



AMERICAN HOTEL INCOME PROPERTIES REIT LP

Annual Information Form
For the year ended December 31, 2015

March 17, 2016

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MEANINGS OF CERTAIN REFERENCES

AHIP's investment and operating activities are limited because AHIP's investment and operating activities are carried out by direct and indirect Subsidiaries, including the U.S. REIT. For simplicity, AHIP uses terms in this annual information form ("AIF") to refer to the investments and operations of AHIP and its direct and indirect Subsidiaries, including the U.S. REIT, as a whole. Accordingly, in this AIF, unless the context otherwise requires, "AHIP" is referring to AHIP and its direct and indirect Subsidiaries, including the U.S. REIT, as a whole. When AHIP uses expressions such as "AHIP's operations", AHIP is referring to AHIP's indirect operations, as carried out by its direct and indirect Subsidiaries, including the U.S. REIT, as a whole. When AHIP uses expressions such as "AHIP's portfolio" or "AHIP owns" in relation to any properties comprising part of the Existing Portfolio, AHIP is referring to AHIP's indirect ownership of and investment in such properties through its investment in its direct and indirect Subsidiaries, including the U.S. REIT. When AHIP uses expressions such as "AHIP operates", AHIP is referring to AHIP's indirect operations, as carried out by its direct and indirect Subsidiaries, including the U.S. REIT.

References to "management" in this AIF mean the persons acting in the capacities of AHIP's Chief Executive Officer, Chief Financial Officer, Executive Vice President – Asset Management, Chief Investment Officer and Director of Finance. Any statements in this AIF made by or on behalf of management are made in such persons' capacities as officers of AHIP and not in their personal capacities.

FORWARD-LOOKING STATEMENTS

This AIF contains forward-looking information. Statements other than statements of historical fact contained in this AIF may be forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. They 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, 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. Some of the specific forward-looking statements in this AIF include, but are not limited to, statements with respect to: AHIP's intention to generate stable, sustainable and growing cash flows through ownership of its properties and AHIP's other stated objectives; AHIP's investment guidelines and operating policies; AHIP's intention to continue to complete acquisitions of properties through one or more wholly-owned subsidiaries of the U.S. REIT; AHIP's intention to make regular monthly cash distributions; the expected timing of the record and payment dates for monthly distributions; the switch to the payment of U.S. dollar denominated monthly distributions and the timing thereof; the manner by which, and proportion of, Distributable Cash will be paid by AHIP; AHIP's ability to execute AHIP's business and growth strategies, including by constructing additional Oak Tree Inn hotels, expanding existing Oak Tree Inn hotels, and making additional accretive acquisitions of properties in AHIP's target markets; the expected tax treatment of AHIP's distributions to Unitholders; AHIP's intent with respect to the filing of "consent dividend" elections under the Code; AHIP's access to available sources of debt and equity financing; AHIP's expectations, including anticipated trends and challenges in respect of the U.S. economy and the U.S. lodging industry in AHIP's target markets; management's expectations with respect to how it will pay expenses, service debt and pay distributions to Unitholders if cash flow from operations is insufficient to cover such obligations in any quarter; the expected level of foreign tax, if any, payable on amounts that give rise to AHIP's distributable income; AHIP's intention to maintain its election to be treated as a real estate investment trust under the Code; the cost and the timing of the commencement and completion of the Expansions of certain Oak Tree Inn Hotels located in Texas, Oregon and Nebraska; the orientation that any new directors of the General Partner will receive and the payment of expenses incurred by directors in accordance with AHIP's Director Education Policy; and the date of the next annual meeting of AHIP's Unitholders.

Although AHIP believes that the expectations reflected in such forward-looking information are reasonable, AHIP can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, including, but not limited to, the factors discussed under "*Risk Factors*", undue reliance should not be placed on such information. Actual results and events may vary

significantly from those included in, contemplated or implied by such statements. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, any assumptions set forth in this AIF as well as the following: AHIP will continue to receive financing on acceptable terms; AHIP's future level of indebtedness and AHIP's future growth potential will remain consistent with AHIP's current expectations; there will be no changes to tax laws adversely affecting AHIP's financing capability, operations, activities, structure or distributions; AHIP will retain and continue to attract qualified and knowledgeable personnel as AHIP expands its portfolio and business; the impact of the current economic climate and the current global financial conditions on AHIP's operations, including AHIP's financing capability and asset value, will remain reasonably consistent; there will be no material changes to government and environmental regulations adversely affecting AHIP's operations; conditions in the international and, in particular, the U.S. hotel and lodging industry, including competition for acquisitions, will be consistent with the current economic climate; capital markets will provide AHIP with readily available access to equity and/or debt financing; the U.S. REIT will continue to qualify as a real estate investment trust under the Code; and the SIFT Measures in the Tax Act will continue to not apply to AHIP.

The forward-looking information contained in this AIF is expressly qualified in its entirety by these cautionary statements. All forward-looking information in this AIF is as of the date of this AIF. Forward-looking statements do not take into account the effect of transactions or other items announced or occurring after the statements are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after the forward-looking statements are made. AHIP does not undertake any obligation to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. For more information on the risk factors that could cause AHIP's actual results to differ from current expectations, see "*Risk Factors*".

NON-IFRS MEASURES

Certain non-IFRS financial measures are included in this AIF. Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate and lodging industries use these non-IFRS financial measures to evaluate AHIP's performance, ability to generate cash flows and financial condition. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. These terms are not measures recognized under IFRS; as a result, they do not have standardized meanings prescribed by IFRS and may not be comparable to measures used by other issuers in the real estate industry or other industries. The non-IFRS financial measures used in this AIF include debt-to-gross book value, funds from operations, adjusted funds from operations, gross operating profit and net operating income.

"**Debt**" means the face value (excluding deferred financing costs and unamortized mark-to-market adjustments) of revolving lines of credit, term loans, contingent consideration and deferred compensation payable. "**Gross Book Value**" means, at any time, the book value of the total assets of AHIP, as shown on its then most recent consolidated statement of financial position, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto, less: (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by AHIP; and (ii) deferred income tax liabilities arising out of fair value adjustments in respect of indirect acquisitions. "**Debt-to-Gross Book Value**" is the ratio of Debt divided by Gross Book Value.

AHIP calculates funds from operations ("**FFO**") in accordance with the Real Property Association of Canada White Paper on Funds from Operations revised in April 2014. FFO is defined as net income (loss) and comprehensive income (loss) calculated in accordance with IFRS, excluding: (i) depreciation and amortization; (ii) gains (or losses) from sales of hotel properties and equipment; (iii) business acquisition costs related to the purchase of a property being accounted for as a business combination; (iv) deferred income tax expense (recovery); (v) foreign exchange gains and losses on monetary items such as loans and receivables due to a net investment in a foreign operation; (vi) fair value adjustments to financial instruments; and (vii) adjustments for property taxes accounted for under IFRIC 21.

Adjusted funds from operations ("**AFFO**") is defined as FFO subject to certain adjustments, including: (i) amortization of deferred financing costs; (ii) amortization of mark-to-market adjustments on assumed term loans; (iii) accretion of contingent consideration; (iv) accretion of deferred compensation payable; (v) securities-based

compensation; and (vi) deducting FF&E Reserves for normalized maintenance capital expenditures. Other adjustments may be made to AFFO as determined by the General Partner at its discretion. Upon the acquisition of hotels, AHIP from time to time negotiates FF&E Reserve waivers with its lenders for periods of up to 48 months. AHIP does not factor in the benefit of these FF&E Reserve waivers in calculating AFFO.

Gross operating profit (“**GOP**”) is defined as total revenues less hotel operating expenses, energy and property maintenance (excluding depreciation and amortization).

Net operating income (“**NOI**”) is defined as GOP less property taxes and insurance (excluding depreciation and amortization).

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 FFO, AFFO, GOP and NOI are important measures of operating performance of real estate properties. AHIP also believes that AFFO is indicative of AHIP’s ability to pay distributions. The IFRS measurement most directly comparable to FFO, AFFO and NOI is net income.

Debt-to-Gross Book Value, FFO, AFFO, GOP 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, GOP, NOI may differ from other issuers’ methods and accordingly may not be comparable to measures used by other issuers.

DATE OF INFORMATION

The information in this AIF is presented as of December 31, 2015, unless otherwise indicated.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all references to “\$” or “dollars” are to U.S. dollars, which is AHIP’s functional currency. The fiscal year end of all entities within the corporate structure of AHIP is December 31. AHIP’s financial statements are prepared in accordance with IFRS.

GLOSSARY OF TERMS

“**Accordion Facility**” has the meaning ascribed to it under “*Credit Facilities – Rail Hotels – Initial Portfolio Credit Facility*”.

“**ADR**” means, for a hotel property or properties, the total hotel room revenues for such property or properties divided by total number of rooms sold at such property or properties in a given period.

“**Affiliate**” or “**Associate**” means, where used to indicate a relationship with any person:

- (a) a partner, other than a Unitholder, of that person;
- (b) a trust or estate in which that person has a substantial beneficial interest or for which that person serves as trustee or in a similar capacity;
- (c) an entity in respect of which that person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the entity; or
- (d) a relative, including the spouse, of that person or a relative of that person’s spouse, where the relative has the same home as that person, and for the purpose of this definition spouse includes a man or woman not married to that person but who is living with that person and has lived with that person as husband or wife for a period of not less than six months.

“**AFFO**” has the meaning ascribed to it under “*Non-IFRS Measures*”.

“**AHIP**” means American Hotel Income Properties REIT LP and, unless the context otherwise requires, its direct and indirect Subsidiaries including the U.S. REIT, as a whole.

“**AHIP Enterprises**” means AHIP Enterprises LLC, a limited liability company formed in Delaware on August 27, 2013.

“**AHIP Properties**” means AHIP Properties LLC, a limited liability company formed in Delaware on August 27, 2013.

“**AIF**” means this annual information form.

“**AML**” means AHIP Management Ltd., a company incorporated under the *Business Corporations Act* (British Columbia).

“**April 2015 Offering**” has the meaning ascribed to under “*General Development of the Business – Financings and Third Party Acquisitions – April 2015 Offering of Units*”.

“**April 2015 Offering Underwriting Agreement**” has the meaning ascribed to it under “*Material Contracts*”.

“**April 2015 Underwriters**” has the meaning ascribed to it under “*Material Contracts*”.

“**Audit Committee**” means the audit, finance and risk committee of directors established by the board of directors of the General Partner.

“**August 2015 Offering**” has the meaning ascribed to under “*General Development of the Business – Financings and Third Party Acquisitions – August 2015 Offering of Units*”.

“**August 2015 Offering Underwriting Agreement**” has the meaning ascribed to it under “*Material Contracts*”.

“**August 2015 Underwriters**” has the meaning ascribed to it under “*Material Contracts*”.

“**BNSF**” means Burlington Northern Santa Fe LLC.

“**Branded Hotels**” means, collectively, hotels owned by AHIP, which have franchise lodging agreements with leading hotel franchisors that are not Oak Tree Inn Hotels.

“**Business Day**” means any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.

“**CDS**” has the meaning ascribed to it under “*LP Agreement – Transfer of Units*”.

“**CFA**” has the meaning ascribed to it under “*Risk Factors – Canadian and U.S. Tax Related Risk Factors – Canadian Tax-Related Risks*”.

“**CMBS**” means commercial mortgage backed security.

“**Code**” means the Internal Revenue Code of 1986 and the regulations thereunder, as amended.

“**Code of Conduct**” has the meaning ascribed to it under “*Directors and Management – Committees of the Board of Directors of the General Partner – Audit, Finance and Risk Committee*”.

“**Compensation Committee**” means the compensation committee of directors established by the board of directors of the General Partner.

“**Contract Renewal**” has the meaning ascribed to it under “*Business of AHIP – Economic Dependence*”.

“**CP**” means Canadian Pacific Railway Limited.

“**Credit Agreement**” means the Seventh Amended and Restated Credit Agreement among Lodging Properties, Lodging Enterprises and a U.S. chartered bank dated February 20, 2013, as amended on December 23, 2013, May 1, 2014, December 5, 2014, February 20, 2015 and December 18, 2015.

“**CSX**” means CSX Corporation.

“**Debt**” has the meaning ascribed to it under “*Non-IFRS Measures*”.

“**Debt-to-Gross Book Value**” has the meaning ascribed to it under “*Non-IFRS Measures*”.

“**Directors Election Meeting**” has the meaning ascribed to it under “*Nomination Agreement*”.

“**Distributable Cash**” means, for any period, the aggregate of all amounts received by AHIP in such period, whether by way of dividends, interest or otherwise, from and in respect of its direct and indirect investment in the securities held by AHIP, including its investment in any Subsidiaries, less reasonable reserves determined by the General Partner to be necessary to operate the affairs of AHIP in a prudent and businesslike manner and less taxes, if any, payable by AHIP.

“**ECI**” has the meaning ascribed to it under “*Risk Factors – Canadian and U.S. Tax Related Risk Factors – U.S. Federal Income Tax-Related Risks*”.

“**Escrow Agreement**” has the meaning ascribed to it under “*Escrowed Securities*”.

“**Escrowed Units**” has the meaning ascribed to it under “*Escrowed Securities*”.

“**Existing Portfolio**” means a portfolio of 80 hotel properties located in 27 states in the U.S. and indirectly owned by AHIP as at the date of this AIF.

“**Expansion Term Loan**” has the meaning ascribed to it under “*Credit Facilities – Rail Hotels – Initial Portfolio Credit Facility*”.

“**Expansions**” has the meaning ascribed to it under “*General Development of the Business – Development Activities – Developments and Expansions*”.

“**FAPI**” has the meaning ascribed to it under “*Risk Factors – Canadian and U.S. Tax Related Risk Factors – Canadian Tax-Related Risks*”.

“**FF&E Reserves**” means 3% of room revenues for the Rail Hotels and 4% of total revenues for the Branded Hotels.

“**FFO**” has the meaning ascribed to it under “*Non-IFRS Measures*”.

“**Fiscal Year**” means each fiscal year of AHIP.

“**Florida Borrowers**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – Florida Loan*”.

“**Florida Loan**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – Florida Loan*”.

“**Florida Portfolio**” means the portfolio of three hotel properties located in Ocala, Florida indirectly acquired by AHIP on August 6, 2015.

“**General Partner**” means American Hotel Income Properties REIT (GP) Inc., a corporation incorporated under the *Canada Business Corporations Act*.

“**GOP**” has the meaning ascribed to it under “*Non-IFRS Measures*”.

“**Gross Book Value**” has the meaning ascribed to it under “*Non-IFRS Measures*”.

“**Hotel Management Agreement**” means a hotel management agreement in substantially the form attached as Annex A to the Master Hotel Management Agreement.

“**Hotel Managers**” means any and all hotel managers appointed from time to time by the Master Hotel Manager including, without limitation, the IPO Hotel Manager.

“**IAS**” means International Accounting Standards.

“**IFRIC 21**” means the International Financial Reporting Interpretations Committee interpretation 21, which provides an interpretation of the requirements in IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, for the recognition of liabilities for obligations to pay levies that are within the scope of IFRIC 21.

“**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Chartered Professional Accountants Canada in Part I of the CPA Canada Handbook – Accounting, as amended from time to time.

“**IHG**” means Intercontinental Hotels Group.

“**IML Enterprises**” means IML Enterprises, LLC, a limited liability company formed in Delaware on August 28, 2015.

“**IML Properties**” means IML Properties LLC, a limited liability company formed in Delaware on August 28, 2015.

“**Independent Director**” means a director of the General Partner who, in relation to AHIP is “independent” within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and is not “related” within the meaning of the Tax Act.

“**Initial Portfolio**” means the IPO Portfolio together with each rail crew hotel indirectly acquired by AHIP after February 20, 2013, other than the hotels comprising the Railway Portfolio.

“**Initial Portfolio Credit Facility**” has the meaning ascribed to it under “*Credit Facilities – Rail Hotels – Initial Portfolio Credit Facility*”.

“**Initial Portfolio Mortgage**” has the meaning ascribed to it under “*Credit Facilities – Rail Hotels – Initial Portfolio Credit Facility*”.

“**investee**” has the meaning ascribed to it under “*LP Agreement – Operating Policies*”.

“**IPO Hotel Management Agreement**” has the meaning ascribed to it under “*Material Contracts*”.

“**IPO Hotel Manager**” means TR Lodging Enterprises Inc.

“**IPO Offering**” means the meaning ascribed to it under “*General Development of the Business – Financings and Third Party Acquisitions – Initial Public Offering*”.

“**IPO Portfolio**” means the initial portfolio of Oak Tree Inn hotels indirectly acquired by AHIP on February 20, 2013.

“**IRS**” means the U.S. Internal Revenue Service.

“**June 2014 Offering**” has the meaning ascribed to under “*General Development of the Business – Financings and Third Party Acquisitions – June 2014 Offering of Units*”.

“**LIBOR**” means the London Interbank Offered Rate.

“**Lodging Enterprises**” means Lodging Enterprises, LLC, a limited liability company formed in Delaware on April 18, 2008.

“**Lodging Properties**” means Lodging Properties LLC, a limited liability company formed in Delaware on November 1, 2012.

“**LP Agreement**” means the limited partnership agreement of AHIP dated as of October 12, 2012, and subsequently amended and restated as of February 20, 2013 and further amended as of June 9, 2015.

“**LP Agreement Amendment**” has the meaning ascribed to it under “*LP Agreement - Amendment to LP Agreement – Advance Notice Policy*”.

“**Master Development Agreement**” has the meaning ascribed to it under “*Material Contracts*”.

“**Master Hotel Management Agreement**” has the meaning ascribed to it under “*Material Contracts*”.

“**Master Hotel Manager**” means Tower Rock Hotels & Resorts Inc.

“**Midwestern Borrowers**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – Midwestern Loan*”.

“**Midwestern Loan**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – Midwestern Loan*”.

“**Midwestern Portfolio**” means the portfolio of nine hotel properties located in Illinois, Iowa, Kansas, Missouri and Oklahoma indirectly acquired by AHIP on June 18, 2015.

“**MSI**” has the meaning ascribed to it under “*Business of AHIP – Competition*”.

“**NC/FL Borrowers**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – NC/FL Loan*”.

“**NC/FL Loan**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – NC/FL Loan*”.

“**NC/FL Portfolio**” means the portfolio of four hotel properties located in North Carolina and Florida indirectly acquired by AHIP on November 25, 2014.

“**NC/GA Borrowers**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – NC/GA Loans*”.

“**NC/GA Loan**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – NC/GA Loans*”.

“**NC/GA Portfolio**” means a portfolio of four hotel properties located in North Carolina and Georgia, three of which properties were indirectly acquired by AHIP on July 3, 2014, with the fourth hotel property indirectly acquired by AHIP on July 11, 2014.

“**NCI**” has the meaning ascribed to it under “*LP Agreement – Transfer of Units*”.

“**Net Income**” or “**Net Loss**” means, for accounting purposes, the net income or net loss of AHIP for a Fiscal Year as determined in accordance with IFRS.

“**NOI**” has the meaning ascribed to it under “*Non-IFRS Measures*”.

“**Nominating and Governance Committee**” means the nominating and governance committee of directors established by the board of directors of the General Partner.

“**Nomination Agreement**” has the meaning ascribed to it under “*Nomination Agreement*”.

“**Nomination Letter**” has the meaning ascribed to it under “*Nomination Agreement*”.

“**Norfolk Southern**” means Norfolk Southern Corporation.

“**Not Closely-Held Requirement**” has the meaning ascribed to it under “*Risk Factors – Canadian and U.S. Tax Related Risk Factors – U.S. Federal Income Tax-Related Risks*”.

“**Oak Tree Inn Hotels**” means, collectively, hotels owned by AHIP that have rail crew lodging agreements and are operated under the “Oak Tree Inn” brand.

“**occupancy**” means, for a hotel property or properties, the total number of hotel rooms sold at such hotel property or properties in a given period divided by the total number of rooms available at such hotel property or properties during such period.

“**October 2014 Offering**” has the meaning ascribed to under “*General Development of the Business – Financings and Third Party Acquisitions – October 2014 Offering of Units*”.

“**Oklahoma Borrowers**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – Oklahoma Loan*”.

“**Oklahoma Loan**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – Oklahoma Loan*”.

“**Oklahoma Portfolio**” means the portfolio of four hotel properties located in Oklahoma indirectly acquired by AHIP on November 3, 2014.

“**Offering of Subscription Receipts**” has the meaning ascribed to it under “*General Development of the Business – Financings and Third Party Acquisitions – Offering of Subscription Receipts*”.

“**O’Neill Group**” means O’Neill Hotels and Resorts Ltd., Robert O’Neill, John O’Neill and the various corporations, limited partnerships, trusts, joint ventures and other entities which are associated with O’Neill Hotels and Resorts Ltd., as the context requires.

“**Partners**” means the General Partner and the Unitholders.

“**person**” means and includes any individual, general partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, joint stock company, association, trust, trust company, bank, pension fund, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or other organization or entity, whether or not a legal entity, however designated or constituted.

“**Phase I ESA Report**” means a Phase I environmental site assessment report.

“**PIPs**” means brand mandated property improvement plans.

“**Pittsburgh Borrowers**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – Pittsburgh Loans*”.

“**Pittsburgh Loans**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – Pittsburgh Loans*”.

“**Pittsburgh Portfolio**” means the portfolio of four hotel properties located in Pittsburgh, Pennsylvania indirectly acquired by AHIP on November 21, 2013.

“**Plans**” means, collectively, trusts governed by RRSP, RRIF, registered education savings plans, registered disability savings plans, deferred profit sharing plans and TFSA, each as defined in the Tax Act.

“**Post IPO Properties**” means any hotel properties acquired, directly or indirectly, by AHIP after February 20, 2013.

“**Principals**” means the Sunstone Group and the O’Neill Group.

“**property**” or “**real property**” means, unless the context otherwise requires, property which in law is real property and includes, whether or not the same would in law be real property, leaseholds, mortgages, undivided joint interests in real property (whether by way of tenancy-in-common, joint tenancy, co-ownership, joint venture or otherwise), any interests in any of the foregoing and the securities of trusts, corporations or partnerships the sole or principal purpose and activity of which is to invest in, hold and/or deal in real property.

“**Proportionate Share**”, in respect of each Unitholder means that fraction which, as of the date of such determination:

- (a) has as its numerator the number of Units held by such Unitholder; and
- (b) has as its denominator the aggregate number of Units outstanding.

“**Proposed Development Opportunity**” has the meaning ascribed to it under “*Business of AHIP – Master Development Agreement*”.

“**Rail Hotels**” means, collectively, the hotel properties comprising the Initial Portfolio and the Railway Portfolio, all of which are Oak Tree Inn hotels.

“**Railway Portfolio**” means the portfolio of five rail crew lodging facilities indirectly acquired by AHIP on September 16, 2015 that were subsequently converted into Oak Tree Inn hotels.

“**Railway Portfolio Borrowers**” has the meaning ascribed to it under “*Credit Facilities – Rail Hotels – Railway Portfolio Loan*”.

“**Railway Portfolio Loan**” has the meaning ascribed to it under “*Credit Facilities – Rail Hotels – Railway Portfolio Loan*”.

“**Record**” has the meaning ascribed to it under “*LP Agreement – Transfers of Units*”.

“**Record Date**” means the date established by the General Partner for determining:

- (a) the identity of Unitholders entitled to notice of any meeting of Partners or entitled to consent to a limited partnership action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Partners; or
- (b) the identity of Unitholders entitled to receive any report or distribution; and unless otherwise specified by the General Partner a Record Date shall mean, as of any particular Business Day, the opening of business on such Business Day.

“**Restricted Investments**” has the meaning ascribed to it under “*Business of AHIP – Master Hotel Management Agreement and Hotel Management Agreements – Non-Competition*”.

“**Revolver**” has the meaning ascribed to it under “*Credit Facilities – Rail Hotels – Initial Portfolio Credit Facility*”.

“**RevPAR**” means, for a hotel property or properties, revenue per available room, which is equal to the product of occupancy and ADR for such hotel property or properties.

“**RRIF**” means registered retirement income funds.

“**RRSP**” means registered retirement savings plan.

“**Securities-Based Compensation Plan**” has the meaning ascribed to it under “*LP Agreement – Rights, Warrants and Options*”.

“**Seed Capital Investors**” has the meaning ascribed to it under “*Escrowed Securities*”.

“**Series B Shares**” has the meaning ascribed to it under “*Corporate Structure – American Hotel Income Properties REIT Inc.*”.

“**SIFT Measures**” means the rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors contained in the Tax Act.

“**Special Resolution**” means:

- (a) a resolution approved by more than 66²/₃% of the votes cast in person or by proxy at a duly constituted meeting of limited partners of AHIP or at any adjournment thereof, called in accordance with the LP Agreement; or
- (b) a written resolution in one or more counterparts signed by limited partners of AHIP holding in the aggregate more than 66²/₃% of the aggregate number of outstanding Units.

“**Sponsor**” means Sunstone O’Neill Hotel Management Inc.

“**STR**” has the meaning ascribed to it under “*U.S. Lodging Industry*”.

“**Subscription Receipt Adjustment Payment**” has the meaning ascribed to it under “*General Development of the Business – Financings and Third Party Acquisitions – Offering of Subscription Receipts*”.

“**Subsidiary**” includes, with respect to any person, a company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity.

“**Substantial Completion**” has the meaning ascribed to it under “*Business of AHIP – Master Development Agreement*”.

“**Suitable Development Property**” has the meaning ascribed to it under “*Business of AHIP – Master Development Agreement*”.

“**Suitable Properties**” means hotel properties in close proximity to railroads, airports, highway interchanges, other transportation hubs and other demand generators providing select and limited service lodging to corporate, traveler, crew and contractual customers.

“**SunOne**” means SunOne Developments Inc., a corporation incorporated under the laws of the state of Nevada.

“**Sunstone**” means Sunstone Realty Advisors Inc., a corporation incorporated under the *Business Corporations Act* (British Columbia).

“**Sunstone Group**” means Sunstone, the estate of Darren Latoski, Stephen Evans and the various corporations, limited partnerships, trusts, joint ventures and other entities which are associated with Sunstone, as the context requires.

“**Swap**” has the meaning ascribed to it under “*Credit Facilities – Rail Hotels – Initial Portfolio Credit Facility*”.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

“**Taxable Income**” and “**Taxable Loss**” means, for income tax purposes, the income or loss of AHIP determined under the Tax Act after applying the following principles, subject to a determination by the General Partner that such an application generally would not be in the best interest of Unitholders:

- (a) deductions in arriving at income or loss for tax purposes will be taken at the earliest time and to the maximum extent permitted by applicable income tax statutes and regulations; and
- (b) the recognition of income for tax purposes will be deferred to the maximum extent permitted by applicable income tax statutes and regulations.

“**Texas Borrowers**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – Texas Loan*”.

“**Texas Loan**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – Texas Loan*”.

“**Texas Portfolio**” means the portfolio of three hotel properties located in Texas indirectly acquired by AHIP on October 27, 2014.

“**TFSA**” means tax free savings account.

“**Transfer Agent**” means Computershare Investor Services Inc. or such other company as may from time to time be appointed by AHIP to act as registrar and transfer agent of the Units, together with any sub-transfer agent duly appointed by the Transfer Agent.

“**Treaty**” means the 1980 U.S.-Canada Income Tax Convention, as amended.

“**TSX**” means the Toronto Stock Exchange.

“**U.S. REIT**” means American Hotel Income Properties REIT Inc., a Maryland corporation.

“**Union Pacific**” means Union Pacific Corporation.

“**Unit**” means a limited partnership unit of AHIP.

“**Unitholder**” means at any time a person that is a limited partner in AHIP and who is the beneficial owner of one or more Units.

“**Virginia Borrowers**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – Virginia Loan*”.

“**Virginia Loan**” has the meaning ascribed to it under “*Credit Facilities – Branded Hotels – Virginia Loan*”.

“**Virginia Portfolio**” means the portfolio of four hotel properties located in Virginia indirectly acquired by AHIP on March 12, 2014.

“**Voting Trust Agreement**” has the meaning ascribed to it under “*Voting Trust Agreement*”.

CORPORATE STRUCTURE

American Hotel Income Properties REIT LP

AHIP is a limited partnership formed under the *Limited Partnerships Act* (Ontario) on October 12, 2012 and governed by the LP Agreement. AHIP's head office is located at 1660 – 401 West Georgia Street, Vancouver, British Columbia V6B 5A1 and its registered office is located at 25th Floor – 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3.

American Hotel Income Properties REIT (GP) Inc.

American Hotel Income Properties REIT (GP) Inc. (the “**General Partner**”) is a corporation incorporated on September 6, 2012 under the *Canada Business Corporations Act*. The General Partner's head office is located at 1660 – 401 West Georgia Street, Vancouver, British Columbia V6B 5A1 and its registered office is located at 25th Floor – 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3. The General Partner is the general partner of AHIP.

American Hotel Income Properties REIT Inc.

American Hotel Income Properties REIT Inc. (the “**U.S. REIT**”) is a corporation incorporated in Maryland on February 15, 2013. The head office of the U.S. REIT is located at 8080 East Central, Suite 180, Wichita, Kansas 67206. The U.S. REIT's registered office is located at c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201. The U.S. REIT elected to be a real estate investment trust pursuant to the Code commencing with its first taxable year ended December 31, 2013 and it intends to maintain such election in the current and future years.

In order to accommodate the requirements of lenders, to segregate risks of ownership of the Existing Portfolio, and to comply with qualification requirements as a real estate investment trust under the Code, the U.S. REIT owns the Existing Portfolio through wholly-owned direct and indirect Subsidiaries of the U.S. REIT (including Lodging Properties, IML Properties and direct Subsidiaries of AHIP Properties), which in turn lease the Existing Portfolio to other wholly-owned direct and indirect Subsidiaries of the U.S. REIT (including Lodging Enterprises, IML Enterprises and direct Subsidiaries of AHIP Enterprises, respectively). Lodging Enterprises, IML Enterprises and direct Subsidiaries of AHIP Enterprises continue to operate the Existing Portfolio through arrangements with direct Subsidiaries of the Master Hotel Manager.

Additional acquisitions of properties by the U.S. REIT will continue to be undertaken through one or more wholly-owned Subsidiaries of the U.S. REIT in a similar manner to acquisitions previously completed by AHIP. See “*Business of AHIP*”.

On December 24, 2013, the Board of Directors approved the Articles of Amendment with respect to the private placement of 125 shares of cumulative non-voting, non-participating preferred stock with a par value of \$1,000 with a cumulative interest rate of 12.5% per annum (the “**Series B Shares**”). The Articles of Amendment were filed with the State Department of Assessments and Taxation, Maryland on December 30, 2013, and the Series B Shares were issued on January 17, 2014. This private placement was made to comply with the IRS requirement for the U.S. REIT to have a minimum of 100 shareholders for a minimum of 335 days in any taxable year for each year after the year in which an election was filed for the corporation to qualify as a real estate investment trust.

AHIP Management Ltd.

AHIP Management Ltd. (“**AML**”) is a corporation incorporated on November 13, 2015 under the *Business Corporations Act* (British Columbia). AML's head office is located at 1660 – 401 West Georgia Street, Vancouver, British Columbia V6B 5A1 and its registered office is at 25th Floor, 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3. AML is a wholly owned subsidiary of the U.S. REIT and effective as of January 1, 2016, is the employer of key executive officers of AHIP and various other support staff. AML provides the services of such persons to AHIP and its Subsidiaries through: (i) a services agreement between AML and AHIP; (ii) a services agreement between AML and the U.S. REIT; and (iii) a secondment agreement between AML and the U.S. REIT.

Lodging Properties LLC

Lodging Properties was formed in Delaware on November 1, 2012 and is a wholly-owned Subsidiary of the U.S. REIT. Lodging Properties owns the real estate underlying the Initial Portfolio and leases it to Lodging Enterprises. Lodging Properties is domiciled in the U.S. and its head office is located at 8080 East Central, Suite 180, Wichita, Kansas 67206 and its registered office is located at c/o RL&F Service Corp., 920 North King Street, 2nd Floor, Wilmington, New Castle County, Delaware 19801.

Lodging Enterprises, LLC

Lodging Enterprises was formed in Delaware on April 18, 2008 and is a wholly-owned Subsidiary of the U.S. REIT. It leases real estate from Lodging Properties to operate the Initial Portfolio. Lodging Enterprises is domiciled in the U.S. and its head office is located at 8080 East Central, Suite 180, Wichita, Kansas 67206 and its registered office is located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

IML Properties LLC

IML Properties was formed in Delaware on August 28, 2015 and is a wholly-owned Subsidiary of the U.S. REIT. It owns the real estate underlying the Railway Portfolio and leases it to IML Properties. IML Properties is domiciled in the U.S. and its head office is located at 8080 East Central, Suite 180, Wichita, Kansas 67206 and its registered office is located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

IML Enterprises LLC

IML Enterprises was formed in Delaware on August 28, 2015 and is a wholly-owned Subsidiary of the U.S. REIT. It leases real estate from IML Properties to operate the Railway Portfolio. IML Properties is domiciled in the U.S. and its head office is located at 8080 East Central, Suite 180, Wichita, Kansas 67206 and its registered office is located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

AHIP Properties LLC

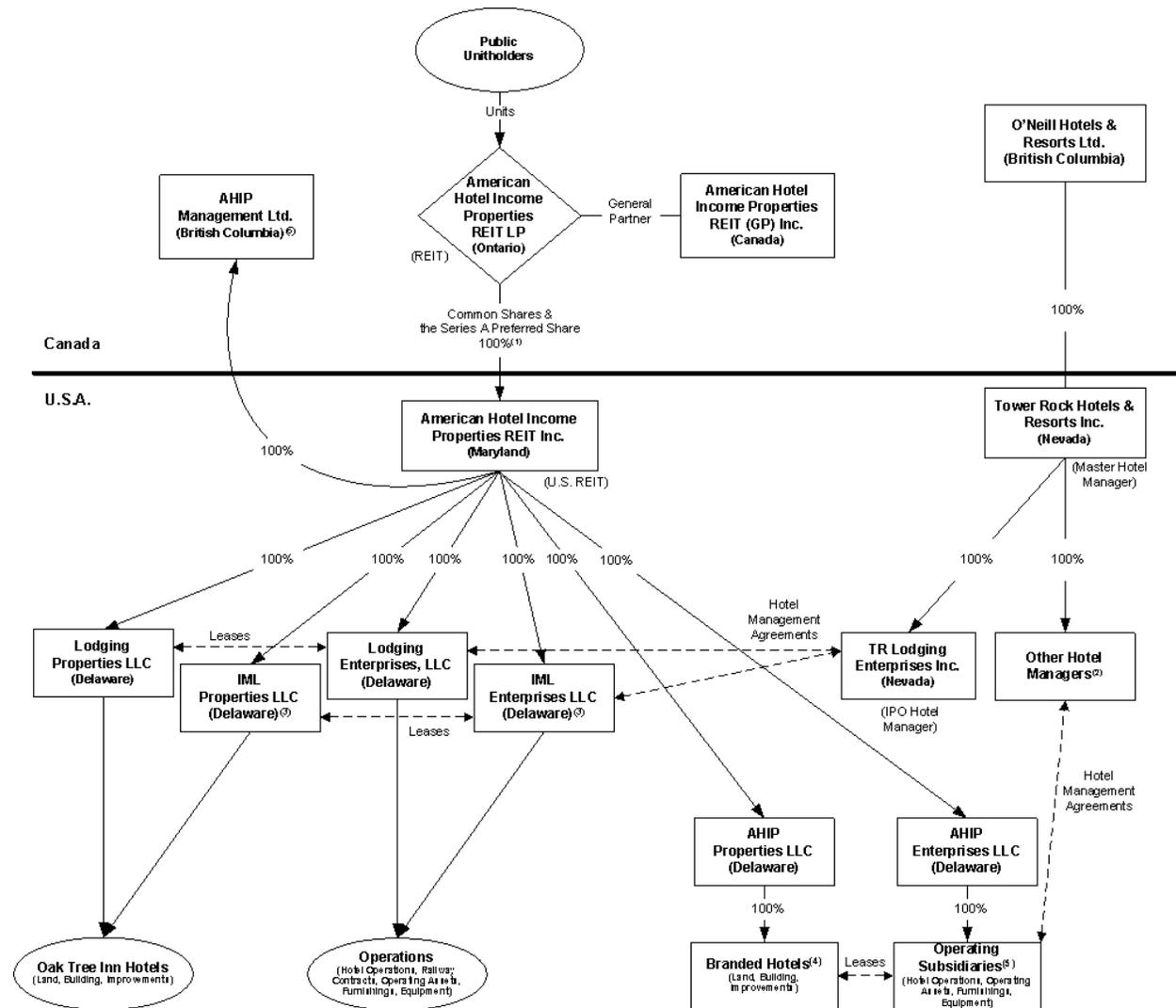
AHIP Properties was formed in Delaware on August 27, 2013 and is a wholly-owned Subsidiary of the U.S. REIT. It owns the real estate underlying the Branded Hotels through its direct and indirect Subsidiaries. AHIP Properties is domiciled in the U.S. and its head and registered offices are located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

AHIP Enterprises LLC

AHIP Enterprises was formed in Delaware on August 27, 2013 and is a wholly-owned Subsidiary of the U.S. REIT. In the case of the Branded Hotels, a direct subsidiary of AHIP Enterprises leases the applicable real estate from a direct subsidiary of AHIP Properties to operate the hotel. AHIP Enterprises is domiciled in the U.S. and its head and registered offices are located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

Organizational Structure

The following diagram depicts the current organizational structure of AHIP, the General Partner and AHIP's direct and indirect operating Subsidiaries and Affiliates:



- (1) The U.S. REIT also has 125 shares of Series B cumulative non-voting, non-participating preferred stock issued and outstanding, each with a par value of US\$1,000 and bearing a cumulative interest rate of 12.5% per annum.
- (2) Each of the Branded Hotels is managed by a separate, direct, wholly owned Subsidiary of the Master Hotel Manager through an individual hotel management agreement entered into with a direct, wholly owned Subsidiary of AHIP Enterprises.
- (3) IML Properties owns the Railway Portfolio and leases the properties comprising such portfolio to IML Enterprises.
- (4) Each of the Branded Hotels is owned by a separate, direct, wholly owned Subsidiary of AHIP Properties. The Branded Hotels currently consist of the hotels comprising the Pittsburgh Portfolio, the Virginia Portfolio, the NC/GA Portfolio, the Texas Portfolio, the Oklahoma Portfolio, the NC/FL Portfolio, the Midwestern Portfolio and the Florida Portfolio.
- (5) Each of the Branded Hotels is leased by a separate, direct, wholly owned Subsidiary of AHIP Enterprises from a direct Subsidiary of AHIP Properties.
- (6) AML is a wholly owned subsidiary of the U.S. REIT and effective as of January 1, 2016, is the employer of key executive officers of AHIP and various other support staff.

GENERAL DEVELOPMENT OF THE BUSINESS

AHIP is a limited partnership formed under the *Limited Partnerships Act* (Ontario) to invest in hotel real estate properties primarily in the U.S. AHIP was established by and among the General Partner and Maverick Management Corp., as the initial limited partner, pursuant to the terms of AHIP's LP Agreement dated October 12, 2012, which was subsequently amended and restated on February 20, 2013 and further amended as of June 9, 2015.

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

- (a) acquiring common shares and, where applicable, a "ROC Share" of 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 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:

- (a) generate stable and growing cash distributions from hotel properties substantially in the U.S;
- (b) enhance the value of its assets and maximize the long-term value of the hotel properties through active management; and
- (c) 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.

Financings and Third Party Acquisitions

Initial Public Offering

On February 20, 2013, AHIP successfully closed its initial public offering of 9,570,000 Units priced at Cdn\$10.00 per Unit, for total gross proceeds of approximately Cdn\$95.7 million (the "**IPO Offering**"). An additional 435,000 Units at a price of Cdn\$10.00 per Unit were issued on March 1, 2013 for gross proceeds of Cdn\$4.35 million pursuant to the exercise of the underwriters' over-allotment option, increasing the total gross proceeds from the IPO Offering to approximately Cdn\$100.1 million.

Acquisition of Lodging Enterprises

On February 20, 2013, AHIP completed the acquisition of the outstanding share capital in Lodging Enterprises, which owned a portfolio of 33 hotel properties (including one property under development at such time) located in 19 states in the U.S. Such hotels now comprise the majority of the Initial Portfolio. The aggregate purchase price of Lodging Enterprises was approximately \$134.1 million, of which approximately \$59.6 million was paid in cash (using a portion of the proceeds of the IPO Offering) and approximately \$74.5 million was assumed under an existing term loan, with the balance attributable to contingent consideration. A substantial portion of Lodging Enterprises' revenue is generated through lodging agreements with several railroad companies. Lodging Enterprises operates Oak Tree Inn branded properties in the Initial Portfolio.

AHIP filed a Form 51-102F4 (a Business Acquisition Report) on May 2, 2013, on SEDAR (www.sedar.com) in respect of its acquisition of Lodging Enterprises.

Offering of Subscription Receipts

On October 31, 2013, AHIP completed a bought deal public offering of subscription receipts (the “**Offering of Subscription Receipts**”), issuing a total of 3,967,500 subscription receipts, including 517,500 subscription receipts from a full exercise of the over-allotment option, at a price of Cdn\$10.15 per subscription receipt for gross proceeds of approximately Cdn\$40.3 million.

On November 21, 2013, concurrent with the acquisition of the Pittsburgh Portfolio, 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. In addition, the subscription receipt holders received Cdn\$0.075 per subscription receipt (the “**Subscription Receipt Adjustment Payment**”), equal to the amount per Unit of the cash distribution made by AHIP on November 15, 2013 to the Unitholders of record on October 31, 2013. The Subscription Receipt Adjustment Payment was paid on November 26, 2013.

Acquisition of the Pittsburgh Portfolio

On November 21, 2013, AHIP completed the acquisition of the four-hotel Pittsburgh Portfolio for an aggregate purchase price of approximately \$57.3 million, excluding post-closing acquisition adjustments and approximately \$6.0 million funded by AHIP to a restricted cash reserve for PIPs. The purchase price for the Pittsburgh Portfolio was financed using a portion of the proceeds from the Offering of Subscription Receipts and the balance was financed by new CMBS financing (see “*Credit Facilities – Branded Hotels – Pittsburgh Loans*”).

The Pittsburgh Portfolio represents an aggregate of 471 guest rooms and is comprised of a 96-room Residence Inn by Marriott hotel (a Marriott brand) and a 116-room Hampton Inn hotel (a Hilton brand) both located in Cranberry Township, Pennsylvania, a 132-room Hampton Inn hotel (a Hilton brand) located in Pittsburgh, Pennsylvania and a 127-room Hampton Inn hotel (a Hilton brand) located in Moon, Pennsylvania. The properties are all located in the metropolitan Pittsburgh, Pennsylvania area and cater primarily to corporate-transient travelers seeking select-service lodging and comprise part of AHIP’s portfolio of Branded Hotels.

AHIP filed a form 51-102F4 (a Business Acquisition Report) on December 6, 2013, on SEDAR (www.sedar.com) in respect of its acquisition of the Pittsburgh Portfolio.

Acquisition of the Virginia Portfolio

On March 12, 2014, AHIP completed the acquisition of the four-hotel Virginia Portfolio for an aggregate purchase price of approximately \$37.1 million, excluding post-closing acquisition adjustments and approximately \$6.0 million funded by AHIP to a restricted cash reserve for PIPs. The purchase price for the Virginia Portfolio was financed using a portion of the proceeds from the Offering of Subscription Receipts and the balance was financed by new CMBS financing (see “*Credit Facilities – Branded Hotels – Virginia Loan*”).

The Virginia Portfolio represents an aggregate of 402 guest rooms and is comprised of a 159-room Hampton Inn hotel (a Hilton Brand) and a 90-room Hampton Inn hotel (a Hilton Brand), both located in Harrisonburg, Virginia, an 85-room Hampton Inn hotel (a Hilton Brand) located in Emporia, Virginia and a 68-room Fairfield Inn & Suites hotel (a Marriott brand) located in South Hill, Virginia. The properties are located near transportation hubs and other major demand generators, cater primarily to corporate travelers seeking select-service lodging and comprise part of AHIP’s portfolio of Branded Hotels.

AHIP filed a form 51-102F4 (a Business Acquisition Report) on May 9, 2014, on SEDAR (www.sedar.com) in respect of its acquisition of the Virginia Portfolio, which such report was superseded by AHIP’s filing of an amended form 51-102F4 (an amended Business Acquisition Report) on May 20, 2014, on SEDAR (www.sedar.com) in respect of its acquisition of the Virginia Portfolio.

June 2014 Offering of Units

On June 4, 2014, AHIP completed a bought deal public offering of Units (the “**June 2014 Offering**”), issuing a total of 4,900,000 Units, including 552,000 Units from a partial exercise of the over-allotment option, at a price of Cdn\$10.35 per Unit for gross proceeds of approximately Cdn\$50.7 million.

Acquisition of the NC/GA Portfolio

On July 3, 2014, AHIP acquired three hotels and on July 11, 2014 acquired the fourth hotel together comprising the NC/GA Portfolio for an aggregate purchase price of approximately \$30.5 million, excluding post-closing acquisition adjustments and approximately \$1.5 million funded by AHIP to a restricted cash reserve for PIPs. The purchase price for the NC/GA Portfolio was financed using a portion of the proceeds from the June 2014 Offering and the balance was financed through the assumption of existing CMBS loans of approximately \$13.4 million on the SpringHill Suites and Hampton Inn properties and a new CMBS loan of \$6.0 million on the two Fairfield Inn & Suites properties (see “*Credit Facilities – Branded Hotels – NC/GA Loans*”).

The NC/GA Portfolio represents an aggregate of 387 guest rooms and is comprised of a 111-room Hampton Inn hotel (a Hilton Brand) and an 87-room Fairfield Inn & Suites hotel (a Marriott brand), both located in Asheboro, North Carolina, an 82-room Fairfield Inn & Suites hotel (a Marriott brand) located in Kingsland, Georgia and a 107-room SpringHill Suites hotel (a Marriott brand) located in Pinehurst, North Carolina. The properties are located near transportation hubs and other major demand generators, cater primarily to corporate travelers seeking select-service lodging and comprise part of AHIP’s portfolio of Branded Hotels.

AHIP filed a form 51-102F4 (a Business Acquisition Report) on August 13, 2014, on SEDAR (www.sedar.com) in respect of its acquisition of the NC/GA Portfolio.

Acquisition of the Texas Portfolio

On October 27, 2014, AHIP completed the acquisition of the three-hotel Texas Portfolio for an aggregate purchase price of approximately \$31.4 million, and excluding post-closing acquisition adjustments and approximately \$400,000 funded by AHIP to a restricted cash reserve for PIPs. The purchase price for the Texas Portfolio was financed using a portion of the proceeds from the June 2014 Offering and the balance was financed by new CMBS financing (see “*Credit Facilities – Branded Hotels – Texas Loan*”).

The Texas Portfolio represents an aggregate of 293 guest rooms and is comprised of a 151-room Holiday Inn hotel (an IHG brand), a 79-room Fairfield Inn & Suites hotel (a Marriott brand) and a 63-room Sleep Inn & Suites hotel (a Choice Hotels brand) each of which is located in Amarillo, Texas. One of the properties is located next to an international airport. The properties cater primarily to corporate travelers seeking select-service lodging and comprise part of AHIP’s portfolio of Branded Hotels.

October 2014 Offering of Units

On October 28, 2014, AHIP completed a bought deal public offering of Units (the “**October 2014 Offering**”), issuing a total of 4,810,000 Units, including 500,000 Units from a partial exercise of the over-allotment option, at a price of Cdn\$10.45 per Unit for gross proceeds of approximately Cdn\$50.3 million.

Acquisition of the Oklahoma Portfolio

On November 3, 2014, AHIP completed the acquisition of the four-hotel Oklahoma Portfolio for an aggregate purchase price of approximately \$48.0 million, excluding post-closing acquisition adjustments and approximately \$700,000 funded by AHIP to a restricted cash reserve for PIPs. The purchase price for the Oklahoma Portfolio was financed using a portion of the proceeds from the October 2014 Offering and the balance was financed by new CMBS financing (see “*Credit Facilities – Branded Hotels – Oklahoma Loan*”).

The Oklahoma Portfolio represents an aggregate of 440 guest rooms and is comprised of a 147-room Holiday Inn hotel (an IHG brand), a 109-room Holiday Inn hotel (an IHG brand) and a 103-room Staybridge Suites hotel (an IHG brand), each of which is located in Oklahoma City, Oklahoma and an 81-room Hampton Inn hotel (a Hilton brand) located in Woodward, Oklahoma. Two of the properties are located next to an international airport. The properties cater primarily to corporate travelers seeking select-service lodging and comprise part of AHIP’s portfolio of Branded Hotels.

Acquisition of the NC/FL Portfolio

On November 25, 2014, AHIP completed the acquisition of the four-hotel NC/FL Portfolio for an aggregate purchase price of approximately \$41.0 million, excluding post-closing acquisition adjustments and approximately \$2.5 million funded by AHIP to a restricted cash reserve for PIPs. The purchase price for the NC/FL Portfolio was financed using a portion of the proceeds from the October 2014 Offering and the balance was financed by new CMBS financing (see “*Credit Facilities – Branded Hotels – NC/FL Loan*”).

The NC/FL Portfolio represents an aggregate of 353 guest rooms and is comprised of a 94-room Courtyard hotel (a Marriott brand) and an 80-room Hampton Inn hotel (a Hilton brand) both located in Statesville, North Carolina, an 83-room Fairfield Inn & Suites hotels (a Marriott brand) located in Melbourne, Florida and an 96-room Fairfield Inn & Suites hotel (a Marriot brand) located in Titusville, Florida. The properties are all located along major U.S. interstate highways near transportation hubs and other significant demand generators. The properties cater primarily to corporate travelers seeking select-service lodging and comprise part of AHIP’s portfolio of Branded Hotels.

April 2015 Offering of Units

On April 28, 2015, AHIP completed a bought deal public offering of Units (the “**April 2015 Offering**”), issuing a total of 6,181,250 Units, including 806,250 Units from the full exercise of the over-allotment option, at a price of Cdn\$10.70 per Unit for gross proceeds of approximately Cdn\$66.1 million.

Acquisition of the Midwestern Portfolio

On June 18, 2015, AHIP completed the acquisition of the nine-hotel Midwestern Portfolio for an aggregate purchase price of approximately \$53.5 million, excluding post-closing acquisition adjustments and approximately \$3.5 million funded by AHIP to a restricted cash reserve for PIPs. The purchase price for the NC/FL Portfolio was financed using a portion of the proceeds from the April 2015 Offering and the balance was financed by new CMBS financing (see “*Credit Facilities – Branded Hotels – Midwestern Loan*”).

The Midwestern Portfolio represents an aggregate of 632 guest rooms and is comprised of seven Holiday Inn Express (an IHG brand) properties (a 69-room hotel in Bethany, Oklahoma; a 62-room hotel in Chickasha, Oklahoma; an 87-room hotel in Dubuque, Iowa; a 68-room hotel in Emporia, Kansas; a 69-room hotel in Jacksonville, Illinois; a 69-room hotel in Mattoon, Illinois; and a 68-room hotel in Nevada, Missouri), one Hampton Inn (a Hilton brand) property (a 63-room hotel located in Chickasha, Oklahoma) and one Country Inn and Suites (a Carlson brand) property (a 77-room hotel in Norman, Oklahoma). The properties are situated along major U.S. interstate highways near transportation hubs and other significant demand generators. The properties cater primarily to corporate travelers seeking select-service lodging and comprise part of AHIP’s portfolio of Branded Hotels.

Acquisition of the Florida Portfolio

On August 6, 2015, AHIP completed the acquisition of the three-hotel Florida Portfolio for an aggregate purchase price of approximately \$30.8 million, excluding post-closing acquisition adjustments, approximately \$3.2 million funded by AHIP to a restricted cash reserve for PIPs and approximately \$1.0 million for the defeasance of existing loans. The purchase price for the Florida Portfolio was financed using a portion of the proceeds from the April 2015 Offering and the balance was financed by new CMBS financing (see “*Credit Facilities – Branded Hotels – Florida Loan*”).

The Florida Portfolio represents an aggregate of 352 guest rooms and is comprised of a 169-room Courtyard hotel (a Marriott brand), a 96-room Fairfield Inn & Suites (a Marriott brand) and an 87-room Residence Inn (a Marriott brand) each of which is located in Ocala, Florida. The properties are situated along major U.S. interstate highways near transportation hubs and other significant demand generators. The properties cater primarily to corporate travelers seeking select-service lodging and comprise part of AHIP’s portfolio of Branded Hotels.

August 2015 Offering of Units

On August 11, 2015, AHIP completed a bought deal offering of Units issuing a total of 3,800,000 Units (the “**August 2015 Offering**”), at a price of Cdn\$10.15 per Unit for gross proceeds of approximately Cdn\$38.6 million. The August 2015 Offering was subject to an over-allotment option pursuant to which the underwriters purchased a further 425,000 Units from AHIP on August 31, 2015 for additional gross proceeds of approximately Cdn\$4.3 million.

Acquisition of the Railway Portfolio

On September 16, 2015, AHIP completed the acquisition of the five-hotel Railway Portfolio for an aggregate purchase price of approximately \$44.8 million (or approximately \$76,450 per room), excluding post-closing acquisition adjustments. The purchase price for the Railway Portfolio was financed using a portion of the proceeds from the August 2015 Offering and the balance was financed by a new mortgage (see “*Credit Facilities – Rail Hotels – Railway Portfolio Loan*”).

The Railway Portfolio represents an aggregate of 586 guest rooms and is comprised of 160-room hotel in Belen, New Mexico; a 156-room hotel in Gillette, Wyoming; a 118-room hotel in Ravenna, Nebraska; a 96-room hotel in Guernsey, Wyoming; and a 56-room hotel in Edgemont, South Dakota. The Railway Portfolio is secured by long term lodging contracts with one of the top three railway companies in the U.S. The lodging contracts guarantee in excess of 80% of the available guestrooms for contract terms averaging approximately nine years. AHIP converted the hotels comprising the Railway Portfolio to Oak Tree Inn hotels after acquiring them.

Development Activities

Developments and Expansions

Since February 20, 2013, the following hotels, all of which now comprise part of AHIP’s Initial Portfolio, have been financed, developed or expanded and purchased in accordance with the Master Development Agreement between SunOne and AHIP:

- On May 1, 2014, AHIP acquired a new 56-room Oak Tree Inn hotel and Penny’s Diner located in Santa Teresa, New Mexico from SunOne for \$5.1 million. The property is secured by a long term railway contract. The acquisition was funded by a combination of cash on hand, new mortgage debt (see “*Credit Facilities – Rail Hotels – Initial Portfolio Credit Facility*”) and the issuance of 101,247 Units, which were issued at Cdn\$10.825 per Unit.
- On October 28, 2014, AHIP acquired a new 50-room Oak Tree Inn hotel and Penny’s Diner located in Glendive, Montana from SunOne for \$4.9 million. The property is secured by a long term railway contract. The acquisition was funded by a combination of cash from the October 2014 Offering, cash on hand, new mortgage debt (see “*Credit Facilities – Rail Hotels – Initial Portfolio Credit Facility*”) and the issuance of 43,016 Units, which were issued at Cdn\$10.45 per Unit.
- On November 24, 2014, AHIP acquired a new 25-room Oak Tree Inn hotel and Penny’s Diner located in Brunswick, Maryland from SunOne for \$2.8 million. The property is secured by a long term railway contract. The acquisition was funded by a combination of cash from the October 2014 Offering, cash on hand and new mortgage debt (see “*Credit Facilities – Rail Hotels – Initial Portfolio Credit Facility*”).
- On February 25, 2015, AHIP acquired a new 110-room Oak Tree Inn hotel located in Wellington, Kansas from SunOne for \$7.4 million. The property is located adjacent to the existing Oak Tree Inn hotel and Penny’s Diner and is secured by a long-term railway contract. The acquisition was funded by a combination of cash on hand, new mortgage debt (see “*Credit Facilities – Rail Hotels – Initial Portfolio Credit Facility*”) and the issuance of 66,927 Units, which were issued at Cdn\$11.20 per Unit.

- On October 30, 2015, AHIP acquired a new 24-room expansion at the existing Oak Tree Inn hotel located in Dexter, Missouri from SunOne for approximately \$2.3 million. The acquisition was funded by a combination of cash on hand and the issuance of 39,032 Units, which were issued at Cdn\$10.12 per Unit.
- On December 8, 2015, AHIP acquired a new 24-room expansion at the existing Oak Tree Inn hotel located in Glendive, Montana from SunOne for approximately US\$2.8 million. The acquisition was funded by a combination of cash on hand and the issuance of 38,244 Units, which were issued at Cdn\$10.60 per Unit.

On November 2, 2015, AHIP announced three new 24-room expansions at existing high occupancy Oak Tree Inn hotels in North Platte, Nebraska, Hermiston, Oregon and Hearne, Texas (collectively, the “**Expansions**”). The Expansions are being constructed by SunOne pursuant to the Master Development Agreement and will be acquired for an aggregate purchase price of approximately \$6.4 million. The Expansions are expected to be completed during the first half of 2016 and will be funded with cash on hand, mortgage debt and/or the issuance of Units. The Expansions are part of AHIP’s previously announced railway growth strategy of constructing additional guestrooms at existing, high occupancy Oak Tree Inn hotels that have excess land and strong market demand.

Conversions

On September 12, 2013, AHIP purchased a 77-room hotel located in Jefferson City, Missouri. The hotel underwent an extensive \$1 million renovation in order to meet Oak Tree Inn standards and was re-opened on February 4, 2014. This hotel has a long-term rail crew lodging contract with a leading U.S. railroad company.

On November 11, 2015, AHIP completed its acquisition of a 70-room rail crew hotel located in Fort Scott, Kansas for an aggregate purchase price of approximately \$3.3 million including planned capital expenditures (including renovations to convert the property to an Oak Tree Inn hotel) and excluding closing and post-closing adjustments. The hotel has a rail crew lodging contract with a leading U.S. railroad company.

On December 22, 2015, AHIP announced it was acquiring a 133-room rail crew hotel located in Lincoln, Nebraska for an aggregate purchase price of \$3.9 million, including approximately \$1.2 million of planned capital expenditures (including renovations to convert the property to an Oak Tree Inn hotel) and excluding closing and post-closing adjustments. The acquisition was completed on January 8, 2016. The hotel has a rail crew lodging contract with a leading U.S. railroad company.

U.S. LODGING INDUSTRY

The lodging properties owned by AHIP operate within the U.S. lodging industry. According to the American Hotel & Lodging Association, as of 2014, there were approximately 53,400 hotel properties in the U.S., totaling approximately 5.0 million guestrooms. The U.S. lodging industry generated revenues of approximately \$176 billion in 2014, representing a \$13 billion increase over 2013. Note that updated figures for 2015 will not be available until mid-2016.

The primary method of segmenting the U.S. lodging industry is by categorizing hotels by chain scale, location, ADR, service level and customer base. In 2015, Smith Travel Research (“**STR**”), a national hotel industry research firm, classified the Oak Tree Inn Hotels as a midscale hotel chain. The Branded Hotels are classified by STR as midscale (Sleep Inn), upper-midscale (Fairfield Inn & Suites, Hampton Inn & Suites, Holiday Inn Express and Holiday Inn) and upscale (Courtyard, Residence Inn, Springhill Suites and Staybridge Suites). The Oak Tree Inn Hotels are primarily focused on servicing railroad contract/crew customers as well as business/leisure travelers. The Branded Hotels primarily serve corporate-transient travelers, as well as extended-stay and leisure travelers.

Management believes that AHIP will continue to benefit from the following favourable industry dynamics:

- *Growing Lodging Industry Fundamentals.* The U.S. lodging industry continues to experience improving fundamentals as a result of the economic expansion that is currently underway. The U.S. lodging industry has historically shown a strong degree of correlation with the overall U.S.

economy. As the U.S. economy continues to expand, management believes that the hotel industry will continue to perform robustly.

- *Limited Supply of New Hotels.* Availability of capital, specifically development capital, to the hotel industry for projects in secondary and tertiary markets has been constrained in recent years, and growth in new hotel room supply is expected by management to remain below the long-run average at least through next year.
- *Attractive Valuations Provide an Opportune Time to Acquire U.S. Hotel Properties.* Management believes that hotel values have continued to lag the relative value of other commercial and residential real estate asset classes, which have generally surpassed their previous peak valuations. Furthermore, hotels in the midscale, upper-midscale and upscale segments of the lodging industry in some secondary and tertiary markets continue to be valued at a discount to replacement cost.
- *Substantial Acquisition Opportunities.* Management believes that the scale and fragmentation of the hotel industry presents AHIP with significant opportunities to grow through accretive acquisitions in AHIP's target markets. AHIP intends to continue to target the extended-stay, midscale, upper-midscale and upscale chain scale segments, as well as the airport, interstate and secondary location geographic segments.
- *Stability of the Airport, Interstate, and Secondary Location Segments.* Management views the airport, interstate and secondary location segments of the U.S. lodging industry as the most stable of all geographic segments as compared to the U.S. lodging industry overall. Economy, midscale, upper-midscale and upscale hotels, including extended-stay hotels, are the most common types of properties in these locations.

BUSINESS OF AHIP

As of the date of this AIF, AHIP owns 80 hotel properties located in 27 states across the U.S., representing an aggregate of 7,048 rooms. AHIP's growth strategy is to focus on transportation-oriented hotels located in secondary markets in the U.S. in close proximity to railroads, airports, highway interchanges, transportation hubs and other major demand generators providing select and limited-service lodging to corporate, transient travelers, crew and contractual customers.

AHIP structures its operations in two operating and reportable segments: (i) the Rail Hotels, which have railroad lodging agreements; and (ii) the Branded Hotels, which have franchise agreements with certain of the world's leading hotel brands.

Rail Hotels

AHIP's portfolio of Rail Hotels is currently comprised of 45 properties representing a total of 3,718 rooms. The Rail Hotels are geographically diversified among 22 states in the U.S. and each of the properties has been built to a high standard of quality, is well maintained, and has been acquired for less than its replacement cost. Management believes that the Rail Hotels comprise the largest and highest-quality chain of crew lodging facilities presently serving the U.S. freight railroad industry. The average age of the Rail Hotels is approximately 15 years (including major renovations). The total revenue of the hotels within AHIP's "Rail Hotels" segment for the year ended December 31, 2015, was approximately \$63.2 million and for the year ended December 31, 2014, was approximately \$58.7 million.

The Rail Hotels are located near high volume railroad hubs and switching terminals across the U.S. Strategic relationships with several of the largest U.S. railroad operators (Union Pacific, BNSF and CSX) and CP, to provide lodging accommodations for railroad employees under contracts stipulating guaranteed minimum occupancies, give the Rail Hotels a recurring and stable revenue stream. All of the properties are currently operated under AHIP's own "Oak Tree Inn" brand and were specifically designed or converted to fulfill the operating needs of railroad operators, including compliance with federal regulations relating to rest time, safety and hours of service, and satisfaction of labour union specifications. Most of the properties were purpose-built and feature a standard design, including a two or three storey wood framed building with interior corridors and stucco or vinyl siding

exteriors. Management estimates that approximately 75% of the total available room-nights in the Rail Hotels are covered under contracts containing minimum occupancy guarantees.

The “Oak Tree Inn” service mark was registered with the U.S. Patent and Trademark Office on May 18, 1999 by Lodging Enterprises. The “Oak Tree Inn” mark was acquired indirectly by AHIP through its acquisition of Lodging Enterprises.

Management expects the Rail Hotels to continue to provide a platform on which to expand AHIP’s business and activities through a combination of organic growth, participation in strategic development opportunities and accretive acquisitions.

Penny’s Diner

Penny’s Diner restaurants currently comprise a 27-unit restaurant chain servicing Oak Tree Inn hotel guests, drive-by guests and local residents. Specific characteristics of Penny’s Diner restaurants include stand-alone 24-hour operations, classic 1950s style decor with nostalgic memorabilia and standard American cuisine. The “Penny’s Diner” service mark was registered with the U.S. Patent and Trademark Office on May 18, 1999 by Lodging Enterprises. The “Penny’s Diner” mark was acquired indirectly by AHIP through its acquisition of Lodging Enterprises.

Branded Hotels

AHIP’s portfolio of Branded Hotels is currently comprised of 35 hotel properties representing a total of 3,330 rooms. The Branded Hotels are geographically diversified among 11 states in the U.S. The average age of the Branded Hotels is approximately 13 years (including major renovations). The total revenue of AHIP’s “Branded Hotels” segment for the year ended December 31, 2015, was approximately \$80.6 million and for the year ended December 31, 2014, was approximately \$34.4 million.

The Branded Hotels are located near airports, highway interchanges and other transportation hubs and major demand generators such as universities, manufacturing facilities, distribution centres and medical centres. The Branded Hotels cater primarily to corporate travelers seeking select-service hotels. AHIP focuses on acquiring existing hotels with top-quality brands with leading hotel franchisors, including, without limitation, Hilton, Marriott, IHG, Carlson-Rezidor and Choice Hotels.

Management expects the Branded Hotels to continue to provide a platform on which to expand AHIP’s business and activities through focusing on accretive acquisitions.

Management

AHIP is internally managed by an experienced senior management team. Each of the Rail Hotels and the Branded Hotels is externally operated by a Hotel Manager, each of which is a Subsidiary of the Master Hotel Manager. The Master Hotel Manager is a wholly owned Subsidiary of O’Neill Hotels & Resorts Ltd. Collectively, AHIP’s and the Hotel Managers’ management teams are comprised of hotel industry veterans that have owned, managed, operated, developed, acquired and financed over Cdn\$1 billion of lodging and hotel investments. The General Partner’s board of directors is comprised of a majority of Independent Directors that have substantial real estate, hospitality and capital markets experience (see “*Directors and Management*”).

Hotel Development

AHIP has entered into the Master Development Agreement with SunOne (an Affiliate of each of O’Neill Hotels & Resorts Ltd. and the Sunstone Group) and Sunstone O’Neill Hotel Management Inc. pursuant to which AHIP’s Subsidiaries have preferential rights to acquire properties that are developed by SunOne from time to time (see “*Business of AHIP – Master Development Agreement*”).

Details of AHIP's Existing Portfolio

Hotel Address	Location	Year Built/Renovated	Number of Rooms	Restaurant
Rail Hotels				
2407 East Holland Ave.....	Alpine, TX	2001	40	Yes
2111 Camino Del Llano ⁽¹⁾	Belen, NM	1994	160	Yes
3522 N. Highway 59.....	Bill, WY	2007	112	Yes
620 Souder Road.....	Brunswick, MD	2014	25	Yes
3475 Union Rd.....	Buffalo, NY	2003	56	—
1625 Stillwater Ave.....	Cheyenne, WY	1998	60	Yes
2300 Valley West Ct.....	Clinton, IA	2005	123	—
21233 Coal River Rd.....	Comfort, WV	2010	25	—
1608 W U.S. Business 60 ⁽⁴⁾	Dexter, MO	1998/2008/2015	133	Yes
4000 Siskiyou Ave.....	Dunsmuir, CA	2007	21	Yes
100 N. 6th St. ⁽¹⁾	Edgemont, SD	1986	56	—
95 Spruce Rd.....	Elko, NV	1999	120	—
2505 S. Main St. ⁽²⁾	Fort Scott, KS	2000	70	—
2700 N Diers Pkwy.....	Fremont, NE	2007	100	Yes
2307 Wyoming Ave. ⁽¹⁾	Gillette, WY	2000	156	—
2006 North Merrill Ave. ⁽⁵⁾	Glendive, MT	2014/2015	74	Yes
220 15th St. SE.....	Glenwood, MN	2013	56	Yes
1170 W. Flaming Gorge Way.....	Green River, WY	1997/1998	191	Yes
800 W. Laramie St. ⁽¹⁾	Guernsey, WY	1996	96	—
1051 North Market St.....	Hearne, TX	1999	116	Yes
1110 SE 4th St.....	Hermiston, OR	2002	62	—
1710 Jefferson Street.....	Jefferson City, MO	2014	77	—
501 SW Blvd ⁽⁶⁾	Kansas City, KS	1981/1985/2013	110	—
2545 Cornhusker Hwy ⁽³⁾	Lincoln, NE	1983	133	—
7875 Airline Hwy.....	Livonia, LA	1996	42	Yes
8233 Airline Hwy.....	Livonia, LA	2013	60	—
123 Westvaco Rd.....	Low Moor, VA	2009	30	Yes
1127 Pony Express Hwy.....	Marysville, KS	1999/2008	139	Yes
528 S. George Nigh Expy.....	McAlester, OK	2011	61	—
777 W Center St.....	Milford, UT	2002/2007	75	Yes
128 S. Willow Rd.....	Missouri Valley, IA	2006	41	Yes
707 E. Webster St.....	Morrill, NE	1997/2008	97	Yes
451 Halligan Dr.....	North Platte, NE	2005	111	Yes
22 N. Frontage St.....	Pecos, TX	2001	61	—
101 Grand Ave. ⁽¹⁾	Ravenna, NE	1972	118	—
2005 E. Daley St.....	Rawlins, WY	2006	62	Yes
12 Kitty Hawk Road.....	Santa Teresa, NM	2014	56	Yes
K27 & Commerce St.....	Sharon Springs, KS	1997	50	Yes
U.S. 285 & 2nd St.....	Vaughn, NM	1999	60	Yes
1177 E. 16th St.....	Wellington, KS	1993/1999	80	Yes
1004 E. 16 th Street.....	Wellington, KS	2015	110	—
1706 N. Park Dr.....	Winslow, AZ	1983	72	—
98 Moffat Ave.....	Yampa, CO	2001	37	Yes
35450 Yermo Rd.....	Yermo, CA	2002	65	Yes
1731 S. Sunridge Dr.....	Yuma, AZ	1999/2000	119	Yes
Totals for Rail Hotels	45 properties		3,718	27

(1) Opened on September 16, 2015.

(2) Opened on November 11, 2015.

(3) Acquired on January 8, 2016.

(4) 24-Room addition completed on October 13, 2015.

(5) 24-Room addition completed on December 8, 2015.

(6) Two guestrooms removed from inventory.

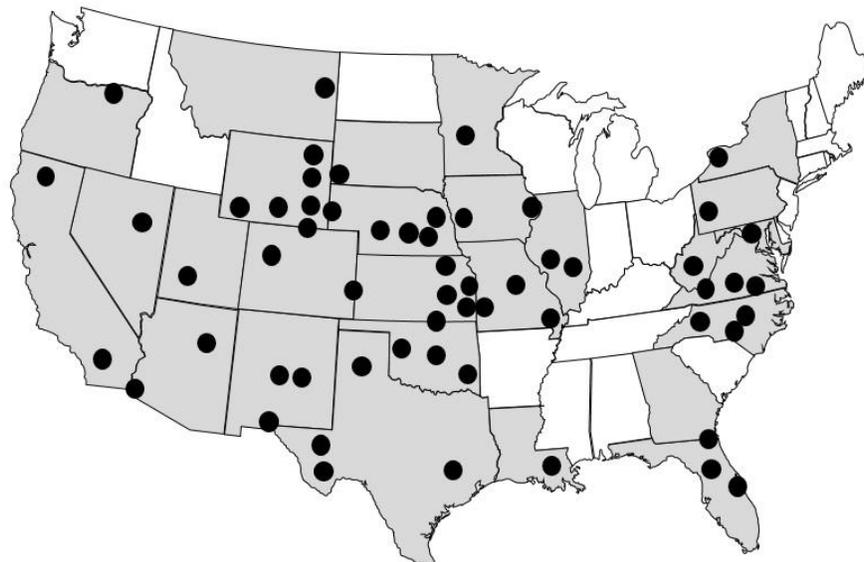
Details of AHIP's Existing Portfolio – Continued

<u>Hotel Address</u>	<u>Location</u>	<u>Year Built/Renovated</u>	<u>Number of Rooms</u>	<u>Restaurant</u>
Branded Hotels				
8231 Amarillo Boulevard West (Holiday Inn).....	Amarillo, TX	2011	151	Yes
6915 I-40 West (Sleep Inn & Suites)	Amarillo, TX	2009	63	—
1740 Airport Boulevard (Fairfield Inn & Suites)	Amarillo, TX	2012	79	—
1137 E. Dixie Drive (Hampton Inn)	Asheboro, NC	1995	111	—
920 Executive Way (Fairfield Inn & Suites).....	Asheboro, NC	2009	87	—
7840 NW. 39th Expressway (Holiday Inn Express) ⁽⁷⁾	Bethany, OK	2007	69	—
3004 S. 4th St. (Hampton Inn) ⁽⁷⁾	Chickasha, OK	2013	63	—
2610 S. 4th St. (Holiday Inn Express) ⁽⁷⁾	Chickasha, OK	2005	62	—
1308 Freedom Rd. (Residence Inn)	Cranberry Township, PA	1998	96	—
210 Executive Dr. (Hampton Inn).....	Cranberry Township, PA	1985	116	—
2080 Holliday Dr. (Holiday Inn Express) ⁽⁷⁾	Dubuque, IA	2009	87	—
3007 W. 18th Ave. (Holiday Inn Express) ⁽⁷⁾	Emporia, KS	2013	68	—
898 Wiggins Rd. (Hampton Inn).....	Emporia, VA	2005	85	—
85 University Blvd. (Hampton Inn)	Harrisonburg, VA	1989	159	—
43 Covenant Dr. (Hampton Inn)	Harrisonburg, VA	2008	90	—
2501 Holliday Lane (Holiday Inn Express) ⁽⁷⁾	Jacksonville, IL	2007	69	—
1319 East King Avenue (Fairfield Inn & Suites)	Kingsland, GA	2008	82	—
121 Swords Dr. (Holiday Inn Express) ⁽⁷⁾	Mattoon, IL	2008	69	—
4355 West New Haven Ave. (Fairfield Inn & Suites).....	Melbourne, FL	2008	83	—
8514 University Blvd. (Hampton Inn)	Moon, PA	1986	127	—
311 S. Johnson Dr. (Holiday Inn Express) ⁽⁷⁾	Nevada, MO	2014	68	—
960 Ed Noble Pkwy. (Country Inn & Suites) ⁽⁷⁾	Norman, OK	2007	77	—
3610 SW. 38th Ave. (Residence Inn) ⁽⁸⁾	Ocala, FL	2007	87	—
3712 SW. 38th Ave. (Courtyard) ⁽⁸⁾	Ocala, FL	1988	169	Yes
4101 SW. 38th Ave. (Fairfield Inn & Suites) ⁽⁸⁾	Ocala, FL	1998	96	—
4401 SW 15th Street (Holiday Inn)	Oklahoma City, OK	2010	147	Yes
4411 SW 15th Street (Staybridge Suites).....	Oklahoma City, OK	2010	103	—
13800 Quail Springs Parkway (Holiday Inn).....	Oklahoma City, OK	2011	109	Yes
10024 U.S. Highway 15 & 501 (Springhill Suites).....	Pinehurst, NC	1999	107	—
555 Trumbull Dr. (Hampton Inn)	Pittsburgh, PA	1986	132	—
150 Arnold Dr. (Fairfield Inn & Suites).....	South Hill, VA	2008	68	—
1508 Cinema Drive (Hampton Inn)	Statesville, NC	2007	80	—
1530 Cinema Drive (Courtyard)	Statesville, NC	2009	94	—
4735 Helen Hauser Blvd. (Fairfield Inn & Suites).....	Titusville, FL	2008	96	—
2814 Williams Avenue (Hampton Inn).....	Woodward, OK	2010	81	—
Totals for Branded Hotels	35 properties		3,330	4
Grand Total			7,048	31

(7) Acquired on June 18, 2015.

(8) Acquired on August 6, 2015.

Geographic Location of the Properties



Master Hotel Management Agreement and Hotel Management Agreements

General

The principal terms of the hotel management agreements are set forth in the Master Hotel Management Agreement. Each property comprising the Existing Portfolio is externally managed by a wholly owned Subsidiary of the Master Hotel Manager, which in turn is a wholly owned Subsidiary of O'Neill Hotels & Resorts Ltd., pursuant to a Hotel Management Agreement and the Master Hotel Management Agreement. Any properties acquired indirectly by AHIP in the five years following February 20, 2013 through one or more wholly owned Subsidiaries are required to be externally managed by the Master Hotel Manager (or through one or more of the Master Hotel Manager's wholly owned Subsidiaries), pursuant to separate Hotel Management Agreements to be entered into by each such Subsidiary with the Master Hotel Manager (or one of its wholly owned Subsidiaries) and to the Master Hotel Management Agreement. The Hotel Managers manage and operate the Existing Portfolio and provide customary hotel management services, including strategic planning, employment of hotel staff, preparation of annual operating and capital budgets and marketing plans, accounting and financial reporting, supervision of rooms and food and beverage operations, supervision of sales and marketing, reservation systems, human resource management, purchasing/bulk buying programs, management and supervision of construction and technical services, information technology, franchise relations and evaluations, supervision of property repairs and maintenance and supervision of compliance with material contracts relating to the properties and leasing.

Term

The Master Hotel Management Agreement and each of the Hotel Management Agreements entered into in the first five years of the initial term of the Master Hotel Management Agreement (including the IPO Hotel Management Agreement) have an initial term of 10 years, and thereafter are subject to two successive automatic five-year renewal terms. The Master Hotel Management Agreement will be deemed to be extended for the remaining term of the applicable Hotel Management Agreements that remain in effect following the end of the second renewal term of the Master Hotel Management Agreement. The automatic renewals will occur if the relevant Hotel Manager (or the Master Hotel Manager in relation to the renewal of the Master Hotel Management Agreement) is not in material default of the relevant Hotel Management Agreement.

Fees

Under the Master Hotel Management Agreement and the Hotel Management Agreements, the operating Subsidiaries of AHIP are responsible for reimbursing the Hotel Managers for operating expenses and any direct costs incurred by such Hotel Managers on behalf of the operations of the underlying properties and their lodging businesses, including salary and benefit costs of hotel staff and other operating expenses. The operating Subsidiaries of AHIP are not responsible for reimbursing the Hotel Managers for any manager overhead costs of operating the properties. Each of the Hotel Management Agreements also provides for the payment by the applicable operating Subsidiary of a base hotel management fee to the applicable Hotel Manager during the term of the agreement in an amount equal to 3.5% of gross revenues. In addition, the Hotel Managers collectively receive an incentive fee equal to 15% of the amount by which the gross operating profit of all hotels managed by the applicable Hotel Managers, on an aggregate basis, exceeds the annual budgeted gross operating profit for all hotels as approved by the Independent Directors, acting reasonably. The incentive fee may not exceed 50% of the aggregate base hotel management fees for the year in which the incentive fee is earned. With respect to fees payable to the Master Hotel Manager (or one of its wholly owned Subsidiaries), the calculation of the incentive fee does not include results of hotels for the fiscal year in which they are initially acquired or leased, or for the fiscal year in which they are sold, and newly acquired or leased hotels are included in the calculation beginning in the first full calendar year such hotel is managed. Each Hotel Manager is also entitled to a capital expenditure fee equal to 5.0% of capital expenditures, including maintenance capital expenditures.

In addition, the Hotel Managers are entitled to an accounting, administration and purchasing fee. With respect to the properties comprising the IPO Portfolio, the IPO Hotel Manager was entitled to \$15,000 per property for each of the first and second years following February 20, 2013, \$20,000 per property in the third year following the February 20, 2013 and \$25,000 per property in each year thereafter. For Post IPO Properties, the applicable Hotel Manager is entitled to an accounting, administration and purchasing fee of \$25,000 per property per year.

Termination

AHIP has the right to terminate the Master Hotel Management Agreement in a number of circumstances, including as a result of an event of default of the Master Hotel Manager, being bankruptcy, fraud or material uncured breach, or if, in two consecutive years: (i) a performance test relating to the achievement of 80% of the annual budgeted gross operating profit (as approved by the Independent Directors) for the properties is not met; and (ii) a market test relating to the achievement of 90% of the average achieved RevPAR relative to a competitive set of limited service hotels, as established and adjudicated by a recognized hotel industry consultant, are not both satisfied. The termination right is not triggered if the failure to achieve the performance test is a result of force majeure. The market test for average achieved RevPAR does not apply to Post IPO Properties following any material post-acquisition renovations or repositioning until the earlier of (A) the date the property has been determined by the Independent Directors, acting reasonably, to be stabilized, and (B) the date that is 24 months after the Post IPO Property has been acquired indirectly by AHIP. Unless it is otherwise in default under the Master Hotel Management Agreement, the Master Hotel Manager has the right once during the first five years of the initial term and once during the second five years of the initial term to cure any performance test failure by making a payment to AHIP of the deficiency in gross operating profit below the performance test criteria. Such payment may, at the Master Hotel Manager's option, be made by offset against management fees.

The Master Hotel Management Agreement and the Hotel Management Agreements provide that AHIP or its Subsidiaries are required to pay a termination fee to the applicable Hotel Manager if AHIP sells any properties during the term of the agreement and the applicable Hotel Manager is not continued as manager of those properties that are sold. If the properties being sold represent 10% or less of the assets of the U.S. REIT, such termination fee is equal to the fees paid based on trailing 12 months revenues of such hotel or hotels. If the properties being sold represent more than 10% of the assets of the U.S. REIT, such termination payment is equal to the fees paid based on trailing 36 months revenues of such properties.

AHIP may also terminate the Master Hotel Management Agreement in the event of a change of control of AHIP, which is defined in the Master Hotel Management Agreement to be the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over 66 2/3% or more of the votes attaching, collectively, to outstanding voting units of AHIP, provided that in the event of such termination, the applicable Hotel Manager(s) are entitled to be paid the reasonable present value of the fees that would have been expected to be

paid during the remaining term of the Master Hotel Management Agreement (without regards to any renewal terms) subject to a minimum of 30 months and a maximum of five years.

Each Hotel Manager may terminate the applicable Hotel Management Agreement after the first five years of the initial term on 12 months' prior written notice. In addition, each Hotel Manager, and the Master Hotel Manager in respect of the Master Hotel Management Agreement, has the right to terminate the applicable Hotel Management Agreement in the event of certain customary events of default of AHIP, including bankruptcy or insolvency proceedings, subject to customary notice and cure rights.

Exclusivity

The Master Hotel Manager or one of its Subsidiaries are the exclusive hotel managers for all properties indirectly owned or acquired by AHIP for a period of five years following February 20, 2013. Thereafter, AHIP is not precluded from indirectly pursuing acquisitions of properties from third parties, and entering into a hotel management agreement with a manager unaffiliated with the Master Hotel Manager, provided that the relevant operating Subsidiary pays the Master Hotel Manager an annual compensatory fee of 0.375% of the asset value of any such acquisition for 18 months following the date of such acquisition. The compensatory fee is subject to renewal for 12 month terms by the Independent Directors, acting reasonably, 90 days prior to the end of the 18 month term and each 12 month term thereafter.

Subcontracting

The Master Hotel Manager and the Hotel Managers are entitled to subcontract out, in whole or in part, their respective obligations under the Master Hotel Management Agreement and Hotel Management Agreements, provided that no such subcontracting relieves the Master Hotel Manager or the relevant Hotel Manager of its obligations under the Master Hotel Management Agreement or the applicable Hotel Management Agreement and that any cost of such subcontracting is to the account of the applicable Hotel Manager. Further, Hotel Managers are only permitted to subcontract their duties, in whole, to entities that are treated as eligible independent contractors, as defined under section 856(d)(9)(A) of the Code, of the U.S. REIT. Notwithstanding the foregoing, the Hotel Managers shall not subcontract their duties for more than one year per hotel or for more than 10% of the hotels in the portfolio of AHIP at any one time without approval of the Independent Directors; provided that, in no event shall the Hotel Managers be permitted to subcontract their duties for more than 25% of the hotels in the portfolio of AHIP at any one time.

Non-Competition

Pursuant to the terms of a non-competition agreement in favour of AHIP, for a period of five years following February 20, 2013, the Principals, the Sponsor, the Hotel Managers and O'Neill Hotels & Resorts Ltd., have agreed not to, directly or indirectly through any controlled entities, manage any Suitable Properties in the U.S. that are owned by entities other than Subsidiaries of AHIP and any railway hotels in Canada. For greater certainty, the Principals and their Affiliates, including the Sponsor, the Hotel Managers and O'Neill Hotels & Resorts Ltd., may manage hotels for third parties, provided that: (i) such hotels are not Suitable Properties; and (ii) the Principals and their Affiliates, including the Sponsor, the Hotel Managers and O'Neill Hotels & Resorts Ltd., obtain the consent to manage such properties from a majority of the Independent Directors, acting reasonably. Hotel management contracts existing as at February 20, 2013 relating to facilities in Scottsdale, AZ, Tempe, AZ and Dallas, TX were not restricted thereunder.

Pursuant to the terms of the above mentioned non-competition agreement, the Principals and the Sponsor have also agreed not to, individually or in partnership or jointly or in conjunction with any person(s), directly or indirectly through any controlled entity: (i) create or manage another private or public entity focused on the ownership of Suitable Properties in the U.S. or Canada (the "**Restricted Investments**"); (ii) invest in, purchase, or finance the purchase of, any assets which constitute Restricted Investments and meet AHIP's investment criteria, unless they have been first offered to AHIP (on no less favourable terms) and AHIP has declined to purchase such assets; or (iii) solicit customers, patrons, suppliers, employees, consultants, advisers, partners, trustees, directors, officers or agents away from AHIP or its facilities, or otherwise interfere with relationships that AHIP has with such persons.

Non-Solicitation

During the term of each Hotel Management Agreement and for a period of two years following termination of each such agreement, AHIP shall not (without the consent of the Hotel Managers), solicit or hire for employment any employee of the Hotel Managers (other than non-executives who respond to an advertisement available to the general public). However, AHIP is entitled to solicit any non-executive employee of the Hotel Managers for whom AHIP is required to pay employee severance costs.

Master Development Agreement

Through the Master Development Agreement, AHIP causes, from time to time, one or more of its Subsidiaries to enter into development agreements with SunOne, an Affiliate of the Principals, for the development of Oak Tree Inn hotels (or other Suitable Properties), so as to reduce the risk of hotel development for AHIP, while still ensuring that AHIP's portfolio of Oak Tree Inn Hotels (and the overall portfolio of AHIP) can continue to grow as opportunities arise, based on market demand. There are no fees charged by SunOne to AHIP or its Subsidiaries in connection with the relationship, other than in relation to third-party developments and as otherwise described below.

Under the Master Development Agreement, the Principals and the Sponsor covenanted that the development of all Suitable Properties proposed to be undertaken by the Sponsor and/or SunOne (each, a "**Proposed Development Opportunity**") are only to be undertaken by SunOne and its Subsidiaries.

The Master Development Agreement grants SunOne an exclusive right to develop Suitable Properties for Subsidiaries of AHIP on commercial terms. In the event that a third party presents AHIP or one of its Subsidiaries with an opportunity for a Suitable Development Property (excluding "Oak Tree Inn" branded developments), AHIP may elect to cause a Subsidiary to pursue such opportunity regardless of the original source of such property, provided that such Subsidiary shall pay SunOne a development fee equal to 1.0% of the total construction costs.

AHIP's direct or indirect Subsidiaries have a right of first opportunity to participate in any Proposed Development Opportunity generated by or arising from the activities of the Sponsor and SunOne. The Sponsor and SunOne are required to use their commercially reasonable best efforts to cause Suitable Properties to feature a fully executed contract with a creditworthy railroad counterparty, featuring a term of no less than five years and a minimum occupancy guarantee covering no less than 50% of the room-nights proposed to be available at the proposed development property (a "**Suitable Development Property**").

In accordance with the Master Development Agreement, SunOne is required to present material terms of all Proposed Development Opportunities to AHIP. AHIP, based on approval from the Independent Directors (excluding any of whom have declared a conflict of interest), may elect to finance (directly or indirectly) each Proposed Development Opportunity via a mezzanine loan, provided that: (i) all debt (senior and mezzanine in nature) does not exceed the aggregate of 90% of the cost of construction of such project; (ii) the value of the mezzanine loan does not exceed 80% of the difference between the aggregate construction costs and senior debt financing (and subject to SunOne committing the balance of the projected funding as equity capital that is subordinate to the mezzanine loan provided by AHIP); (iii) the value of the mezzanine loan does not exceed the value of all senior construction financing; and (iv) the mezzanine loan is provided at an interest rate that is to be accretive to AHIP and in any event not less than a competitive market rate. Any mezzanine loans provided by AHIP (directly or indirectly) to SunOne are cross-collateralized with all other such mezzanine loans. AHIP is not permitted to commit more than 5% of its Gross Book Value to indirect development activities, including direct or indirect mezzanine loans, in connection with Proposed Development Opportunities.

In the event that AHIP initially declines to cause a Subsidiary to participate in a Proposed Development Opportunity and/or SunOne nonetheless proceeds with a Proposed Development Opportunity, once the Proposed Development Opportunity reaches Substantial Completion (as defined below), and provided that the development is a Suitable Development Property, AHIP has the right, but not an obligation, to cause a Subsidiary to purchase the Suitable Development Property at fair market value (as determined by an independent third-party appraiser), provided that, in the opinion of the Independent Directors (excluding any of whom have declared a conflict of interest), such a purchase would be accretive to AHIP's AFFO per Unit. For these purposes, "**Substantial Completion**" is defined as the date on which AHIP is presented with a certificate of occupancy from SunOne.

In the event that AHIP has provided mezzanine financing to such Proposed Development Opportunity, the purchase price at Substantial Completion shall be the greater of: (i) 95% of the fair market value of the property, as determined by an independent third-party appraiser; and (ii) the actual construction cost of the project.

In the event that AHIP has decided to cause a Subsidiary to participate in a Proposed Development Opportunity but has not provided mezzanine financing to such Proposed Development Opportunity, the purchase price at Substantial Completion shall be the greater of: (i) 100% of the fair market value of the property, as determined by an independent third-party appraiser; and (ii) the actual construction cost of the project.

If AHIP causes a Subsidiary to exercise rights to purchase the Suitable Development Property, the equity component of the purchase price to be paid to SunOne for each Suitable Development Property shall, at the discretion of the Independent Directors (excluding any of whom have declared a conflict of interest) and subject to receipt of applicable regulatory approvals and certain other limits, be allocated in cash, Units or a combination thereof. The portion paid in Units, if any, shall be determined as follows: (i) a minimum number of Units shall be determined equal to the Principals' collective pro rata ownership percentage in AHIP (including their Affiliates, and calculated on a fully-diluted basis) at that time; and (ii) subject to the approval of a majority of the Independent Directors (excluding any of whom have declared a conflict of interest), up to 100% of the equity component of the purchase price.

The Master Development Agreement has an initial term of five years. Thereafter, the agreement is subject to automatic five-year renewal terms, provided that: (i) SunOne is not in material default of the Master Development Agreement on the applicable renewal date; and (ii) the Principals directly or indirectly through their Affiliates have retained, collectively, not less than 336,000 Units throughout the term or renewal term, as applicable. SunOne may not transfer or assign the Master Development Agreement to an unaffiliated party of SunOne without the prior consent of AHIP. AHIP may terminate the Master Development Agreement upon 30 days' notice in the event of the material default or insolvency of SunOne (subject to certain customary cure rights of SunOne). The Master Development Agreement automatically terminates upon termination of the Master Hotel Management Agreement.

Economic Dependence

The Rail Hotels are supported by contracts stipulating minimum occupancy guarantees with several of the largest North American railroad operators: Union Pacific, BNSF, CSX and CP. Management estimates that approximately 75% of the room-nights in the Rail Hotels are currently covered under minimum occupancy guarantees.

The following table presents certain key statistics relating to Union Pacific, BNSF, CSX and CP.

Railroad Operator	Head-quarters	North American Rank ⁽¹⁾	Track Miles	2015 Revenues (billions)	Equity Value (billions) ⁽²⁾	Credit Rating ⁽³⁾	Length of Relationship with Lodging Enterprises (years)	2015 AHIP Railroad Room Revenue Contribution
Union Pacific.....	Omaha, NE	1	32,000	\$ 21.8	\$ 67	A	26	76.6%
BNSF.....	Fort Worth, TX	2	32,500	\$ 22.0	\$ 32 ⁽⁴⁾	A	30	17.3%
CSX.....	Jacksonville, FL	3	21,000	\$ 11.8	\$ 25	BBB+	26	4.1%
CP.....	Calgary, AB	6	13,700	\$ 5.3	\$ 20	BBB+	4	2.0%
Total			99,200	\$ 60.9	\$ 144			100.0%

(1) Based on operating revenues.

(2) Figures shown are market capitalization as at December 31, 2015, unless otherwise specified.

(3) Source: Standard & Poors.

(4) 2014 figure; 2015 information not yet available.

The contracts underlying the Rail Hotels have a staggered maturity profile, with a weighted average term to maturity of approximately five years based on contractually guaranteed room nights. The impact of seasonality on AHIP's financial performance is reduced due to its significant contract-driven revenue source. See "*Risk Factors – Risks Related to the Hotel and Lodging Industry - Seasonality of the Lodging Industry*".

The Rail Hotels have a strong track record of contract renewal success. Since February 20, 2013 no contracts have been terminated upon maturity. Between 1984 and the February 20, 2013, 32 contracts expired between Lodging Enterprises and a railroad counterparty, with 31 contracts renewed. No contract has ever been terminated prematurely by a railroad client. See *“Risk Factors – Risks Relating to AHIP, its Business, the Rail Hotels and the Branded Hotels – Risks of Real Estate Ownership – Economic Dependence”*.

On October 27, 2015, AHIP completed the renewal of 15 rail crew hotel lodging contracts (the **“Contract Renewal”**) for a term of five years, effective November 1, 2015. The Contract Renewal encompasses 15 Oak Tree Inn hotels located in 13 states covering 1,363 guestrooms, or approximately 40% of AHIP’s total rail crew hotel guestrooms (as at October 27, 2015), and guarantees minimum occupancy at 2015 levels over the term of the agreement. As part of the Contract Renewal, AHIP will spend approximately \$2.0 million to refurbish these 15 hotels.

Competition

For the Oak Tree Inn Hotels, AHIP primarily competes with traditional economy and midscale hotels that also cater to the railroad employee lodging industry. Management believes that it has a competitive advantage over these hotels, as the Oak Tree Inn Hotels are specifically designed to fulfill the lodging accommodation needs of railway employees.

In addition, AHIP competes with other hotels specifically focused on providing lodging for railroad employees. The main competitor that focuses primarily in this area is Motel Sleepers, Inc. (**“MSI”**). The Railway Portfolio was acquired on September 16, 2015 from AHIP’s other main competitor in this area.

MSI is privately owned and owns and operates 15 hotels serving Norfolk Southern. Management understands that MSI’s lodging facilities are only open to railroad employees, and they do not sell rooms to the public. Management also believes that MSI’s lodging facilities are similar to a typical Oak Tree Inn. Management understands that MSI also provides lodging information services and room rate negotiations with hotels for rail, trucking, construction and other industries.

For the Branded Hotels, AHIP competes against other chain-affiliated and independent hotels operating in their markets.

Seasonality

The lodging industry is seasonal in nature, which can be expected to cause quarterly fluctuations in occupancy rates, room rates, revenues, operating expenses and cash flows. Historically, occupancies, revenues and cash flows tend to be higher in the second and third quarters and lower in the first and fourth quarters. Quarterly earnings may also be influenced by factors beyond AHIP’s control including overall economic cycles and weather conditions. To the extent the cash flow from operations is insufficient during any quarter, due to temporary or seasonal fluctuations in revenues, management expects to utilize cash on hand or borrowings under AHIP’s credit facilities to pay expenses, debt service or to make distributions to Unitholders. The Rail Hotels are impacted less by seasonality than the Branded Hotels on account of approximately 75% of the available room-nights in the Rail Hotels currently being covered under minimum occupancy guarantees.

Investment Approach

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 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.

Growth Strategies

Management believes that certain characteristics of the U.S. lodging industry, including improving hotel lodging fundamentals due to increasing demand for hotel lodging accommodations combined with a stagnant supply

of new hotel properties, the attractive relative valuation of hotel properties to historical valuations and replacement costs and the availability of acquisition opportunities, provide for a unique investment opportunity. Management also believes that, as a result of the high quality of its properties, its long-term strategic relationships with railroad operators and its strategic external development arrangement with SunOne, AHIP is well-positioned to participate in the projected growth of the U.S. lodging industry.

AHIP, through its internal management team and external hotel management arrangements, intends to continue with the following growth strategies to increase cash flow.

Organic Growth

AHIP's internal growth strategy focuses on revenue and yield management, operating improvements and expansion opportunities. The Master Hotel Manager employs a variety of revenue maximization techniques, including systems for yield and revenue management (the management of room rates and occupancy rates) and the enhancement of other non-room revenues. In addition, the Master Hotel Manager has focused on generating passerby traffic with improved hotel signage and profile, in an effort to increase occupancy from passerby travelers and other non-railroad guests that generate significantly higher ADR and ultimately higher margins. The Master Hotel Manager works to improve operating results of both the Rail Hotels and Branded Hotels through the enhancement of national bulk purchasing programs, targeted renovations and capital expenditures, and, if applicable, initiating or changing franchise affiliations. In addition, the Master Hotel Manager works to identify expansion opportunities in markets where demand exceeds supply, as evidenced by high occupancy rates prevailing over an extended period and a sustained high level of ADR.

Access to Development Opportunities through Strategic Relationship with SunOne

Management believes that a portion of AHIP's future growth will continue to come from the construction of additional Oak Tree Inn hotels. In order to minimize risks typically associated with development of new hotels, AHIP has established a strategic development relationship with SunOne. Pursuant to the Master Development Agreement, AHIP has the right of first opportunity, through its Subsidiaries, to all new Suitable Property development projects developed by SunOne, as well as the opportunity to finance such development opportunities via mezzanine loans. See "*Business of AHIP – Master Development Agreement*".

Strategic and Accretive Acquisitions

Through the experience and relationships of its management team, AHIP intends to continue to seek to identify potential property and portfolio acquisitions using investment criteria that focus on the quality of the properties, the strength of the underlying operations, the types of properties available and amenities offered, market demographics, contract terms (if applicable), opportunities for expansion, security of cash flows, potential for capital appreciation and potential for increasing value through improved property, revenue and yield management. When targeting acquisitions, AHIP's direct and indirect Subsidiaries will continue to focus on transportation-oriented hotels (independent and branded) located in secondary markets in the U.S. in close proximity to railroads, airports, highway interchanges and other transportation hubs providing extended stay, select-service and limited-service lodging to corporate, transient travelers, crew and contractual customers. Acquisition properties are expected to feature strong underlying fundamentals including an initial target going-in capitalization rate in the range of approximately 8.5% (after management fees and an FF&E reserve), and an acquisition price that is less than replacement cost. It is AHIP's intention that all investments and acquisitions will be accretive to AHIP's AFFO per Unit. The properties comprising the Existing Portfolio are generally indicative of the type of properties AHIP intends to continue to acquire as part of its business strategy.

Environmental Risk Management

AHIP is exposed to potential liability in respect of environmental hazards or liability under various environmental laws and regulations. This risk is more particularly described in the "*Risk Factors – Risks Relating to AHIP, its Business, the Rail Hotels and the Branded Hotels – Risks of Real Estate Ownership – Environmental Matters*" section of this AIF. The Master Hotel Manager has developed environmental policies and procedures and has an environmental management program, which includes mold identification and management plans for all

properties as well as an asbestos management plan for properties with asbestos. The environmental management program is intended to protect the environment and implement sound environmental practices.

Each of AHIP's lodging properties was the subject of a Phase I environmental site assessment report (each, a "**Phase I ESA Report**") conducted by independent environmental consultants. Based on the Phase I ESA Reports, the independent environmental consultants did not identify any recognized environmental conditions at any of the properties that warranted further environmental assessment investigation.

It is AHIP's operating policy for its direct and indirect Subsidiaries to obtain a Phase I ESA Report conducted by an independent and experienced environmental consultant prior to acquiring or developing a property. If a Phase I ESA Report recommends a Phase II environmental assessment be conducted, AHIP intends to cause the relevant Subsidiary to conduct a Phase II environmental assessment, in each case by an independent and experienced environmental consultant.

Management is not aware of any material non-compliance with environmental laws at any of its properties that management believes would have a material adverse effect on AHIP. Management is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the properties that would materially adversely affect AHIP.

Intangible Properties

Lodging Enterprises owns the U.S. trademarks "Oak Tree Inn" and "Penny's Diner". See "*Business of AHIP – Rail Hotels*".

The wholly owned subsidiaries of AHIP Enterprises have, with respect to the operation of the Branded Hotels, entered into franchise license agreements with Hampton Inns Franchise LLC (for hotels operated under the "Hampton Inn" brand), Marriott International, Inc. (for hotels operated under the "Fairfield Inn & Suites", "Residence Inn", "Courtyard" and "Springhill Suites" brands), Holiday Hospitality Franchising LLC (for hotels operated under the "Holiday Inn", "Holiday Inn Express" and "Staybridge Suites" brands), Choice Hotels International, Inc. (for hotels operated under the "Sleep Inn & Suites" brand) and Country Inn & Suites By Carlson, Inc. (for hotels operated under the "Country Inn & Suites by Carlson" brand).

Employees

As at January 1, 2016 and as at the date of this AIF, the AML employs the following persons and provides their services to AHIP and its Subsidiaries through certain contractual arrangements therewith (see "*Corporate Structure – AHIP Management Ltd.*"): Mr. Robert O'Neill (Chief Executive Officer); Mr. Azim Lalani (Chief Financial Officer); Mr. Ian McAuley (Executive Vice President – Asset Management); Ms. Anne Yu (Director of Finance); Mr. Martin Pinsker (Director of Investments); two accountants; an analyst and one administrative support staff.

Mr. Dan Miller (Chief Investment Officer) provides services to the U.S. REIT and its Subsidiaries through a service agreement dated April 27, 2013, as amended from time to time.

Upon the closing of AHIP's acquisition of a hotel property, the majority of employees then working at the hotel property are typically rehired by the applicable external Hotel Manager to continue in such employees' roles of managing and operating the lodging business at the property.

CREDIT FACILITIES

Rail Hotels

Initial Portfolio Credit Facility

On December 18, 2015, AHIP completed a new secured credit facility (the "**Initial Portfolio Credit Facility**") for approximately \$106.0 million consisting of mortgage debt (the "**Initial Portfolio Mortgage**"), an expansion term loan facility (the "**Expansion Term Loan**"), a revolving line of credit (the "**Revolver**") and an accordion credit facility (the "**Accordion Facility**").

The Initial Portfolio Credit Facility replaced: (i) two previously existing mortgages totaling approximately \$62.1 million which were scheduled to mature in 2018 and 2019; and (ii) a further two previously existing mortgages totaling approximately \$15.5 million which were scheduled to mature in 2024 and 2025. In addition, the Initial Portfolio Credit Facility includes new mortgage financing of approximately \$4.3 million for the recent acquisitions of the rail crew hotel in Fort Scott, Kansas as well as the recently completed expansions of existing Oak Tree Inn hotels located in Dexter, Missouri and Glendive, Montana (see “*General Development of the Business – Development Activities*”). The Initial Portfolio Credit Facility also: (i) provides an Expansion Term Loan with loan proceeds of approximately \$3.2 million to fund the three previously announced Expansions to be completed during 2016 (see “*General Development of the Business – Development Activities*”); (ii) increases the Revolver from \$4.0 million to \$10.0 million; and (iii) provides a new Accordion Facility with additional borrowing capacity up to \$10.0 million to fund potential acquisitions.

The Initial Portfolio Mortgage has a seven-year term and is priced at 30-day LIBOR plus 280 basis points with amortization periods of between 18 to 20 years. The Revolver has an annual renewal and is priced at 30-day LIBOR plus 280 basis points. The Accordion Facility also has an annual renewal and is priced at 30-day LIBOR plus 300 basis points, subject to a floor rate of 3.50%. The Expansion Term Loan is a variable rate, multi-year term loan priced at 30-day LIBOR plus 280 basis points. Additionally, AHIP entered into a notional value interest rate swap (“**Swap**”) which fixes the Initial Portfolio Mortgage interest rate at 4.72% for the entire term. The first payment under the Swap was on March 1, 2016.

The Initial Portfolio Credit Facility is secured by AHIP’s Initial Portfolio of Oak Tree Inn hotels (other than the five Oak Tree Inn hotels comprising the Railway Portfolio) along with a limited guarantee from the U.S. REIT. The Initial Portfolio Credit Facility and Swap were provided by a syndicate of U.S. chartered banks.

The terms of the Initial Portfolio Credit Facility are governed by the Seventh Amended and Restated Credit Agreement among a U.S. chartered bank and Lodging Properties and Lodging Enterprises dated February 20, 2013, as most recently amended by the fifth amendment thereto dated December 18, 2015, a copy of which is available on SEDAR (www.sedar.com).

Railway Portfolio Loan

On September 16, 2015, IML Enterprises and IML Properties (the “**Railway Portfolio Borrowers**”) entered into a loan agreement with a U.S. chartered bank for a \$20.0 million loan for a term of 10 years maturing on September 16, 2025, at an interest rate of 4.25% per annum which is fixed for the first five years (the “**Railway Portfolio Loan**”). The Railway Portfolio Loan is being amortized over 17 years. The Railway Portfolio Loan is interest-only for the first year of the term with the first principal payment starting in October 2016.

The Railway Portfolio Loan is secured by: (i) a first priority mortgage on each of the five hotels in the Railway Portfolio; (ii) a first priority security interest in and assignment of the lodging facility agreements associated with the hotels comprising the Railway Portfolio; (iii) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the Railway Portfolio hotels and any other personal property relating to the Railway Portfolio hotels; and (iv) such other collateral customary for a loan of this type.

The Railway Portfolio is secured by cross-collateralized mortgages over the five hotel properties comprising the Railway Portfolio. The Railway Portfolio Loan is guaranteed by the U.S. REIT up to a maximum amount of US\$15.0 million.

Branded Hotels

Pittsburgh Loans

On November 21, 2013, certain AHIP Subsidiaries (the “**Pittsburgh Borrowers**”) entered into loan agreements with a major international bank for an aggregate \$38.0 million loan for a term of 10 years maturing on December 6, 2023, at an interest rate of 5.02% per annum (the “**Pittsburgh Loans**”). The Pittsburgh Loans are

being amortized over 30 years. The Pittsburgh Loans are interest-only for the first three years of the term with the first principal payment starting in January 2017.

The Pittsburgh Loans are secured by: (i) a first priority mortgage on each of the four hotels in the Pittsburgh Portfolio; (ii) a first priority security interest in and assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the Pittsburgh Portfolio hotels; and (iii) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the Pittsburgh Borrowers.

The four hotels in the Pittsburgh Portfolio are not cross-collateralized. The Pittsburgh Loans are guaranteed by the U.S. REIT and are non-recourse except for fraud, willful misconduct and other similar circumstances.

Virginia Loan

On March 12, 2014, certain AHIP Subsidiaries (the “**Virginia Borrowers**”) entered into a loan agreement with a major international bank for a \$24.5 million loan for a term of 10 years maturing on April 6, 2024, at an interest rate of 4.97% per annum (the “**Virginia Loan**”). The Virginia Loan is being amortized over 30 years. The Virginia Loan is interest-only for the first four years of the term with the first principal payment starting in May 2018.

The Virginia Loan is secured by: (i) a first priority mortgage on each of the four hotels in the Virginia Portfolio; (ii) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the Virginia Portfolio hotels; and (iii) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the Virginia Borrowers.

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

NC/GA Loans

On July 3, 2014 and July 11, 2014, certain AHIP Subsidiaries assumed two CMBS loans as part of the acquisition of two of the four hotel properties comprising the NC/GA Portfolio. As at December 31, 2015, the balance of the first assumed loan was \$7.5 million, and had an interest rate of 5.28% per annum. This loan is being amortized over 30 years and matures on February 1, 2024. As at December 31, 2015, the balance of the second assumed loan was \$5.5 million, and had an interest rate of 5.69% per annum. This loan is being amortized over 25 years and matures on August 1, 2018.

On July 3, 2014, as part of the acquisition of the other two hotel properties comprising the NC/GA Portfolio, certain AHIP subsidiaries (the “**NC/GA Borrowers**”) entered into a loan agreement with a major international bank for a \$6.0 million loan (the “**NC/GA Loan**”) for a term of 10 years maturing on July 6, 2024, at an interest rate of 4.72% per annum. The NC/GA Loan is being amortized over 30 years. The NC/GA Loan is interest-only for the first two years of the term with the first principal payment starting in August 2016.

The NC/GA Loan is secured by: (i) a first priority mortgage on two of the hotel properties in the NC/GA Portfolio in respect of which the NC/GA Loan was made; (ii) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of either of the two hotel properties in the NC/GA Portfolio in respect of which the NC/GA Loan was made; and (iii) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the NC/GA Borrowers.

The NC/GA Loan is secured by cross-collateralized mortgages over two of the hotel properties in the NC/GA Portfolio in respect of which the NC/GA Loan was made. The NC/GA Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

Texas Loan

On October 27, 2014, certain AHIP Subsidiaries (the “**Texas Borrowers**”) entered into a loan agreement with a major international bank for an interest-only \$16.0 million loan for a term of 10 years maturing on November 6, 2024, at an interest rate of 4.20% per annum (the “**Texas Loan**”).

The Texas Loan is secured by: (i) a first priority mortgage on each of the three hotels in the Texas Portfolio; (ii) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the Texas Portfolio hotels; and (iii) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the Texas Borrowers.

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

Oklahoma Loan

On November 3, 2014, certain AHIP Subsidiaries (the “**Oklahoma Borrowers**”) entered into a loan agreement with a major international bank for an interest-only \$25.5 million loan for a term of 10 years maturing on November 6, 2024, at an interest rate of 4.20% per annum (the “**Oklahoma Loan**”).

The Oklahoma Loan is secured by: (i) a first priority mortgage on each of the four hotels in the Oklahoma Portfolio; (ii) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the Oklahoma Portfolio hotels; and (iii) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the Oklahoma Borrowers.

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

NC/FL Loan

On November 26, 2014, certain AHIP Subsidiaries (the “**NC/FL Borrowers**”) entered into a loan agreement with a major international bank for a \$26.1 million loan for a term of 10 years maturing on December 6, 2024, at an interest rate of 4.27% per annum (the “**NC/FL Loan**”). The NC/FL Loan is interest-only for the first seven years of the term with the first principal payment starting in January 2022, based on a 30 year amortization.

The NC/FL Loan is secured by: (i) a first priority mortgage on each of the four hotels in the NC/FL Portfolio; (ii) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the NC/FL Portfolio hotels and any other personal property relating to the NC/FL Portfolio hotels; and (iii) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the NC/FL Borrowers.

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

Midwestern Loan

On June 18, 2015, certain AHIP Subsidiaries (the “**Midwestern Borrowers**”) entered into a loan agreement with a major international bank for a \$32.0 million loan for a term of 10 years maturing on July 6, 2025, at an interest rate of 4.24% per annum (the “**Midwestern Loan**”). The Midwestern Loan is interest-only for the first seven years of the term with the first principal payment starting in August 2022, based on a 30 year amortization.

The Midwestern Loan is secured by: (i) a first priority mortgage on eight of the nine hotels in the Midwestern Portfolio; (ii) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the Midwestern Portfolio hotels and any other personal property relating to eight of the Midwestern Portfolio hotels; and (iii) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of eight of the Midwestern Borrowers.

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

Florida Loan

On August 6, 2015, certain AHIP Subsidiaries (the “**Florida Borrowers**”) entered into a loan agreement with a major international bank for a \$19.0 million loan for a term of 10 years maturing on August 6, 2025, at an interest rate of 4.21% per annum (the “**Florida Loan**”). The Florida Loan is interest-only for the entire 10 year term with the principal due on maturity.

The Florida Loan is secured by: (i) a first priority mortgage on each of the three hotels in the Florida Portfolio; (ii) a first priority security interest in and, as applicable, assignment of all rents, permits, licenses, leases, contracts, agreements, accounts, receivables, personal property, furniture, fixtures and equipment, guest reservation software, customer data, trade names and other intellectual property used or useful in the operation of the Florida Portfolio hotels and any other personal property relating to the Florida Portfolio hotels; and (iii) such other collateral customary for a loan of this type, including without limitation, a first priority perfected security interest in all accounts that are held by a manager for the benefit of the Florida Borrowers.

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

RISK FACTORS

Investing in AHIP’s securities involves a high degree of risk. In addition to the other information contained in this AIF, you should carefully consider the following risk factors before purchasing Units. The occurrence of any of the following risks could materially and adversely affect AHIP’s investments, prospects, cash flows, results of operations or financial condition and AHIP’s ability to make cash distributions to Unitholders. In that event, the value of the Units could decline and investors may lose all or part of their investment. Although AHIP believes that the risk factors described below 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 the Units.

Risks Relating to AHIP, its Business, the Rail Hotels and the Branded Hotels

Risks of Real Estate Ownership

An investment in Units is an indirect investment in U.S. real estate through AHIP's interest in the U.S. REIT and indirect interest in the properties acquired by the U.S. REIT. Investment in real estate is subject to numerous risks, which include but are not limited to the following:

- (a) *General Real Estate Ownership Risks.* All real property investments are subject to a degree of risk and uncertainty and are affected by various factors including general economic conditions, local real estate markets and various other factors.
- (b) *Acquisition Risk.* AHIP intends to acquire additional hotel properties in the future. The acquisition of the real property entails risks that investments will fail to perform in accordance with expectations, including the risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. In addition, AHIP cannot assure Unitholders that it will be able to successfully integrate additional properties into its Existing Portfolio without operating disruptions or unanticipated costs. AHIP's failure to successfully integrate any future properties into its portfolio could have an adverse effect on AHIP's operating costs and its ability to generate stable positive cash flow from its operations.

AHIP may from time to time announce acquisitions of additional hotel properties before they are complete. If AHIP does not complete such acquisitions or any part thereof, AHIP may be subject to a number of risks, including: (i) the price of the Units may decline to the extent that the then current market price reflects a market assumption that such acquisitions will be completed; (ii) certain costs related to each such acquisition, such as legal, accounting and consulting fees, must be paid even if an acquisition is not completed; (iii) AHIP may possess substantial unutilized acquisition capacity, which would cause its financial performance to be negatively impacted until suitable hotel properties are identified for acquisition and such acquisitions are completed; and (iv) there is no assurance that such suitable hotel properties will be available to AHIP in the future or at all.

- (c) *Growth Strategy.* AHIP's growth strategy involves expansion through acquisition and development of Suitable Properties. These activities require AHIP to identify acquisition and development opportunities that meet its investment criteria and are compatible with its growth strategy. Although, AHIP has been successful in locating suitable investments in the past, AHIP may not be able to find suitable acquisition and development opportunities in the future which would adversely impact AHIP's ability to carry out its growth strategy.
- (d) *Financing Risks.* Although a portion of the cash flow generated by the Existing Portfolio will be devoted to servicing the related debt financing, there can be no assurance that AHIP will continue to generate sufficient cash flow from operations to meet required interest and principal payments. The failure of AHIP to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact AHIP's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

AHIP will be subject to the risks associated with debt financing, including the risk that its debt financing, which is secured by AHIP's properties, will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. To the extent that interest rates rise over time, AHIP's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

AHIP's debt financing is subject to covenants that require AHIP to maintain certain financial ratios on a consolidated basis. If AHIP does not maintain such ratios, its ability to make distributions will be limited.

AHIP has granted security interests over substantially all of its assets to secure indebtedness owing under mortgages and credit facilities. If AHIP is not able to meet its debt service obligations, it risks the loss of some or all of its assets to foreclosure or forced sale.

In addition, the Credit Agreement contains a covenant requiring AHIP to maintain guarantees under contracts with railroad operators for at least 60% of the rooms in the Rail Hotels.

- (e) *Economic Dependence.* AHIP is dependent on business derived from a number of contracts with large U.S. railroad operators for minimum room night guarantees and related services. Changes in terms and conditions of such contracts may materially affect future occupancy rates and revenues of the properties of the Rail Hotels. Following the expiry of the initial term of these contracts, the contracts generally provide for automatic renewals in one-year increments, during which time the contracts may be terminated at the option of the railroad operator on 30 days' written notice. Termination of, or failure to renew, the contracts may materially affect future occupancy rates and revenues of the Rail Hotels. The large proportion of guaranteed rooms at pre-negotiated rates may also limit AHIP's ability to increase ADR commensurately with market ADR should ADR rapidly increase in one or more of the markets in which the Rail Hotels are located.
- (f) *Interest Rate Risk.* Changes in interest rates could adversely affect AHIP's cash flows and AHIP's ability to pay distributions and make interest payments. Interest rate risk is the combined risk that AHIP would experience a loss as a result of its exposure to a higher interest rate environment (interest rate risk) and the possibility that at the end of a mortgage term AHIP would be unable to renew the maturing debt either with the existing or a new lender (renewal risk).
- (g) *Failure to Hedge Effectively Against Interest Rate Changes.* AHIP may from time to time obtain one or more forms of interest rate protection in the form of swap agreements, interest rate cap contracts or similar agreements to hedge against the possible negative effects of interest rate fluctuations. However, such hedging implies costs and AHIP cannot assure Unitholders that any hedging will adequately relieve the adverse effects of interest rate increases or that counterparties under these agreement will honour their obligations thereunder. Furthermore, any such hedging agreements would subject AHIP to the risk of incurring significant non-cash losses on such hedges due to declines in interest rates if AHIP's hedges were not considered effective under applicable accounting standards which may adversely affect AHIP's results of operations.
- (h) *Access to Capital.* The real estate industry is highly capital intensive. AHIP will require access to capital to maintain its properties, as well as to fund its growth strategies and significant capital expenditures from time to time. There can be no assurance that AHIP will have access to sufficient capital or access to capital on terms favourable to AHIP for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, AHIP may not be able to borrow funds due to the limitations set forth in the LP Agreement. In addition, volatile market conditions and unexpected volatility or illiquidity in financial markets may inhibit AHIP's access to long-term financing in the Canadian capital markets. As a result, it is possible that financing which AHIP may require in order to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by AHIP or otherwise, may not be available or, if it is available, may not be available on favourable terms to AHIP. Failure by AHIP to access required capital could have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.
- (i) *Degree of Leverage.* AHIP's degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect AHIP's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general trust purposes, making AHIP more vulnerable to a downturn in business or the economy in general.
- (j) *Litigation Risks.* In the normal course of AHIP's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including

regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to AHIP and as a result, could have a material adverse effect on AHIP's assets, liabilities, business, financial condition and results of operations. Even if AHIP prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from AHIP's business operations, which could have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

- (k) *Reliance on Management.* Prospective investors assessing the risks and rewards of this investment should appreciate that they will, in large part, be relying on the good faith and expertise of the General Partner and the Hotel Managers and their principals. In particular, prospective investors will have to rely on the discretion and ability of the General Partner and its principals in determining the composition of the portfolio of properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition of properties. Prospective investors will also have to rely on the ability of the Hotel Managers to manage the operation of the properties and to implement the property management strategy established by AHIP. The ability of the General Partner and the Hotel Managers to successfully implement these strategies will depend in large part on their continued employment of senior management of the General Partner and the Master Hotel Manager, for whom key person life insurance is not maintained. If any of such entities lose the services of one or all of these individuals, the business, financial condition and results of operations of AHIP may be materially adversely affected.

There is a risk that, because of the terms of the Hotel Management Agreements, termination of such agreements may be uneconomical for AHIP and accordingly not in its best interests. Should the Hotel Managers terminate the Hotel Management Agreements, AHIP may be required to engage the services of an external property manager and/or alternative external hotel managers. AHIP may be unable to engage a property manager and/or hotel manager on attractive terms, in which case AHIP's operations and cash available for distribution may be materially adversely affected.

- (l) *Fluctuations in Capitalization Rates.* As interest rates fluctuate in the lending market, generally so to do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.
- (m) *Environmental Matters.* AHIP is subject to various requirements (including federal, provincial, state and municipal laws, as applicable) relating to environmental matters. Such requirements provide that AHIP could be, or become, liable for environmental or other harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties, including lead-based paint, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, mold, underground storage tanks, pesticides and other miscellaneous materials. Such requirements often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials. Additional liability may be incurred by AHIP with respect to the release of such substances from AHIP's properties to properties owned by third parties, including properties adjacent to AHIP's properties or with respect to the exposure of persons to regulated substances. The failure to remove or otherwise address such substances may materially adversely affect AHIP's ability to sell such property, maximize the value of such property or borrow using such property as collateral security, and could potentially result in claims or other proceedings against AHIP. Environmental laws and other requirements can change and AHIP may become subject to more stringent environmental laws and other requirements in the future. Compliance with more stringent environmental requirements, the

identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of mold to which hotel guests or employees could be exposed at any of the properties in which AHIP owns an interest could require AHIP to undertake a costly remediation program to contain or remove the mold from the affected property. In addition, exposure to mold by guests or employees or others could expose AHIP to liability if property damage or health concerns arise.

- (n) *Environmental Site Assessments.* AHIP's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments provide AHIP with some level of assurance about the condition of the property, AHIP may become subject to liability for undetected contamination or other environmental conditions at its properties against which AHIP cannot insure, or against which AHIP may elect not to insure, which could negatively impact AHIP's financial condition and results of operations and decrease the amount of cash available for distribution. In addition, AHIP cannot assure investors that: (i) there are no existing liabilities related to its properties of which AHIP is not aware; (ii) future laws, ordinances or regulations will not impose material environmental liability on AHIP; or (iii) the current environmental condition of any of AHIP's properties will not be affected by the condition of properties in the vicinity of AHIP's properties (such as the presence of leaking underground storage tanks) or by third parties unrelated to AHIP.
- (o) *Reliance on Information Technology.* AHIP and the Hotel Managers rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data. AHIP and the Hotel Managers purchase some information technology from vendors, on whom AHIP's and the Hotel Managers' systems depend. AHIP and the Hotel Managers rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as individually identifiable information, including information relating to financial accounts. The acquisition of enhanced and innovative technology networks and systems may be necessary to accommodate changing customer expectations. A failure by AHIP or the Hotel Managers to make enhancements to existing networks and systems or to acquire new networks and systems could have a material adverse effect on AHIP's business, financial condition, and results of operations.
- (p) *Consumer Privacy and Data Use and Security.* Although AHIP and the Hotel Managers have taken steps to protect the security of their respective information systems and the data maintained in those systems, it is possible that their respective safety and security measures will not be able to prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber attacks. Cyber threats are maturing with time and their sophistication and effectiveness are increasing. Such threats can result from deliberate attacks or unintentional events. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches can create system disruptions, shutdowns, corruption of data, misappropriation and unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of AHIP's and the Hotel Manager's information systems could interrupt their respective operations, damage their respective reputations, subject them to liability claims or regulatory penalties, result

in increased cyber-security protection costs and could have a material adverse effect on AHIP's business, financial condition and results of operations.

- (q) *Property Appraisals.* AHIP's operating policy is to obtain an independent appraisal prior to acquiring a property, and the officers and directors of the General Partner rely on such appraisals, in part, in approving the purchase of properties. An appraisal is an estimate of market value and caution should be used in evaluating the appraisals. Appraisals are not precise measures of value but are based on a subjective comparison of related activity taking place in the real estate market and on various assumptions of future expectations of property performance. Some of these assumptions may not materialize or may differ materially from actual experience in the future. The Units may not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by appraisals.
- (r) *Uninsured Losses.* AHIP or the applicable Hotel Manager will continue to arrange for comprehensive insurance of the type and in the amounts customarily obtained for properties similar to those owned and to be owned by it, directly or indirectly, and will continue to endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses are either uninsurable or not economically insurable. In the event of a substantial loss, insurance coverage may not be sufficient to cover the full current market value or replacement cost of the lost investment. Should an uninsured loss or a loss in excess of insured limits occur, AHIP could lose all or a portion of the capital invested in a hotel property, as well as the anticipated future revenue from that particular hotel. In that event, AHIP might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep AHIP from using insurance proceeds to replace or renovate a hotel after it has been damaged or destroyed. Under those circumstances, the insurance proceeds AHIP receives might be inadequate to restore its economic position on the damaged or destroyed property.
- (s) *Risk Related to Insurance Renewals.* Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When AHIP's current insurance policies expire, AHIP or the applicable Hotel Manager may encounter difficulty in obtaining or renewing property or casualty insurance on its properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if AHIP is able to renew its policies at levels and with limitations consistent with its current policies, AHIP cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If AHIP is unable to obtain adequate insurance on its properties for certain risks, it could cause AHIP to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require AHIP to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if AHIP were unable to obtain adequate insurance, and its properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.
- (t) *Revenue Shortfalls.* Revenues from the Existing Portfolio may not increase sufficiently to meet increases in operating expenses or debt service payments under AHIP's indebtedness or to fund changes in any variable rates of interest charged in respect of such loans.
- (u) *U.S. Market Factors.* The hotel properties comprising the Existing Portfolio are located in the U.S. Concern about the stability of the markets generally and the strength of the economy may lead lenders to reduce or cease to provide funding to businesses and consumers, and force financial institutions to continue to take the necessary steps to restructure their business and capital structures. Weak economic conditions in the U.S. and the uncertainty over the duration of these conditions could have a negative impact on the lodging industry. As a result of current economic conditions, AHIP could experience weakened demand for hotel rooms, particularly in some

markets. Recent improvements in demand trends globally may not continue, and AHIP's future financial results and growth could be harmed or constrained if the recovery stalls or conditions worsen.

- (v) *Liquidity Risk.* Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of AHIP to respond to changing economic or investment conditions. If AHIP were to be required to liquidate assets quickly, there is a risk the proceeds realized from such sale would be less than the book value of the assets or less than what could be expected to be realized under normal circumstances. By specializing in a particular type of real estate, AHIP is exposed to adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.
- (w) *Changes in Applicable Laws.* AHIP's operations must comply with numerous federal, state and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include the federal *Hours of Service Act*, zoning laws, building codes, landlord tenant laws and other laws generally applicable to business operations. Non-compliance with laws could expose AHIP to liability. Lower revenue growth or significant unanticipated expenditures may result from AHIP's need to comply with changes in applicable laws, including: (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; or (ii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of AHIP's properties, including changes to building codes and fire and life-safety codes.
- (x) *Fixed Costs and Increased Expenses.* The failure to maintain stable or increasing average room rates combined with acceptable occupancy levels would likely have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If AHIP is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale. AHIP is also subject to utility and property tax risk relating to increased costs that AHIP may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of re-valuations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that AHIP cannot charge back to the guest may have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. The timing and amount of capital expenditures by AHIP will affect the amount of cash available for distributions to holders of Units. Distributions may be reduced, or even eliminated, at times when AHIP deems it necessary to make significant capital or other expenditures.
- (y) *Possible Loss of Limited Liability of Limited Partners.* Limited partners may lose their limited liability in certain circumstances, including by taking part in the control of AHIP's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. If limited liability is lost, there is a risk that limited partners may be liable beyond their contribution and share of AHIP's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the General Partner's net assets and AHIP's net assets. A transferee of a Unit will become a limited partner and shall be subject to the obligations and entitled to the rights of limited partners under the LP Agreement on the date on which the General Partner amends AHIP's record of

limited partners to reflect that the transferee is a limited partner. See “*LP Agreement - Transfers of Units*”.

- (z) *Development Risks.* AHIP’s business plan includes, among other things, growth through the indirect acquisition of Suitable Development Properties. Pursuant to the Master Development Agreement, AHIP has preferential rights to cause its Subsidiaries to acquire certain development projects developed by SunOne, as well as the opportunity to finance such development opportunities via mezzanine loans at an interest rate that is accretive to AHIP. If SunOne defaults on a mezzanine loan or debt senior to AHIP’s mezzanine loan, or in the event of the bankruptcy of SunOne, AHIP’s mezzanine loan will be satisfied only after the senior debt. As a result, AHIP may not recover all or some of its investment in these loans. Also, although it is intended that AHIP’s strategic relationship with SunOne will reduce risks associated with new hotel development, AHIP will be exposed to various risks associated with development activities, including the following:
- development costs of a property could exceed original estimates, possibly making the property less profitable than originally estimated, or possibly unprofitable;
 - the time required to complete development of a property may be greater than originally anticipated, thereby adversely affecting AHIP’s financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders; and
 - a developed property may not achieve desired revenue or profit goals, thereby adversely affecting AHIP’s financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.
- (aa) *Renovation Risk.* AHIP is subject to the financial risk of having unoccupied guestrooms during extended periods of renovations. During renovations, certain guestrooms and other facilities are unavailable for occupancy and do not generate income. Certain significant expenditures, including property taxes, maintenance costs, interest payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing revenue. Delays in the renovation of a property or a portion thereof could delay the sale of room nights and event space at such property resulting in an increased period of time where the property is not producing revenue, or producing less revenue than a property not undergoing renovations. In addition, costs of renovations may be greater than estimated resulting in cost overruns which could adversely affect AHIP’s cash flows, results of operations or financial condition and AHIP’s ability to make cash distributions to Unitholders.
- (bb) *No Assurance of Recovery.* When acquiring assets, AHIP endeavours to obtain certain representations and warranties with respect to the assets being acquired. Such representations and warranties, to the extent obtained, are subject to limitations, and generally represent unsecured contractual rights. Notwithstanding the foregoing, when acquiring assets, AHIP typically endeavours to negotiate holdbacks from the aggregate purchase price, which holdback amounts are deposited into escrow at the closing of acquisition and are held, and released in accordance with, and subject to, the terms of the relevant purchase and sale agreement and a separate holdback escrow agreement. Holdback amounts are used to satisfy the indemnification obligations of the sellers of the assets acquired by AHIP with respect to the representations and warranties provided by the sellers under the purchase and sale agreements pursuant to which the assets are acquired. Holdback amounts are typically released to the sellers over a period of six to 18 months from the closing dates of the acquisition, subject to the retention of amounts for pending claims of AHIP made in accordance with, and subject to, the terms and conditions of the respective holdback escrow agreement.

There can be no assurance of recovery by AHIP for any breach of the representations and warranties provided under any of the purchase and sale agreements pursuant to which it has acquired, or will acquire, hotel properties, as there can be no assurance that the holdback amounts, if any, or assets of the sellers of the properties will be sufficient to satisfy such obligations. AHIP

may not be able to successfully enforce applicable indemnities contained in the purchase and sale agreements pursuant to which it has acquired, or will acquire, hotel properties and such indemnities may not be sufficient to fully indemnify AHIP from third party claims. Only AHIP will be entitled to bring a claim or action for misrepresentation or breach of contract under the purchase and sale agreements pursuant to which it has acquired, or will acquire, hotel properties and Unitholders will not have any contractual rights or remedies under such agreements.

- (cc) *Potential Conflicts of Interest.* The directors of the General Partner will, from time to time, in their individual capacities, deal with parties with whom AHIP may be dealing, or may be seeking investments similar to those desired by AHIP. The interest of these persons could conflict with those of AHIP. The LP Agreement contains a “conflict of interest” provision requiring the directors of the General Partner to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. See “*Directors and Management – Conflict of Interest Provision*”.

Conflicts may exist due to the fact that the chief executive officer and certain directors of the General Partner are principals and affiliated with the Sponsor, the Hotel Managers or SunOne. The Sponsor (and its Affiliates and Associates) and the directors and officers thereof may, from time to time, be engaged, directly or indirectly, for their own account or on behalf of others (including without limitation as trustee, administrator, asset manager or hotel manager of other trusts or portfolios) in hotel industry investments and other activities similar to the activities of AHIP, the U.S. REIT and their Subsidiaries. Neither the Sponsor, nor any of its Affiliates or Associates (or their respective directors and officers) shall incur or be under any liability to AHIP, any Unitholder or any annuitant by reason of, or as a result of, any such engagement or competition or the manner in which such person may resolve any conflict of interest or duty arising therefrom.

- (dd) *Historical Data.* Historical occupancy rates and revenues of the Rail Hotels and Branded Hotels are not necessarily an accurate prediction of the future occupancy rates for AHIP’s properties.
- (ee) *Laws Benefitting Disabled Persons.* Laws benefiting disabled persons may result in unanticipated expenses being incurred by AHIP. Under the *Americans with Disabilities Act of 1990*, all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. These and other federal, state and local laws may require modifications to AHIP’s properties, or affect renovations of the properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although AHIP believes that its properties are substantially in compliance with present requirements, AHIP may incur unanticipated expenses to comply with the *Americans with Disabilities Act of 1990* and other applicable legislation in connection with the ongoing operation or redevelopment of AHIP’s properties.
- (ff) *Joint Ventures.* The U.S. REIT may invest in or be a participant in joint ventures and partnerships with third parties in respect of one or more properties. A joint venture or partnership involves certain additional risks which could result in additional financial demands, increased liability and a reduction in the U.S. REIT’s control over the related properties and their ability to sell their interests in a property within a reasonable time frame.

Risks Related to the Hotel and Lodging Industry

Investment in the hotel industry is subject to numerous risks, which include but are not limited to the following:

- (a) *Operating Risks.* AHIP’s ability to make distributions to Unitholders may be adversely affected by various operating risks common to the lodging industry, including competition, over-building and dependence on business travel and tourism. The hotel properties that are owned have different economic characteristics than many other real estate assets. A typical office property, for example, has long-term leases with third-party tenants, which provides a relatively stable long-term stream

of revenue. Hotels, on the other hand, generate revenue from guests that typically stay at the hotel for only a few nights, which causes the room rate and occupancy levels at each of the hotels to change every day, and results in earnings that can be highly volatile. In addition, the hotels are subject to various operating risks common to the lodging industry, many of which are beyond AHIP's control, including, among others, the following:

- competition from other hotels in the markets in which AHIP operates;
- over-building of hotels in the markets in which AHIP operates, which results in increased supply and will adversely affect occupancy and revenues at AHIP's hotels;
- dependence on business and commercial travelers and tourism;
- dependence of the Rail Hotels on contracts with large U.S. railroad operators;
- increases in energy costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists;
- requirements for periodic capital reinvestment to repair and upgrade hotels;
- increases in operating costs due to inflation and other factors that may not be offset by increased room rates;
- changes in interest rates;
- changes in the availability, cost and terms of financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- adverse effects of international, national, regional and local economic and market conditions;
- unforeseen events beyond AHIP's control, such as terrorist attacks, travel-related health concerns, including pandemics and epidemics, imposition of taxes or surcharges by regulatory authorities, travel-related accidents and unusual weather patterns, including natural disasters such as hurricanes, tsunamis or earthquakes;
- negative publicity related to AHIP's, its hotels or the brands under which AHIP's hotels operate, including harm to reputation from sources such as online hotel reviews and social media or as a result of misconduct or unethical behaviour of hotel employees, environmental matters, litigation or regulatory proceedings, failure of the Hotel Managers to deliver minimum or required standards of service and quality and activities of guests at AHIP's properties;
- adverse effects of worsening conditions in the lodging industry; and
- risks generally associated with the ownership of hotels and real estate, as are discussed in detail in this AIF.

The occurrence of any of the foregoing could materially and adversely affect AHIP.

- (b) *Seasonality of the Lodging Industry.* The seasonality of the lodging industry could have a material adverse effect on AHIP. The lodging industry is seasonal in nature, which can be expected to cause quarterly fluctuations in occupancy rates, room rates, revenues, operating expenses and cash flows. AHIP's quarterly earnings may be adversely affected by factors outside AHIP's control, including weather conditions and poor economic factors in certain markets in which AHIP

operates. AHIP can provide no assurances that cash flows will be sufficient to offset any shortfalls that occur as a result of these seasonal fluctuations.

- (c) *Cyclical Nature of the Lodging Industry.* The cyclical nature of the lodging industry may cause fluctuations in AHIP's operating performance, which could have a material adverse effect on AHIP. The lodging industry historically has been highly cyclical in nature. Fluctuations in lodging demand and, therefore, operating performance, are caused largely by general economic and local market conditions, which subsequently affect levels of business and leisure travel. In addition to general economic conditions, new hotel room supply is an important factor that can affect the lodging industry's performance, and overbuilding has the potential to further exacerbate the negative impact of an economic recession. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. An adverse change in lodging fundamentals could result in returns that are substantially below its expectations or result in losses, which could have a material adverse effect on AHIP.
- (d) *Competition.* The hotel sector is highly competitive. AHIP faces competition from many sources, including from other hotels and Airbnb residences located in the immediate vicinity of the various properties owned by AHIP, and the broader geographic areas where AHIP's hotels are and will be located. Such competition may reduce occupancy rates and revenues of AHIP and could have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders. Increases in the cost to AHIP of acquiring hotel properties may materially adversely affect the ability of AHIP to acquire such properties on favourable terms, and may otherwise have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.
- (e) *Franchised Hotels.* Each of the Branded Hotels is subject to a franchise agreement, and AHIP may become subject to the risks that are found in concentrating its hotel properties in one or several franchise brands. The continuation of the franchises is subject to specified operating standards and other terms and conditions. Such standards are often subject to change over time, in some cases at the discretion of the franchisor, and may restrict a franchisee's ability to make improvements or modifications to a hotel property without the consent of the franchisor. Franchisors typically periodically inspect licensed properties to confirm adherence to operating standards. The failure of a hotel to conform to such standards or the failure of AHIP or the Hotel Managers to maintain such standards or adhere to such other terms and conditions could result in the loss or cancellation of the franchise agreement and potential liquidated damages. It is possible that a franchisor could condition the continuation of a franchise agreement on the completion of capital improvements which AHIP determines are too expensive or otherwise unwarranted in light of general economic conditions or the operating results or prospects of the affected hotel. In that event, AHIP may elect to allow the franchise agreement to lapse. If a franchise were terminated, AHIP would generally seek to obtain a suitable replacement franchise. However, there can be no assurance that AHIP would be able to obtain a suitable replacement franchise on acceptable terms, or at all. The loss of a franchise agreement could have a material adverse effect upon the operations or the underlying value of the hotel covered by the franchise because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchisor.
- (f) *Increasing use of Internet Travel Intermediaries by Consumers.* Some of AHIP's hotel rooms are booked through Internet travel intermediaries. As Internet bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from AHIP and the hotel managers. Moreover, some of these Internet travel intermediaries are attempting to offer hotel rooms as a commodity, by increasing the importance of price and general indicators of quality (such as "three-star downtown hotel") at the expense of brand identification. These agencies hope that consumers will eventually develop brand loyalties to their reservations system rather than to the brands under which AHIP's properties are franchised. Although most of the business for AHIP's hotels is expected to continue to be derived from traditional channels, if the amount of sales made through Internet intermediaries increases

significantly, room revenues may flatten or decrease and AHIP's profitability may be adversely affected.

Risks Relating to the Units

- (a) *Volatile Market Price for Units.* The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond AHIP's control, including the following: (i) actual or anticipated fluctuations in AHIP's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to AHIP; (iv) addition or departure of AHIP's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Units; (vi) sales or perceived sales of additional Units; (vii) liquidity of the Units; (viii) prevailing interest rates; (ix) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving AHIP or its competitors; and (x) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in AHIP's industry or target markets. Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Units may decline even if AHIP's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of AHIP's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the Units by those institutions, which could materially adversely affect the trading price of the Units. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, AHIP's operations could be materially adversely impacted and the trading price of the Units may be materially adversely affected.
- (b) *Return on Investment Not Guaranteed.* The Units are equity securities of AHIP and are not traditional fixed income securities. A fundamental characteristic that distinguishes the Units from traditional fixed income securities is that AHIP does not have a fixed obligation to make payments to holders of Units and does not promise to return the initial purchase price of a Unit on a certain date in the future. AHIP has the ability to reduce or suspend distributions if circumstances so warrant. The ability of AHIP to make cash distributions, and the actual amount distributed, to Unitholders will be entirely dependent on the operations and assets of AHIP and its direct and indirect Subsidiaries, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital and capital expenditure requirements. There can be no assurance regarding the amount of income to be generated by AHIP's properties. The market value of the Units will deteriorate if AHIP is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, unlike interest payments or an interest-bearing debt security, AHIP's cash distributions, to the extent they exceed the amount of income for income tax purposes allocated to the Unitholder by AHIP for the year, will result in a net reduction of the adjusted cost base of the Unitholder's Units (i.e. tax deferred returns of capital). The monthly cash distributions to be made to Unitholders in 2016 may or may not comprise tax deferred returns of capital, thus affecting the after-tax returns to holders of Units. Therefore, the rate of return over a defined period for a Unitholder may not be comparable to the rate of return on a fixed income security that provides a "return on capital" over the same period. AFFO may exceed actual cash available to AHIP from time to time because of items such as principal repayments and capital expenditures in excess of stipulated reserves identified by AHIP in its calculation of AFFO and redemptions of Units, if any. AHIP may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items.

- (c) *Return on Investment Not Comparable to Fixed-Income Security.* The return on an investment in the Units is not comparable to the return on an investment in a fixed-income security. Cash distributions are not guaranteed and the anticipated return on investment is based upon many performance assumptions. Although AHIP intends to distribute its available cash to Unitholders, such cash distributions are not guaranteed and may be reduced or suspended in the future. AHIP's ability to make cash distributions and the actual amount distributed will depend on a number of factors, including the financial performance of the Rail Hotels, Branded Hotels, and any hotels under development through SunOne that will be acquired by AHIP, debt covenants and obligations, interest rates, the occupancy rates of AHIP's properties, working capital requirements, future capital requirements and AHIP's ability to complete future acquisitions. AHIP may be required to supplement its cash distributions from working capital. In addition, the market value of the Units may decline if AHIP reduces its cash distributions or is unable to meet its cash distribution targets in the future.
- (d) *Currency Exchange Rate Risk.* The offering price for Units is denominated in Canadian dollars. The Canadian dollar is not maintained at a fixed exchange rate compared to foreign currencies but rather the value of the Canadian dollar has a floating exchange rate in relation to other currencies. Although the IPO Offering, the Offering of Subscription Receipts, the June 2014 Offering, the October 2014 Offering, the April 2015 Offering and the August 2015 Offering were primarily made to Canadian residents and an investment in Units is required to be made in Canadian dollars, the U.S. REIT and its Affiliates conduct business in the U.S. Consequently, income and expense or any ultimate gain on sale will be earned or incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Units and the return on the original investment may be greater or less than that determined only with reference to U.S. dollars. Accordingly, investors are subject to currency exchange rate risk.

On January 22, 2016 AHIP announced that it would commence paying U.S. dollar denominated distributions effective for the April 2016 distribution payable on May 13, 2016 to Unitholders of record on April 29, 2016. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of distributions may be greater or less than that determined only with reference to U.S. dollars. Unitholders may make arrangements with their brokers or other intermediaries in order to have their distributions converted to Canadian dollars. However, the Unitholder will bear the expense, if any, of such currency conversion which will reduce the net amount received by such a Unitholder with respect to each distribution so converted.

- (e) *Unitholders' Legal Rights.* Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against AHIP. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Furthermore, AHIP is not a trust company and, accordingly, is not registered under any trust and loan company legislation as AHIP does not carry on or intend to carry on the business of a trust company. In addition, AHIP may not, by virtue of being a limited partnership, be recognized as a legal entity under various other Canadian federal and provincial statutes, which could result in both AHIP and its Unitholders being deprived of certain rights they would otherwise have if AHIP was a corporation.

All of AHIP's Subsidiaries, other than AML, are organized in foreign jurisdictions and are governed by foreign law. The majority of AHIP's assets are currently located outside of Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon AHIP's Subsidiaries or their respective directors and officers who are not residents of Canada or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian securities laws.

- (f) *Inability to Invest Proceeds from Offerings of AHIP's Securities.* AHIP's failure to apply the net proceeds of any offering of its securities effectively or to find suitable hotel properties to acquire in a timely manner or on acceptable terms could result in returns that are substantially below expectations or result in losses. Until appropriate investments can be identified, AHIP may invest

the net proceeds of any offering of its securities in interest-bearing short-term securities or money market accounts. These investments are expected to provide a lower net return than AHIP seeks to achieve from its hotel properties. AHIP may be unable to invest the net proceeds on acceptable terms, or at all, which could delay Unitholders from receiving an appropriate return on their investment. AHIP cannot assure Unitholders that AHIP will be able to identify properties that meet its investment criteria, that AHIP will successfully consummate any investment opportunities AHIP identifies, or that investments AHIP may make will generate income or cash flow.

- (g) *Dilution.* The number of Units AHIP is authorized to issue is unlimited. AHIP may, in AHIP's sole discretion, issue additional Units from time to time. Any issuance of Units, including, without limitation, Units issued in consideration for properties acquired by AHIP, Units issued in connection with deferred compensation and Units issued under any distribution reinvestment plan, will have a dilutive effect on existing Unitholders.
- (h) *Structural Subordination of Units.* In the event of bankruptcy, liquidation or reorganization of AHIP's Subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those Subsidiaries before any assets are made available for distribution to AHIP or Unitholders. The Units are effectively subordinated to the debt and other obligations of AHIP's Subsidiaries. AHIP's Subsidiaries generate all of AHIP's cash available for distribution and hold substantially all of AHIP's assets.
- (i) *Future Offerings of Debt or Equity Securities Ranking Senior to Units.* If AHIP decides to issue debt or equity securities in the future ranking senior to the Units or otherwise incur additional indebtedness, it is possible that these securities or indebtedness will be governed by an indenture or other instrument containing covenants restricting AHIP's operating flexibility and limiting AHIP's ability to make distributions to Unitholders. Additionally, any convertible or exchangeable securities that AHIP issues in the future may have rights, preferences and privileges, including with respect to distributions, more favorable than those of Units and may result in dilution to Unitholders. Because AHIP's decision to issue debt or equity securities in any future offering or otherwise incur indebtedness will depend on market conditions and other factors beyond AHIP's control, AHIP cannot predict or estimate the amount, timing or nature of AHIP's future offerings or financings, any of which could reduce the market price of the Units and dilute the value of the Units.
- (j) *Limited Control.* Unitholders have limited control over changes in AHIP's policies and operations, which increases the uncertainty and risks of an investment in Units. The board of directors of the General Partner determines major policies, including, among others, policies regarding financing, growth, debt capitalization and distributions. The board of directors of the General Partner may amend or revise these and other policies without a vote of Unitholders. Under the LP Agreement, Unitholders have a right to vote only on limited matters. The directors' broad discretion in setting policies and Unitholders' inability to exert control over those policies increases the uncertainty and risks of an investment in Units.
- (k) *Disclosure Controls and Procedures and Internal Controls over Financial Reporting.* AHIP could be adversely affected if there are deficiencies in its disclosure controls and procedures or in its internal controls over financial reporting. The design and effectiveness of AHIP's disclosure controls and procedures and its internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. Deficiencies, including material weaknesses, in internal controls over financial reporting which may occur could result in misstatements of AHIP's results of operations, restatements of financial statements, a decline in the Unit price, or otherwise materially adversely affect AHIP's business, reputation, results of operations, financial condition or liquidity.
- (l) *International Financial Reporting Standards.* In February 2008, the Accounting Standards Board of Canada confirmed its decision to require that all publicly accountable enterprises report under IFRS for interim and annual financial statements. AHIP is required to report under IFRS. There are ongoing projects conducted by the International Accounting Standards Board, and joint

projects with the Financial Accounting Standards Board in the U.S. that are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which AHIP reports its financial position and operating results.

- (m) *Future sales of Units by officers and directors.* Subject to compliance with applicable securities laws, directors and officers of the General Partner and their affiliates may sell some or all of their Units in the future. No prediction can be made as to the effect, if any, such future sales of Units will have on the market price of the Units prevailing from time to time. However, the future sale of a substantial number of Units by the directors and officers of the General Partner and their Affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Units.

Canadian and U.S. Tax Related Risk Factors

Canadian Tax-Related Risks

The following provides a summary of significant Canadian federal income tax risks, but does not summarize, address or consider all aspects of these or all such risks:

- (a) The Units will be qualified investments under the Tax Act for trusts governed by Plans provided that at all relevant times, the Units are listed on a designated stock exchange for purposes of the Tax Act (which includes the TSX).
- (b) A holder of a TFSA or an annuitant under an RRSP or RRIF, as the case may be, will be subject to a penalty tax if the Units held in the TFSA, RRSP or RRIF are or become a “prohibited investment” as defined in the Tax Act for the TFSA, RRSP or RRIF.
- (c) To the extent that an annuitant, a beneficiary, a subscriber or a holder of a Plan that is a Unitholder files a U.S. federal income tax return and the annuitant, beneficiary, subscriber or holder (rather than the Plan itself) receives a U.S. tax refund of (or claims a foreign tax credit or a foreign tax deduction for an amount in respect of) all or a portion of the amounts withheld by the U.S. REIT, the annuitant, the beneficiary, the subscriber or the holder may, in certain circumstances, be required to include, in computing income for purposes of the Tax Act, or to pay a penalty tax on, an applicable portion of such amount of U.S. tax as a benefit or advantage received out of or under the Plan. Annuitants, beneficiaries, subscribers or holders of Plans that are Unitholders should consult their own tax advisors in this regard.
- (d) In general, a Unitholder must include in computing the Unitholder’s income, gain, loss and deduction the Unitholder’s proportionate share of income of AHIP allocated to the Unitholder pursuant to the LP Agreement for the Fiscal Year ending with or within the Unitholder’s taxation year. However, the cash distributed to a Unitholder may not be sufficient to pay the full amount of such Unitholder’s tax liability in respect of its investment in AHIP because each Unitholder’s tax liability depends on such Unitholder’s particular tax situation. In addition, the actual amount and timing of distributions will be subject to the discretion of the General Partner, and AHIP cannot assure Unitholders that AHIP will in fact make cash distributions as intended. Even if AHIP is unable to distribute cash in amounts that are sufficient to fund the Unitholders’ tax liabilities, each of the Unitholders will still be required to pay income taxes on its proportionate share of AHIP’s income allocated to the Unitholder.
- (e) The after-tax return from an investment in Units to a Unitholder will depend on a number of factors, including whether or not the underlying income will be “foreign accrual property income” for purposes of the Tax Act and the Unitholder’s ability to recognize, for purposes of the Tax Act, U.S. taxes paid by AHIP or by the Unitholder through foreign tax credits or foreign tax deductions under the Tax Act. A Unitholder’s ability to recognize U.S. taxes through foreign tax credits or foreign tax deductions may be affected where the Unitholder does not have sufficient taxes otherwise payable under Part I of the Tax Act or sufficient U.S. source income in the taxation year the U.S. taxes are paid or where the Unitholder has other U.S. source income or losses, has paid

other U.S. taxes or, in certain circumstances, has not filed a U.S. federal income tax return. Foreign tax credits or foreign tax deductions will be dependent upon the Canadian federal and provincial and U.S. federal and state income tax rates that will prevail in future years to apply to applicable sources of income.

- (f) Furthermore, if: (i) a Unitholder holds, or has held, actually or constructively, more than 5% of the outstanding Units, as determined for U.S. federal income tax purposes; or (ii) the regularly traded exception is not satisfied (see “*Risk Factors – Canadian and U.S. Tax Related Risk Factors*”), a Unitholder may be subject to additional U.S. tax on disposition of the Units. The portion of such U.S. tax paid that is not applied as a foreign tax credit may generally not be available as a foreign tax deduction. Where such Unitholders are not entitled to all benefits under the Treaty, the proceeds receivable on a disposition of a Unit may not qualify as U.S. source income for purposes of the Tax Act (including for Canadian foreign tax credit purposes), and, where such Unitholders are trusts, their beneficiaries may not be considered to have paid such tax for purposes of the Tax Act and, accordingly, may not be entitled to a foreign tax credit or deduction in respect of such U.S. tax for Canadian tax purposes. Unitholders are therefore advised to consult their own tax advisors in regards to foreign tax credits and foreign tax deductions.
- (g) The exposure of AHIP to the tax on SIFT partnerships imposed by the SIFT Measures will depend on whether or not AHIP holds “non-portfolio properties” (as defined in the Tax Act) and earns “taxable non-portfolio earnings” in respect thereof. Where AHIP holds any “non-portfolio properties”, it may be subject to adverse consequences, including a tax on its “taxable non-portfolio earnings” (as defined in the Tax Act), with the result that the amount of cash available for distribution by AHIP may be reduced, and that the taxable non-portfolio earnings net of any SIFT tax (being the tax imposed under the Tax Act on “SIFT partnerships” and “SIFT trusts” as these terms are defined in the Tax Act) would be, depending on the circumstances, included in the income of Unitholders for purposes of the Tax Act as eligible dividends.
- (h) There can be no assurances that Canadian federal income tax laws respecting the treatment of partnerships and SIFT partnerships will not be changed, or that administrative policies and assessing practices of the CRA will not develop, in a manner which adversely affects AHIP and the Unitholders.
- (i) If the U.S. REIT or any other “controlled foreign affiliate” (“CFA”) of AHIP fails to meet at least one of the defined foreign accrual property income (“FAPI”) exceptions throughout a particular taxation year, an amount of FAPI may be required to be included in computing the income of AHIP for Canadian federal income tax purposes. At such time as AHIP receives a dividend from the U.S. REIT or other relevant CFA out of this type of income that was previously treated as FAPI (net of the amount of any previous “foreign accrual tax” deduction, if any), that dividend will effectively not be included in computing the income of AHIP and there will be a corresponding reduction in the adjusted cost base to AHIP of the U.S. REIT or CFA shares to the extent such adjusted cost base was increased as a result of such FAPI. A Unitholder may in certain circumstances face a degree of double-taxation on amounts, if any, that are FAPI when both U.S. and Canadian taxes are considered.
- (j) For purposes of the Tax Act, Unitholders are generally required to compute their Canadian tax results using Canadian currency. Where an amount that is relevant in computing a taxpayer’s Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the rate of exchange quoted by the Bank of Canada at noon on the day such amount first arose, or using such other rate of exchange as is acceptable to the CRA. As a result, Unitholders may realize gains and losses for tax purposes by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

The rules governing the Canadian federal income taxation of Unitholders are complex. This “*Canadian Tax-Related Risks*” section does not address or consider all aspects of Canadian federal income tax of an investment in AHIP and does not consider provincial, territorial, U.S., State, or other foreign tax legislation or considerations.

Prospective investors should consult their own professional advisors as to the tax consequences to them of making an investment in, and of holding, Units.

U.S. Federal Income Tax-Related Risks

The following provides a summary of significant U.S. federal income tax risks, but does not summarize, address or consider all aspects of these or all such risks:

- (a) *The U.S. federal income tax treatment depends on AHIP's status as a partnership for U.S. federal income tax purposes.* There is a risk that for the current year, and for any subsequent year, AHIP does not meet the "qualifying income" exception to continue to be treated as a partnership for U.S. federal income tax purposes, and is, thus, treated as a corporation for U.S. federal income tax purposes. Should AHIP be treated as a corporation for U.S. federal income tax purposes, the U.S. Federal income tax consequences will differ significantly from those described and distributions to Unitholders may be materially lower than if AHIP were treated as a partnership entity for U.S. federal income tax purposes.
- (b) *The U.S. federal income tax treatment also depends on AHIP not being engaged in a U.S. trade or business.* AHIP believes that it is not engaged in a U.S. trade or business for U.S. federal income tax purposes, and intends to use commercially reasonable efforts to structure its activities to avoid generating income treated as effectively connected with a trade or business within the U.S. ("ECI"), including U.S. real property interest gain (see Item (e) below). It is possible, however, that the IRS could disagree or that the U.S. federal tax laws could change and AHIP could be considered to be engaged in a U.S. trade or business, which would have a material adverse effect on non-U.S. Unitholders. If, contrary to AHIP's expectations, AHIP is considered to be engaged in a U.S. trade or business or realizes U.S. real property interest gains, non-U.S. Unitholders would be required to file U.S. federal income tax returns and would be subject to U.S. federal income tax at the regular graduated rates on income allocated from AHIP. Non-U.S. Unitholders must obtain a U.S. taxpayer identification number in order to file a U.S. federal income tax return.
- (c) *Unitholders May Recognize Taxable Income Without Receiving Corresponding Cash Distributions.* Because AHIP is expected by management to be treated as a partnership for U.S. federal income tax purposes, Unitholders will be required to recognize income in accordance with AHIP's recognition and allocation of such income. AHIP may derive taxable income from investments that is not matched by a corresponding distribution of cash. It is also possible that the U.S. federal income tax liability of a Unitholder with respect to its allocable share of AHIP's income for a particular taxable year could exceed the cash distribution to the Unitholder for the year.
- (d) *The tax treatment with regard to 5% or smaller Unitholders, depends on the Units being "regularly traded".* There is a risk that for the current quarter, and for any subsequent quarter, the Units may not be considered to be "regularly traded on an established securities market". Should the regularly traded exception not be met, all Unitholders would be taxable upon the disposition of their Units and would also be subject to U.S. tax return filing requirements with respect to such disposition.
- (e) *U.S. real property interest gains recognized by the U.S. REIT or AHIP will cause Unitholders to be subject to U.S. federal income tax and U.S. tax return filing obligations.* Management intends to take all reasonable steps to limit AHIP from recognizing U.S. real property interest gains that may cause a Unitholder to recognize a gain as ECI and, therefore, a U.S. tax return filing requirement. However, no assurances can be given that U.S. real property interest gains will not be recognized in a particular year. Unitholders who are allocated ECI (including U.S. real property interest gains) are required to file a U.S. federal income tax return. Unitholders must obtain a U.S. taxpayer identification number in order to file a U.S. federal income tax return.
- (f) *The U.S. REIT may not qualify in the future as a real estate investment trust for U.S. federal income tax purposes.* Given the highly complex nature of the rules governing real estate

investment trusts and the possibility of future changes in circumstances, no assurances can be given that the U.S. REIT will qualify as a real estate investment trust for U.S. federal income tax purposes, whether in its first taxable year or in any subsequent year. Should the U.S. REIT fail to qualify as a real estate investment trust, it should be subject to U.S. federal income tax and may result in materially reduced distributions to Unitholders. A real estate investment trust that becomes disqualified as a real estate investment trust cannot generally elect again to become a real estate investment trust prior to the fifth taxable year beginning after the first taxable year for which the termination is effective.

- (g) *U.S. REIT Not Closely-Held Requirement.* 100% of the U.S. REIT common shares and Series A preferred stock are owned by AHIP. AHIP is expected by management to continue to be widely-held such that five or fewer individuals would not indirectly own more than 50% of the value of the U.S. REIT (the “**Not Closely-Held Requirement**”). There is no ownership limitation contained in the LP Agreement, so there can be no guarantee that the U.S. REIT would be able to effectively prevent five or fewer individuals from acquiring more than 50% of the Units and, thereby, indirectly acquiring more than 50% of the value of the U.S. REIT. Management will monitor the ownership of AHIP on a regular basis to evaluate its ownership so as to prevent a violation of the Not Closely-Held Requirement.
- (h) *Withholding certificates may not be granted by the U.S. Internal Revenue Service.* Where necessary, AHIP and/or the U.S. REIT will be making withholding certificate applications to the U.S. Internal Revenue Service (the “**IRS**”) to request for a reduction in U.S. federal income tax withholdings that would otherwise apply to an amount that more closely resembles the actual tax liability. No assurance can be given that the IRS will approve a withholding certificate application.
- (i) *A Unitholder’s investment in AHIP may have U.S. gift and estate tax implications.* The U.S. gift and estate tax rules are complex, and each Unitholder should consult his or her own tax advisor to determine the U.S. gift and estate tax implications.
- (j) *Change of Law.* There can be no assurance that U.S. federal income tax laws, the terms of the Treaty, and the IRS and Department of the Treasury administrative and legislative policies respecting the U.S. federal income tax consequences described in this AIF will not be changed, possibly on a retroactive basis, in a manner that adversely affects Unitholders. In particular, any such change could increase the amount of U.S. federal income tax or withholding tax payable by AHIP or its subsidiaries, reducing the amount of distributions which AHIP would otherwise receive and thereby reducing the amount available to pay distributions to Unitholders.

The rules governing the U.S. federal income taxation of AHIP, the U.S. REIT and Unitholders are complex. This AIF does not address or consider all aspects of U.S. federal income tax of an investment in AHIP and does not consider state, local, or non-U.S. tax consequences. Prospective investors should consult their own tax advisors to determine the U.S. federal income tax consequences, state, local and/or non-U.S. tax consequences, reporting and any other requirements applicable to their particular situations.

For all of the aforesaid reasons and others set forth in this AIF, 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 this AIF and should consult with his or her legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their investment.

CAPITAL STRUCTURE

Partners' Capital

AHIP is authorized to issue an unlimited number of Units. Each Unit entitles the Unitholder to the same rights and obligations as any other Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholders.

Each Unit represents an equal undivided beneficial interest in and to all distributions from AHIP including to Distributable Cash and an allocation of Net Income, Taxable Income, Net Loss, Taxable Loss or other amounts as well as an undivided beneficial interest in all assets of AHIP in the event of its termination or winding-up, after payment of all debts, liabilities and liquidation expenses of AHIP. See "*LP Agreement*".

Each Unit has attached to it the right to exercise one vote at meetings of AHIP (see "*Voting Trust Agreement*"). Certain powers, relating generally to the existence and fundamental powers of AHIP may be exercisable only by way of a Special Resolution passed by the Unitholders.

The following table sets out the consolidated capitalization of AHIP:

<u>Security</u> Units	<u>Authorized</u> Unlimited	<u>Issued as at December</u> <u>31, 2015</u>	<u>Issued as at the date of</u> <u>this AIF</u>
		34,908,265	34,908,265

Constraints

There are no constraints imposed on the ownership of securities of AHIP to ensure a certain level of Canadian ownership of AHIP.

Ratings

AHIP has not requested, nor to management's knowledge has AHIP received, any ratings from any rating organizations in respect of any of AHIP's securities.

LP AGREEMENT

The rights and obligations of the Unitholders are governed by the LP Agreement. The following is a summary of certain material provisions of the LP Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the LP Agreement itself, a copy of which has been filed with the Canadian securities regulatory authorities and is available on SEDAR (www.sedar.com).

Amendment to LP Agreement – Advance Notice Policy

At the annual and special meeting of Unitholders held on June 9, 2015, the Unitholders resolved to approve an amendment to the LP Agreement to implement a policy requiring advance notice be given to the General Partner, on behalf of AHIP, of Unitholder proposals relating to the nomination of the directors of the General Partner (the "**Advance Notice Policy**"). Following such approval by the Unitholders, the LP Agreement was amended effective on June 9, 2015 in order to implement the Advance Notice Policy (the "**LP Agreement Amendment**").

Among other things, the Advance Notice Policy sets a deadline by which Unitholders must submit a notice of director nominations to the General Partner prior to any annual or special meeting of Unitholders where directors are to be elected and sets forth the information that a Unitholder must include in the notice for it to be valid.

In the case of an annual meeting of Unitholders, notice to the General Partner must be given no less than 30 days prior to the date of the annual meeting provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be given no later than the close of business on the 10th day following such public announcement.

In the case of a special meeting of Unitholders (which is not also an annual meeting), notice to the General Partner must be given no later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

The Advance Notice Policy allows the General Partner to receive adequate prior notice of director nominations, as well as sufficient information on the nominees. The General Partner is thus able to evaluate the proposed nominees' qualifications and suitability as directors and communicate its views to Unitholders in a timely way. It will also facilitate an orderly and efficient meeting process.

Interests of Unitholders

Each Unit when issued shall vest indefeasibly in the holder thereof. The interest of each Unitholder shall be determined by the number of Units registered in the name of the Unitholder. The issued and outstanding Units may be subdivided or consolidated from time to time without the approval of Unitholders, provided that a subdivision or consolidation of Units will not affect the Proportionate Share of any Unitholder.

Consideration for Units

No Units shall be issued other than as fully paid and non-assessable. A Unit shall not be fully paid until the consideration therefore has been received in full by or on behalf of AHIP. The consideration for any Unit shall be paid in money or in property or in past services that are not less in value than the fair equivalent of the money that AHIP would have received if the Unit had been issued for money. In determining whether property or past services are the fair equivalent of consideration paid in money, the General Partner may take into account reasonable charges and expenses of organization and reorganization and payments for property and past services reasonably expected to benefit AHIP.

No Pre-Emptive Rights

There are no pre-emptive rights attaching to the Units.

Fractional Units

If any person becomes entitled to a fraction of a Unit, such person shall not be entitled to receive a certificate therefore. Fractional Units shall not, except to the extent that they may represent in the aggregate one or more whole Units, entitle the holders thereof to notice of or to attend or to vote at, meetings of Unitholders. Subject to the foregoing, such fractional Units shall have attached thereto the rights, restrictions, conditions and limitations attaching to whole Units in the proportion that they bear to a whole Unit.

Allotment and Issue

The General Partner may allot and issue Units at such time or times and in such manner (including, without limitation, pursuant to any distribution reinvestment plan in effect from time to time) and for such consideration and to such person or class of persons as the General Partner in its sole discretion shall determine. In the event that Units are issued in whole or in part for a consideration other than money, the resolution of the General Partner allotting and issuing such Units shall express the fair equivalent in money of the other consideration received.

Rights, Warrants and Options

The General Partner may, in its discretion, cause AHIP to create and issue rights, warrants or options or other instruments or securities to subscribe for fully paid Units which rights, warrants, options, instruments or securities may be exercisable at such subscription price or prices and at such time or times as the General Partner may determine. A holder of such rights, warrants, options, instruments or securities is not a Unitholder by virtue of holding such a security.

AHIP may also issue new Units pursuant to any incentive or option plan established by AHIP from time to time. Accordingly, on June 17, 2013, AHIP's Unitholders voted in favour of the adoption of a securities-based compensation plan (the "**Securities-Based Compensation Plan**") to promote the interests and long-term success of AHIP by attracting, retaining and motivating key personnel, including certain directors, officers, employees or

consultants of AHIP, or other persons as the Compensation Committee may determine, with greater incentive to further develop and promote the business and financial success of AHIP. The Securities-Based Compensation Plan is subject to the reconfirmation by Unitholders every three years. The material terms of the Securities-Based Compensation Plan are described in AHIP's Management Information Circular dated May 8, 2015, a copy of which is available on SEDAR (www.sedar.com).

On June 17, 2013, AHIP's Unitholders voted in favour of adopting a Unitholder Rights Plan Agreement, to ensure, to the extent possible, that all Unitholders are treated fairly in connection with any take-over bid for AHIP, and this agreement entitles each Unitholder to purchase Units pursuant to any rights granted under the agreement and at terms and subject to the conditions set forth in the agreement. The Unitholder Rights Plan Agreement is subject to the reconfirmation by Unitholders every three years. A copy of the Unitholder Rights Plan is available on SEDAR (www.sedar.com).

Transfers of Units

The Units are freely transferable and, except in limited circumstances set forth in the LP Agreement, the General Partner shall not impose any restriction on the transfer of Units by any Unitholder except with the consent of such Unitholder. A Unit is not, however, transferable in part.

Transfers of Units are completed at the expense of the transferee. A transferee of a Unit will become a Unitholder and shall be subject to the obligations and entitled to the rights of Unitholders under the LP Agreement on the date on which the Record of Unitholders maintained by the General Partner pursuant to the *Limited Partnerships Act* (Ontario) (the "**Record**") is updated to reflect that the transferee is a Unitholder.

A registered Unitholder may transfer all or a part of his, her or its Units upon delivery to the General Partner or to the Transfer Agent of the certificate therefore, properly endorsed or accompanied by a duly executed instrument of transfer or power of attorney and accompanied by all necessary transfer or other taxes imposed by law, together with such evidence of the genuineness of such endorsement, execution and authorization and other matters that may reasonably be required by the General Partner or the Transfer Agent. Upon such delivery the transfer shall be recorded on the register or branch transfer registers and a new unit certificate for the Units shall be issued to the transferee and a new certificate for the balance of Units not transferred shall be issued to the transferor, if applicable. The transferee, by executing the transfer, agrees to be bound by the LP Agreement as a Unitholder as if the transferee had personally executed the LP Agreement.

Units are issued and held electronically in "book-entry only" form through the non-certificated inventory system ("**NCI**") of CDS Clearing and Depository Services Inc. ("**CDS**"). Transfers of beneficial ownership of Units through the NCI system are effected through the records maintained by CDS or its nominee (with respect to interests of participants) and on the records of the participants (with respect to interests of persons other than participants). Beneficial owners who are not participants in CDS's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interests in Units, may do so only through participants in CDS's book-entry system.

The ability of a beneficial owner of an interest in a Unit through the NCI system to pledge the Unit or otherwise take action with respect to such holder's interest in a Unit represented in book-entry only form (other than through a participant) may be limited due to the lack of a physical certificate.

Distributions of Distributable Cash

To the extent cash flow permits, AHIP will pay and distribute all Distributable Cash.

Distributable Cash will be distributed as follows:

- (a) first, to the General Partner 0.01% of the Distributable Cash to a maximum of \$100 per annum; and
- (b) as to the balance, to the Unitholders, *pro rata* in accordance with their respective Proportionate Shares.

Payment of Distributions

Any distribution shall be made directly by the General Partner on behalf of AHIP or through the Transfer Agent or through any other person or agent, as approved by the General Partner, to the Unitholders as of the particular Record Date set for such distribution. The amount of taxes withheld or paid by or on behalf of AHIP or a Subsidiary in respect of a Unitholder shall be treated either as a distribution to such Unitholder or as a general expense of AHIP, as determined by the General Partner in its sole discretion, and the General Partner shall report to the Unitholders on an annual basis the amount of such taxes withheld or paid. For greater certainty, distributions made shall constitute full payment and satisfaction of AHIP's liability in respect of such distribution, regardless of any claim of any person who may have an interest in such distribution by reason of an assignment or otherwise. The General Partner may in its sole and unfettered discretion elect to not distribute Distributable Cash in any period or to reduce the amount of any distribution of Distributable Cash in whole or in part.

Distributions upon Dissolution

Upon the dissolution of AHIP, the assets of AHIP will be liquidated and the proceeds thereof will be distributed as follows:

- (a) to pay any costs involved in the sale of the assets of AHIP and to pay all amounts required to discharge any mortgages or encumbrances registered against the assets;
- (b) to pay all expenses incurred in the winding-up of AHIP;
- (c) to pay all of the liabilities of AHIP;
- (d) to establish such reserves as the General Partner considers necessary;
- (e) to return to the General Partner the balance in its capital account; and
- (f) to pay the balance to the Unitholders, pro rata in accordance with their respective Proportionate Shares.

Such distribution may be made in cash or in kind or partly in each, all as the General Partner in its sole discretion may determine.

Allocation of Income and Losses

Where Distributable Cash was paid in respect of a Fiscal Year, the Net Income and Taxable Income of AHIP in respect of that Fiscal Year shall be allocated among all Partners that were Partners at any time in the Fiscal Year on the following basis:

- (a) first, to the General Partner 0.01% of the Net Income and Taxable Income to a maximum of \$100 per annum; and
- (b) as to the balance, to the Unitholders, as a class, and to each Unitholder an amount equal to the balance multiplied by a fraction, the numerator of which is the sum of the distributions received by such Unitholder in respect of the Fiscal Year and the denominator of which is the total distributions made by AHIP to the Unitholders as a group in respect of the Fiscal Year.

Where no Distributable Cash was paid in respect of a Fiscal Year, Net Income and Taxable Income in respect of that Fiscal Year shall be allocated among all Partners that were Partners at any time in the Fiscal Year on the following basis:

- (a) first, to the General Partner 0.01% of the Net Income and Taxable Income of AHIP to a maximum of \$100 per annum; and

- (b) as to the balance, to the Unitholders who were holders of Units at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Shares as at the end of each month, the balance divided by 12.

Net Loss and Taxable Loss in respect of that Fiscal Year shall be allocated among all Partners that were Partners at any time in the Fiscal Year on the following basis:

- (a) first, to the General Partner 0.01% of the Net Loss and Taxable Loss to a maximum of \$100 per annum; and
- (b) as to the balance, to the Unitholders who were holders of Units at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Shares as at the end of each month, the balance divided by 12.

The General Partner shall have the discretion, but not the obligation, acting in good faith, to allocate income, loss and other amounts on a basis which ensures a fair distribution among Unitholders after taking into consideration any matters that may be relevant.

Each Unitholder who is a Partner of AHIP at any time in each Fiscal Year will be allocated his, her or its share of such Net Income and Taxable Income or Net Loss and Taxable Loss for such Fiscal Year in accordance with the LP Agreement. Where a Unitholder assigns a Unit prior to the end of the Fiscal Year, the portion of Net Income and Taxable Income, or Net Loss and Taxable Loss, which would have been attributed to such assigning Partner shall continue to be so allocable in accordance with the LP Agreement, instead of being allocated to the assignee who holds the Unit at the end of the Fiscal Year. For greater certainty, any Person who was a Unitholder at any time during a Fiscal Year but who has transferred all of such Person's Units before the last day of that Fiscal Year may be deemed to be a partner of AHIP on the last day of such Fiscal Year for the purposes of subsection 96(1) of the Tax Act. Where a Unit was initially subscribed for after the beginning of the Fiscal Year, Net Income and Taxable Income, or Net Loss and Taxable Loss, for the entire Fiscal Year will be allocated to the holder thereof in accordance with the mechanics of the provisions of the LP Agreement on account of the portion of the Fiscal Year that the person was a Unitholder.

The General Partner has been designated as the tax matters partner for all Canadian and U.S. federal income tax purposes, and state or provincial equivalents. The General Partner, acting as tax matters partner, in its reasonable discretion and from time to time may modify the manner in which Net Income, Taxable Income, Net Loss and Taxable Loss are allocated to or among the Unitholders and their capital accounts and for tax purposes in order that in the reasonable judgment of the General Partner, and in its sole discretion, such allocations will reasonably reflect the purpose of the LP Agreement and the intention of the parties; provided, however, that no such modification shall materially and adversely affect the amounts distributable to any Partner.

If applicable, for U.S. federal income tax purposes, allocations of Net Income, Taxable Income, Net Loss and Taxable Loss for each Fiscal Year or other relevant period of AHIP shall be allocated among the Unitholders as set out in the LP Agreement except to the extent: (i) that any such allocations would not have substantial economic effect or are not in accordance with the interests of the Unitholders (in each case, as determined pursuant to Section 704(b) of the Code); or (ii) otherwise required by applicable law or by reason of tax elections made by the General Partner on behalf of AHIP, and, in the case of either clause (i) or (ii), the General Partner shall adjust allocations as necessary so as to comply with the requirements of Sections 704(b) and 704(c) of the Code and the regulations promulgated thereunder, relevant provisions of law or elections made by the General Partner on behalf of AHIP (as applicable).

Additional Capital Contributions

No Unitholder is required to make additional capital contributions to AHIP over and above the purchase price paid for such Units.

Annual Meeting

There shall be an annual meeting of the Unitholders at such time and place as the General Partner shall prescribe for the purpose of electing directors of the General Partner in accordance with the terms of the LP Agreement, Voting Trust Agreement and Nomination Agreement, receiving audited financial statements, appointing or removing the auditors of AHIP and transacting such other business as the General Partner may determine or as may properly be brought before the meeting. The annual meeting shall be held after delivery to the Unitholders of the annual report and, in any event, within 180 days after the end of each fiscal year of AHIP.

Other Meetings

The General Partner shall have power at any time to call special meetings of the Unitholders at such time and place as the General Partner may determine. Unitholders holding in the aggregate not less than 10% of the outstanding Units may requisition the General Partner in writing to call a special meeting of the Unitholders for the purposes stated in the requisition.

Notice of Meeting

Notice of all meetings of the Unitholders shall be mailed or delivered by the Transfer Agent to the Unitholders, each director of the General Partner and to the auditors of AHIP not less than 21 nor more than 50 days (or within such other number of days as required by law or relevant stock exchange) before the meeting. Such notice shall specify the time when, and the place where, such meeting is to be held and shall state briefly the general nature of the business to be transacted at such meeting and shall otherwise include such information as would be provided to shareholders of a corporation governed by the *Canada Business Corporations Act* in connection with a meeting of shareholders. Any adjourned meeting, other than a meeting adjourned for lack of a quorum, may be held as adjourned without further notice. Notwithstanding the foregoing, a meeting of Unitholders may be held at any time without notice if all of the Unitholders are present or represented thereat or those not so present or represented have waived notice. Any Unitholder (or a duly appointed proxy thereof) may waive any notice required to be given under the LP Agreement, and such waiver, whether given before or after the meeting, shall cure any default in the giving of such notice. Attendance at a meeting of Unitholders shall constitute a waiver of notice unless the Unitholder or other person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not properly called.

Chairperson

The chairperson of any annual or special meeting shall be the chairman of the General Partner or any other director of the General Partner specified by resolutions of the General Partner or, in the absence of any director, any person appointed as chairperson of the meeting by the Unitholders present.

Quorum

A quorum for any meeting of Unitholders shall be individuals present not being less than two in number and being Unitholders or representing by proxy Unitholders who hold in the aggregate not less in aggregate than 5% of the total number of outstanding Units provided that if AHIP has only one Unitholder, the Unitholder present in person or by proxy constitutes a meeting and a quorum for such meeting. If a quorum is present at the opening of a meeting, the Unitholders may proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting. The chairperson of any meeting at which a quorum of Unitholders is present may, with the consent of the majority of the Unitholders present in person or by proxy, adjourn at such meeting and no notice of any such adjournment need be given. In the event of such quorum not being present at the appointed place on the date for which the meeting is called within 30 minutes after the time fixed for the holding of such meeting, the meeting, if called by request of Unitholders, shall be terminated and, if otherwise called, shall stand adjourned to such day being not less than seven days later and to such place and time as may be appointed by the chairperson of the meeting. If at such adjourned meeting a quorum as above defined is not present, the Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

Matters Requiring Approval of Unitholders

The LP Agreement may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast by Unitholders at a meeting called for such purpose. Other amendments to the LP Agreement require approval by a majority of the votes cast by Unitholders at a meeting called for such purpose.

The following actions and/or amendments, among others, require the approval of two-thirds of the votes cast by Unitholders at a meeting called for such purpose:

- (a) any amendment to the provisions of the LP Agreement dealing with amendments to the LP Agreement;
- (b) any exchange, reclassification or cancellation of all or part of the Units;
- (c) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units, including:
 - (i) the removal or change of rights to distributions;
 - (ii) the addition or removal of or change to conversion privileges, options, voting, transfer or pre-emptive rights; or
 - (iii) the reduction or removal of a distribution preference or liquidation preference;
- (d) any constraint of the issue, transfer or ownership of Units or the change or removal of such constraint, except as provided in the LP Agreement;
- (e) any amendment to the articles of the General Partner to change either the maximum or minimum number of directors of the General Partner;
- (f) any distribution of AHIP's property upon its termination;
- (g) any amendment relating to the powers, duties, obligations, liabilities or indemnification of the General Partner;
- (h) any sale or transfer of the assets of AHIP as an entirety or substantially as an entirety (other than as part of an internal reorganization of assets of AHIP as approved by the General Partner);
- (i) the combination, amalgamation or arrangement of any of AHIP or its Subsidiaries with any other entity (other than as part of an internal reorganization of the assets of AHIP approved by the General Partner);
- (j) dissolving AHIP, except as otherwise provided for in the LP Agreement;
- (k) any amendment to the investment guidelines or operating policies of AHIP, except for any amendments aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the General Partner or over AHIP; or
- (l) any other matter required to be passed by a Special Resolution under the LP Agreement.

Limitation on Authority of Unitholders

A Unitholder may from time to time inquire as to the state and progress of the business of AHIP and may provide comment as to its management; however, no Unitholder shall take part in the control or management of the business of AHIP, execute any document which binds or purports to bind AHIP, the General Partner or any other Unitholder as such or have any authority to undertake any obligation or responsibility on behalf of AHIP (except that the General Partner may act on behalf of AHIP notwithstanding that it may also be a Unitholder).

Liability of the Partners

The General Partner has unlimited liability for the debts, liabilities, losses and obligations of AHIP. Subject to the applicable law and any specific assumption of liability, the liability of each Unitholder for the debts, liabilities, losses and obligations of AHIP is limited to the amount of the capital contributed or agreed to be contributed to AHIP by him, her or it in respect of his, her or its Unit(s) plus his, her or its share of any undistributed income of AHIP.

Liability of the General Partner

The LP Agreement contains customary provisions limiting the liability of the General Partner. The General Partner is not liable for the return of any capital contribution made by a limited partner to the Partnership. Moreover, notwithstanding anything else contained in the LP Agreement, but subject to certain sections of the LP Agreement, neither the General Partner nor any Affiliates thereof nor their respective officers, directors, shareholders, employees or agents are liable, responsible for or accountable in damages or otherwise to AHIP or a limited partner for an action taken or failure to act on behalf of AHIP within the scope of the authority conferred on the General Partner by the LP Agreement or by law, provided the General Partner has acted in good faith, in a manner which the General Partner believed to be in, or not opposed to, the best interests of AHIP.

Investment Guidelines

The LP Agreement provides that the assets of AHIP may only be invested, and AHIP shall not permit the assets of any Subsidiary to be invested otherwise than, with the approval of the General Partner and in accordance with the following investment guidelines:

- (a) AHIP will not make any investment, take action or omit to take any action that would result in Units not being a “qualified investment” for investment by Plans.
- (b) AHIP shall not make any investments or take any action or omit to take any action which would cause AHIP to be a “SIFT partnership” within the meaning of the Tax Act (or proposed amendments thereto) at any time during a Taxation Year (as defined in the LP Agreement).
- (c) AHIP shall cause the U.S. REIT to only make investments and adopt operating policies and undertake activities that will allow the U.S. REIT to meet all requisite organizational, operational, income, asset and distribution requirements for the U.S. REIT to qualify as a real estate investment trust under the Code.
- (d) AHIP shall not make investments or undertake activities that will cause AHIP to be actually engaged in a U.S. trade or business for U.S. federal income tax purposes, or to generate income treated as effectively connected with a U.S. trade or business other than amounts attributable to U.S. real property interest (as defined in the Code) in connection with the investment in U.S. REIT or similar Subsidiary.
- (e) AHIP shall not acquire any interest in real property directly and in the case of indirect interests in real property, AHIP shall not indirectly acquire any interest in a single real property if, after giving effect to the proposed acquisition, the cost of such acquisition will exceed 15% of AHIP’s Gross Book Value.
- (f) Except as otherwise permitted, AHIP may only invest in indirect interests (including ownership and leasehold interests) in Suitable Properties in the U.S. and Canada and such other investments and activities related or incidental thereto as are consistent with the investment restrictions and guidelines of AHIP and approval by a majority of the directors of the General Partner from time to time.
- (g) Except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities, securities issued by Subsidiaries or Affiliates, and except as otherwise permitted

pursuant to the investment guidelines and operating policies of AHIP, AHIP may not hold securities other than to the extent such securities would constitute an indirect investment in real property (as determined by the General Partner).

- (h) AHIP may, with the prior approval of the General Partner, indirectly invest in a joint venture arrangement for the purposes of indirectly owning interests or investments otherwise permitted to be held by AHIP; provided that such joint venture arrangement contains terms and conditions which, in the opinion of management, are commercially reasonable, including such terms and conditions relating to restrictions on the transfer, acquisition and sale of AHIP's interest and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to AHIP, provisions to limit the liability of AHIP and its Unitholders to third parties, and provisions to provide for the participation of AHIP in the management of the joint venture arrangement. For purposes hereof, a "joint venture arrangement" is an arrangement between AHIP and one or more other persons pursuant to which AHIP indirectly conducts an undertaking for one or more of the purposes set out in the investment guidelines of AHIP and in respect of which AHIP may hold its interest jointly or in common or in another manner with others through the ownership of securities of a corporation or other entity, including a limited partnership or a limited liability company.
- (i) AHIP shall not invest, directly or indirectly, in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property.
- (j) AHIP will not invest, indirectly, in operating businesses unless an indirect investment is incidental to a transaction: (i) where revenue will be derived indirectly, principally from the Suitable Properties; or (ii) which principally involves the ownership, maintenance, improvement, leasing, operation or management indirectly, of Suitable Properties (in each case as determined by the board of directors of the General Partner) including for greater certainty any business relating to hotel, lodging or other activity ancillary to such business conducted on or in connection with the Suitable Properties.
- (k) AHIP may, with the prior approval of the General Partner, invest, directly or indirectly, by way of mezzanine loans, in the development of new Suitable Properties, with rights to cause a Subsidiary to acquire such properties on pre-agreed terms.
- (l) AHIP may invest, directly or indirectly, in immovable hypothecs, mortgages, hypothecary bonds or mortgage bonds (including a participating or convertible immovable hypothec or mortgage) and similar instruments where:
 - (i) the hypothec, mortgage, hypothecary bond or mortgage bond is issued by a Subsidiary;
 - (ii) the immovable property, which is security therefore, is income producing real property which otherwise complies with the other investment guidelines of AHIP adopted from time to time in accordance with the guidelines set out in the LP Agreement;
 - (iii) the immovable hypothec or mortgage is an immovable hypothec or mortgage registered on title to the real property which is security therefore; and
 - (iv) the aggregate value of the investments of AHIP in these instruments, after giving effect to the proposed investment, will not exceed 20% of the adjusted Unitholders' equity.

AHIP may invest, directly or indirectly, in immovable hypothecs or mortgages which are not first ranking for the purposes of providing, directly or indirectly, financing in connection with a transaction in which a Subsidiary of AHIP is the vendor or with the intention of using such hypothec or mortgage as part of a method for subsequently indirectly acquiring an interest in or control of a real property or a portfolio of properties.

- (m) AHIP may invest an amount (which, in the case of an amount invested to indirectly acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by AHIP)

up to 15% of the Gross Book Value of AHIP in investments which do not comply with one or more of the operating policies.

Operating Policies

The LP Agreement provides that the operations and affairs of AHIP shall be conducted in accordance with the following policies, the whole subject to the investment guidelines above. For the purpose of these policies, the assets, liabilities and transactions of a corporation, trust or other entity wholly or partially owned by AHIP (an “investee”) will be deemed to be those of AHIP on a proportionate consolidated basis. In applying these guidelines, AHIP will cause each investee to adhere to operating policies, and AHIP will otherwise manage its investments in its investees, such that it shall remain in compliance with the operating policies. In addition, any references in the below guidelines to investment in real property will be deemed to include an investment in a joint venture:

- (a) AHIP shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof: the term “hedging” shall have the meaning ascribed thereto by National Instrument 81-102 – *Investment Funds* adopted by the Canadian Securities Administrators, as amended from time to time.
- (b) AHIP may engage, indirectly, in construction or development of Suitable Properties, businesses or assets in order to maintain its indirect interests in real properties in good repair or to enhance the income-producing potential of Suitable Properties, businesses or assets in which AHIP has an indirect interest, provided that the aggregate value of investments in properties under development, including advances of mezzanine loans, after giving effect to the proposed investment in the development or mezzanine loan will not exceed 5% of AHIP’s Gross Book Value.
- (c) Unless otherwise approved by the board of directors of the General Partner, title to each real property shall be held by and registered in the name of an entity owned, directly or indirectly, by AHIP or jointly-owned, directly or indirectly, by a Subsidiary of AHIP, with joint venturers or a corporation which is a nominee of a Subsidiary of AHIP which holds registered title to such real property pursuant to a nominee agreement with a Subsidiary of AHIP.
- (d) AHIP shall not, directly or indirectly, incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total consolidated indebtedness of AHIP would be more than 60% of AHIP’s Gross Book Value (excluding convertible debentures) and 65% of AHIP’s Gross Book Value (including convertible debentures). For the purposes of this paragraph, the term “indebtedness” means any obligation of AHIP or its Subsidiaries for borrowed money, including the face amount outstanding under any convertible debentures but excluding any premium in respect of indebtedness assumed, directly or indirectly, by AHIP for which AHIP or its Subsidiaries has the benefit of an interest rate subsidy, but only to the extent an amount receivable has been excluded in the calculation of Gross Book Value with respect to such interest rate subsidy, provided that:
 - (i) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated statement of financial position of AHIP in accordance with IFRS;
 - (ii) indebtedness excludes trade accounts payable, distributions payable to Unitholders, accrued liabilities arising in the ordinary course of business and short-term acquisition credit facilities; and
 - (iii) indebtedness excludes any amount shown on the consolidated statement of financial position of AHIP in accordance with IFRS in respect of the Units, if they shall be characterized as a liability under IFRS.
- (e) AHIP will not, directly or indirectly, guarantee any indebtedness or liabilities of any kind of any person, except indebtedness or liabilities assumed or incurred by a person in which AHIP holds an

interest, directly or indirectly, or by an entity jointly-owned indirectly by AHIP with joint venturers and operated solely for the purpose of holding a particular property or properties where such indebtedness, if granted by AHIP directly, would not cause AHIP to otherwise contravene the guidelines. AHIP is not required but shall use its reasonable best efforts to comply with this requirement if doing so is necessary or desirable in order to further the initiatives of AHIP permitted under the LP Agreement.

- (f) AHIP will not invest indirectly in any properties unless a Subsidiary:
 - (i) will obtain or has received an independent appraisal of each property or an independent valuation of a portfolio of properties that it intends to acquire; and
 - (ii) will obtain or review a preliminary site investigation report (or reliance letter from an environmental consultant in respect of a preliminary site investigation report) of each real property to be acquired by it, dated within 18 months of the date of acquisition, and, if the preliminary site investigation report recommends or recommended a Phase II environmental audit be obtained, the Subsidiary shall obtain or review a Phase II environmental audit, in each case by an independent and experienced environmental consultant; as a condition to any acquisition, such audit must be satisfactory to the General Partner.

Amendments to Investment Guidelines and Operating Policies

The investment guidelines and the operating policies set out in the LP Agreement may be amended only by Special Resolution. Any remaining operating policies may be amended with the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

Notwithstanding the foregoing paragraph, if at any time a government or regulatory authority having jurisdiction over AHIP or any property of AHIP shall enact any law, regulation or requirement which is in conflict with any investment guideline of AHIP then in force (other than the restriction on making any investments, taking action or omitting to take any action that would result in Units not being a “qualified investment” for investment by Plans), such guideline in conflict shall, if the directors on the advice of legal counsel to the General Partner so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary in the LP Agreement, any such resolution of the General Partner shall not require the prior approval of Unitholders.

Application of Investment Guidelines and Operating Policies

With respect to the investment guidelines and operating policies, where any maximum or minimum percentage limitation is specified in any of the guidelines and policies in the LP Agreement, such guidelines and policies shall be applied on the basis of the relevant amounts calculated immediately after the making of such investment or the taking of such action. Any subsequent change relative to any percentage limitation which results from a subsequent change in the Gross Book Value or adjusted Unitholders’ equity will not require divestiture of any investment (other than with respect to paragraphs (a) and (b) of the investment guidelines which must be complied with at all times).

VOTING TRUST AGREEMENT

The following is a summary of certain material provisions of the Voting Trust Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Voting Trust Agreement itself, a copy of which has been filed with the Canadian securities regulatory authorities and is available on SEDAR (www.sedar.com).

The General Partner and AHIP determined that the Unitholders should have control over the election of the board of directors of the General Partner and certain other fundamental matters relating to the General Partner. Accordingly, Maverick Management Corp., Darren Investments Inc. and Triple E Investments Ltd., Affiliates of the Sunstone Group and the O’Neill Group, which collectively own 100% of the outstanding shares of the General

Partner, entered into a voting trust agreement with a third party trustee (the “**Voting Trust Agreement**”) dated February 20, 2013 pursuant to which the Unitholders are provided with the right to vote for the election of directors to the board of directors of the General Partner and in respect of certain other matters relating to the General Partner including, among others, the following:

- (a) any sale or transfer of the assets of the General Partner as an entirety or substantially as an entirety (other than as part of an internal reorganization of assets of the General Partner);
- (b) the combination, amalgamation or arrangement of the General Partner or its Subsidiaries with any other entity (other than as part of an internal reorganization that does not result in a change of control of the General Partner);
- (c) any plan or proposal for a complete or partial liquidation or dissolution, or any reorganization of the General Partner or any case, proceeding or action pursuant to which the General Partner is seeking relief under any existing laws or future laws relating to bankruptcy or insolvency;
- (d) any amendment to the charter documents of the General Partner to change the authorized minimum or maximum number of directors;
- (e) any other matter required by an applicable securities regulator, by the TSX exchange or by any other applicable stock exchange where AHIP’s securities trade from time to time; or
- (f) any commitment or agreement to do any of the foregoing.

The Voting Trust Agreement also contains restrictions on transfers of the shares of the General Partner held by each of Maverick Management Corp., Darren Investments, Inc. and Triple E Investments Ltd., subject to exceptions for transfer of such shares to Affiliates and successors.

NOMINATION AGREEMENT

The following is a summary of certain material provisions of the Nomination Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Nomination Agreement itself, a copy of which has been filed with the Canadian securities regulatory authorities and is available on SEDAR (www.sedar.com).

Pursuant to the nomination agreement (the “**Nomination Agreement**”) between the General Partner and the Sponsor dated February 20, 2013, the General Partner granted to the Sponsor the right to nominate for election as a director of the General Partner at each meeting of Unitholders of AHIP at which directors of the General Partner are to be considered for election (the “**Directors Election Meeting**”), a certain minority number of selected Sponsor nominees (based upon the holdings of Units by the Sponsor’s principals and their Affiliates from time to time).

The General Partner shall provide the Sponsor with notice of each Directors Election Meeting informing the Sponsor of the date of the applicable meeting and the Sponsor shall deliver to the General Partner in writing, within 14 days after receiving such notice, the names of the applicable number of selected Sponsor nominees, together with the information regarding such selected nominees (including the number of common shares of the General Partner, the number of Units owned or controlled by each such nominee and a biography of each such nominee) as AHIP is required pursuant to the LP Agreement and applicable securities laws to include in the information circular of AHIP to be sent to Unitholders in respect of such Directors Election Meeting (a “**Nomination Letter**”).

If the Sponsor fails to deliver a Nomination Letter to the General Partner within 14 days after receiving a notification from the General Partner in respect of a Directors Election Meeting, the General Partner shall have no obligation to include one or more selected Sponsor nominees as part of the group of nominees to be considered for election as a director of the General Partner at such Directors Election Meeting (and for greater certainty, no obligation to include one or more Sponsor nominees in the information circular for such Directors Election Meeting) for which the notice was provided to the Sponsor.

DISTRIBUTIONS

Monthly Distributions

AHIP declared and paid the following cash distributions to Unitholders in 2013, 2014, 2015 and the current year to date:

Period	Record Date	Cash Distribution (Cdn\$)	Date Paid
February – March 2013	March 28, 2013	\$0.096	April 15, 2013
April 2013	April 30, 2013	\$0.075	May 15, 2013
May 2013	May 31, 2013	\$0.075	June 17, 2013
June 2013	June 28, 2013	\$0.075	July 15, 2013
July 2013	July 31, 2013	\$0.075	August 15, 2013
August 2013	August 30, 2013	\$0.075	September 16, 2013
September 2013	September 30, 2013	\$0.075	October 15, 2013
October 2013 ⁽¹⁾	October 31, 2013	\$0.075	November 15, 2013
November 2013	November 29, 2013	\$0.075	December 16, 2013
December 2013	December 31, 2013	\$0.075	January 15, 2014
January 2014	January 31, 2014	\$0.075	February 17, 2014
February 2014	February 28, 2014	\$0.075	March 14, 2014
March 2014	March 31, 2014	\$0.075	April 15, 2014
April 2014	April 30, 2014	\$0.075	May 15, 2014
May 2014	May 30, 2014	\$0.075	June 16, 2014
June 2014	June 30, 2014	\$0.075	July 15, 2014
July 2014	July 31, 2014	\$0.075	August 15, 2014
August 2014	August 29, 2014	\$0.075	September 15, 2014
September 2014	September 30, 2014	\$0.075	October 15, 2014
October 2014	October 31, 2014	\$0.075	November 14, 2014
November 2014	November 28, 2014	\$0.075	December 15, 2014
December 2014	December 31, 2014	\$0.075	January 15, 2015
January 2015	January 30, 2015	\$0.075	February 13, 2015
February 2015	February 27, 2015	\$0.075	March 13, 2015
March 2015	March 31, 2015	\$0.075	April 15, 2015
April 2015	April 30, 2015	\$0.075	May 15, 2015
May 2015	May 29, 2015	\$0.075	June 15, 2015
June 2015	June 30, 2015	\$0.075	July 15, 2015
July 2015	July 31, 2015	\$0.075	August 14, 2015
August 2015	August 31, 2015	\$0.075	September 15, 2015
September 2015	September 30, 2015	\$0.075	October 15, 2015
October 2015	October 30, 2015	\$0.075	November 13, 2015
November 2015	November 30, 2015	\$0.075	December 15, 2015
December 2015	December 31, 2015	\$0.075	January 15, 2016
January 2016	January 29, 2016	\$0.075	February 15, 2016
February 2016	February 29, 2016	\$0.075	March 15, 2016

(1) The holders of record as at November 21, 2013 of the subscription receipts were also entitled to receive the October 31, 2013 distribution in the form of the Subscription Receipt Adjustment Payment. Such holders received payment thereof on November 26, 2013.

AHIP satisfies its monthly distributions to Unitholders using available cash to the maximum extent possible. The amount of cash available for distributions is calculated based on monthly cash receipts of AHIP less reserves and any other amounts that the General Partner reasonably considers are required for expenses and other obligations of AHIP. Distributable Cash is distributed as follows: first, to the General Partner 0.01% of the

Distributable Cash to a maximum of \$100 per annum; and as to the balance, to the Unitholders, *pro rata* in accordance with their respective Proportionate Shares.

AHIP intends to continue to make monthly distributions to Unitholders of record on the last Business Day of each month. Distributions will typically be paid within 15 days following the end of each month. AHIP may also make additional distributions in excess of monthly distributions during the year, as the General Partner may determine.

Cash distributions are not guaranteed and the anticipated return on investment is based upon many performance assumptions. Although AHIP intends to distribute its available cash to Unitholders, such cash distributions are not guaranteed and may be reduced or suspended in the future. See “Risk Factors”.

Distribution Policy

AHIP’s current policy is to declare and pay monthly cash distributions. The declaration of distributions is subject to the discretion of the board of directors of the General Partner and will be evaluated periodically and may be revised.

Distributions shall be made by cheque payable to or to the order of a Unitholder or by electronic fund transfer or by such other manner of payment approved by the General Partner from time to time. The payment, if made by cheque, shall be conclusively deemed to have been made upon hand-delivery of a cheque to the Unitholder or to his, her or its agent duly authorized in writing or upon the mailing of a cheque by prepaid first-class mail addressed to the Unitholder at his, her or its address as it appears on the register of Unitholders unless the cheque is not paid on presentation. The General Partner may issue a replacement cheque if it is satisfied that the original cheque has not been received or has been lost or destroyed upon being furnished with such evidence of loss, indemnity or other document in connection therewith that it may in its discretion consider necessary.

The General Partner and/or AHIP and/or the U.S. REIT shall deduct or withhold from distributions payable to any Unitholder all amounts required or permitted by law to be withheld from such distribution and shall remit such taxes to the appropriate governmental authority within the times prescribed by law. Unitholders who are non-resident alien individuals and non-U.S. corporations for U.S. federal income tax purposes will be generally subject to U.S. withholding taxes in respect of any distributions of dividends by the U.S. REIT.

AHIP intends to consent where necessary to the filing of “consent dividend” elections under section 565 of the Code in respect of shares of the U.S. REIT, where such consent dividends are necessary for the U.S. REIT to distribute any balance of taxable income of the U.S. REIT determined for U.S. tax purposes that has not been distributed by dividends paid with cash. In general terms, a “consent dividend” would give rise to a dividend deemed paid by the U.S. REIT for U.S. tax purposes (without a corresponding amount of cash being distributed to AHIP) together with the applicable U.S. withholding tax liability to be paid by the U.S. REIT on behalf of its shareholders.

AHIP is currently making cash distributions of Cdn\$0.075 per Unit to Unitholders. On January 22, 2016 AHIP announced that it would commence paying U.S. dollar denominated distributions (based on the Bank of Canada’s closing U.S. dollar exchange rate as at January 22, 2016) effective for the April 2016 distribution payable on May 13, 2016 to Unitholders of record on April 29, 2016. Accordingly, AHIP’s monthly cash distributions will become US\$0.054 per Unit compared with Cdn\$0.075 per Unit prior to the change in currency denomination.

Each holder of the U.S. REIT’s Series B Shares is entitled to receive, when and as authorized by the board of directors of the U.S. REIT, out of funds legally available for the payment of dividends, cumulative preferential cash dividends at the rate of 12.5% per annum of the total of \$1,000.00 per share plus all accumulated and unpaid dividends.

MARKET FOR SECURITIES

Units

The Units are listed and posted for trading on the TSX under the symbol HOT.UN. The following table sets out the price range and trading volume of the Units, as reported by the TSX, for each month in 2015 and the current year to date:

<u>Month</u>	<u>High (Cdn\$)</u>	<u>Price Range</u>	<u>Low (Cdn\$)</u>	<u>Total Volume</u>
January 2015	10.78		9.99	1,780,590
February 2015	11.35		10.75	1,229,484
March 2015	11.43		10.50	1,091,213
April 2015	11.24		10.52	2,121,531
May 2015	10.97		10.55	1,088,843
June 2015	10.85		10.21	1,388,182
July 2015	10.71		9.99	1,470,610
August 2015	10.10		9.04	3,711,501
September 2015	10.13		9.73	1,738,121
October 2015	10.20		9.85	1,404,436
November 2015	10.81		10.00	2,220,093
December 2015	10.73		10.10	1,487,639
January 2016	10.63		9.74	1,507,480
February 2016	10.44		9.90	922,441
March 1 - 17, 2016	10.60		10.06	1,091,373

Other Securities

No securities of AHIP, other than Units, have been issued since January 1, 2014, except as set out below.

On May 6, 2015, AHIP granted a total of 53,765 Units of restricted stock under the Securities-Based Compensation Plan with a grant date fair value of Cdn\$10.75 per Unit of restricted stock to certain executive officers and other senior management of the General Partner. The Units of restricted stock were issued as awards under AHIP's short-term incentive plan and long-term incentive plan. The grant date fair value of Cdn\$10.75 per Unit of restricted stock was calculated using the volume weighted average price at which the Units had traded on the TSX during the five most recent trading days ending on the trading day immediately prior to the grant date.

ESCROWED SECURITIES

The 400,000 Units (post-consolidation) issued to various subscribers, including the Principals and directors and officers of the General Partner (collectively, the "**Seed Capital Investors**") as of November 6, 2012 and the 100,000 Units subscribed for by the principals of the O'Neill Group as part of the IPO Offering (collectively, the "**Escrowed Units**") were deposited into escrow pursuant to an escrow agreement (the "**Escrow Agreement**") entered into as at February 20, 2013 among AHIP, the General Partner and Computershare Investor Services Inc., as escrow agent, a copy of which is available on SEDAR (www.sedar.com). Pursuant to the terms of the Escrow Agreement: (i) approximately one-third of the Escrowed Units (166,669 Units) were released from escrow on February 20, 2015; (ii) approximately one-third of the Escrowed Units (166,669 Units) were released from escrow on August 22, 2015; and (iii) the remaining Escrowed Units (166,662 Units) were released from escrow on February 22, 2016. AHIP no longer has any Units which are to the knowledge of management held in escrow.

DIRECTORS AND MANAGEMENT

The LP Agreement provides for the management and control of AHIP by a general partner. The General Partner provides day-to-day management of AHIP and has sole responsibility and authority for the governance of AHIP. The General Partner has a board consisting of eight directors, all but one of whom are independent. The board of directors of the General Partner facilitates its independent supervision over management through the nomination of Independent Directors to the board and through adherence to the conflict of interest provision contained in the LP Agreement. See “*Directors and Management – Conflict of Interest Provision*”.

The board of directors (each of whom has been appointed to hold office until the close of AHIP’s next annual meeting) and management of the General Partner currently consist of the following individuals:

Name and Municipality of Residence	Position with the General Partner ⁽¹⁶⁾	Principal Occupation
ROBERT O’NEILL ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ West Vancouver, British Columbia, Canada	Director ⁽¹⁷⁾ and Chief Executive Officer	Chief Executive Officer of the General Partner
PETER ARMSTRONG ⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾ Vancouver, British Columbia, Canada	Chairman and Lead Independent Director ⁽¹⁸⁾	Executive Chairman and Founder, Armstrong Group
STEPHEN J. EVANS ⁽⁴⁾⁽⁹⁾⁽¹⁰⁾ North Vancouver, British Columbia, Canada	Independent Director ⁽¹⁸⁾	Chief Operating Officer, Sunstone Realty Advisors Inc.; Co-CEO, Pure Industrial Real Estate Trust; Chief Executive Officer, Pure Multi-Family REIT LP
RICHARD FRANK Dallas, Texas, U.S.A.	Independent Director ⁽¹⁹⁾	Principal, Frank Solutions
KEVIN GRAYSTON ⁽⁶⁾⁽⁹⁾⁽¹¹⁾ North Vancouver, British Columbia, Canada	Independent Director ⁽¹⁸⁾	Corporate Director
TAMARA L. LAWSON ⁽⁵⁾⁽⁶⁾⁽¹²⁾ Toronto, Ontario, Canada	Independent Director ⁽²⁰⁾	Chief Financial Officer, Starlight Investments Ltd.
W. MICHAEL MURPHY ⁽⁵⁾⁽⁹⁾⁽¹³⁾ Atlanta, Georgia, U.S.A.	Independent Director ⁽¹⁸⁾	Head of Lodging and Leisure Capital Markets, First Fidelity Mortgage Corporation
ELIZABETH WALTERS Vancouver, British Columbia, Canada	Independent Director ⁽¹⁹⁾	President, BWC Consulting
AZIM LALANI ⁽¹⁴⁾ North Vancouver, British Columbia, Canada	Chief Financial Officer and Corporate Secretary	Chief Financial Officer and Corporate Secretary of the General Partner
IAN MCAULEY ⁽¹⁵⁾ Calgary, Alberta, Canada	Executive Vice President	Executive Vice President of the General Partner
DAN MILLER Dallas, Texas, U.S.A.	Chief Investment Officer ⁽¹⁶⁾	Chief Investment Officer of U.S. REIT

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| (1) Not an Independent Director because he is an executive officer of the General Partner. | (9) Appointed January 8, 2013 as a member of the Compensation Committee. |
| (2) Nominee of the Sponsor. | (10) Is a principal of Triple E Investments Ltd., which owns 78,000 Units. |
| (3) Directly owns 81,808 Units (excluding 42,677 unvested Units of restricted stock, awarded under the Securities-Based Compensation Plan). Is a principal of Maverick Management Ltd., Bigwood Investments, Ltd. and National Caterers Registered Pension plan, which own 305,000 Units, 53,000 Units and 4,700 Units, respectively. | (11) 10,000 Units owned by spouse. |
| (4) Mr. O’Neill and Mr. Evans, along with two other individuals, share control and direction of 288,466 Units held by SunOne and SunOne Developments General Partnership pursuant to agreements entered into March 10, 2015. | (12) Directly owns 8,500 Units. |
| (5) Appointed January 8, 2013 as a member of the Nominating and Governance Committee. | (13) Directly owns 15,000 Units. |
| (6) Appointed January 8, 2013 as a member of the Audit, Finance and Risk Committee. | (14) Directly owns 6,179 Units (excluding 16,257 unvested Units of restricted stock, awarded under the Securities-Based Compensation Plan); 1,000 Units owned by spouse. |
| (7) Directly owns 16,050 Units and is a principal of Invictus Maneo Investments Ltd., which owns 129,000 Units. | (15) Directly owns 5,000 Units. |
| (8) Appointed January 8, 2013 as Chairman and Lead Independent Director. | (16) Dan Miller provides services to the U.S. REIT, not the General Partner, pursuant to a service agreement with U.S. REIT. |
| | (17) Appointed September 6, 2012. |
| | (18) Appointed October 11, 2012. |
| | (19) Appointed January 4, 2016. |
| | (20) Appointed December 14, 2012. |

Profile of Management and Board

Robert F. O'Neill

Mr. O'Neill was the co-founder of Canadian Hotel Income Properties Real Estate Investment Trust (“**CHIP REIT**”) in 1997 and served as its President and Chief Executive Officer until September 1998. Mr. O'Neill was also a co-founder of the Coast Hotel chain in 1972. In 1988, he was instrumental in managing the sale of the Coast Hotel chain to OKABE Co. of Tokyo and was retained to manage it as the President and Chief Executive Officer until 1991. Concurrently with the development and management of the Coast Hotel chain, Mr. O'Neill was President and Chief Operating Officer of National Caterers Ltd. and O'Neill Railway Catering Ltd. from 1977 to 1991. National Caterers Ltd. was Canada's largest operator and supplier of remote site construction camps providing food, lodging and support services for construction workers. In that role, he also headed several Canadian Industry Associations including the Pipeline Contractors Association of Canada in 1988. O'Neill Railway Catering Ltd. served both the CP Railway in Western Canada and the BC Railway in British Columbia on and offline. Mr. O'Neill was nominated for Canada's Entrepreneur of the Year in 1998. In 2004, he received two awards: the Industry Entrepreneur Award from the Vancouver branch of the Canadian Foodservice Association; and the Distinguished Alumni Award for Entrepreneurial Innovation from the B.C. Institute of Technology. Mr. O'Neill is recognized as a leading authority in the hotel industry and is a regular speaker at industry conferences in Canada and the U.S. Mr. O'Neill is a graduate of the British Columbia Institute of Technology, Hotel and Foodservice Program, and received his diploma in Hotel Management in 1972. He is a former Secretary of the Canadian Council of the Young Presidents' Organization and a current member of the World Presidents' Organization.

Peter Armstrong

Mr. Armstrong is founder and the principal of the Armstrong Group, owner and operator of Rocky Mountaineer. In 1989, Mr. Armstrong assembled the successful team to bid on the fledgling Rocky Mountaineer service that was being operated by Via Rail, a subsidized federal crown corporation. The company's turnaround and subsequent success has been achieved without government subsidy. Rocky Mountaineer was named one of Canada's Best Managed Companies in 2014 for excellence in business performance. Sponsored by Deloitte, CIBC, National Post, Queen's School of Business and MacKay CEO Forums, the Best Managed Companies award recognizes Canadian owned and managed companies with revenues over \$10 million for sustained growth, financial performance, management practices and the efforts of the entire organization. Mr. Armstrong contributes considerable time to business and community boards. He is the past Chair and a trustee for the Vancouver Police Foundation and Director of Public Private Partnership Board (P3 Canada). He is also a past Chair for the Board of St. George's School. Mr. Armstrong received an Honorary Doctor of Technology from BCIT, an Honorary Doctor of Law from Thompson Rivers University, an Honorary Doctor of Law from the Justice Institute of BC and is an Honorary Fellow of the Sauder School of Business. He is the recipient of the Canadian Venture Capital Association's Entrepreneur of the Year Award, Ernst & Young's Entrepreneur of the Year Award for Tourism and Hospitality and the Queen's Golden and Diamond Jubilee Medal for contribution to Canadian communities. He has also been inducted into the Canadian Railway Hall of Fame and was named the 2007 Tourism Leader of the Year by Tourism BC.

Stephen J. Evans

Mr. Evans has over 25 years of real estate experience in both Canada and the United States with an extensive track record in all areas of commercial real estate. His public companies have raised over \$1.8 billion of equity over the past decade. Mr. Evans is a co-founder and Trustee of PIRET, a publicly-listed real estate investment trust (TSX:AAR.UN) that acquires, owns and operates a diversified portfolio of income-producing industrial properties in major markets across Canada and the United States. Since 2007, PIRET has acquired a portfolio of 187 industrial properties having a total value of approximately Cdn\$1.6 billion. Mr. Evans is also a co-founder, CEO and director of Pure Multi-Family REIT LP which owns and operates a portfolio of high quality apartment communities in the U.S. sunbelt growth markets (TSXV: RUF.U, RUF.UN). Mr. Evans is the principal of Sunstone, which has acquired, redeveloped and drove asset management of over Cdn\$800 million in retail, industrial, residential and hotel properties in Canada and the United States. Mr. Evans co-founded AHIP and is also a director of WesternOne Inc. (TSX:WEQ).

Richard Frank

Mr. Frank is currently a principal at Frank Solutions, a hospitality and real estate consulting firm. Mr. Frank's experience includes serving as Chief Investment Officer at Pillar Hotels and Resorts, one of the largest independent management companies in the United States; serving as Senior Vice President Hotel Investments at Behringer Harvard, a real estate investment management firm that has managed over US\$6 billion of equity; and serving as Vice President at AEW Capital Management and Olympus Real Estate Partners. Mr. Frank also gained considerable hotel operational experience at Starwood Hotels and ITT Sheraton Corporation. He began his hotel career over 30 years ago at Arthur Andersen, specializing in the real estate and hospitality industries. Based in Dallas, Mr. Frank also holds an undergraduate degree from the School of Hotel Administration at Cornell University and an MBA from Fordham University.

Kevin Grayston

Mr. Grayston served for 11 years as Executive Vice President and Chief Financial Officer of CHIP REIT. In this role, Mr. Grayston played a lead role in developing and implementing the financing and portfolio strategy of CHIP REIT and was responsible for many hotel acquisitions, dispositions and equity and debt financings. He played a lead management role in the sale of CHIP REIT to British Columbia Investment Management Corporation for Cdn\$1.2 billion in 2007. Prior to joining CHIP REIT, Mr. Grayston was a senior executive with Canadian Airlines for 13 years in operating, business development and finance roles. He is also trustee and member of the audit and investment committees and chair of the governance, nomination and compensation committee of Northview Apartment REIT. Mr. Grayston is a past Director of the Vancouver Board of Trade, the Hotel Association of Canada, the Air Transportation Association of Canada and a past Governor of the British Columbia Business Council. Mr. Grayston is a Chartered Professional Accountant (CA) and is a member of the Institute of Corporate Directors.

Tamara Lawson

Ms. Lawson is the Chief Financial Officer of Starlight Investments Ltd., a private real estate investment and asset management company focused primarily on residential and commercial assets. Prior to joining Starlight in June 2012, Ms. Lawson was the Chief Financial Officer and Corporate Secretary of InnVest Real Estate Investment Trust ("**InnVest**"), a TSX-listed real estate investment trust, and the Chief Financial Officer of Westmont Hospitality Group ("**Westmont**"), a privately-held hospitality organization. Ms. Lawson joined Westmont in 2001 as its Chief Financial Officer and became Chief Financial Officer of InnVest in 2002 when it went public. Ms. Lawson has over 25 years of financial management, acquisitions, corporate governance, investor relations and capital markets experience. Prior to joining Westmont in 2001, Ms. Lawson held senior executive positions at several major Canadian public companies. Ms. Lawson is on the Provincial Advisory Board for the Heart & Stroke Foundation. Ms. Lawson holds a Master of Business Administration degree from the Schulich School of Business at York University and is a Chartered Professional Accountant (CA).

W. Michael Murphy

Mr. Murphy serves as Head of Lodging and Leisure Capital Markets of the First Fidelity Mortgage Corporation and as a director of Ashford Hospitality Prime, Inc., listed on the NYSE under the symbol AHP. From 1998 to 2002, Mr. Murphy served as the Senior Vice President and Chief Development Officer of ResortQuest International, Inc. ("**ResortQuest**"), a public, NYSE-listed company. Prior to joining ResortQuest, from 1995 to 1997, he was President of Footprints International, a company involved in the planning and development of environmentally friendly hotel properties. From 1994 to 1996, Mr. Murphy was a Senior Managing Director of Geller & Co., a Chicago-based hotel advisory and asset management firm. Prior to that Mr. Murphy was a partner in the investment firm of Metric Partners where he was responsible for all hospitality related real estate matters including acquisitions, sales and the company's investment banking platform. Mr. Murphy served in various development roles at Holiday Inns, Inc. from 1973 to 1980. Mr. Murphy has been Co-Chairman of the Industry Real Estate Finance Advisory Council (IREFAC) five times and currently serves on the board of the Atlanta Hospitality Alliance. He is also a member of the advisory board of Radical Innovation. He holds a Bachelor of Science degree from the University of Memphis and a Master of Arts degree from the University of Iowa.

Elizabeth Walters

Ms. Walters is currently the president of BWC, a hospitality and real estate advisory and consulting firm. Ms. Walters has substantial experience in the hotel industry, currently as President of hospitality consulting company BWC and having previously served as a National PKF Consulting Canada Director and Director for Western Canada for over 21 years. Based in Vancouver, Ms. Walters provides advisory services, strategic planning, feasibility analysis and development support as well as valuations and appraisals for hotels and other hospitality related businesses. Ms. Walters' experience includes a wide variety of public and private sector projects for a myriad of property types, franchises, ownership and management structures and in these capacities has provided advisory services for hotel industry assets valued in the billions of dollars. Ms. Walters holds a Bachelor of Arts degree from the University of Alberta.

Azim Lalani

Mr. Lalani was appointed Chief Financial Officer in April 2014. He has more than 20 years of experience in financial reporting, corporate finance, operations, business valuation, taxation and risk management. He was previously with Huntingdon Capital Corp. ("**Huntingdon**") as Senior Vice President of Operations with responsibility for portfolio management and operations including leasing, property and asset management for both Huntingdon and FAM REIT (now Slate Office REIT) properties across Canada. Prior to working at Huntingdon, Mr. Lalani was Vice President of Real Estate and Risk Management at SilverBirch Hotels & Resorts, where he was responsible for portfolio performance and investment management including hotel repositioning and re-branding opportunities involving Marriott and Hilton. He was also Director of Finance at CHIP REIT and a Manager at KPMG LLP in Vancouver. Mr. Lalani is a Chartered Professional Accountant (CA) and a Chartered Business Valuator.

Ian McAuley

Mr. McAuley was co-founder and President of Superior Lodging Corp. ("**Superior**") a privately-held hotel investment and development company which, during his tenure, developed and operated over 150 select service hotels across Canada and received the Pinnacle Award *Hotel Company of the Year*. Mr. McAuley has been awarded the Super 8 Worldwide President's Award for Special Achievement, was a co-recipient of the Canadian Hotel Entrepreneur of the Year Award, and is a past board member of the Hotel Association of Canada. He is a regular contributor and speaker at various hotel industry conferences and has been involved with the formation of a number of private and publicly-traded real estate companies in Canada focused on the hospitality and seniors housing sectors. Mr. McAuley has been active in the seniors housing industry as President & CEO of Continuum Health Care Holdings Ltd. and facilitated the recent sale of the company's assets to Welltower Inc. (HCN:NYSE). Mr. McAuley holds an MBA, a BA. and a specialized Diploma in Hospitality Administration.

Dan Miller

Mr. Miller has over 30 years' experience working for major lodging companies, consulting groups and real estate investment trusts, handling hotel transactions including acquisitions, development, management & franchise agreements, lease negotiations, asset management and dispositions. Mr. Miller has been an active buyer and seller of hotels in the U.S., having closed in excess of 200 individual transactions. Mr. Miller serves as Principal of Lodging & Leisure Investment Advisors ("**LLIA**"), which he founded in 2008 to help hotel owners, management companies, lenders and investors with various challenges including acquisitions, management contracts, asset management, portfolio strategy and distressed asset solutions. Prior to LLIA, he was Senior Vice President – Acquisitions & Development for Kimpton Hotels. Previous to Kimpton, Mr. Miller was Vice President – Capital Transactions for FelCor Lodging Trust, where he led the disposition of 54 non-strategic assets with a value of \$650 million. Mr. Miller's prior experience includes 12 years with Accor North America in various roles including acquisitions, new development, dispositions and franchising. Prior to Accor, Mr. Miller was Development Director at Embassy Suites, Senior Manager – Development Planning at Marriott, a senior consultant for Laventhol & Horwath and started his career in operations with Hyatt Hotels. Mr. Miller holds a Bachelor of Science from the School of Hotel Administration at Cornell University and an MBA from Southern Methodist University.

Committees of the Board of Directors of the General Partner

The board of directors of the General Partner has appointed an Audit, Finance and Risk Committee, a Compensation Committee and a Nominating and Governance Committee.

Audit, Finance and Risk Committee

The audit, finance and risk committee (the “**Audit Committee**”) is currently comprised of Kevin Grayston (Chair), Peter Armstrong and Tamara Lawson. The Audit Committee assists the General Partner in, among other things, fulfilling its responsibilities of oversight and supervision of AHIP’s accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of its financial statements. In addition, the Audit Committee is responsible for directing the auditors’ examination of specific areas, for the selection of AHIP’s independent auditors and for the approval of all non-audit services for which its auditors may be engaged. All members of the Audit Committee are “financially literate” within the meaning of applicable securities laws.

Each of the Audit Committee members has an understanding of the accounting principles used to prepare AHIP’s financial statements, experience preparing, auditing, analyzing or evaluating comparable financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. For the education and experience of each member of the Audit Committee relevant to the performance of his or her duties as a member of the Audit Committee, see “*Directors and Management – Profile of Management and Board*”.

The General Partner has adopted a written terms of reference for the Audit Committee, a copy of which is attached to this AIF as Schedule A.

The Audit Committee is responsible for monitoring compliance with AHIP’s Code of Conduct and Ethical Behaviour (the “**Code of Conduct**”) adopted by the General Partner to establish a procedure for the anonymous and confidential receipt and treatment of concerns or complaints received regarding accounting and related financial reporting matters. The Code of Conduct sets out the General Partner’s expectations for the conduct of such persons in their dealings on behalf of AHIP. The General Partner has established confidential reporting procedures in order to encourage individuals to raise concerns regarding matters addressed by the Code of Conduct on a confidential basis free from discrimination, retaliation or harassment. Those who violate the Code of Conduct may face disciplinary actions, including dismissal. The Code of Conduct is available on SEDAR (www.sedar.com).

Compensation Committee

The General Partner’s compensation committee (“**Compensation Committee**”) is currently comprised of Michael Murphy (Chair), Stephen Evans and Kevin Grayston. Among other things, the Compensation Committee is expected to:

- (a) review and make recommendations to the General Partner regarding the appointment of, and succession planning for, officers of AHIP;
- (b) review and make recommendations to the General Partner regarding AHIP’s compensation policies; and
- (c) administer and make recommendations regarding the operation of any securities-based compensation plan and any other plans.

Nominating and Governance Committee

The General Partner’s nominating and governance committee of directors established by the board of directors of the General Partner (the “**Nominating and Governance Committee**”) is currently comprised of Michael Murphy (Chair), Peter Armstrong and Tamara Lawson. The Nominating and Governance Committee is responsible for developing AHIP’s approach to governance issues, filling vacancies among the directors of the General Partner and periodically reviewing the effectiveness of the directors of the General Partner and the contribution of individual directors. Further, the Nominating and Governance Committee is also responsible for

adopting and periodically reviewing and updating AHIP's written disclosure policy. AHIP's disclosure policy, among other things:

- (a) articulates the legal obligations of AHIP and the General Partner and the General Partner's officers and employees with respect to the disclosure of material information;
- (b) identifies AHIP's spokespersons, who are the only persons authorized to communicate with third parties such as analysts, media and investors;
- (c) provides guidelines on the disclosure of forward-looking information;
- (d) requires advance review by AHIP's senior executives of any selective disclosure of financial information to ensure the information is not material, to prevent the selective disclosure of material information and to ensure that, if a non-permitted selective disclosure does occur, a news release is issued immediately; and
- (e) establishes "black-out" periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes, during which periods the General Partner, the directors, officers, employees and consultants of the General Partner and of the direct and indirect Subsidiaries of AHIP, may not purchase or sell Units.

As alluded to above, the Nominating and Governance Committee is responsible for overseeing the recruitment and selection of any candidates as directors of the General Partner. The recruitment and selection of such candidates involves an identification of the qualifications for directors that are required to fulfill the General Partner's responsibilities and an evaluation of the qualifications that existing directors possess. The Nominating and Governance Committee is then expected to recommend candidates to the General Partner for nomination as directors to be elected or appointed.

The Nominating and Governance Committee is also responsible for assessing the effectiveness of the directors of the General Partner, each of its committees and individual directors.

Orientation and Continuing Education

The Nominating and Governance Committee has put in place an orientation program for new directors under which a new director will meet with the Chairman and the Lead Independent Director and members of the executive management team of AHIP. A new director will be provided with comprehensive orientation and education as to the nature and operation of AHIP and its business, as to the role of the General Partner and its committees and the Chairman and Lead Independent Director, and as to the contribution that an individual director is expected to make. In addition, a new director will be provided with a copy of the Board Information Manual which contains, among other things, the mandates of the board of directors and each of the committees of the board of directors. In accordance with a Director Education Policy adopted by the board of directors, the Nominating and Governance Committee is responsible for coordinating continuing director development programs to enable the directors to maintain or enhance their skills and abilities as directors as well as ensuring their knowledge and understanding of AHIP and its business remains current. This Policy not only encourages directors of the General Partner to stay abreast of emerging corporate governance topics but also broader topics such as accounting, finance, general business and human resource management. AHIP will reimburse directors for all reasonable costs of attending director education programs under this Policy.

Directors' and Officers' Liability Insurance

AHIP carries directors' and officers' liability insurance. Under this insurance coverage, AHIP will be reimbursed for payments made under indemnity provisions on behalf of the General Partner's directors and officers contained in the LP Agreement, subject to a deductible for each loss. Individual directors and officers will also be reimbursed for losses arising during the performance of their duties for which they are not indemnified by AHIP, subject to a deductible, which will be paid by AHIP. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts. The LP Agreement provides for the indemnification in certain

circumstances of directors and officers of the General Partner from and against liability and costs in respect of any action or suit against them in respect of the execution of their duties of office.

Directors' and Officers' Indemnities

The General Partner and AHIP enter into indemnity agreements with each of the General Partner's directors and officers which indemnifies them, among other things, against all costs, charges, expenses and liabilities in connection with a claim related to the fact that the indemnitee acted for the General Partner and/or AHIP, as the case may be, provided that, among other things, such indemnitee: (i) acted honestly and in good faith with a view to the best interests of the General Partner or AHIP, as the case may be; and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the indemnitee had reasonable grounds for believing that the indemnitee's conduct was lawful.

Independent Director Matters

In addition to requiring the approval of a majority of the directors of the General Partner, the following matters will require the approval of at least a majority of the Independent Directors who have no interest in the matter to become effective:

- (a) an acquisition or disposition of a security, a hotel property or an investment in a hotel property, whether by co-investment or otherwise, in which a director who is not an Independent Director, an officer of AHIP, the General Partner, or any of their respective related parties, Affiliates or Associates has any direct or indirect interest;
- (b) an acquisition of a security, a hotel property or an investment in a hotel property from any person for which a director who is not an Independent Director, an officer of AHIP, the General Partner or any of their respective related parties, Affiliates or Associates provides services as manager;
- (c) a material change to the Master Development Agreement or any renewal, extension or termination thereof or any increase in the fees payable thereunder;
- (d) a material change to the Master Hotel Management Agreements or any Hotel Management Agreements or any renewal, extension or termination thereof or any increase in fees payable thereunder;
- (e) the entering into, waiver of or exercise of any rights or remedies under any agreement entered into by AHIP with a director who is not an Independent Director, an officer of AHIP, the General Partner or any of their respective related parties, Affiliates or Associates;
- (f) the refinancing or renewal of any indebtedness owing by or to any director who is not an Independent Director, an officer of AHIP, the General Partner or any of their respective related parties, Affiliates or Associates;
- (g) the making, directly or indirectly, of any co-investment with a director who is not an Independent Director, an officer of AHIP, the General Partner or any of their respective related parties, Affiliates or Associates;
- (h) the grant of restricted units pursuant to any securities-based incentive compensation plan;
- (i) any change in the number of directors of the General Partner and the appointment of directors to fill any vacancies created by any increase in the number of directors;
- (j) decisions relating to compensation of directors; and
- (k) decisions relating to any claim by or against a director who is not an Independent Director, an officer of AHIP, the General Partner or any of their respective related parties, Affiliates or Associates.

Security Holdings of the Directors and Officers

As at the date of this AIF, as a group, the directors and executive officers of the General Partner beneficially own, or exercise control or direction over, directly or indirectly, a total of 1,390,169 Units, representing approximately 4.0% of the issued and outstanding Units (excluding 58,934 unvested Units of restricted stock granted to executive officers pursuant to the Securities-Based Compensation Plan).

Conflict of Interest Provision

The LP Agreement contains a “conflict of interest” provision which states that unless otherwise expressly provided in the LP Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and AHIP, or any limited partner on the other hand, any resolution or course of action in respect of such conflict of interest shall be permitted and deemed approved by all limited partners, and shall not constitute a breach of the LP Agreement, or of any standard of care or duty stated or implied by law if the resolution or course of action is fair and reasonable to AHIP. The General Partner shall be authorized in connection with its resolution of any conflict of interest to consider: (i) the relative interests of all parties involved in such conflict or affected by such action; (ii) any customary or accepted industry practices; and (iii) any applicable generally accepted accounting practices or principles. Nothing contained in the LP Agreement, however, is intended to, nor shall it be construed to, require the General Partner to consider the interests of any person other than AHIP. In the absence of bad faith by the General Partner, the resolutions, actions or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of the LP Agreement or a breach of any standard of care or duty imposed in the LP Agreement or stated or implied under the *Limited Partnerships Act* (Ontario), any law, rule or regulation.

Competition with AHIP

Subject to the terms of the Master Development Agreement, the Master Hotel Management Agreement and any other agreements among the Sponsor and AHIP, the Sponsor may engage in businesses, ventures, investments and activities which may be similar to or competitive with those in which AHIP is or might be engaged and neither Sponsor nor any such person shall be required to offer or make available to AHIP any other business or investment opportunity which any such person may acquire or be engaged in for its own account. See “*Business of AHIP - Master Hotel Management Agreement and Hotel Management Agreements – Non-Competition*” and “*Business of AHIP - Master Development Agreement*”.

The Sponsor (and its Affiliates and Associates) and the directors and officers thereof may, from time to time, be engaged, directly or indirectly, for their own account or on behalf of others (including without limitation as trustee, administrator, asset manager or hotel manager of other trusts or portfolios) in hotel industry investments and other activities similar to the activities of AHIP, the U.S. REIT and their Subsidiaries. Neither the Sponsor, nor any of its Affiliates or Associates (or their respective directors and officers) shall incur or be under any liability to AHIP, any Unitholder or any annuitant by reason of, or as a result of any such engagement or competition or the manner in which such person may resolve any conflict of interest or duty arising therefrom.

Cease Trade Orders, Bankruptcies, Penalties and Sanctions

Except as set forth below:

- (a) No director or executive officer of the General Partner is, as at the date of this AIF, or has been, within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the General Partner and AHIP) that:
 - (i) was subject to an order (as defined below) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an

event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

- (b) No director or executive officer of the General Partner, and to the best of the knowledge of the General Partner, no Unitholder holding a sufficient number of AHIP's securities to affect materially the control of AHIP:
 - (i) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the General Partner and AHIP) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
 - (ii) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Unitholder.
- (c) No director or executive officer of the General Partner, and to the best of the knowledge of the General Partner, no Unitholder holding a sufficient number of AHIP's securities to affect materially the control of AHIP, has been subject to:
 - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
 - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision with respect to AHIP.

For the purposes of (a) above, "**order**" means:

- (a) a cease trade order;
- (b) an order similar to a cease trade order; or
- (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

PRINCIPAL UNITHOLDERS

To the knowledge of the General Partner, no person owns, directly or indirectly, more than 10% of the Units as at the date of this AIF.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

AHIP was not involved in any legal proceedings during the year ended December 31, 2015 that had, or could have, a material adverse effect on AHIP. Moreover, to the knowledge of the General Partner, AHIP is not currently involved in any outstanding, threatened or pending litigation that could have a material adverse effect on AHIP.

To the knowledge of the General Partner, during the financial year ended December 31, 2015, there were no: (i) penalties or sanctions imposed against AHIP by a court relating to securities legislation or by a securities regulatory authority; (ii) any other penalties or sanctions imposed by a court or regulatory body against AHIP that

would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements AHIP entered into before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described below and elsewhere in this AIF (see “*Business of AHIP – Master Hotel Management Agreement and Hotel Management Agreements*”, “*Business of AHIP – Master Development Agreement*” and “*Transactions with Related Parties*”), neither the General Partner nor any of its officers or directors, or Unitholder that beneficially owns, or controls or directs more than 10% of the Units, or any Associate or Affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or any proposed transaction, that has materially affected or would materially affect AHIP or the U.S. REIT.

Financial Advisory Services

Mr. W. Michael Murphy (a director of the General Partner) is the Head of Lodging and Leisure Capital of First Fidelity Mortgage Corporation which has provided, from time to time, financial advisory services to certain of AHIP’s Subsidiaries on a non-exclusive basis in connection with arranging senior secured debt financing secured by such Subsidiaries, from time to time, for the purposes of completing hotel acquisitions. Fees paid by the AHIP’s Subsidiaries to First Fidelity Mortgage Corporation range from 100 basis points to 50 basis points (on a declining basis) of the principal value of the senior secured debt financing placed.

AUDITORS, TRANSFER AGENT AND REGISTRAR

AHIP’s auditors are KPMG LLP, Chartered Accountants, located in Vancouver, British Columbia, who were originally appointed as AHIP’s auditors on October 12, 2012.

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal offices located in Vancouver, British Columbia and Toronto, Ontario.

MATERIAL CONTRACTS

The following are material contracts of AHIP or its Affiliates:

1. *Master Hotel Management Agreement.* The master hotel management agreement (the “**Master Hotel Management Agreement**”) dated February 20, 2013, between AHIP and the Master Hotel Manager, a copy of which is available on SEDAR (www.sedar.com). See “*Business of AHIP - Master Hotel Management Agreement and Hotel Management Agreements*”.
2. *IPO Hotel Management Agreement.* The IPO Hotel Management Agreement dated February 20, 2013, between Lodging Enterprises and the IPO Hotel Manager, pursuant to which each of the Oak Tree Inn hotels comprising the IPO Portfolio is managed, a copy of which is available on SEDAR (www.sedar.com). See “*Business of AHIP - Master Hotel Management Agreement and Hotel Management Agreements*”.
3. *Master Development Agreement.* The master development agreement (the “**Master Development Agreement**”) dated February 20, 2013, among AHIP, SunOne and the Sponsor, a copy of which is available on SEDAR (www.sedar.com). See “*Business of AHIP - Master Development Agreement*”.
4. *Nomination Agreement.* The Nomination Agreement dated February 20, 2013, between the General Partner and the Sponsor, a copy of which is available on SEDAR (www.sedar.com). See “*Nomination Agreement*”.
5. *LP Agreement.* The LP Agreement among the General Partner and the Seed Capital Investors dated October 12, 2012, as subsequently amended and restated as of February 20, 2013, and amended pursuant to the LP Agreement Amendment on June 9, 2015, a copy of which is available on SEDAR (www.sedar.com). See “*LP Agreement*”.
6. *Voting Trust Agreement.* The Voting Trust Agreement dated February 20, 2013, among the General Partner, Maverick Management Corp., Triple E Investments Ltd., Darren Investments Ltd. and

Computershare Trust Company of Canada, a copy of which is available on SEDAR (www.sedar.com). See “*Voting Trust Agreement*”.

7. *Credit Agreement*. The Credit Agreement dated February 20, 2013, as amended on December 23, 2013, May 1, 2014, December 5, 2014, February 20, 2015 and December 18, 2015, among Lodging Enterprises, Lodging Properties and a U.S. chartered bank, a copy of which, including all amendments thereto, is available on SEDAR (www.sedar.com). See “*Credit Facilities – Rail Hotels – Initial Portfolio Hotel Credit Facility*”.
8. *April 2015 Offering Underwriting Agreement*. The underwriting agreement (the “**April 2015 Offering Underwriting Agreement**”) dated April 14, 2015 between Canaccord Genuity Corp., National Bank Financial Inc., CIBC World Markets Inc., TD Securities Inc., RBC Dominion Securities Inc., Scotia Capital Inc., Haywood Securities Inc., Dundee Securities Ltd. and GMP Securities L.P. (collectively the “**April 2015 Underwriters**”) and AHIP with respect to the April 2015 Offering, a copy of which is available on SEDAR (www.sedar.com). Pursuant to the April 2015 Offering Underwriting Agreement, AHIP agreed to issue and sell, and the April 2015 Underwriters agreed to purchase on the date of the closing of the April 2015 Offering, subject to the terms and conditions contained in the April 2015 Offering Underwriting Agreement, 5,375,000 Units at the price of Cdn\$10.70 per Unit for total gross consideration of Cdn\$57,512,500, payable in cash to AHIP against delivery of such Units. Pursuant to the April 2015 Offering Underwriting Agreement, AHIP paid the April 2015 Underwriters a commission of Cdn\$0.428 per Unit, or 4.0% of the gross proceeds from the sale of the 5,375,000 Units, being an aggregate of Cdn\$2,300,500. The April 2015 Underwriters were also reimbursed for certain expenses incurred in connection with the April 2015 Offering. Pursuant to the April 2015 Offering Underwriting Agreement, AHIP also granted the April 2015 Underwriters an over-allotment option, which was exercised in full resulting in the April 2015 Underwriters purchasing an additional 806,250 Units for which they received a further aggregate commission of Cdn\$345,075 (Cdn\$0.428 per Unit) and AHIP received further gross proceeds of Cdn\$8,626,875.
9. *August 2015 Offering Underwriting Agreement*. The underwriting agreement (the “**August 2015 Offering Underwriting Agreement**”) dated August 5, 2015 between Canaccord Genuity Corp., National Bank Financial Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., Haywood Securities Inc., Dundee Securities Ltd. and Industrial Alliance Securities Inc. (collectively the “**August 2015 Underwriters**”) and AHIP with respect to the August 2015 Offering, a copy of which is available on SEDAR (www.sedar.com). Pursuant to the August 2015 Offering Underwriting Agreement, AHIP agreed to issue and sell, and the August 2015 Underwriters agreed to purchase on the date of the closing of the August 2015 Offering, subject to the terms and conditions contained in the August 2015 Offering Underwriting Agreement, 3,800,000 Units at the price of Cdn\$10.15 per Unit for total gross consideration of Cdn\$38,570,000, payable in cash to AHIP against delivery of such Units. Pursuant to the August 2015 Offering Underwriting Agreement, AHIP paid the August 2015 Underwriters a commission of Cdn\$0.406 per Unit, or 4.0% of the gross proceeds from the sale of the 3,800,000 Units, being an aggregate of Cdn\$1,542,800. The August 2015 Underwriters were also reimbursed for certain expenses incurred in connection with the August 2015 Offering. Pursuant to the August 2015 Offering Underwriting Agreement, AHIP also granted the August 2015 Underwriters an over-allotment option, which was partially exercised resulting in the August 2015 Underwriters purchasing an additional 425,000 Units for which they received a further aggregate commission of Cdn\$172,550 (Cdn\$0.406 per Unit) and AHIP received further gross proceeds of Cdn\$4,313,750.

TRANSACTIONS WITH RELATED PARTIES

Hotel Manager

On February 20, 2013 AHIP entered into the Master Hotel Management agreement with the Master Hotel Manager. Each of the Rail Hotels and the Branded Hotels is externally operated by a Hotel Manager, each of which is a Subsidiary of the Master Hotel Manager. The Master Hotel Manager is a wholly owned Subsidiary of O'Neill Hotels & Resorts Ltd., an entity in which the Chief Executive Officer of the General Partner has a material ownership interest.

The operating Subsidiaries of AHIP are responsible for reimbursing the respective Hotel Managers for any operating expenses and direct costs incurred with respect to the operations of the properties and their lodging businesses, such as salary and benefit costs of hotel staff and other operating expenses. The Hotel Management Agreements also provide for management fees equal to 3.5% of gross revenues to be paid to the Hotel Managers. The Hotel Managers are also entitled to a capital expenditure fee equal to 5.0% of capital expenditures, including maintenance capital expenditures (but excluding repairs and maintenance expense). In addition, commencing in 2014 the Hotel Managers were eligible to receive an incentive fee equal to 15% of the amount by which the gross operating profit of all hotels managed by the Hotel Managers, on an aggregate basis, exceeds the annual budgeted gross operating profit for all hotels as approved by the Independent Directors of the General Partner. The incentive fee may not exceed 50% of the aggregate base hotel management fees for the year in which the incentive fee is earned. For the year ended December 31, 2015, there were no incentive fees paid or accrued to any Hotel Managers.

In addition, for the Oak Tree Inn hotels in the IPO Portfolio, an administration fee of \$15,000 per property was payable for each of the first and second years of the IPO Hotel Management Agreement, \$20,000 per property in the third year of the IPO Hotel Management Agreement, and \$25,000 per property in each year thereafter. An annual fee of \$25,000 per property is payable for Post IPO Properties.

AHIP recorded the following aggregate fees charged by the Master Hotel Manager and the Hotel Managers in corporate and administrative expenses for the years ended December 31, 2015, December 31, 2014 and December 31, 2013.

(\$000s)	Twelve months ended Dec 31, 2015	Twelve months ended Dec 31, 2014	Twelve months ended Dec 31, 2013
Management fees	\$ 4,967	\$ 3,246	\$ 1,682
Administration fees	1,523	813	440
	\$ 6,490	\$ 4,059	\$ 2,122

For the years ended December 31, 2015, December 31, 2014 and December 31, 2013, capital management fees of approximately \$600,000, \$400,000 and \$200,000, respectively, were capitalized to property, buildings and equipment.

Property Development

On February 20, 2013, AHIP entered into the Master Development Agreement pursuant to which SunOne provides exclusive development services to AHIP (see "*Business of AHIP – Master Development Agreement*"). SunOne is controlled by the Chief Executive Officer and a director of the General Partner.

Since February 20, 2013, AHIP has acquired six Oak Tree Inn hotels (including two expansions of existing Oak Tree Inn hotels) from SunOne, which were paid for as follows (see “*General Development of the Business – Development Activities*”):

(\$000s)	Santa Teresa, New Mexico	Glendive, Montana	Brunswick, Maryland	Wellington, Kansas	Dexter, Missouri (Expansion)	Glendive, Montana (Expansion)	Total
Property, buildings and equipment	\$ 5,156	\$ 4,951	\$ 2,827	\$ 7,480	\$ 2,300	\$ 2,800	\$ 25,514
Financed by:							
Cash	\$ 382	\$ 804	\$ 2,397	\$ 1,507	\$ 1,770	\$ 2,221	\$ 9,081
Revolver	-	-	-	-	230	-	230
Holdback	-	-	50	-	-	279	329
Mezz loan	539	612	380	648	-	-	2,179
New Loan	3,235	3,135	-	4,725	-	-	11,095
Issuance of Units	1,000	400	-	600	300	300	2,600
	\$ 5,156	\$ 4,951	\$ 2,827	\$ 7,480	\$ 2,300	\$ 2,800	\$ 25,514

The purchase price of each of these Oak Tree Inn hotels or expansions thereof was calculated in accordance with the terms of the Master Development Agreement based on 95% of the fair market value of the property as determined by an independent appraisal.

In addition, on November 2, 2015, AHIP announced the Expansions. The Expansions are being constructed by SunOne pursuant to the Master Development Agreement and will be acquired for an aggregate purchase price of approximately \$6.4 million. The Expansions are expected to be completed during the first half of 2016 and will be funded with cash on hand, mortgage debt and the issuance of Units. The Expansions are part of AHIP’s previously announced railway growth strategy of constructing additional guestrooms at existing, high occupancy Oak Tree Inn hotels that have excess land and strong market demand.

INTERESTS OF EXPERTS

KPMG LLP are the auditors of AHIP and have confirmed that they are independent with respect to AHIP within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

AUDIT COMMITTEE INFORMATION

Charter of the Audit Committee

The full text of the current Terms of Reference for the Audit Committee is attached as Schedule A to this AIF.

Composition of the Audit Committee

At December 31, 2015, the members of AHIP’s Audit Committee were Kevin Grayston (Chair), Peter Armstrong and Tamara Lawson.

Each member of the Audit Committee of AHIP is “financially literate” and “independent”, as such terms are defined in *National Instrument 52-110-Audit Committees*.

Relevant Education and Experience

See the biographies of the Directors for each member of the Audit Committee in “*Directors and Management - Profile of Management and Board*” for a description of the experience that is relevant to the performance of their responsibilities as Audit Committee members.

Prior Approval Policies and Procedures

The policy and procedures relating to the pre-approval of non-audit services provided to AHIP are described in the Terms of Reference for the Audit Committee attached as Schedule A to this AIF.

External Auditor Service Fees

The following table sets forth, by category, the fees billed by KPMG LLP, AHIP's auditors, for the financial years ended December 31, 2015 and December 31, 2014:

<u>Fee category</u>	<u>2015 (Cdn\$)</u>	<u>2014 (Cdn\$)</u>
Regulatory and Reporting		
Audit fees	\$285,866	\$343,295
Audit-related fees	290,915	337,855
REIT and tax compliance fees	400,173	231,542
Regulatory and Reporting Total	976,954	912,691
Other Services		
Tax advisory services fees	240,214	196,302
Other fees	2,717	21,249
Other Services Total	242,931	217,551
Total	\$1,219,884	\$1,130,243

“**Audit fees**” include the aggregate fees paid by AHIP for the audit of its annual consolidated financial statements of for the review of its unaudited quarterly financial statements and other services in connection with those regulatory and statutory filings.

“**Audit-related fees**” include the aggregate fees paid by AHIP for assurance and related services related to public offerings including prospectuses and translation services.

“**REIT and tax compliance fees**” include the aggregate fees paid by AHIP for satisfying real estate investment trust regulations under the Code, statutory requirements, tax legislation, including real estate investment trust testing, transfer pricing documentation, CDS filing and reporting obligations, and federal, provincial and state tax compliance obligations.

“**Tax and advisory service fees**” includes aggregate fees paid by AHIP for tax advisory and tax planning services.

“**Other fees**” include fees paid by AHIP for consulting fees related to the selection of computer software.

Collectively, the “REIT and tax compliance fees” and “Tax advisory service fees” comprise the total fees paid by AHIP to its external auditor for tax related services, which collectively total Cdn\$640,387 and Cdn\$427,844 for 2015 and 2014, respectively.

ADDITIONAL INFORMATION

Additional information relating to AHIP may be found on SEDAR (www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of AHIP's securities, and securities authorized for issuance under equity compensation plans, if applicable, is contained in AHIP's information circular dated May 8, 2015 and equivalent information, when available, will be contained in AHIP's information circular for AHIP's next annual meeting of Unitholders that involves the election of directors confirmed to be held in May 2016. Additional financial information is provided in AHIP's audited consolidated financial statements and management's discussion and analysis for AHIP's most recently completed financial year, copies of which are available on SEDAR (www.sedar.com).

SCHEDULE A

AMERICAN HOTEL INCOME PROPERTIES REIT (GP) INC.

TERMS OF REFERENCE FOR THE AUDIT, FINANCE AND RISK COMMITTEE

PURPOSE

American Hotel Income Properties REIT (GP) Inc. (the “**GP**”) as general partner of American Hotel Income Properties REIT LP (the “**REIT**”) shall appoint an audit committee (the “**Committee**”) to assist the board of directors (the “**Board**”) of the GP in fulfilling its responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures on behalf of the REIT and any of its subsidiaries (collectively, the “**Entities**”), the adequacy of internal accounting controls and procedures, and the quality and integrity of the financial statements of the Entities. In addition, the Committee is responsible for directing the auditors’ examination of specific areas, for the selection of the independent auditors of the Entities and for the approval of all non-audit services for which the auditors of the Entities may be engaged.

I. STRUCTURE AND OPERATIONS

The Committee shall be comprised of three members, each of whom shall be a director of the GP and shall be “independent” within the meaning of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”).

Each member of the Committee shall satisfy the “financial literacy” requirement of NI 52-110, by having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the financial statements of the REIT.

The members of the Committee shall be annually appointed by the Board and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority of the Board.

II. CHAIR OF THE COMMITTEE

Unless the Board elects a Chair of the Committee, the members of the Committee shall designate a Chair by the majority vote of the full Committee membership.

The Chair of the Committee shall:

- (a) Call and conduct the meetings of the Committee;
- (b) Be entitled to vote to resolve any ties;
- (c) Prepare and forward to members of the Committee the agenda for each meeting of the Committee, and include, in the agenda, any items proposed for inclusion in the agenda by any member of the Committee;
- (d) Review with the Chief Financial Officer (“**CFO**”) and the auditors for the REIT any matters referred to the Chair by the CFO or the auditors of the REIT;
- (e) Appoint a secretary, who need not be a member of the Committee, to take minutes of the meetings of the Committee; and
- (f) Act in a manner that the Committee meetings are conducted in an efficient, effective and focused manner.

III. MEETINGS

The Committee shall meet at least quarterly or more frequently as circumstances dictate. As part of its goal to foster open communication, the Committee shall periodically meet with management and the external auditors in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. The Committee may meet privately with outside counsel of its choosing and the CFO of the GP, as necessary. In addition, the Committee shall meet with the external auditors and management quarterly to review the REIT's financial statements in a manner consistent with that outlined in these Terms.

The Committee may invite to its meetings any partners of the REIT, management and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

A majority of the Committee members, but not less than two, shall constitute a quorum. A majority of members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent with respect to matters that may be acted upon without a formal meeting.

The Committee shall maintain minutes or other records of meetings and activities of the Committee.

Notice of the time and place of every meeting shall be given in writing or electronic communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting provided however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

IV. RESPONSIBILITIES, DUTIES AND AUTHORITY

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in these Terms. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal and other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of this Committee.

The Committee in discharging its oversight role is empowered to investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside counsel, accounting or other advisors for this purpose, including authority to approve the fees payable to such advisors and other terms of retention. In addition, the Committee shall have the authority to communicate directly with both external and internal auditors of the REIT.

The Committee shall be given full access to the Board, management, employees and others, directly and indirectly responsible for financial reporting, and independent accountants, as necessary, to carry out these responsibilities. While acting within the scope of this stated purpose, the Committee shall have all the authority of the Board.

The Committee shall be responsible for assessing the range of financial and other risks to the business and affairs of the REIT that the Board shall focus on, and make recommendations to the Board about how appropriate responsibilities for continuing to identify, monitor and manage these risks are to be delegated. The Committee shall review and discuss with management and the internal and external auditors all major financial risk exposures and the steps management has taken to monitor/control those exposures. In addition, the Committee shall encourage continuous improvement of, and foster adherence to, the REIT's financial policies, procedures and practices at all levels in the organization; and provide an avenue of communication among the independent auditors, management and the Board.

Absent actual knowledge to the contrary (which shall promptly reported to the Board), each member of the Committee shall be entitled to rely on: (i) the integrity of those persons or organizations within and outside the REIT

from which it receives information: (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations; and (iii) representations made by management and the external auditors, as to any information technology, internal audit and other non-audit services provided by the external auditors to the REIT and its subsidiaries.

V. SPECIFIC RESPONSIBILITIES AND ACTIVITIES

A. Document Reports/Reviews

1. *Annual Financial Statements.* The Committee shall review with management and the external auditors, both together and separately, prior to public dissemination:
 - (a) the annual audited consolidated financial statements;
 - (b) the external auditor's review of the annual consolidated financial statements and their report;
 - (c) any significant changes that were required in the external audit plan;
 - (d) any significant issues raised with management during the course of the audit, including any restrictions on the scope of activities or access to information; and
 - (e) those matters related to the conduct of the audit that are required to be discussed under generally accepted auditing standards applicable to the REIT.

Following completion of the matters contemplated above, the Committee shall make a recommendation to the Board with respect to the approval of the annual financial statements with such changes contemplated and further recommended, as the Committee considers necessary.

2. *Interim Financial Statements.* The Committee shall review with management and may review with the external auditors, both together and separately, prior to public dissemination, the interim unaudited consolidated financial statements of the REIT, including to the extent the Committee considers appropriate, a discussion with the external auditors of those matters required to be discussed under generally accepted auditing standards applicable to the REIT.
3. *Management's Discussion and Analysis.* The Committee shall review with management and the external auditors, both together and separately prior to public dissemination, the annual Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**") and the Committee shall review with management and may review with the external auditors, interim MD&A.
4. *Approval of Annual MD&A, Interim Financial Statements and Interim MD&A.* The Committee shall make a recommendation to the Board with respect to the approval of the annual MD&A with such changes contemplated and further recommended by the Committee as the Committee considers necessary. In addition, the Committee shall approve the interim financial statements and interim MD&A of the REIT, if the Board has delegated such function to the Committee. If the Committee has not been delegated this function, the Committee shall make a recommendation to the Board with respect to the approval of the interim financial statements and interim MD&A with such changes contemplated and further recommended as the Committee considers necessary.
5. *Press Releases.* With respect to press releases by the REIT:
 - (a) The Committee shall review the REIT's financial statements, MD&A and annual and interim earnings press releases before the REIT publicly discloses this information.
 - (b) The Committee shall review with management, prior to public dissemination, the annual and interim earnings press releases (paying particular attention to the use of any "pro forma" or

“adjusted non-IFRS” information) as well as any financial information and earnings guidance provided to analysts and rating agencies.

- (c) The Committee shall be satisfied that adequate procedures are in place for the review of the REIT’s public disclosure of financial information extracted or derived from the REIT’s financial statements, other than public disclosure referred to in subsection 4, and periodically assess the adequacy of those procedures.
- 6. *Reports and Regulatory Returns.* The Committee shall review and discuss with management, and the external auditors to the extent the Committee deems appropriate, such reports and regulatory returns of the REIT as may be specified by law.
- 7. *Other Financial Information.* The Committee shall review the financial information included in any prospectus, annual information form or information circular with the management and the external auditors, both together and separately, prior to public dissemination, and shall make a recommendation to the Board with respect to the approval of such prospectus, annual information form or information circular with such changes contemplated and further recommended as the Committee considers necessary.

B. Financial Reporting Processes

- 8. *Establishment and Assessment of Procedures.* The Committee shall satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements of the REIT and assess the adequacy of these procedures annually.
- 9. *Application of accounting principles.* The Committee shall assure itself that the external auditors are satisfied that the accounting estimates and judgements made by management, and their selection of accounting principles reflect an appropriate application of such accounting principles.
- 10. *Practices and Policies.* The Committee shall review with management and the external auditors, together and separately, the principal accounting practices and policies of the REIT.

C. External Auditors

- 11. *Oversight and Responsibility.* In respect of the external auditors of the REIT:
 - (a) The Committee shall recommend to the Board the external auditors nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the REIT; and the compensation of the external auditors.
 - (b) The Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the REIT, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- 12. *Reporting.* The external auditors shall report directly to the Committee and are ultimately accountable to the Committee.
- 13. *Performance and Review.* The Committee shall annually review the performance of the external auditors and recommend to the Board the appointment of the external auditors or approve any discharge of the external auditors when circumstances warrant, for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the REIT.
- 14. *Annual Audit Plan.* The Committee shall review with the external auditors and management, together and separately, the overall scope of the annual audit plan and the resources the external auditors will devote to

the audit. The Committee shall annually review and approve the fees to be paid to the external auditors with respect to the annual audit.

15. *Non-Audit Services.*

- (a) “Non-audit services” means all services performed by the external auditors other than audit services. The Committee shall pre-approve all non-audit services to be provided to the REIT or its subsidiary Entities by the REIT’s external auditor and permit all non-audit services, other than non-audit services where:
 - (i) the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the REIT and its subsidiary Entities to the REIT’s external auditor during the fiscal year in which the services are provided;
 - (ii) the REIT or the subsidiary Entity of the REIT, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
 - (iii) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals had been delegated by the Committee.
- (b) The Committee may delegate to one or members of the Committee the authority to grant such pre-approvals for non-audited services. The decisions of such member(s) regarding approval of “non-audit” services shall be reported by such member(s) to the full Committee at its first scheduled meeting following such pre-approval.
- (c) The Committee shall adopt specific policies and procedures for the engagement of the non-audit services if:
 - (i) the pre-approval policies and procedures are detailed as to the particular services;
 - (ii) the Committee is informed of each non-audit service; and
 - (iii) the procedures do not include delegation of the Committee’s responsibilities to management.

16. *Independence Review.* The Committee shall review and assess the qualifications, performance and independence of the external auditors, including the requirements relating to such independence of the law governing the REIT. At least annually, the Committee shall receive from and review with the external auditors, their written statement delineating all relationships with the REIT and, if necessary, recommend that the Board takes appropriate action to satisfy themselves of the external auditors’ independence and accountability to the Committee.

D. Reports to Board

17. *Reports.* In addition to such specific reports contemplated elsewhere in these Terms, the Committee shall report regularly to the Board regarding such matters, including:

- (a) with respect to any issues that arise with respect to the quality or integrity of the financial statements of the REIT, compliance with legal or regulatory requirements by the REIT, or the performance and independence of the external auditors of the REIT;
- (b) following meetings of the Committee; and

- (c) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.

18. *Recommendations.* In addition to such specific recommendations contemplated elsewhere in these Terms, the Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make such report.

E. Whistle-Blowing

19. *Procedures.* The Committee shall establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the REIT regarding questionable accounting, internal accounting controls, or auditing matters; and
- (b) the confidential, anonymous submission by employees and of concerns regarding questionable accounting or auditing matters.

20. *Notice to Employees.*

- (a) To comply with the above, the Committee shall ensure each of the Entities advises all employees, by way of a written code of business conduct and ethics (the "**Code**"), or if such Code has not yet been adopted by the respective board, by way of a written or electronic notice, that any employee who reasonably believes that questionable accounting, internal accounting controls, or auditing matters have been employed by the Entities or their external auditors is strongly encouraged to report such concerns by way of communication directly to the Chair. Matters referred may be done so anonymously and in confidence.
- (b) None of the Entities shall take or allow any reprisal against any employee for, in good faith, reporting questionable accounting, internal accounting, or auditing matters. Any such reprisal shall itself be considered a very serious breach of this policy.
- (c) All reported violations shall be investigated by the Committee following rules of procedure and process as shall be recommended by outside counsel.

F. General

21. *Access to Counsel.* The Committee shall review, periodically, with outside counsel of its choosing, any legal matter that could have a significant impact on the financial statements, the REIT's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

22. *Hiring of Partners and Employees of External Auditors.* The Committee shall annually review and approve the REIT's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the REIT.

23. *General.* The Committee shall perform such other duties and exercise such powers as may, from time to time, be assigned or vested in the Committee by the Board, and such other functions as may be required of an audit committee by law, regulations or applicable stock exchange rules.

VI. ANNUAL PERFORMANCE REVIEW EVALUATION

24. The Committee shall perform a review and evaluation, annually, of the performance of the Committee and its members, including a review of the compliance of the Committee with these Terms. In addition, the Committee shall evaluate, annually, the adequacy of these Terms and recommend any proposed changes to the Board.

25. The Committee shall annually review transactions involving directors and officers, including a review of travel expenses and entertainment expenses, related party transactions and any conflicts of interests.
26. Management shall be required to provide the Committee, at least annually, a report on internal controls, including reasonable assurance that such controls are adequate to facilitate reliable and timely financial information. The Committee shall also review and follow-up on any areas of internal control weakness identified by the external auditors with the auditors and management.