the Pittsburgh Portfolio in November 2013. With substantial accretive acquisition targets available for our Other Branded Hotels portfolio, and continuing strength in the railway industry supporting our Oak Tree Inn hotels, we intend to build on the momentum brought forward from 2013 throughout 2014 and beyond.

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RESULTS OF OPERATIONS

Operations

The following discussion highlights selected financial information for AHIP for the year ended December 31, 2013. This information has been compiled from, and should be read in conjunction with, the consolidated financial statements and related notes.

	Three-month period ended December 31, 2013 *(unaudited)*	Year ended December 31, 2013
Revenue	14,495,479	48,052,493
Hotel expenses	12,117,269	38,375,491
INCOME FROM OPERATING ACTIVITIES	2,378,210	9,677,002
Corporate and administrative	2,058,487	4,861,909
Loss on disposal of property and equipment	142,353	142,353
Business acquisition costs	471,795	2,226,060
INCOME BEFORE FINANCE COSTS AND INCOME TAXES	(294,425)	2,446,680
Net finance costs	1,145,936	3,516,500
LOSS BEFORE INCOME TAXES	(1,440,361)	(1,069,820)
Current income tax expense	(101,139)	-
Deferred income tax expense	(384,639)	(752,314)
	(485,778)	(752,314)
NET LOSS AND COMPREHENSIVE LOSS	$ (954,583)	$ (317,506)
Basic and diluted weighted average net loss per Unit	$ (0.07)	$ (0.03)
Basic and diluted weighted average number of Units outstanding	13,050,726	10,058,647

The operating results of AHIP presented for the year ended December 31, 2013 reflect only the operational results of the Oak Tree Inn hotels for the 314-day period from the date of acquisition on February 20, 2013 to December 31, 2013 and the operational results of the Other Branded hotels for the 41-day period from the date of acquisition on November 21, 2013 to December 31, 2013.

During the three months ended December 31, 2013, AHIP recorded net loss and comprehensive loss of $954,583. Income from operating activities was $2,378,210 for the three months ended December 31, 2013 offset by:

- corporate and administrative costs of $2,058,487 which included management fees paid to the Tower Rock Hotels & Resorts Inc. group of companies ("TR") ($648,702), corporate payroll costs and director fees ($790,469), professional fees ($445,547), travel ($6,257), public company costs ($23,030), and general office expenses ($144,482). Corporate payroll costs included securities-based compensation expense of $647,091 in connection with the grant of Units to key management on December 30, 2013.

- accounting loss on disposal of property and equipment of $142,353 by the Oak Tree Inn hotels during the normal course of operations.

- business acquisition costs of $471,795 primarily related to professional fees directly attributable to the purchase of the Other Branded hotels ($427,596), offset by a net refund in the period on transaction costs related to the purchase of the Oak Tree Inn hotels ($76,828), and the professional fees incurred in the pursuit of the Virginia Portfolio ($121,027).

- net finance costs of $1,145,936 arising from the debt facilities directly related to the acquisitions of the Oak Tree Inn and the Other Branded hotels, comprised of: interest expense on term loans and

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construction facility ($1,151,720), interest accretion expense ($60,870), amortization of contingent consideration ($49,616), offset by interest income ($116,270).

During the year ended December 31, 2013, AHIP recorded net loss and comprehensive loss of $317,506, which was primarily due to income from operating activities of $9,677,002 from the hotel properties, reduced by:

- corporate and administrative costs of $4,861,909 which included management fees paid to TR ($2,121,469), corporate payroll costs and director fees ($1,332,892), professional fees ($924,128), travel expense ($97,784), public company-related costs ($193,848) and general office expenses ($191,788). Corporate payroll costs included securities-based compensation expense of $647,091 in connection with the grant of Units to key management on December 30, 2013.

- business acquisition costs of $2,226,060 comprised of:
  - Oak Tree Inn hotels: purchaser fees ($399,587), property transfer taxes ($108,976) and professional fees of ($702,285)
  - Other Branded hotels: professional fees ($635,583)
  - Active acquisitions: professional fees directly related to the pursuit of the Virginia Portfolio ($121,247)
  - Evaluation of unrealized potential acquisitions in 2013 comprised of tax and legal fees ($222,362) and travel expenses ($36,020).

- net finance costs of $3,516,500 arising from the debt facilities that related directly to the acquisitions of the Oak Tree Inn and the Other Branded hotels, comprised of interest expense on term loans and construction facility ($3,239,006), interest accretion expense ($180,639), amortization of contingent consideration ($168,710), other bank interest ($74,410), offset by interest income ($146,265).

Revenue

Revenue is derived primarily from the operation of AHIP's hotels and 24-hour diners. Rental and other income includes fees for property damage, vehicle charges, and maintenance contracts at offsite customer locations.

(unaudited)	Three month period ended December 31, 2013	Year ended December 31, 2013
Available room nights	254,286	819,917
Rooms occupied	197,551	669,521
Average occupancy rate	77.7%	81.7%
Rooms	11,737,391	38,211,563
Food	2,488,137	8,944,522
Rental and other	269,951	896,408
Total revenue	$ 14,495,479	$ 48,052,493
Revenue per available room ("RevPAR")	$ 46.16	$ 46.60
Average daily room rate ("ADR")	$ 59.41	$ 57.07

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Total revenue for the year ended December 31, 2013 was $48,052,493. Room revenues are attributable to the Oak Tree Inn hotels and the Other Branded hotels as follows:

For year ended December 31, 2013 (1)(2)	Oak Tree Inn hotels		Other Branded hotels		Total	
Room revenue	$	36,934,128	$	1,277,435	$	38,211,563
Revenue per available room ("RevPAR") (1) (2)	$	46.15	$	65.35	$	46.60

(1) Oak Tree Inn hotels: for 314-day period from date of acquisition on February 20, 2013 to December 31, 2013
(2) Other Branded hotels: for 41-day period from date of acquisition on November 21, 2013 to December 31, 2013

RevPAR for the Other Branded hotels are higher than RevPAR for the Oak Tree Inns because all of the room rates of the Other Branded hotels are at commercial rates, with no guaranteed rooms pursuant to lodging facility agreements.

Hotel Expenses

	Three-month period ended December 31, 2013 *(unaudited)*		Year ended December 31, 2013	
Operating expenses		7,768,638		24,635,591
Energy		803,104		2,419,345
Property maintenance		809,948		2,630,001
Property taxes and insurance		713,935		2,322,687
Depreciation and amortization		2,021,644		6,367,867
	$	12,117,269	$	38,375,491

For the three months ended December 31, 2013:

- Operating expenses were $7,768,638.
- Energy expenses of $803,104 related to gas and electricity usage.
- Property maintenance expense was $809,948 of which $85,558 related to the Other Branded hotels for non-discretionary expenses such as elevator maintenance and snow removal since the date of acquisition on November 21, 2013.
- Property taxes and insurance expense was $713,935 including additional insurance coverage arising from the addition of the Other Branded hotels during the fourth quarter.
- Depreciation and amortization of $2,021,644 includes depreciation of property, buildings and equipment ($1,552,387) and the amortization of intangible assets ($469,257).

For the year ended December 31, 2013:

- Operating expenses were $24,635,591.
- Energy expense of $2,419,345 was related to gas and electricity usage at all properties, including the three hotels that opened in 2013 and the acquisition of the Other Branded hotels during the fourth quarter of 2013.
- Property maintenance expense was $2,630,001.
- Property taxes and insurance expense was $2,322,687.

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- Depreciation and amortization expense of $6,367,867 includes depreciation of property, buildings and equipment ($4,813,746) and the amortization of the intangible assets ($1,554,121). For the year ended December 31, 2013, depreciation and amortization reflected the allocation of the purchase price of the business acquisition to the fair value of the property, buildings and equipment and intangible assets at the acquisition dates of the Oak Tree Inn and the Other Branded hotels.

General administrative expenses

		Three-month period ended December 31, 2013		Year ended December 31, 2013
		(unaudited)		
Corporate and administrative		2,058,487		4,861,909
Loss on disposal of property and equipment		142,353		142,353
Business acquisition costs		471,795		2,226,060
	$	2,672,635	$	7,230,322

For the three months ended December 31, 2013:

- Corporate and administrative expenses were $2,058,487 and business acquisition costs were $471,795. Details of these expenses are disclosed under "Operations" above. The most significant components of these costs include management fees paid to TR ($648,702) and securities-based compensation expense recorded for the grant of Units on December 30, 2013 ($647,091).

- Loss on disposal of property and equipment of $142,353 by the Oak Tree Inn hotels during the normal course of operations. Disposals of hotel furniture and equipment occurred throughout the year but the calculation of the loss amount was not determined until the fourth quarter.

For the year ended December 31, 2013:

- Corporate and administrative expenses were $4,861,909 and business acquisition costs were $2,226,060. Details of these expenses are disclosed under "Operations" above. The most significant components of these costs include management fees paid to TR ($2,121,469) subsequent to TR becoming the hotel manager for AHIP on February 20, 2013, securities-based compensation expense recorded for the grant of Units to key management ($647,091), and the costs directly related to the purchase of the Oak Tree Inn hotels ($1,210,848) and the Other Branded hotels ($635,583) during the year ended December 31, 2013.

Income taxes

AHIP's indirect subsidiaries, Lodging Enterprises LLC and AHIP Enterprises LLC, are taxable subsidiaries of the U.S. REIT. For the year ended December 31, 2013, AHIP recorded a deferred income tax recovery of $752,314 and no current tax expense.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts as at December 31, 2013 of the intangible assets of $8,420,927 and contingent consideration of $5,085,059 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 rate of 40% to calculate its related deferred income tax provisions.

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Cash flows from operating, financing, and investing activities

The following tables provide an overview of AHIP's cash flows from operating, financing and investing activities:

	Three-month period ended December 31, 2013	Year ended December 31, 2013
	(unaudited)	
Cash balance (excluding restricted cash balances) - beginning of period	$ 20,958,211	$ 185,990
Net change in cash related to:		
Operations	4,418,539	7,098,332
Investing	(65,294,489)	(128,013,994)
Financing	69,404,638	150,216,571
Net change in cash during the period	8,528,688	29,300,909
Cash balance (excluding restricted cash balances) - end of period	$ 29,486,899	$ 29,486,899

The net change in cash during the three months ended December 31, 2013 was due to the following key factors:

- *Operations* - Cash provided by operations was $4,418,539, resulting from a net loss and comprehensive loss of $954,583 and excluding non-cash items, the most significant items being depreciation and amortization ($2,021,644), securities-based compensation expense ($647,091), and loss on disposal of property and equipment ($142,353), together with an increase in non-cash working capital ($2,728,613), net of working capital items related to the purchase price allocation already captured under investing activities.

- *Investing* - Cash used in investing activities was $65,294,489 due to the acquisition of the Other Branded hotels ($57,667,089) of which $57,250,000 was for the property and equipment. An additional $1,144,685 was spent to acquire property and equipment and $484,615 paid for franchise fees during the three months ended December 31, 2013. Pursuant to the terms of the 2013 Term Loans, AHIP also funded a $6,000,000 restricted cash reserve for PIPs.

- *Financing* - Cash provided by financing activities of $69,404,638 arose primarily from the following activities:

    - Close of the Offering ($35,314,512) on October 31, 2013 net of issuance costs ($2,961,436),

    - Net proceeds from the 2013 Term Loans entered into on November 21, 2013 in connection with the acquisition of the Other Branded hotels ($38,000,000 less financing costs of $705,848) Net proceeds from the amendment of the original term loan assumed as part of the acquisition of the Oak Tree Inns (the "Initial Term Loan") to provide an additional term loan of $2,850,000 (the "Initial Term Loan - Amendment #1). Of this amount, $2,250,000 was used to repay the balance of the construction facility on December 30, 2013 and $600,000 was made available for working capital purposes.

    - Repayment on the Initial Term Loan in accordance with the debt agreement ($823,152)

    - Mezzanine financing advanced to SunOne for the construction of two properties under development ($322,017), drawn under the terms of the Master Development Agreement between SunOne and AHIP

    - Payment of distributions ($2,535,037), excluding the December distribution declared of $1,018,145 that was included in accounts payable and accrued liabilities at December 31, 2013 and subsequently paid on January 15, 2014.

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The net change in cash during the year ended December 31, 2013 was due to the following key factors:

- *Operations* – Cash provided by operations was $7,098,332, resulting from net loss and comprehensive loss of $317,506 and excluding non-cash items, the most significant items being depreciation and amortization ($6,367,867), securities-based compensation expense ($647,091), and loss on disposal of property and equipment ($142,353), together with an increase in non-cash working capital ($184,937), net of working capital items related to the purchase price allocation already captured under investing activities.

- *Investing* – Cash used in investing activities was due to the acquisition of the Oak Tree Inn hotels ($57,806,730, net of cash acquired) and acquisition of the Other Branded hotels ($57,667,089) of which $57,250,000 was for the property and equipment. Other property and equipment additions in the year period ended December 31, 2013 totaled $6,057,460. An additional $484,615 was paid in franchise fees. Pursuant to the terms of the 2013 Term Loans, AHIP also funded a $6,000,000 restricted cash reserve for PIPs.

- *Financing* – Cash provided by financing activities arose in part from the activities noted above in the three month period ended December 31, 2013 including the close of the Offering ($35,314,512 net of issuance costs of $3,043,146), net proceeds from the 2013 Term Loans ($37,294,152) and Initial Term Loan - Amendment #1 ($2,850,000), and mezzanine financing advances provided ($322,017) and from the following activities:

    - the close of the initial public offering ($90,248,657 net proceeds, after total issuance costs of $9,738,124 of which $1,679,011 was paid in 2012)
    - payment of financing costs ($1,149,965)
    - repayments on the Initial Term Loan ($6,959,547)
    - payment of distributions ($7,309,221), excluding the December distribution of $1,018,145 that was included in accounts payable and accrued liabilities at December 31, 2013 and subsequently paid on January 15, 2014

Comparison of IPO Forecast to actual results

A financial forecast (the "IPO Forecast") for the three-month periods ending March 31, 2013, June 30, 2013, September 30, 2013, and December 31, 2013 and the twelve-month period ending December 31, 2013 was included in AHIP's IPO Prospectus.

Comparison to the IPO Forecast information is included for reference purposes only and is not intended to represent a comprehensive comparison of the consolidated financial results.

<u>Twelve Month Comparison</u>

For comparative purposes, management prorated the IPO Forecast for the twelve-month period ending December 31, 2013 (as presented in the IPO Prospectus) for 314-days for the period from the date of acquiring the Oak Tree Inn hotels to December 31, 2013 by multiplying the IPO Forecast for the three month period ended March 31, 2013 by 39/90 and adding to this the Forecast for each of the three remaining quarters to December 31, 2013. This 314-day prorated IPO Forecast was then compared to the actual operating results for AHIP for the year ended December 31, 2013.

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	Actual			IPO Forecast		Actual vs Forecast		Oak Tree Inn vs Forecast	
	Oak Tree Inn hotels 314-day period to Dec 31, 2013	Other Branded hotels 41-day period to Dec 31, 2013	Total Year ended Dec 31, 2013	Year ended Dec 31, 2013	Prorated for 314 days ended Dec 31, 2013	$ Var	% Var	$ Var	% Var
Revenue	$ 46,760,978	$ 1,291,515	$ 48,052,493	$ 55,393,478	$ 48,111,080	$ (58,587)	-0.1%	(1,350,102)	-2.8%
Operating expenses	23,878,095	757,496	24,635,591	28,111,825	24,203,804	(431,787)	-1.8%	325,709	1.3%
Energy	2,354,525	64,820	2,419,345	2,695,043	2,313,424	(105,921)	-4.6%	(41,101)	-1.8%
Property maintenance	2,544,444	85,557	2,630,001	3,047,854	2,631,385	1,384	0.1%	86,941	3.3%
Property taxes and insurance	2,227,796	94,891	2,322,687	2,687,080	2,305,638	(17,049)	-0.7%	77,842	3.4%
Depreciation and amortization	6,175,209	192,658	6,367,867	6,926,793	5,990,622	(377,245)	-6.3%	(184,587)	-3.1%
	$ 37,180,069	**$ 1,195,422**	**$ 38,375,491**	**$ 43,468,595**	**$ 37,444,873**	**$ (930,618)**	**-2.5%**	**$ 264,804**	**0.7%**
Income from operating activities	**9,580,909**	**96,093**	**9,677,002**	**11,924,883**	**10,666,207**	**(989,205)**	-9.3%	**(1,085,297)**	-10.2%
Corporate and administrative [(1)]			4,861,909	4,116,505	3,738,893	(1,123,016)	-30.0%		
Loss on disposal of property and equipment			142,353	-	-	(142,353)	n/a		
Business acquisition costs [(2)]			2,226,060	-	-	(2,226,060)	n/a		
Income before finance costs and income taxes			**2,446,680**	**7,808,378**	**6,927,314**	**(4,480,634)**	**-64.7%**		
Finance income			146,265	144,412	123,954	22,311	18.0%		
Finance costs			(3,662,765)	(3,479,596)	(2,990,546)	(672,219)	22.5%		
Net finance costs			(3,516,500)	(3,335,184)	(2,866,592)	(649,908)	22.7%		
(Loss) / income before income taxes			**(1,069,820)**	**4,473,194**	**4,060,722**	**(5,130,542)**	**-126.3%**		
Current income tax expense			$ -	$ (190,900)	$ (163,856)	163,856	100.0%		
Deferred income tax recovery			$ 752,314	$ 592,132	$ 508,247	244,067	48.0%		
			752,314	401,232	344,391	407,923	118.4%		
Net (loss) / income and comprehensive (loss) / income			**$ (317,506)**	**$ 4,874,426**	**$ 4,405,113**	**$ (4,722,619)**	**-107.2%**		

(1) Certain corporate and administrative expenses relating to AHIP's corporate overhead were incurred prior to AHIP's IPO and therefore should not be prorated when comparing the Forecast to actual results for the year ended December 31, 2013.

(2) AHIP incurred $2,226,060 in business acquisition costs for the year ended December 31, 2013. Business acquisition costs were primarily associated with the acquisition of the Oak Tree Inn hotels and the Other Branded hotels during the year which accounted for $1,864,431 collectively. Costs associated with the evaluation of unrealized potential acquisitions in 2013 totaled $258,382, comprised of tax and legal fees ($222,362) and travel expenses ($36,020).

The significant differences between the IPO Forecast prorated for 314 days and actual results for the year ended December 31, 2013 are discussed below. Income from operating activities in the IPO Forecast did not factor in the acquisition of Other Branded hotels. Therefore, variances in the components comprising income from operating activities discussed below (revenue, operating expenses, and energy) focus on the variances between the IPO Forecast prorated for 314 days and actual results of the Oak tree Inn hotels for the year ended December 31, 2013.

Revenue

Revenue was $48,052,493, representing a $58,587 or 0.1% favorable variance compared to the prorated IPO Forecast.

Revenue was $46,760,978 for the Oak Tree Inn hotels, representing an unfavourable variance of $1,350,102 or 2.8% compared to the prorated IPO Forecast. Following the opening of the new property in Livonia, Louisiana (as previously announced in AHIP's news release dated May 13, 2013), the commercial occupancy at both the new and older property was lower than forecast at the time of the IPO. Reduced rail shipments and delays to track work negatively impacted several properties when comparing actual to budgeted revenues for the twelve month period ended December 31, 2013. Sequester cuts in training rotations also impacted the Yermo, California property. A gold mining company opened its own crew camp in 2013, which negatively impacted commercial occupancy at the Elko, Nevada property. Guests were displaced due to renovation work at the Kansas City, Kansas property, which also opened later than expected. The overall unfavourable variance for the Oak Tree Inn hotels was partially offset by increased sales to transient guests at several locations, including an increase in online sales, and from unanticipated group and extended-stay bookings that resulted from increased truck and airline crew stays, regional construction projects, repairs to power plant infrastructure, and oil and gas drilling.

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Operating expenses

Operating expenses were $24,635,591, representing a $431,787 or 1.8% unfavorable variance compared to the prorated IPO Forecast.

Operating expenses were $23,878,095 for the Oak Tree Inn hotels, representing a favourable variance of $325,709 or 1.3% compared to the prorated IPO Forecast.

Energy, property maintenance, property taxes and insurance, depreciation and amortization

Total energy, property maintenance, property taxes and insurance, depreciation and amortization expenses were $13,739,900, representing a $498,831 or 3.8% unfavorable variance compared to the prorated IPO Forecast.

Management believes that the costs relating to the Oak Tree Inn hotels were largely in line with the prorated IPO forecast as follows:

- Energy costs were $2,354,525 for the Oak Tree Inn hotels compared to $2,313,424 for the prorated IPO Forecast, representing an unfavourable variance of $41,101 or 1.8%
- Property maintenance was $2,544,444 for the Oak Tree Inn hotels compared to $2,631,385 for the prorated IPO Forecast, representing a favourable variance of $86,941 or 3.3%
- Property taxes and insurance were $2,227,796 for the Oak Tree Inn hotels compared to $2,305,638 for the prorated IPO Forecast, representing a favourable variance of $77,842 or 3.4%
- Depreciation and amortization was $6,175,209 for the Oak Tree Inn hotels compared to $5,990,622 for the prorated IPO Forecast, representing an unfavourable variance of $184,587 or 3.1%

Corporate and administrative costs

Corporate and administrative costs were $4,861,909, representing an unfavourable variance of $1,123,016 or 30.0% compared to the IPO Forecast, which was primarily due to securities-based compensation expense of $647,091 recorded in connection with the grant of Units to key management on December 30, 2013. The remainder of the unfavourable variance was due to an increase in human resource costs in the corporate office, additional office and travel expenses and additional legal and tax compliance expenses relating to establishing the infrastructure for ongoing corporate reporting relative to the IPO Forecast.

Business acquisition costs

Business acquisition costs of $2,226,060 was comprised of the following categories of expenses:

- Oak Tree Inn hotels: purchaser fees ($399,587), property transfer taxes ($108,976) and professional fees of ($702,285)
- Other Branded hotels: professional fees ($635,583)
- Active acquisitions: professional fees directly related to the pursuit of the Virginia Portfolio ($121,247)
- Evaluation of unrealized potential acquisitions in 2013 comprised of tax and legal fees ($222,362) and travel expenses ($36,020).

Costs related to the evaluation of other potential acquisitions will fluctuate based on activities relating to executing AHIP's growth and acquisition strategy.

Net finance costs

Net finance costs were $3,516,500, representing an unfavourable variance of $649,908 or 22.7% compared to the prorated IPO Forecast, primarily due to the following: higher interest expense on the term loans and construction facility ($380,229), higher amortization of deferred financing costs ($124,420), higher amortization of contingent consideration ($168,710), offset by higher interest income ($22,031).

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Current income tax expense

Due to the net loss in the year. there was no current income tax expense recorded in 2013, representing a 100% favourable variance of $163,856 compared to the prorated IPO Forecast.

Three Month Comparison

	Three months ended December 31, 2013							
	Actual			IPO Forecast	Actual vs Forecast		Oak Tree Inn vs Forecast	
	Oak Tree Inn hotels	Other Branded hotels	Total	Total	$ Var	% Var	$ Var	% Var
Revenue	$ 13,203,964	$ 1,291,515	$ 14,495,479	$ 13,707,046	788,433	5.8%	(503,082)	-3.7%
Operating expenses	7,011,142	757,496	7,768,638	6,959,239	(809,399)	-11.6%	(51,903)	-0.7%
Energy	738,284	64,820	803,104	678,423	(124,681)	-18.4%	(59,861)	-8.8%
Property maintenance	724,391	85,557	809,948	789,470	(20,478)	-2.6%	65,079	8.2%
Property taxes and insurance	619,044	94,891	713,935	673,271	(40,664)	-6.0%	54,227	8.1%
Depreciation and amortization	1,828,986	192,658	2,021,644	1,776,814	(244,830)	-13.8%	(52,172)	-2.9%
	$ 10,921,847	**$ 1,195,422**	**$12,117,269**	**$ 10,877,217**	**$ (1,240,052)**	**-11.4%**	**$ (44,630)**	**-0.4%**
Income from operating activities	**2,282,117**	**96,093**	**2,378,210**	**2,829,829**	(451,619)	-16.0%	(547,712)	-19.4%
Corporate and administrative			2,058,487	1,025,022	(1,033,465)	-100.8%		
Loss on disposal of property and equipment			142,353	-	(142,353)	n/a		
Business acquisition costs (1)			471,795	-	(471,795)	n/a		
Income before finance costs and income taxes			**(294,425)**	**1,804,807**	**(2,099,232)**	**-116.3%**		
Finance income			116,270	36,103	80,167	222.1%		
Finance costs			(1,262,206)	(864,633)	(397,573)	-46.0%		
Net finance costs			(1,145,936)	(828,530)	(317,406)	-38.3%		
(Loss) / income before income taxes			**(1,440,361)**	**976,277**	**(2,416,638)**	**-247.5%**		
Current income tax recovery			$ 101,139	$ (47,725)	148,864	311.9%		
Deferred income tax recovery			$ 384,639	$ 148,033	236,606	159.8%		
			485,778	100,308	385,470	384.3%		
Net (loss) / income and comprehensive (loss) / income			**$ (954,583)**	**$ 1,076,585**	**$ (2,031,168)**	**-188.7%**		

(1) AHIP incurred $471,795 in business acquisition costs for the three months ended December 31, 2013, primarily related to professional fees directly attributable to the purchase of the Other Branded hotels in the fourth quarter ($427,596) offset by a net refund in the period on transaction costs related to the purchase of the Oak Tree Inn hotels ($76,828) and professional fees incurred in the pursuit of the Virginia Portfolio ($121,027).

The significant differences between the IPO Forecast and actual results for the three months ended December 31, 2013 are discussed below. Income from operating activities in the IPO Forecast did not factor in the acquisition of Other Branded hotels. Therefore, variances in the components comprising income from operating activities discussed below (revenue, operating expenses, and energy) focus on the variances between the IPO Forecast and actual results of the Oak Tree Inn hotels for the three months ended December 31, 2013.

Revenue

Revenue was $14,495,479, representing a $788,433 or 5.8% favorable variance compared to the IPO Forecast.

Revenue was $13,203,964 for the Oak Tree Inn hotels, representing an unfavourable variance of $503,082 or 3.7% compared to the IPO Forecast. The unfavourable variance for the three months ending December 31, 2013 was partially due to the older property in Livonia, Louisiana continued to perform below forecast at the time of the IPO and commercial (non-rail) rooms budgeted at new Livonia property were not realized. A decrease in coal shipments and

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delays in track work negatively impacted several properties when comparing actual to budgeted revenues for the three months ended December 31, 2013. Reduced training rotations continued to impact the Yermo, California property. Longer trains and fewer train crews impacted the Elko, Nevada property, along with the nearby goldmine providing its own accommodation. A city water main broke in Vaughn, New Mexico, displacing guests for approximately two weeks in November. The overall unfavourable variance was partially offset by increased sales to transient guests at several locations, including an increase in online sales, and from unanticipated group and extended-stay bookings that resulted from increased truck and airline crew stays, regional construction projects, rooms at competing hotels being removed from inventory in one market, repairs to power plant infrastructure, and oil and gas drilling.

Operating expenses

Operating expenses were $7,768,638, representing a $809,399 or 11.6% unfavorable variance compared to the IPO Forecast.

Operating expenses were $7,011,142 for the Oak Tree Inn hotels, representing an unfavourable variance of $51,903 or 0.7% compared to the IPO Forecast.

Energy, property maintenance, property taxes and insurance, depreciation and amortization

Total energy, property maintenance, property taxes and insurance, depreciation and amortization expenses were $4,348,631, representing a $430,653 or 11.0% unfavorable variance compared to the IPO Forecast.

Management believes that the costs relating to the Oak Tree Inn hotels were largely in line with the IPO forecast as follows:

- Energy costs were $738,284 for the Oak Tree Inn hotels, representing an unfavourable variance of $59,861 or 8.8% compared to the IPO Forecast
- Property maintenance was $724,391 for the Oak Tree Inn hotels, representing a favourable variance of $65,079 or 8.2% compared to the IPO Forecast
- Property taxes and insurance were $619,044 for the Oak Tree Inn hotels, representing a favourable variance of $54,227 or 8.1% compared to the IPO Forecast
- Depreciation and amortization was $1,828,986 for the Oak Tree Inn hotels, representing an unfavourable variance of $52,172 or 2.9% compared to the IPO Forecast

Corporate and administrative costs

Corporate and administrative costs were $2,058,487 compared to $1,025,022 for the IPO Forecast, representing an unfavourable variance of $1,033,465 or 100.8%, which was primarily due to securities-based compensation expense of $647,091 recorded in connection with the grant of Units to key management on December 30, 2013. The remainder of the unfavourable variance was due to an increase in human resource costs in the corporate office, additional office and travel expenses and additional legal and tax compliance expenses relating to establishing the infrastructure for ongoing corporate reporting relative to the IPO Forecast.

Loss on disposal of property and equipment

Costs associated with the loss on disposal of property and equipment were $142,353 which were due to disposals during the normal course of operations in the Oak Tree Inn hotels.

Business acquisition costs

Business acquisition costs of $471,795 were primarily related to professional fees directly attributable to the purchase of the Other Branded hotels ($427,596), offset by a net refund in the period on transaction costs related to the purchase of the Oak Tree Inn hotels ($76,828), and the professional fees incurred in the pursuit of the Virginia Portfolio ($121,027).

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Costs related to the evaluation of other potential acquisitions will fluctuate based on activities relating to executing AHIP's growth and acquisition strategy.

Net finance costs

Net finance costs were $1,145,936, representing an unfavourable variance of $317,406 or 38.3% compared to the IPO Forecast, primarily due to the following: higher interest expense on the term loans and construction facility ($304,587), higher amortization of deferred financing costs ($43,370), higher amortization of contingent consideration ($49,616), offset by higher interest income ($80,167).

Current income tax expense

Current income tax recovery was $101,139 to reverse the current income tax expense recognized in the year which represented a 311.9% favourable variance compared to the IPO Forecast.

Currency swap arrangements

Given that a substantial portion of AHIP's investments and operations are conducted in U.S. dollars and AHIP pays distributions to Unitholders in Canadian dollars, AHIP stated in its IPO Prospectus the intention to implement a foreign currency swap program upon closing of the IPO or shortly thereafter in order to manage exposure to foreign exchange rate fluctuations and support the long-term stability of distributions to Unitholders. The currency swap arrangements were intended to be implemented initially for a term of two years, directly or through one or more Subsidiaries, with an arm's length counterparty pursuant to which the counterparty would have agreed to exchange U.S. dollars for Canadian dollars at an exchange rate agreed upon in the currency swap arrangements.

Due to cash collateral requirements, AHIP decided to postpone the entering into of a currency swap, and AHIP revisited the possibility of entering a swap on numerous occasions during 2013. AHIP has not entered a currency swap arrangement. As at the date of this MD&A, management believes if AHIP had entered such an arrangement at any time during the year ended December 31, 2013, such an arrangement would have had a negative impact on AHIP's operating results and available cash.

USE OF PROCEEDS

Use of Proceeds from AHIP's IPO

In the IPO prospectus AHIP disclosed that the net proceeds of the IPO were estimated to be Cdn$88,447,000 (including the estimated net proceeds of Cdn$12,167,000 in the event of a full exercise of the over-allotment option associated with the initial public offering) after deducting the underwriters' fee of Cdn$6,003,000 and estimated expenses of the initial public offering of Cdn$5,600,000. AHIP further estimated that Cdn$62,216,949 of these net proceeds would be used to indirectly acquire its interest in an initial portfolio of 32 properties. Finally, AHIP disclosed that it would use any remaining net proceeds to indirectly acquire additional suitable properties and for general working capital purposes.

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

Item	Estimated Use of Proceeds (Cdn)	Actual Use of Proceeds (Cdn)	Variance (Cdn)
Expenses of IPO and Overallotment	$ 5,600,000	$ 5,531,420	($68,580)
Equity proceeds used for purchase of the initial portfolio	$62,216,949	$61,850,929	($366,020)
TOTAL	**$67,816,949**	**$67,382,349**	**($434,600)**

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Expenses of the IPO were lower than estimated by Cdn$68,580. Net proceeds used for the purchase of the initial portfolio were lower than estimated by Cdn$366,020 due to closing adjustments received from the seller of the initial properties, offset in part by a lower construction facility advanced to AHIP as part of this acquisition. The total variance to these estimates was Cdn$434,600 and had no impact on AHIP's ability to achieve its business objectives.

Use of Proceeds from AHIP's Bought-Deal Offering

In AHIP's short-form prospectus dated October 24, 2013, AHIP disclosed that the total net proceeds from the sale of the Subscription Receipts under the Offering was estimated to be Cdn$38,659,320 (inclusive of the estimated net proceeds of Cdn$5,042,520 related to the over-allotment option) after deducting the Underwriters' Fees of Cdn$1,610,805 and before deducting the estimated expenses of the Offering of Cdn$600,000. AHIP further estimated that approximately $25,863,750 of the net proceeds would be used to satisfy the cash portion of the purchase price for the Pittsburgh Portfolio including the funding of a $6.0 million restricted cash reserve for brand mandated PIPs, but before customary closing and post-closing adjustments. The balance of the net proceeds will be used for: (i) payment of the AHIP's estimated expenses incurred in connection with the Offering (approximately $0.58 million); (ii) future acquisitions of hotel properties, including properties for which mezzanine financing has been provided to SunOne (approximately $2.11 million); (iii) renovating and rebranding the recently acquired hotel property in Jefferson City, Missouri to Oak Tree Inn standards (approximately $0.75 million); (iv) funding mezzanine loans for properties to be developed by SunOne in accordance with the development agreement in place between AHIP and SunOne (including the Oak Tree Inns being developed in Santa Teresa, New Mexico, and Brunswick, Maryland) (approximately $1.04 million); and (v) general corporate and working capital purposes (approximately $2.26 million). The remainder of the purchase price for the Pittsburgh Portfolio will be satisfied through the 2013 Term Loans. AHIP intended to use the net proceeds received on the exercise of the Over-Allotment Option, if exercised, for future acquisitions and/or general corporate and working capital purposes.

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

Item	Estimated Use of Proceeds (Cdn)[1]	Actual Use of Proceeds (Cdn)[1]	Variance (Cdn)
Expenses of Offering and related overallotment	$ 2,210,805	$ 2,819,105	$ 608,300
Equity proceeds used for purchase of the Pittsburgh Portfolio	26,663,660	26,758,606	94,946
Acquisition of hotel properties for which mezzanine financing will be advanced [2]	2,177,935	-	(2,177,935)
Mezzanine financing advanced [2][3]	1,073,611	424,755	(648,856)
Renovating Jefferson City, MO hotel	773,196	726,957	(46,239)
TOTAL	**$32,899,207**	**$30,729,423**	**($2,169,784)**

[1] at exchange rate Cdn$1.00 = US$0.97
[2] Proceeds allocated for this item have not been fully deployed.
[3] as of March 14, 2014 per Note 18(e) "Subsequent Events" in the consolidated financial statements for the properties at Santa Teresa and Brunswick, expressed in Canadian dollars.

Expenses of the Offering were higher than estimated by Cdn$608,300 due to higher professional fees (legal and accounting). Net proceeds used for the purchase of the Pittsburgh Portfolio were higher than estimated by Cdn$94,946 due to additional debt financing fees. AHIP has not yet purchased any of the hotel properties from SunOne, resulting in the estimated amount of Cdn$2,177,935 undeployed. As at March 14, 2014, AHIP had advanced Cdn$424,755 of the estimated Cdn$1,073,611 in mezzanine financing to SunOne. Renovation costs at the

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Jefferson City, MO hotel were lower than estimated by Cdn$46,239 but additional costs are expected to be incurred in 2014. The total variance to these estimates was Cdn$2,169,784 primarily due to the undeployed cash from the Offering and had no impact on AHIP's ability to achieve its business objectives

RECONCILIATION OF NON-IFRS OPERATING RESULTS

FFO, AFFO and NOI are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO, AFFO and NOI are supplemental measures of performance for real estate investment trusts. Management believes that AFFO is an important measure of economic performance and is indicative of the AHIP's ability to pay distributions; however, AHIP believes that there is not adequate consensus among preparers and users of reporting issuer's financial statements to allow comparability. AHIP believes FFO and NOI are important measures of operating performance and the performance of real estate properties. See "*Non-IFRS Measures*".

	Actual	IPO Forecast			
(Unaudited)	Year ended December 31, 2013	Year ended December 31, 2013	Prorated for 314 days ended December 31, 2013	$ Var	% Var
NET (LOSS)/INCOME AND COMPREHENSIVE (LOSS)/INCOME	$ (317,506)	$ 4,874,426	$ 4,405,113		
Add/(Deduct)					
Depreciation and amortization	6,367,867	6,926,793	5,990,622		
Loss on disposal of assets	142,353	-	-		
Business acquisition costs (1)	1,967,678	-	-		
Deferred income tax recovery	(752,314)	(592,132)	(508,247)		
Funds from Operations (FFO)	**$ 7,408,078**	**$ 11,209,087**	**$ 9,887,488**	**$ (2,479,410)**	**-22.1%**
FFO Payout ratio	112.41%				
FFO per weighted average number of units	***$ 0.736***				
Add/(Deduct)					
Securities-based compensation expense (2)	647,091				
Accretion of contingent consideration	168,710	-	-		
Amortization of deferred financing costs	180,639	70,000	60,083		
Normalized FF&E reserve (3)	(1,159,121)	(1,319,651)	(1,145,931)		
Adjusted Funds from Operations (AFFO)	**$ 7,245,397**	**$ 9,959,436**	**$ 8,801,640**	**$ (1,556,243)**	**-15.6%**
AFFO Payout ratio	114.93%				
AFFO per weighted average number of units	***$ 0.720***				
Adjustment to reflect actual contributions to FF&E reserve (3)	516,979				
AFFO (restated) using actual contributions to FF&E reserve	**$ 7,762,376**				
***AFFO Payout ratio** (restated) using actual contributions to FF&E reserve*	107.28%				
AFFO (restated) per weighted average number of units	***$ 0.772***				

	Actual			IPO Forecast		Actual vs Forecast		Oak Tree Inn vs Forecast	
(Unaudited)	Oak Tree Inn hotels 314-day period to Dec 31, 2013	Other Branded hotels 41-day period to Dec 31, 2013	Total year ended Dec 31, 2013	Year ended Dec 31, 2013	Prorated for 314 days ended Dec 31, 2013	$ Var	% Var	$ Var	% Var
Net Operating Income (NOI)									
Revenues	$ 46,760,978	$ 1,291,515	$ 48,052,493	$ 55,393,478	$ 48,111,080	$ (58,587)	-0.1%	$ (1,350,102)	-2.8%
Hotel Expenses (4)	(37,180,069)	(1,195,422)	(38,375,491)	(43,468,595)	(37,444,873)	(930,618)	2.1%	264,804	-0.7%
Depreciation and amortization	6,176,852	191,015	6,367,867	6,926,793	5,990,622	377,245	5.4%	186,230	3.1%
NOI	**$ 15,757,760**	**$ 287,109**	**$ 16,044,869**	**$ 18,851,676**	**$ 16,656,829**	**$ (611,960)**	**-3.2%**	**$ (899,069)**	**-5.4%**

(1) AHIP incurred $2,226,060 in business acquisition costs for the year ended December 31, 2013. Business acquisition costs were primarily associated with the acquisition of the Oak Tree Inn hotels and the Other Branded hotels during the year which accounted for $1,846,431 collectively. A further $121,247 in professional fees were incurred in the pursuit of the Virginia Portfolio. The remaining costs associated with

the evaluation of unrealized potential acquisitions in 2013 totaled $258,382, comprised of tax and legal fees ($222,362) and travel expenses ($36,020), have not been added back in the calculation of FFO.

(2) Securities-based compensation expense of $647,091 was recorded in connection with the grant of Units to key management on December 30, 2013. These costs were not added back in the calculation of FFO but were added back in the calculation of AFFO.

(3) The IPO FF&E reserve is based on a normalized amount calculated on 3% of room revenues for the Oak Tree Inn hotels and 4% of total revenues for the Other Branded hotels.

(4) Hotel expenses exclude hotel management fees paid to TR ($2,121,469) that were recorded in corporate and administrative expenses. See "*Transactions with Related Parties*".

FFO

FFO for the year ended December 31, 2013 was $7,408,078 ($0.736 per Unit), which was $2,479,410 or 22.1% below the FFO per the IPO Forecast prorated for 314 days ended December 31, 2013 as a result of the variance in net income explained earlier. Business acquisition costs, excluding costs associated with work performed on unrealized potential acquisitions ($258,382), have been added back in calculating FFO.

FFO payout ratio on an "all-in" basis was 112.4% (calculated as distributions declared of $8,327,366 divided by FFO of $7,408,078) for the year ended December 31, 2013.

AFFO

AFFO for the year ended December 31, 2013 was $7,245,397 ($0.720 per Unit), which was $1,556,243 or 15.6% below the AFFO per the IPO Forecast prorated for 314 days ended December 31, 2013 as a result of the unfavourable variance in actual FFO compared to the prorated IPO Forecast FFO as previously discussed.

The capital expenditure reserve of $1,159,121 used in the calculation of AFFO represents the normalized contributions to the FFE reserve for the year ended December 31, 2013.

AFFO payout ratio on an "all-in" basis was 114.9% (calculated as distributions declared of $8,327,366 divided by AFFO of $7,245,397) for the year ended December 31, 2013.

NOI

NOI for the year ended December 31, 2013 was $16,044,869, which was $611,960 or 3.2% below prorated IPO Forecast NOI of $16,656,829 (for the Oak Tree Inn hotels actual NOI was $899,069 or 5.4% below prorated IPO Forecast NOI of $16,656,829),with the difference arising from a combination of factors explained above.

(Unaudited)	Actual Three-month period ended December 31, 2013	IPO Forecast Three-month period ended December 31, 2013	$ Var	% Var
NET (LOSS)/INCOME AND COMPREHENSIVE (LOSS)/INCOME	$ (954,583)	$ 1,076,585		
Add/(Deduct)				
Depreciation and amortization	2,021,644	1,776,814		
Loss on disposal of assets	142,353			
Business acquisition costs (1)	471,795	-		
Deferred income tax recovery	(384,639)	(148,033)		
Funds from Operations (FFO)	**$ 1,296,570**	**$ 2,705,366**	**$ (1,408,796)**	**-52.1%**
FFO Payout ratio	216.08%			
FFO per weighted average number of units	***$ 0.099***			
Add/(Deduct)				
Securities-based compensation expense (2)	647,091			
Accretion of contingent consideration	49,616	-		
Amortization of deferred financing costs	60,872	17,500		
Normalized FF&E reserve (3)	(364,896)	(327,998)		
Adjusted Funds from Operations (AFFO)	**$ 1,689,253**	**$ 2,394,868**	**$ (705,615)**	**-29.5%**
AFFO Payout ratio	165.85%			
AFFO per weighted average number of units	***$ 0.129***			
Adjustment to reflect actual contributions to FF&E reserve(3)	(7,061)			
AFFO (restated) using actual contributions to FF&E reserve	**$ 1,682,192**			
***AFFO Payout ratio** (restated) using actual contributions to FF&E reserve*	166.54%			
AFFO (restated) per weighted average number of units	***$ 0.129***			

	Three-months ended December 31, 2013							
	Actual			IPO Forecast	Actual vs Forecast		Oak Tree Inn vs Forecast	
(Unaudited)	Oak Tree Inn hotels	Other Branded hotels	Total	Total	$ Var	% Var	$ Var	% Var
Net Operating Income (NOI)								
Revenues	$ 13,203,964	$ 1,291,515	$ 14,495,479	$ 13,707,046	$ 788,433	5.8%	$ (503,082)	-3.7%
Hotel Expenses (4)	(10,921,847)	(1,195,422)	(12,117,269)	(10,877,217)	(1,240,052)	11.4%	(44,630)	0.4%
Depreciation and amortization	1,830,629	191,015	2,021,644	1,776,814	244,830	13.8%	53,815	3.0%
NOI	**$ 4,112,745**	**$ 287,109**	**$ 4,399,854**	**$ 4,606,643**	**$ (206,789)**	**-4.5%**	**$ (493,898)**	**-10.7%**

(1) AHIP incurred $471,795 in business acquisition costs for the three months ended December 31, 2013. Business acquisition costs in the fourth quarter were primarily associated with the acquisition of the Other Branded hotels and in the pursuit of the Virginia Portfolio. There were no costs in the three months ended December 31, 2013 that related to the evaluation of unrealized potential acquisitions in 2013; therefore no amounts were added back in the determination of FFO.

(2) Securities-based compensation expense of $647,091 was recorded in connection with the grant of Units to key management on December 30, 2013. These costs were not added back in the calculation of FFO but were added back in the calculation of AFFO.

(3) The FF&E reserve for the three months ended December 31, 2013 is based on a normalized amount calculated on 3% of room revenues for the Oak Tree Inn hotels and 4% of total revenues for the Other Branded hotels.

(4) Hotel expenses exclude hotel management fees paid to TR ($648,702) that were recorded in corporate and administrative expenses. See "*Transactions with Related Parties*".

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FFO

FFO for the three months ended December 31, 2013 was $1,296,570 ($0.099 per Unit), which was $1,408,796 or 52.1% below the IPO Forecast FFO, as a result of the variance in net income explained earlier. Business acquisition costs were added back in calculating FFO, as there were no costs associated with unrealized potential acquisitions during the period.

FFO payout ratio on an "all-in" basis was 216.1% (calculated as distributions declared of $2,801,572 divided by FFO of $1,296,570) for the three months ended December 31, 2013.

AFFO

AFFO for the three months ended December 31, 2013 was $1,689,253 ($0.129 per Unit), which was $705,615 or 29.5% below the IPO Forecast FFO as a result of the unfavourable variance in actual FFO compared to the IPO Forecast FFO as previously discussed.

The capital expenditure reserve of $364,896 used in the calculation of AFFO represents the normalized contributions to the FFE reserve for the three months ended December 31, 2013.

AFFO payout ratio on an "all-in" basis was 165.9% (calculated as distributions declared of $2,801,572 divided by AFFO of $1,689,253) for the three months ended December 31, 2013.

NOI

NOI for the three months ended December 31, 2013 was $4,339,854, which was $206,789 or 4.5% below IPO Forecast NOI of $4,606,643 (for the Oak Tree Inn hotels actual NOI was $493,898 or 10.7% below prorated IPO Forecast NOI of $4,606,643), with the difference arising from a combination of factors explained above.

FINANCIAL CONDITION

	As at December 31, 2013	As at December 31, 2012
Total Assets	$ 236,501,841	$ 2,127,208
Total Non-Current Liabilities	110,566,460	-
Total Liabilities	120,263,588	1,775,332
Partners' Capital	116,238,253	351,876

The financial condition as at December 31, 2013 included amounts related to the assets and liabilities of the Oak Tree Inn hotels and the Other Branded hotels acquired in 2013.

Assets

Significant assets included cash ($29,486,899) and restricted cash ($6,000,000), property, buildings and equipment ($187,390,804, net of accumulated depreciation of $4,782,943 for the year ended December 31, 2013), intangible assets ($8,420,927 net of accumulated amortization $1,554,121 for the year ended December 31, 2013), and deferred income tax assets ($2,332,320). The opening undepreciated balances of property, buildings and equipment of the Oak Tree Inn and the Other Branded hotels were based on fair value allocations made on the respective acquisition dates.

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Liabilities

Significant liabilities included Term Loans ($106,741,415, net of unamortized deferred financing costs of $1,687,382), contingent consideration related to the acquisition of the Oak Tree Inn hotels ($5,085,059), deferred compensation payable also related to the Oak Tree Inn hotels ($460,023) and a deferred tax liability (non-current) related to intangible assets ($1,813,466).

Partners' Capital

On February 20, 2013, AHIP closed its IPO of 9,570,000 Units, including the partial exercise of the over-allotment option, priced at Cdn$10.00 per Unit, for gross proceeds of Cdn$95,700,000 (US$94,072,545). On March 1, 2013, the exercise of the remaining balance of the over-allotment option was completed, resulting in the issuance of an additional 435,000 Units at a price of Cdn$10.00 per Unit, for gross proceeds of Cdn$4,350,000 (US$4,235,225).

On October 31, 2013, AHIP completed the Offering of Subscription Receipts, issuing a total of 3,967,500 Subscription Receipts at a price of Cdn$10.15 per Subscription Receipt for gross proceeds of Cdn$40,270,125 (US$38,275,948), which includes 517,500 Subscription Receipts related to the overallotment.

On November 21, 2013, upon completion of the acquisition of the Other Branded hotels, one Unit of AHIP was issued in exchange for each outstanding Subscription Receipt without payment of additional consideration, which resulted in the issuance of 3,967,500 Units.

For the year ended December 31, 2013, total offering costs of $12,699,560 were deducted from partners' capital, including $1,679,011 which was deferred at December 31, 2012.

As at March 14, 2014, there were 14,437,800 Units outstanding.

SEGMENTED INFORMATION

AHIP's investments consist of hotel real estate properties in the U.S. only. AHIP structures its operations in two operating and reportable segments based on the way that AHIP organizes its operations for making operating decisions and assessing performance: (i) the Oak Tree Inn hotels that have railroad lodging agreements and (ii) the Other Branded hotels with no expectation of railroad lodging agreements,. AHIP's corporate costs are not allocated to the segments.

Net Loss For the year ended December 31, 2013	Oak Tree Inn hotels [1]	Other Branded hotels	Other [2]	Total
Revenue	$ 46,760,978	$ 1,291,515	$ -	$ 48,052,493
Hotel expenses	37,180,069	1,195,422	-	38,375,491
Results from operating activities	9,580,909	96,093	-	9,677,002
Corporate and administative	2,131,745	99,066	2,631,098	4,861,909
Business acquisition costs	1,210,848	635,583	379,629	2,226,060
Net finance costs	3,358,224	221,280	(63,004)	3,516,500
Other expenses (net)	142,353	-	-	142,353
Income tax recovery	(632,506)	(119,808)	-	(752,314)
Net loss	$ 3,370,245	$ (740,028)	$ (2,947,723)	$ (317,506)

[1] Includes one Best Western franchise hotel

[2] Includes corporate amounts not specifically related to the segments

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Hotel properties As at December 31, 2013		Oak Tree Inn hotels (1)		Other Branded hotels		Other (2)		Total
Property, buildings and equipment	$	130,305,542	$	57,067,577	$	17,685	$	187,390,804
Intangible assets		7,941,504		479,423		-		8,420,927

(1) *Includes one Best Western franchise hotel*

(2) *Includes corporate amounts not specifically related to the segments*

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As at December 31, 2013, AHIP had working capital of $22,338,645. Working capital was based on current assets ($38,035,773) less restricted cash ($6,000,000) and less current liabilities ($9,697,128).

As disclosed in the consolidated financial statements for the year ended December 31, 2013, AHIP had the following contractual obligations, shown below with the timing of the estimated cash outflows at maturity:

		Value at December 31, 2013	Maturity
Accounts payable and accrued expenses	$	6,163,625	Less than 1 year
Current portion of term loans		3,533,503	Less than 1 year
Term loans		103,207,912	2015 - 2024
Contingent consideration		5,085,059	2016 - 2023
Deferred compensation payable		460,023	2016

In addition, AHIP's indirect subsidiary (Lodging Enterprises LLC) had operating leases for an office facility, office equipment and automobiles in the ordinary course of business. During the year ended December 31, 2013, AHIP entered into commitments with SunOne to purchase four Oak Tree Inn hotels and one Penny's Diner, each secured by a 10-year railway contract. Two of these railway contracts meet the definition of a Qualifying New Contract pursuant to the terms of the Purchase and Sale Agreement for the Oak Tree Inn hotels. Accordingly, AHIP recorded $500,000 at its present value ($460,023) in deferred compensation payable at December 31, 2013 for the signing of these railway contracts and included the corresponding amount in intangible assets as at December 31, 2013. This amount will be payable in cash or in Units as determined by AHIP. Amortization of this amount will commence when the related hotel properties are operational and the services stipulated in the respective railway contracts can be provided.

The following table sets out AHIP's contractual obligations as noted above over the next five years and thereafter.

Contractual Obligations		2014		2015		2016		2017		2018		Thereafter
Term Loans	$	3,533,503	$	3,702,677	$	3,878,917	$	4,613,089	$	53,710,240	$	38,990,371
Operating Leases		261,251		133,342		72,000		72,000		-		-
Deferred compensation payable		-		-		-		500,000		-		-
Contingent consideration		-		-		-		5,500,000		-		-
	$	3,794,754	$	3,836,019	$	3,950,917	$	10,685,089	$	53,710,240	$	38,990,371

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

	Interest rate per annum	Term
Initial Term Loan	4.85%	5 years
Initial Term Loan - Amendment #1	4.00%	10 years
2013 Term Loans	5.02%	10 years
Debt financing for Virginia Portfolio (1)	4.97%	10 years

(1) See details under "Subsequent Events"

Management believes that there are sufficient funds to meet AHIP's ongoing working capital requirements. Management intends to obtain additional equity financing and / or secure additional debt financing with similar interest rates and terms as the existing term loans to meet AHIP's planned growth strategy.

Capital Resources

As noted above, during the year ended December 31, 2013, AHIP entered into commitments with SunOne to purchase four Oak Tree Inn hotels and one Penny's Diner. These four properties under development will be financed and developed in accordance with the Master Development Agreement between SunOne and AHIP. As at December 31, 2013, AHIP has agreed to provide mezzanine financing of up to $2,611,000 to SunOne, and upon completion AHIP has agreed to a total purchase price which is the greater of: (i) 95% of the fair market value of the property, or $20,235,000 as determined by an independent third-party appraiser; and (ii) the actual construction cost of the project.

As at December 31, 2013 AHIP was in compliance with all of its lending covenants relating to the Initial Term Loan and the 2013 Term Loans. AHIP's consolidated debt to gross book value was 46.6%. The calculation of consolidated debt to gross book value at December 31, 2013 is based on principal debt outstanding ($112,286,497), divided by the sum of: total assets ($236,501,841) plus accumulated depreciation and amortization ($6,337,064) less deferred income tax liabilities ($1,813,466).

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

DISTRIBUTION HISTORY

Distribution Policy

AHIP's current policy is to declare and pay monthly cash distributions using available cash to the maximum extent possible. Management's goal is for the amount of cash available for distribution to approximate the monthly cash receipts of AHIP less reserves and any other adjustments the General Partner reasonably considers are required for expenses and other obligations of AHIP. Management has not identified any legal or practical restrictions on the ability of AHIP's properties to transfer funds within AHIP's structure. The declaration of distributions is subject to the discretion of the board of directors of the GP and will be evaluated periodically and may be revised. AHIP is currently making monthly cash distributions of Cdn$0.075 per Unit to Unitholders. Distribution declarations will be paid to Unitholders of record at the close of business on the last business day of a month on or about the 15th day of the following month.

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Distributions Summary

Distributions totaling $8,327,366 were declared during the year ended December 31, 2013, of which $1,018,145 was included in accounts payable and accrued liabilities at December 31, 2013 and subsequently paid on January 15, 2014.

AHIP declared and paid cash distributions to Unitholders of record from March 28, 2013 to March 14, 2014 as per the following table:

Period	Record Date	Payment Date	Distribution Per Unit (Cdn)	Amount (Cdn)
Feb/Mar 2013	March 28, 2013	April 15, 2013	$0.096	$998,880
April 2013	April 30, 2013	May 15, 2013	$0.075	$780,375
May 2013	May 31, 2013	June 17, 2013	$0.075	$780,375
June 2013	June 28, 2013	July 15, 2013	$0.075	$780,375
July 2013	July 31, 2013	August 15, 2013	$0.075	$780,375
August 2013	August 31, 2013	September 16, 2013	$0.075	$780,375
September 2013	September 30, 2013	October 15, 2013	$0.075	$780,375
October 2013	October 31, 2013	November 15, 2013	$0.075	$780,375
November 2013	November 29, 2013	December 16, 2013	$0.075	$1,077,938
December 2013	December 31, 2013	January 15, 2014	$0.075	$1,082,835
January 2014	January 31, 2014	February 17, 2014	$0.075	$1,082,835
February 2014	February 28, 2014	March 14, 2014	$0.075	$1,082,835
TOTAL			**$0.771**	**$10,787,948**

SUMMARY OF QUARTERLY RESULTS

In accordance with Item 1.5 of Form 51-102F1 – Management's Discussion & Analysis, quarterly information has been presented for five quarters only because AHIP was formed on October 12, 2012. Prior to AHIP's acquisition of the Oak Tree Inn hotels on February 20, 2013, AHIP did not have any operating activities. The results for the three month period ended March 31, 2013 reflect only 39 days of hotel operations. See the discussion in "*Results from Operations*" for information on the three-month period ended December 31, 2013 presented below:

	Three-month period ended December 31, 2013 *(unaudited)*	Three-month period ended September 30, 2013 *(unaudited)*	Three-month period ended June 30, 2013 *(unaudited)*	Three-month period ended March 31, 2013 *(unaudited)*	Date of formation on October 12, 2012 to December 31, 2012
Revenue	14,495,479	14,342,715	13,640,199	5,574,100	-
Income from operating activities	2,378,210	3,084,743	3,043,408	1,170,641	-
Net (loss) / income and comprehensive (loss) / income	(954,583)	1,041,652	638,636	(1,043,211)	(454,864)
Basic and diluted weighted average net (loss) / income per Unit	$ (0.07)	$ 0.10	$ 0.06	$ (0.21)	$ (0.93)
Basic and diluted weighted average number of Units outstanding	13,050,726	10,405,000	10,405,000	4,969,831	488,889

The hospitality industry is subject to risks and uncertainties, some of which management believe to be cause of fluctuations when comparing reported financial results over reporting periods. For further discussion on these items, see "*Risks and Uncertainties*".

OFF-BALANCE SHEET ARRANGEMENTS

AHIP does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

AHIP entered into a hotel management agreement with TR, a company controlled by a director of the General Partner, to manage and operate AHIP's hotel properties.

The operating subsidiaries of AHIP are responsible for reimbursing TR for any operating expenses and direct costs incurred on behalf of the operations of the properties and their lodging businesses, such as salary and benefit costs of TR's hotel staff and other operating expenses. The hotel management agreements also provide for an amount equal to

3.50% of gross revenues to be paid to TR. In addition, starting in 2014, TR will collectively receive an incentive fee up to 15% of the amount by which the gross operating profit exceeds the annual budgeted gross operating profit for properties in their first full year of management by TR as approved by the independent directors of the General Partner. The incentive fee may not exceed 50% of the aggregate base hotel management fees for the year in which the incentive fee is earned. TR is also entitled to a capital expenditure fee equal to 5.0% of capital expenditures, including maintenance capital expenditures (but excluding maintenance and repair expenses).

In addition, TR is entitled to an administration fee. For each of the 32 hotel properties acquired on February 20, 2013, TR is entitled to $15,000 per property for each of the first and second years of the agreement, $20,000 per property in the third year of the agreement, and $25,000 per property in each year thereafter. For properties acquired subsequent to February 20, 2013, TR (or the applicable hotel manager entity) is entitled to an administration fee of $25,000 per property per year.

AHIP recorded management fees of $648,702 and $2,121,469 in corporate and administrative expenses for the three months and for the year ended December 31, 2013, respectively, comprised of the following:

	Three months ended December 31, 2013	Year ended December 31, 2013
	(unaudited)	
Management Fee	$ 507,469	$ 1,681,843
Administration Fee	141,233	439,626
	$ 648,702	$ 2,121,469

Of this amount, $56,165 was included in accounts payable and accrued liabilities as at December 31, 2013. In addition, capital management fees of $49,768 and $213,206 for the three months ended December 31, 2013 and for the year ended December 31, 2013, respectively, were capitalized to property, buildings and equipment, of which $22,274 was included in accounts payable and accrued expenses as at December 31, 2013.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated 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 consolidated 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. To support management's determination of the fair value of property, buildings and equipment, AHIP obtained third-party valuations. To support the determination of the value of intangible assets, management evaluated the incremental earning stream attributable to the lodging agreements discounted at an expected rate of return.

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

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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 agreements.

Accounting standards adopted in the period:

The following new accounting standards were adopted by AHIP effective January 1, 2013. The adoption of the new standards did not impact AHIP's consolidated financial statements as AHIP acquired all of its operating subsidiaries in 2013 and all acquisitions were accounted for under the new standards.

i) IAS 1 – Presentation of Financial Statements:

In June 2011, the IASB made amendments to IAS 1, Presentation of Financial Statements. This amendment requires entities to group items presented in other comprehensive income on the basis of whether they will or will not subsequently be reclassified to profit or loss. The effective date of this amendment was January 1, 2013.

ii) IFRS 10 – Consolidated Financial Statements:

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements. This new standard replaces IAS 27, Consolidated and Separate Financial Statements, and SIC 12, Consolidation – Special Purpose Entities. The new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The effective date of this standard was January 1, 2013.

iii) IFRS 11 – Joint Arrangements:

In May 2011, the IASB issued IFRS 11, Joint Arrangements. This new standard replaces IAS 31 Interests in Joint Ventures. The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures. The effective date of this standard was January 1, 2013.

iv) IFRS 12 – Disclosure of Interests in Other Entities:

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities. This new standard contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The effective date of this standard was January 1, 2013.

v) IFRS 13 - Fair Value Measurement:

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. The objective of IFRS 13 is to define fair value, set out in a single IFRS framework for measuring fair value, and establish disclosure requirements regarding fair value measurements. The effective date of this standard was January 1, 2013.

Future Accounting Policy Changes

In November 2009, the IASB issued IFRS 9, Financial Instruments, which is the first step in its project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 establishes the measurement and classification of financial assets. Under IFRS 9, financial assets are measured either at fair value through earnings or at amortized cost if certain conditions are met. The effective date of this standard is January 1, 2015, but early adoption is permitted. AHIP has not yet adopted this standard and is assessing the impact of the standard on its financial statements.

FINANCIAL INSTRUMENTS

The carrying values of AHIP's cash and cash equivalents, restricted cash, trade and other receivables, mezzanine loans receivable, and accounts payables and accrued expenses approximates their fair values due to the short-term nature of these financial assets and liabilities.

The carrying values of AHIP's term loans approximate their fair values due to the recent date of inception of the term loans. Going forward, the fair values of the term loans will be estimated by discounting the future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. Discount rates will either be provided by lenders or observable in the open market.

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AHIP is exposed to a number of risks in its normal course of operations from its use of financial instruments. These risks, and the actions taken to manage them are disclosed in Note 14 of AHIP's consolidated financial statements for the year ended December 31, 2013.

SUBSEQUENT EVENTS

a) Acquisition of Virginia hotels

On March 12, 2014, AHIP completed its acquisition of the four hotel properties located in Virginia (the "Virginia Portfolio") for an aggregate purchase price of approximately US$37.2 million, including up to US$1.48 million for defeasance of existing debt and US$0.1 million for additional land, and excluding post-acquisition adjustments and brand mandated property improvement plans. The Virginia Portfolio is comprised of an aggregate of 403 guest rooms and consists of three hotels under the "Hampton Inn" flag (a Hilton brand), and one hotel under the "Fairfield Inn & Suites" flag (a Marriott brand). The properties are located in Harrisonburg, Emporia and South Hill, Virginia, near transportation hubs and other major demand generators such as James Madison University, manufacturing facilities, distribution centres and medical centres. The properties cater primarily to corporate travelers seeking select-service lodging and fits within AHIP's Other Branded hotels operating segment. The acquisition is expected to be immediately accretive to AHIP and increase cash flow from operations.

b) Debt financing for the acquisition of the Virginia Portfolio

AHIP has entered into a loan agreement with a major international bank (the "Lender") for a $24.5 million loan. The initial term of the Loan is 10 years after the closing date of March 12, 2014 (the "Term"). The interest rate on the Loan is locked at 4.97% per annum. The Loan will be secured by a first-priority mortgage encumbering each of hotels in the Virginia Portfolio, a first-priority security interest in all the business assets and personal property used in or useful in the operation of the Virginia Portfolio and a first-priority security interest in all accounts that are held by a manager for the benefit of AHIP or the Virginia Portfolio. The four properties will be cross-collateralized and cross-defaulted. The Lender will have the right to sell, assign, syndicate, securitize or participate in the Loan, in whole or in part, without AHIP's consent, and AHIP will be required to cooperate in a reasonable manner with any such sale, assignment, syndication, securitization or participation.

The Loan will be amortized as interest-only for the first three years of the Term; thereafter, a constant monthly payment of principal and interest will be due and payable in an amount sufficient to fully amortize the Loan over a 30-year amortization schedule, subject to prepayment. AHIP is required to establish and fund reserves to cover the payment of, among other things, all of the costs required by the PIPs and other planned capital improvements for the Virginia Portfolio for $6.0 million in aggregate. An ongoing FF&E reserve of 4% will be required. The ongoing FF&E reserve is waived for the initial 12 months on all properties except for one, where the FF&E reserve is waived for the initial 24 months.

c) U.S. REIT private placement

On January 17, 2014 the U.S. REIT completed a private placement offering of preferred shares in the U.S. REIT ("Series B Cumulative Non-Voting Preferred Stock") to 125 preferred shareholders for total offering proceeds of $125,000. The shares have a par value of $1,000 with a cumulative interest rate of 12.5% per annum.

d) Distributions

On January 24, 2014, AHIP announced a cash distribution of Cdn$0.075 per unit for the period of January 1, 2014 to January 31, 2014, which is equivalent to Cdn$0.90 per Unit on an annualized basis. The distribution was paid on February 17, 2014 to Unitholders of record on January 31, 2014.

On February 17, 2014, AHIP announced a cash distribution of Cdn$0.075 per unit for the period of February 1, 2014 to February 28, 2014, which is equivalent to Cdn$0.90 per Unit on an annualized basis. The distribution was paid on March 14, 2014 to Unitholders of record on February 28, 2014.

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e) Additional mezzanine financing advanced to SunOne

On February 21, 2014, AHIP advanced $163,399 in additional mezzanine loans receivable to SunOne pursuant to the mezzanine loan agreements with SunOne for the following properties:

	As at February 21, 2014			
Property under development	Mezzanine financing available	Additional loans drawn	Total loan amount drawn	Unfunded commitment
Santa Teresa, NM	$ 650,000	$ 54,910	$ 346,223	$ 303,777
Brunswick, MD	392,000	35,085	65,789	$ 326,211
Wellington, KS	931,000	-	-	$ 931,000
Glendive, MT	638,000	73,404	73,404	$ 564,596
	$ 2,611,000	$ 163,399	$ 485,416	$ 2,125,584

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 control over financial reporting ("ICFR"), as defined in the instrument. DC&P are designed to provide reasonable assurance that information required to be disclosed by AHIP in 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 information required to be disclosed by AHIP in 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 December 31, 2013, AHIP's management, under the supervision of its CEO and CFO has completed an assessment of the design and effectiveness of DC&P and ICFR, with the exception of the scope of design of DC&P and ICFR as noted below. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework. Based on this assessment, the CEO and CFO concluded that AHIP's DC&P and ICFR were effective as at December 31, 2013.

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 Oak Tree Inn hotels and the Other Branded hotels, as they were acquired on February 20, 2013 and November 21, 2013, respectively, and less than 365 days before the last day of the year ended December 31, 2013. The results of the Oak Tree Inn hotels and the Other Branded hotels constitute 100% of AHIP's operating activities and the operational results of these hotels for the period from the acquisition dates to December 31, 2013 are included in the consolidated financial statements and related notes. AHIP intends to complete the design of DC&P and ICFR of the Oak Tree Inn hotels by the end of the first quarter in 2014 and by the end of the year in 2014 for the Other Branded hotels.

RISKS AND UNCERTAINTIES

Refer to the risk factors discussed on pages 20-33 of AHIP's 2012 Annual Information Form dated March 28, 2013 (the “AIF”), on pages 61-66 of AHIP’s IPO Prospectus, and on pages 61-66 of AHIP's final prospectus for the Offering, all of which are available on SEDAR at www.sedar.com and on AHIP’s website at www.ahipreit.com. Although AHIP believes that the risk factors in the AIF and the prospectuses are the most material risks that AHIP faces, they are not the only ones. Additional risk factors not presently known to AHIP or that AHIP currently believes are immaterial could also 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 and negatively affect the value of its Units.

For all of the aforesaid reasons and others set forth herein, the Units involve a certain degree of risk. Any person considering the purchase of Units should be aware of these and other factors set forth in AHIP’s AIF and Prospectus 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 and on AHIP’s website at www.ahipreit.com.

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