



**AMERICAN HOTEL**  
INCOME PROPERTIES



**AMERICAN HOTEL INCOME PROPERTIES REIT LP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

For the three and nine months ended September 30, 2019  
(Expressed in U.S. Dollars)

Dated: November 7, 2019

*Embassy Suites by Hilton, Cleveland, OH*

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# PART I

## FORWARD-LOOKING INFORMATION

This Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements). Forward-looking statements generally can be identified by words such as "anticipate", "believe", "continue", "expect", "estimates", "intend", "may", "outlook", "objective", "plans", "should", "will" and similar expressions suggesting future outcomes or events. Forward-looking statements include, but are not limited to, statements made or implied relating to the objectives of American Hotel Income Properties REIT LP ("AHIP"), AHIP's strategies to achieve those objectives and AHIP's beliefs, plans, estimates, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Some specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to: expectations with respect to the performance of the U.S. economy and its impact on the U.S. hotel industry; AHIP management's expectation that the seasonal nature of the lodging industry, as well as other factors beyond AHIP's control including overall economic cycles and weather conditions, will cause quarterly fluctuations in occupancy rates, room rates, revenues, operating expenses, cash flows, earnings and payout ratios; AHIP management's expectations with respect to how it will pay expenses, service debt and pay distributions to unitholders if cash flow from operations is insufficient to cover such obligations in a given quarter; the expectation that AHIP's expenses will grow at, or greater than, the general rate of inflation; the possibility that competition could limit the ability of AHIP's hotel manager to raise room rates and adversely affect AHIP's occupancy rates and RevPAR, and may require AHIP to provide additional amenities or make capital improvements, which may reduce AHIP's profitability; AHIP substantially completing its 2019 renovation program in the fourth quarter, and the expectation that some revenue displacement may result, which may impact quarterly operating results; the expectation that renovated hotels should be better positioned within their respective markets to deliver better operating results in 2020 than their respective competitive sets and the broader U.S. hotel industry; AHIP's focus on asset management to drive ADR-related revenue growth, coupled with procurement savings along with improved productivity in key business processes should help maintain margins and offset some of the impacts of rising labor costs; the sale of the Economy Lodging portfolio, and the expected timing thereof; the expectation that the sale of the Economy Lodging portfolio will simplify AHIP's business structure and enhance AHIP's liquidity to expand and grow its business; AHIP's intention to undertake an active capital recycling program to improve the quality of its assets and income stream with the intention to actively redeploy those proceeds into new acquisitions, reducing leverage or other investments; AHIP continuing to deliver a stable and reliable U.S. dollar denominated income stream to its unitholders; the expectation that the FFO Payout Ratio (as defined below) and AFFO Payout Ratio (as defined below) will improve in the coming quarters as renovated properties begin contributing higher income levels; the expectation that cash flows will improve once renovated hotels begin contributing higher income levels; the expectation that EBITDA will improve in the coming quarters as the renovated properties achieve stabilized operating results; AHIP's intention to repay maturing debt and its means of doing so; the expected maturities and amortization periods on future long term debt; the timing and amount of payments under term loans and revolving credit facilities, Debentures (as defined below), finance and operating leases, purchase obligations and deferred compensation; AHIP's expectation that fixed rate mortgages will be primarily first charge mortgages; AHIP's intention to maintain total indebtedness at approximately 50% to 55% of AHIP's

Gross Book Value (as defined below); management's intention to obtain additional equity financing and/or debt financing with similar interest rates and terms as past financings to meet AHIP's planned growth strategy; AHIP not having identified any unfavorable trends or fluctuations that may impact AHIP's ability to obtain additional equity or debt financing; the expected timing of the payment of the October 2019 distribution; AHIP's objective to generate stable and growing cash distributions from its hotel properties and AHIP's other stated objectives; AHIP's intention to declare regular monthly cash distributions and the expected timing of the record and payment dates for such distributions; AHIP management's intention to continue to operate AHIP in such a manner to remain exempt from the SIFT Measures (as defined below) on a continuous basis in the future; the possibility that the U.S. REIT may be subject to certain state and local income, franchise and property taxes even if it continues to qualify as a real estate investment trust under the Code (as defined below); and the possibility that future regulations and interpretations to be issued by U.S. authorities may also impact AHIP's estimates and assumptions used in calculating its income tax provisions.

Although AHIP believes that the expectations reflected in the forward-looking information contained in this MD&A are reasonable, AHIP can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this MD&A as well as the following: critical accounting estimates; capital markets will provide AHIP with readily available access to equity and/or debt financing on terms acceptable to AHIP; AHIP's future level of indebtedness and its future growth potential will remain consistent with AHIP's current expectations; there will be no changes to tax laws adversely affecting AHIP's financing capability, operations, activities, structure or distributions; the useful lives of AHIP's assets being consistent with management's estimates therefor; AHIP will be able to successfully integrate properties acquired into its portfolio; AHIP management's estimates with respect to replacement costs are accurate; the accuracy of third party reports with respect to lodging industry data; renovations will be completed with timing currently expected and on budget and AHIP will realize the expected benefits of such renovations; AHIP will be successful in carrying out an active capital recycling program and such program will have its intended benefits; AHIP will complete the sale of the Economy Lodging portfolio on the terms and in accordance with the timing currently contemplated and will be successful in redeploying the net proceeds therefrom on an accretive basis; AHIP will complete renovations on time and on budget and the renovated hotels will realize the expected benefits of those renovations; AHIP will maintain its distribution at current annualized levels; the U.S. REIT will continue to qualify as a real estate investment trust for U.S. federal income tax purposes; the SIFT Measures in the Tax Act (as defined below) will continue to not apply to AHIP; AHIP will retain and continue to attract qualified and knowledgeable personnel as AHIP expands its portfolio and business; the impact of the current economic climate and the current global financial conditions on AHIP's operations, including AHIP's financing capability and asset value, will remain consistent with AHIP's current expectations; there will be no material changes to government and environmental regulations adversely affecting AHIP's operations; and conditions in the international and, in particular, the U.S. hotel and lodging industry, including competition for acquisitions, will be consistent with the current economic climate. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes.



Forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results as actual results may differ materially from those expressed or implied in such forward-looking statements. Those risks and uncertainties include, among other things, risks related to: the sale of the Economy Lodging portfolio may not be completed in accordance with the terms or timing currently contemplated, or at all; AHIP may not be successful in redeploying the net proceeds from the sale of the Economy Lodging portfolio in a manner that is accretive to its securityholders; AHIP may not realize the expected benefits of renovations and such renovations may not be completed in accordance with expected timing or budgets; renovations completed in 2019 may be more disruptive than expected; AHIP's capital recycling program may not be successful and AHIP may not be able to accretively redeploy any proceeds generated therefrom; the possibility that AHIP's financial performance may not improve to the extent expected by AHIP management; general economic conditions and consumer confidence; the growth in the U.S. hotel and lodging industry; prices for the Units and Debentures; liquidity; tax risks; ability to access debt and capital markets; financing risks; changes in interest rates; the financial condition of, and AHIP's relationships with, its external hotel manager, franchisors or railway companies; declaration of distributions is subject to the discretion of the Board of Directors of the General Partner and is evaluated periodically and may be revised or suspended at any time; real property risks, including environmental risks; the degree and nature of competition; ability to acquire accretive hotel investments; ability to integrate new hotels; renewal of rail crew lodging contracts; environmental matters; and changes in legislation. Additional information about risks and uncertainties is contained in this MD&A and in AHIP's annual information form ("AIF") dated March 22, 2019 for the year ended December 31, 2018, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The forward-looking information contained in this MD&A is expressly qualified in its entirety by these cautionary statements. All forward-looking statements in this MD&A are made as of November 7, 2019. AHIP does not undertake any obligation to update any such forward looking information, resulting from new information, future events or otherwise, except as required by applicable law.

#### **APPROVAL BY THE BOARD OF DIRECTORS**

The Board of Directors of AHIP's General Partner, upon recommendation of its Audit Committee, approved the contents of this MD&A on November 5, 2019, subject to finalization by management, and release on November 7, 2019.

## PART II

### OVERVIEW OF AHIP

AHIP is a limited partnership formed under the *Limited Partnerships Act* (Ontario) to invest in hotel real estate properties in the United States (“**U.S.**”) and engaged primarily in growing a portfolio of premium branded, select-service hotels in larger secondary markets with diverse and stable demand generators. AHIP was established pursuant to the terms of AHIP’s Limited Partnership Agreement dated October 12, 2012, which was subsequently amended and restated on February 20, 2013 and further amended on June 9, 2015 (the “**Limited Partnership Agreement**”). AHIP’s general partner is American Hotel Income Properties REIT (GP) Inc. (the “**General Partner**”). AHIP’s head office and address for service is Suite 800 – 925 West Georgia Street, Vancouver, B.C., Canada V6C 3L2.

The principal business of AHIP is to issue limited partnership units (“**Units**”) and to acquire and hold shares of American Hotel Income Properties REIT Inc. (the “**U.S. REIT**”). The U.S. REIT was established for the purposes of indirectly acquiring and owning hotel real estate properties in the U.S. AHIP has two reportable operating segments for making operating decisions and assessing performance: (i) “Premium Branded Hotels”, which are select-service hotel properties that have franchise agreements with international hotel brands, such as Marriott, Hilton, IHG, Wyndham and Choice (all defined below); and (ii) “Economy Lodging Hotels”, which are select-service hotel properties that have rail crew lodging agreements with large North American freight railway companies and also have long term franchise agreements with various Wyndham brands (as explained below). The Economy Lodging Hotel portfolio of 45 hotels is expected to be sold in November 2019 (as explained below).

AHIP’s long-term objectives are to:

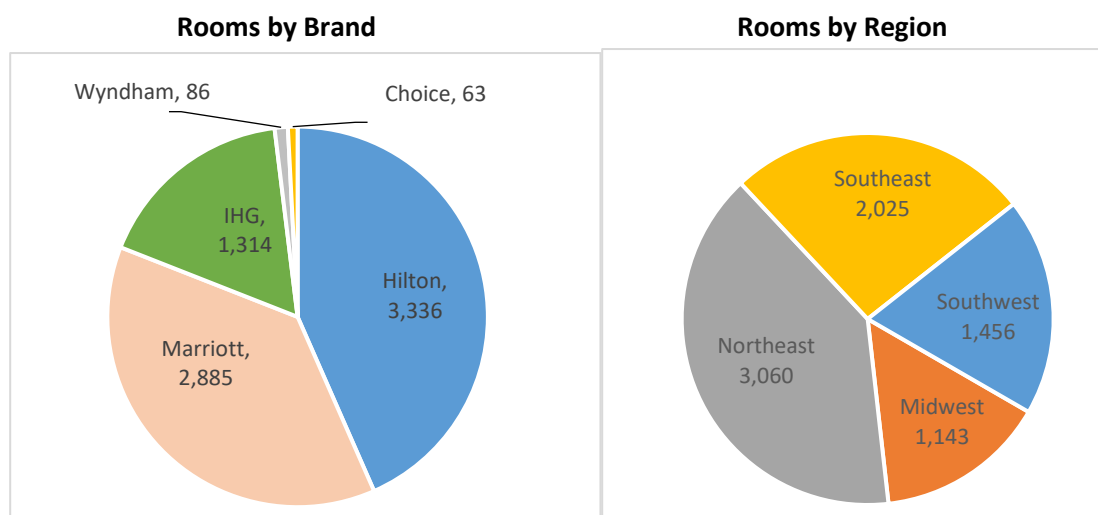
- (i) generate stable and growing cash distributions from hotel properties located in the U.S.;
- (ii) enhance the value of its assets and maximize the long-term value of its hotel properties through active asset management; and
- (iii) expand its asset base and increase its FFO per Unit through an accretive acquisition program and improvements to the properties through targeted value-added capital expenditure programs.

AHIP’s Units trade on the Toronto Stock Exchange (“**TSX**”) under the symbol HOT.UN (Canadian dollar ticker) and HOT.U (U.S. dollar ticker) as well as on the OTCQX International Marketplace in the U.S. under the symbol AHOTF (U.S. dollar ticker). AHIP’s Debentures (defined below) trade on the TSX under the symbol HOT.DB.U (U.S. dollar ticker).

As of November 7, 2019, AHIP's diversified portfolio is comprised of 112 hotels with a total of 11,524 guestrooms located in 33 states across the United States. AHIP's 67 Premium Branded Hotels (comprised of 7,684 guestrooms) are geographically located primarily in secondary markets with diverse and stable demand generators and are supported by the world's leading hotel brand partners, such as Marriott International Inc. ("**Marriott**"), Hilton Worldwide ("**Hilton**"), InterContinental Hotels Group ("**IHG**"), Choice Hotels International Inc. ("**Choice**") and Wyndham Hotel Group ("**Wyndham**") who provide global distribution channels, targeted brand segmentation, strong loyalty programs, and premier information technology system standards. AHIP's distribution of Premium Branded hotels by chain scale segment is shown below:

Chain Scale Segments	AHIP's Premium Branded Hotels	Number of Hotels	Number of Rooms	Room Percentage by Segment
Upper Upscale	Embassy Suites	5	1,311	17%
Upscale	Courtyard, Hilton Garden Inn, Homewood Suites, Residence Inn, Springhill Suites, Staybridge Suites	23	2,651	35%
Upper Midscale	Fairfield Inn, Hampton Inn, Holiday Inn, Holiday Inn Express, TownePlace Suites	37	3,573	46%
Midscale	Sleep Inn, Wingate by Wyndham	2	149	2%
<b>TOTAL PREMIUM BRANDED HOTELS</b>		<b>67</b>	<b>7,684</b>	<b>100%</b>

AHIP also owns an Economy Lodging Hotel portfolio consisting of 45 hotels (comprised of 3,840 guestrooms) which cater primarily to mobile workforce employees in the transportation, construction, and resource sectors. These hotels have rail crew agreements with four investment grade Class 1 North American freight railway companies: Union Pacific, BNSF, CSX and Canadian Pacific. The Economy Lodging Hotels are also franchised under various Wyndham brands including Baymont Inn and Suites, Travelodge, Super 8 and Days Inn pursuant to 15-year franchise agreements. The Wyndham franchise agreements do not apply any royalty fees to the contractually guaranteed room revenues under the various rail crew lodging agreements currently in place at the Economy Lodging hotels. On July 29, 2019, AHIP announced that it had reached an agreement to sell its Economy Lodging portfolio of 45 hotels, which is subject to the satisfaction of various customary conditions, including obtaining third party consents and is expected to be completed in November 2019. For further details, see "Recent Developments" below.



Midwest includes Illinois, Iowa, Kansas, Kentucky, Missouri, and Ohio. Northeast includes Connecticut, Maryland, New Jersey, New York, Pennsylvania, and Virginia. Southeast includes Florida, Georgia, North Carolina, and Tennessee. Southwest includes Arizona, Oklahoma, and Texas.

## TAXATION

AHIP is not subject to tax under Part I of the *Income Tax Act* (Canada) (the “**Tax Act**”). Accordingly, no provision has been made for Canadian income taxes thereunder in respect of the partnership. The Tax Act also contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “**SIFT Measures**”). Management believes that AHIP is not a “SIFT partnership” as defined in the Tax Act and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for Canadian income taxes. Management intends to continue to operate AHIP in such a manner to remain exempt from the SIFT Measures on a continuous basis in the future.

AHIP’s indirect Canadian subsidiary, AHIP Management Ltd., is a taxable Canadian corporation subject to Canadian income tax. AHIP’s indirect U.S. subsidiaries, Lodging Enterprises, LLC and AHIP Enterprises LLC, are taxable REIT subsidiaries (“**TRS**”) of the U.S. REIT that are treated as U.S. corporations subject to U.S. income tax.

The U.S. REIT elected to be taxed as a real estate investment trust (“**REIT**”) for U.S. federal income tax purposes under the Internal Revenue Code (“**Code**”). As a result, the U.S. REIT generally is not subject to U.S. federal income tax on its taxable income to the extent such income is distributed to its stockholders annually. A REIT is subject to numerous organizational and operational requirements including a requirement to make annual dividend distributions equal to a minimum of 90% of its taxable income each year. Even if the U.S. REIT continues to qualify as a REIT under the Code, nonetheless it may be subject to certain state and local income, franchise and property taxes. For the U.S. REIT to qualify as a REIT under the Code, the U.S. REIT cannot operate any of its hotels. Therefore, the U.S. REIT and its subsidiaries lease the hotels to its TRS lessees who in turn engage a professional, third-party hotel management company to manage its hotels.

On December 22, 2017, the Tax Cuts and Jobs Act (“**TCJA**”) was passed, which reduced the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. Future regulations and



interpretations to be issued by U.S. authorities may also impact AHIP's estimates and assumptions used in calculating its income tax provisions.

### **BASIS OF PRESENTATION**

This MD&A for the three and nine months ended September 30, 2019 includes material financial information as of November 7, 2019. This MD&A should be read in conjunction with AHIP's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 and 2018 and the audited consolidated financial statements for the years ended December 31, 2018 and 2017, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Historical results, including trends which might appear, should not be taken as indicative of future operations or results. Additional information relating to AHIP, including its AIF for the year ended December 31, 2018, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

On July 29, 2019, AHIP announced the sale of its Economy Lodging Portfolio of 45 hotels. As of September 30, 2019, the sale had not yet completed, therefore, AHIP applied IFRS 5 – Non Current Assets Held for Sale and Discontinued Operations and classified the Economy Lodging Portfolio as assets held for sale and as discontinued operations for the three and nine months ended September 31, 2019, and the related comparative prior periods, as applicable. For the purposes of discussing AHIP's operating results in this MD&A, management has presented the financial information based on AHIP's continuing operations for the Premium Branded Hotels, and has excluded the Economy Lodging Hotels' operations, unless otherwise noted.

### **THIRD PARTY INFORMATION**

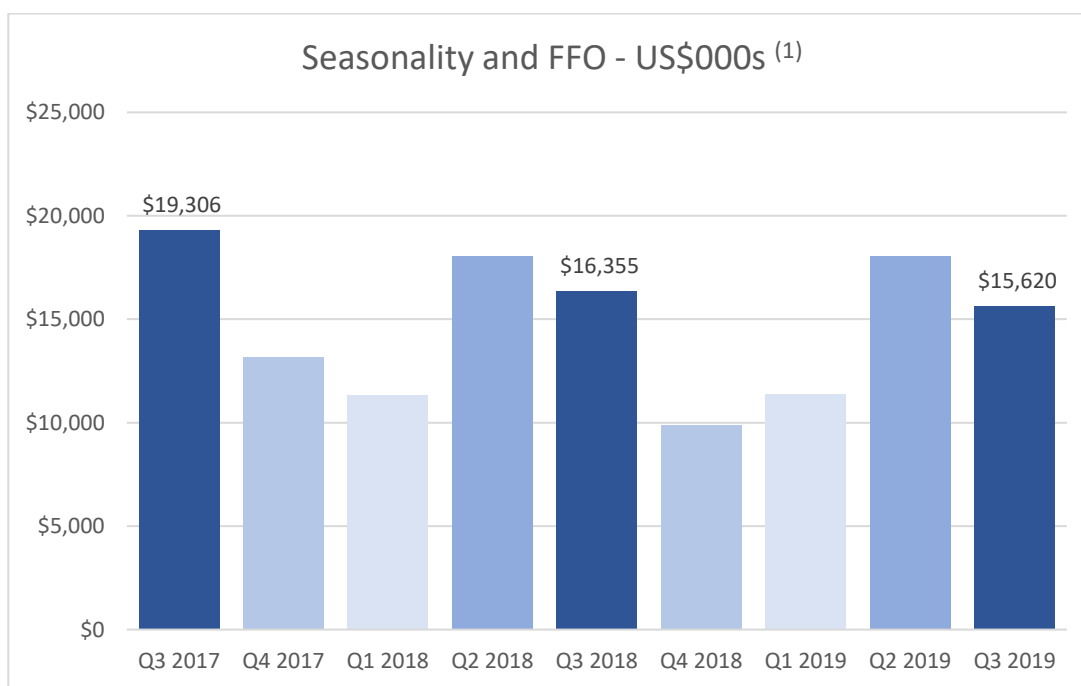
This MD&A includes market information, industry data and forecasts obtained from independent industry publications, market research and analyst reports, surveys and other publicly available sources. Although AHIP believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. AHIP has not independently verified any of the data from third party sources referred to in this MD&A nor ascertained the underlying assumptions relied upon by such sources.

### **INFLATION**

AHIP relies on the performance of its hotel portfolio and the ability of its hotel manager to increase revenues to keep pace with inflation. AHIP's hotel manager can change room rates quickly, but competitive pressures may limit the hotel manager's ability to raise room rates. AHIP's expenses are subject to inflation and are expected to grow at, or greater than, the general rate of inflation.

## 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 cash flow from operations is insufficient during any quarter, due to temporary or seasonal fluctuations in revenues, AHIP expects to utilize cash on hand or borrowings under its revolving credit facilities to pay expenses, service debt, or to make distributions to unitholders. The quarterly fluctuations in AHIP's FFO, which highlight the seasonality of its operations, are shown in the following table:



(1) All figures reflect combined continuing and discontinued operations.

As a result of the impact of seasonal fluctuations in FFO in any period, management considers a rolling four quarter FFO Payout Ratio more relevant for the purposes of assessing AHIP's distribution paying capacity than a payout ratio in any given quarter.

## COMPETITION

The lodging industry is highly competitive. AHIP's hotels compete with other hotels and alternative accommodations for guests in their respective markets, which includes competition from existing and new hotels. Competition could adversely affect AHIP's occupancy rates, RevPAR and may require AHIP to provide additional amenities or make capital improvements, which may reduce AHIP's profitability.

## RECENT DEVELOPMENTS

### (a) Amendment to Hotel Management Agreement

AHIP has entered into a second amending agreement (the “**Second Amendment**”) with AHIP’s exclusive master hotel manager ONE Lodging Holdings LLC (a subsidiary of Aimbridge Hospitality (the “**Master Hotel Manager**”)) to amend certain terms of the existing master hotel management agreement dated February 20, 2013 and previously amended on September 30, 2016 (as so amended, the “**Master Hotel Management Agreement**”). The Second Amendment is effective July 1, 2019 and included the following key amendments:

- (i) Base management fees for Premium Branded hotels owned by AHIP as of July 1, 2019 have been reduced to 2.5% of gross revenues until December 31, 2021;
- (ii) Base management fees for all hotels acquired after July 1, 2019 will be between 2.0% and 2.5% for the first five years; and
- (iii) The capital expenditure fee has increased from 5.0% to 10.0% for all capital expenditures incurred (including maintenance capital expenditures) subject to a capped aggregate amount.

Termination fees arising from the sale of an individual hotel and the exclusivity period were also amended. Specifically, termination fees from the sale of an individual hotel will increase from one times to three times trailing twelve months adjusted management fees. In addition, the exclusivity period for the Master Hotel Manager to act as AHIP’s exclusive hotel manager was also extended for a three-year term to February 20, 2026. All other material terms and conditions of the Master Hotel Management Agreement were unchanged. The foregoing is a summary of certain key commercial terms of the Second Amendment and does not purport to be complete and is subject to, and qualified in its entirety by reference to, the full terms of the Second Amendment, a copy of which will be filed and available under AHIP’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) in due course.

### (b) Completion of \$5.0 million of renovations at three hotels in Florida and Pennsylvania

On July 15, 2019, AHIP announced the completion of approximately \$5.0 million of renovations at three hotels: the Fairfield Inn & Suites by Marriott Jacksonville (Florida), the Homewood Suites by Hilton Allentown (Pennsylvania), and the Homewood Suites by Hilton Bethlehem (Pennsylvania).

### (c) Sale of Economy Lodging Portfolio:

On July 29, 2019, AHIP announced that it had entered into a purchase and sale agreement to sell its Economy Lodging operating segment consisting of 45 hotel properties and their associated rail crew lodging contracts and Wyndham franchise agreements for \$215.5 million (excluding closing and post-closing adjustments). The transaction is subject to customary closing conditions including obtaining third-party consents and is expected to be completed in November 2019. For further information with respect to AHIP’s agreement to sell the Economy Lodging portfolio, including a summary of the expected impacts of such a transaction on AHIP, see AHIP’s news release dated July 29, 2019 as well as a copy of the material change report and the purchase and sale agreement for the transaction, all of which have been filed under AHIP’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

*(d) Completion of \$4.2 million of renovations at the Embassy Suite Phoenix Tempe*

On August 1, 2019, AHIP announced the completion of approximately \$4.2 million of renovations at the Embassy Suites by Hilton Phoenix Tempe (Arizona).

*(e) Completion of \$1.5 million of renovations at the Residence Inn by Marriott in Chattanooga, TN*

On August 28, 2019, AHIP announced the completion of approximately \$1.5 million of renovations at the Residence Inn by Marriott Chattanooga near Hamilton Place (Tennessee).

**MARKET ENVIRONMENT**

The U.S. lodging industry's performance is generally correlated to the performance of the U.S. economy as measured by key metrics such as GDP growth, employment levels and corporate profits. During the third quarter of 2019, U.S. GDP grew by 1.9% driven by strong consumer demand. GDP growth combined with a healthy labor market bodes well for the U.S. hotel industry.

According to STR, Inc. ("STR"), during the third quarter of 2019, U.S. hotel RevPAR grew by 0.7% with ADR increasing by 0.8% and occupancy remaining stable. The following table summarizes Q3 2019 RevPAR growth in the U.S. hotel industry by chain scale (according to STR):

Chain Scale Segments	Representative Hotels in AHIP's Premium Branded Hotel Portfolio	RevPAR Growth
Upper upscale	Embassy Suites	1.1%
Upscale	Courtyard, Hilton Garden Inn, Homewood Suites, Residence Inn, Springhill Suites, Staybridge Suites	-0.5%
Upper midscale	Fairfield Inn, Hampton Inn, Holiday Inn, Holiday Inn Express, TownePlace Suites	-0.1%
Midscale	Sleep Inn, Wingate by Wyndham	1.0%

## **OUTLOOK**

During the third quarter of 2019, AHIP's operating results were impacted by displacement from renovations at eight properties with over 14,600 rooms out of order compared to approximately 6,500 rooms last year. During the fourth quarter of 2019, AHIP will substantially complete its 2019 renovation program with five Premium Branded hotels undergoing significant renovations. We are expecting some revenue displacement which may impact quarterly operating results. Following completion of these renovations, the hotels should be better positioned within their respective markets to deliver better operating results in 2020 than their respective competitive sets and the broader U.S. hotel industry.

AHIP is focused on asset management to drive ADR-related revenue growth. This coupled with procurement savings along with improved productivity in key business processes should help maintain margins and offset some of the impacts of rising labor costs.

AHIP intends to undertake an active capital recycling program to improve the quality of its assets and income stream with the intention to actively redeploy those proceeds into new acquisitions, reducing leverage or other investments.

In November 2019, AHIP is expected to complete the sale of its Economy Lodging portfolio of 45 hotels. The transaction is expected to simplify AHIP's business structure allowing management to focus its efforts on its Premium Branded hotel portfolio and will enhance AHIP's liquidity to expand and grow its business.

Our conservative capital structure with no significant debt maturities until June 2022 and diversified portfolio support our strategy to deliver a stable and reliable U.S. dollar denominated income stream to unitholders.

### THIRD QUARTER HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

(US\$000s unless noted and except Units and per Unit amounts)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
<b>TOTAL PORTFOLIO INFORMATION <sup>(5)</sup></b>				
Number of rooms <sup>(1)</sup>	11,524	11,549	11,524	11,549
Number of properties <sup>(1)</sup>	112	113	112	113
Number of restaurants <sup>(1)</sup>	40	40	40	40
Occupancy rate	76.5%	78.1%	75.7%	76.8%
Average daily room rate	\$ 100.19	\$ 97.28	\$ 99.01	\$ 97.21
Revenue per available room	\$ 76.65	\$ 75.98	\$ 74.95	\$ 74.66
Revenues	\$ 88,519	\$ 88,029	\$ 259,097	\$ 259,006
Net operating income <sup>(2)</sup>	\$ 29,668	\$ 30,848	\$ 87,879	\$ 89,665
NOI Margin %	33.5%	35.0%	33.9%	34.6%
Net income and comprehensive income	\$ 2,143	\$ 4,232	\$ 7,527	\$ 14,462
Diluted net income per Unit	\$ 0.03	\$ 0.05	\$ 0.10	\$ 0.18
EBITDA <sup>(2)</sup>	\$ 25,273	\$ 26,131	\$ 73,829	\$ 74,498
EBITDA Margin %	28.6%	29.7%	28.5%	28.8%
<b>TOTAL FUNDS FROM OPERATIONS (FFO) <sup>(5)</sup></b>				
Total Funds from operations	\$ 15,620	\$ 16,355	\$ 45,071	\$ 45,782
Diluted FFO per Unit <sup>(3)(4)</sup>	\$ 0.20	\$ 0.21	\$ 0.57	\$ 0.57
FFO Payout Ratio - rolling four quarters	92.0%	86.0%	92.0%	86.0%
<b>TOTAL ADJUSTED FUNDS FROM OPERATIONS (AFFO) <sup>(5)</sup></b>				
Total Adjusted funds from operations	\$ 14,073	\$ 15,132	\$ 40,669	\$ 42,264
Diluted AFFO per Unit <sup>(3)(4)</sup>	\$ 0.18	\$ 0.19	\$ 0.51	\$ 0.52
AFFO Payout Ratio - rolling four quarters	101.4%	93.8%	101.4%	93.8%
Distributions	\$ 12,689	\$ 12,645	\$ 37,923	\$ 37,977
Distributions per unit	\$ 0.162	\$ 0.162	\$ 0.486	\$ 0.486
<b>CAPITALIZATION AND LEVERAGE <sup>(5)</sup></b>				
Debt-to-Gross Book Value <sup>(1)</sup>	54.1%	53.4%	54.1%	53.4%
Debt-to-EBITDA (trailing twelve-month basis)	8.3x	7.8x	8.3x	7.8x
Interest Coverage Ratio	2.8x	2.9x	2.7x	2.8x
Weighted average Debt face interest rate <sup>(1)</sup>	4.64%	4.64%	4.64%	4.64%
Weighted average Debt term to maturity <sup>(1)</sup>	5.7 years	6.7 years	5.7 years	6.7 years
Number of Units outstanding <sup>(1)</sup>	78,122,528	78,062,194	78,122,528	78,062,194
Diluted weighted average number of Units outstanding <sup>(3)</sup>	78,206,063	78,273,324	78,159,903	78,226,651



(US\$000s unless noted and except Units and per Unit amounts)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
<b>BREAKDOWN OF CONTINUING AND DISCONTINUED OPERATIONS</b>				
Revenues				
Continuing operations	\$ 69,253	\$ 68,554	\$ 204,488	\$ 204,258
Discontinued operations	19,266	19,475	54,609	54,748
<b>Total revenues</b>	<b>\$ 88,519</b>	<b>\$ 88,029</b>	<b>\$ 259,097</b>	<b>\$ 259,006</b>
Net income (loss) and comprehensive income (loss)				
Continuing operations	\$ 1,374	\$ 2,110	\$ 7,660	\$ 9,012
Discontinued operations	769	2,122	(133)	5,450
<b>Total net income (loss) and comprehensive income (loss)</b>	<b>\$ 2,143</b>	<b>\$ 4,232</b>	<b>\$ 7,527</b>	<b>\$ 14,462</b>
Diluted net income per unit				
Continuing operations	\$ 0.02	\$ 0.02	\$ 0.10	\$ 0.11
Discontinued operations	0.01	0.03	0.00	0.07
<b>Total diluted net income per unit</b>	<b>\$ 0.03</b>	<b>\$ 0.05</b>	<b>\$ 0.10</b>	<b>\$ 0.18</b>

(1) At period end.

(2) Not adjusted for IFRIC 21 property taxes.

(3) Diluted weighted average number of Units calculated in accordance with IFRS included the 100,649 and 211,130 unvested Restricted Stock Units as at September 30, 2019 and September 30, 2018, respectively

(4) The Debentures were dilutive for FFO and AFFO for the three months and nine months ended September 30, 2019 and 2018. Therefore, Debenture finance costs of \$802 and \$611 were added back to FFO and AFFO for the three months ended September 30, 2019 (three months ended September 30, 2018 - \$788 and \$611 to FFO and AFFO) and \$2,392 and \$1,833 were added back to FFO and AFFO for the nine months ended September 30, 2019 (nine months ended September 30, 2018 - \$1,745 and \$1,222 to FFO and AFFO). As a result, 5,283,783 Units issuable on conversion of the Debentures were added to the diluted weighted average number of Units outstanding for the periods presented.

(5) Refers to combined continuing and discontinued operations.

## OPERATIONAL AND FINANCIAL HIGHLIGHTS (TOTAL PORTFOLIO)

### Three months ended September 30, 2019:

For the three months ended September 30, 2019, total revenues increased by \$490 thousand (or 0.6%) compared to the prior year as a result of higher revenues from properties under renovation last year offset by lower revenues from hotels under renovation this year. Total portfolio RevPAR increased by 0.9% with ADR increasing by 3.0% and occupancy decreasing by 160 basis points. Total portfolio EBITDA declined by \$0.9 million (or 3.3%) as a result of higher labor costs and supplies expense and EBITDA margins declined by 1.1% to 28.6%.

Total net income and comprehensive income for the quarter was \$2.1 million (2018 – \$4.2 million) with the decline resulting from \$2.5 million of non-recurring transaction expenses related to the sale of the Economy Lodging portfolio, an impairment loss of \$1.2 million recorded in the current quarter, and an unrealized loss on the fair value of interest rate swap contracts of \$0.5 million (2018 – gain of \$0.4 million) for certain Economy Lodging hotel loans.

Diluted total FFO per Unit for the quarter was \$0.20 (2018 – \$0.21) and diluted total AFFO per Unit was \$0.18 (2018 – \$0.19) as a result of lower FFO and higher maintenance capital expenditures.

**Nine months ended September 30, 2019:**

For the nine months ended September 30, 2019, total revenues were comparable between periods. Total portfolio EBITDA declined by \$0.7 million (or 0.9%) due to higher operating expenses and EBITDA margins decreased by 30 basis points to 28.5% (2018 – 28.8%).

For the nine months ended September 30, 2019, net income and comprehensive income was \$7.5 million (2018 – \$14.5 million) with the decline resulting from non-recurring transaction related expenses of \$2.5 million, a \$1.2 million impairment charge in the current year, and an unrealized loss on the fair value of interest rate swap contracts of \$2.7 million (2018 – gain of \$2.3 million).

As a result of the impact of seasonal fluctuations in FFO in any period, management considers a rolling four quarter FFO Payout Ratio more relevant for the purposes of assessing AHIP's distribution paying capacity than a payout ratio in any given quarter. As at September 30, 2019 on rolling four quarter basis, AHIP's FFO Payout Ratio was 92.0% (2018 – 86.0%). The increase in the payout ratio during the current period reflects lower income as a result of displacement from hotels under renovation and higher operating expenses.

## RESULTS OF CONTINUING OPERATIONS

The following discussion highlights selected financial information for AHIP for the three and nine months ended September 30, 2019. This information should be read in conjunction with AHIP's unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2019 and 2018.

(US\$000s unless noted and except Units and per Unit amounts)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues	\$ 69,253	\$ 68,554	\$ 204,488	\$ 204,258
Hotel expenses	45,932	44,914	132,533	130,706
Net operating income (including IFRIC 21)	23,321	23,640	71,955	73,552
Depreciation and amortization	9,398	9,285	28,192	27,520
Income from operating activities	13,923	14,355	43,763	46,032
Corporate and administrative	3,712	3,764	11,693	12,317
Impairment of hotel asset	1,200	-	1,200	
Business acquisition costs	-	95	-	368
Income before undernoted	9,011	10,496	30,870	33,347
Finance income	(2)	(7)	(9)	(25)
Finance costs	8,093	8,105	24,161	24,253
Income before income taxes	920	2,398	6,718	9,119
Current income tax expense	13	223	23	223
Deferred income tax expense (recovery)	(467)	65	(965)	(116)
Net income and comprehensive income from continuing operations	1,374	2,110	7,660	9,012
Net income (loss) and comprehensive income (loss) from discontinued operations	769	2,122	(133)	5,450
Total net income and comprehensive income	\$ 2,143	\$ 4,232	\$ 7,527	\$ 14,462
Total Basic net income per Unit	\$ 0.03	\$ 0.05	\$ 0.10	\$ 0.19
Total Diluted net income per Unit	\$ 0.03	\$ 0.05	\$ 0.10	\$ 0.18
Basic weighted average number of Units outstanding	78,120,793	78,062,194	78,117,430	78,057,240
Diluted weighted average number of Units outstanding <sup>(1)</sup>	78,206,063	78,273,324	78,159,903	78,226,651

(1) Diluted weighted average number of Units calculated in accordance with IFRS included the 100,649 and 211,130 unvested Restricted Stock Units as at September 30, 2019 and September 30, 2018, respectively.

Total revenues from AHIP's Premium Branded hotels for the three months ended September 30, 2019 increased compared to the same period last year as a result of more rooms sold at higher rates coupled with increased food, beverage and parking revenues from hotels that were under renovation last year offset by lower revenues at hotels under renovation this year.

Total revenues for the nine months ended September 30, 2019 were also up for the same reasons as stated above. Hotel expenses consisted of hotel operating expenditures including labor costs, sales and marketing, franchise fees, energy, property maintenance, property taxes, insurance, and ground lease expense. Hotel expenses were higher in both periods as a result of increased labor costs and supplies expense.

Depreciation and amortization expenses consisted of depreciation charges on property, buildings and equipment, and amortization of intangible assets. Depreciation and amortization expenses for the three and nine months ended September 30, 2019 were comparable to prior periods.

Corporate and administrative expenses consisted of hotel management fees paid to the external hotel manager and general administrative expenses such as salaries, directors' fees, securities-based compensation, professional fees, and general administrative expenses. The following table is for continuing operations only:

(US\$000s)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Hotel management fees	\$ 1,988	\$ 2,313	\$ 6,542	\$ 6,896
General administrative expenses	1,724	1,451	5,151	5,421
Total corporate and administrative expenses	\$ 3,712	\$ 3,764	\$ 11,693	\$ 12,317

The decrease in hotel management fees for the three and nine months ended September 30, 2019 reflected amendments to the hotel management agreement. See "Recent Developments" for more information.

(US\$000s)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Interest expense on term loans and revolving credit facility	\$ 6,985	\$ 6,995	\$ 20,799	\$ 21,008
Interest expense on Debentures	611	611	1,833	1,833
Amortization of finance costs	307	309	916	877
Accretion of Debenture liability	102	96	301	284
Amortization of Debenture transaction costs	89	82	259	240
Interest expense on finance lease liability	8	21	78	64
Dividends on preferred shares	4	4	12	12
Amortization of mark-to-market adjustments	(13)	(13)	(37)	(65)
Total finance costs	\$ 8,093	\$ 8,105	\$ 24,161	\$ 24,253

For the three and nine months ended September 30, 2019, total finance costs for continuing operations were consistent with prior periods.

Income tax expense is comprised of current and deferred income taxes. Current income taxes and deferred income taxes are recognized in net earnings, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current income tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

#### **TOTAL OPERATING STATEMENTS (CONTINUING AND DISCONTINUED OPERATIONS)**

<b>(US\$000s unless noted)</b>	<b>Three months ended September 30, 2019</b>	<b>Three months ended September 30, 2018</b>	<b>Nine months ended September 30, 2019</b>	<b>Nine months ended September 30, 2018</b>
Number of rooms <sup>(1)</sup>	11,524	11,549	11,524	11,549
Number of properties <sup>(1)</sup>	112	113	112	113
Number of restaurants <sup>(1)</sup>	40	40	40	40
Occupancy rate	76.5%	78.1%	75.7%	76.8%
Average daily rate <sup>(2)</sup>	\$ 100.19	\$ 97.28	\$ 99.01	\$ 97.21
Revenue per available room	\$ 76.65	\$ 75.98	\$ 74.95	\$ 74.66
<b>REVENUES</b>				
Rooms	\$ 81,288	\$ 80,891	\$ 235,886	\$ 237,152
Food, beverage and other	7,231	7,138	23,211	21,854
<b>TOTAL REVENUES</b>	<b>88,519</b>	<b>88,029</b>	<b>259,097</b>	<b>259,006</b>
<b>EXPENSES</b>				
Operating expenses	45,970	44,731	134,276	132,160
Energy	4,057	4,026	11,029	11,222
Property maintenance	4,028	3,969	12,178	11,993
Taxes, insurance and ground lease <sup>(3)</sup>	4,796	4,455	13,735	13,966
<b>TOTAL EXPENSES</b>	<b>58,851</b>	<b>57,181</b>	<b>171,218</b>	<b>169,341</b>
<b>NET OPERATING INCOME</b>	<b>\$ 29,668</b>	<b>\$ 30,848</b>	<b>\$ 87,879</b>	<b>\$ 89,665</b>
<b>NOI Margin %</b>	<b>33.5%</b>	<b>35.0%</b>	<b>33.9%</b>	<b>34.6%</b>

(1) At period end.

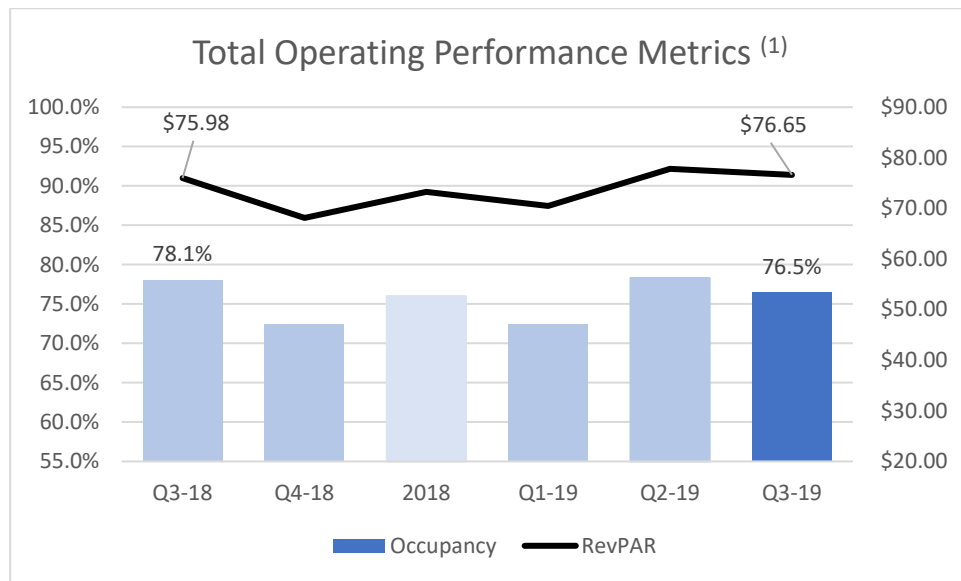
(2) ADR reflects inclusion of guaranteed rail crew room revenues.

(3) Not adjusted for IFRIC 21 property taxes.

Total revenues for the three months ended September 30, 2019 improved by \$490 thousand (or 0.6%) to \$88.5 million (2018 – \$88.0 million) with higher Premium Branded revenues being offset by lower Economy Lodging revenues.

Total portfolio RevPAR increased by 0.9% with ADR increasing by 3.0% and occupancy decreasing by 160 basis points. Premium Branded RevPAR increased by 0.4% due to renovation tailwinds and Economy Lodging RevPAR increased by 2.4% as a result of revenue guarantees and Wyndham rebranding. Total NOI decreased by \$1.2 million (or 3.8%) to \$29.7 million (2018 – \$30.8 million) as a result of higher labor costs and supplies expense. NOI margin decreased by 150 basis points to 33.5% (2018 – 35.0%) due in part to higher food and beverage revenues, which generate lower margins than room revenues.

Total revenues for the nine months ended September 30, 2019 was comparable between periods with higher Premium Branded revenues offset by lower Economy Lodging revenues. Specifically, total portfolio RevPAR increased by 0.4% with Premium Branded RevPAR declining by 1.0% and Economy Lodging RevPAR increasing by 4.1% for the reasons stated above. Total portfolio NOI decreased by \$1.8 million (or 2.0%) to \$87.9 million (2018 – \$89.7 million) and NOI margins decreased by 70 basis points to 33.9% (2018 – 34.6%) for the reasons stated above.



(1) All figures reflect combined continuing and discontinued operations.



## PREMIUM BRANDED HOTELS OPERATING STATEMENTS

(US\$000s unless noted)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Number of rooms <sup>(1)</sup>	7,684	7,684	7,684	7,684
Number of properties <sup>(1)</sup>	67	67	67	67
Number of restaurants <sup>(1)</sup>	14	14	14	14
Occupancy rate	79.0%	78.8%	78.2%	79.1%
Average daily rate	\$ 116.50	\$ 116.38	\$ 115.64	\$ 115.43
Revenue per available room	\$ 92.04	\$ 91.71	\$ 90.43	\$ 91.31
REVENUES				
Rooms	\$ 65,022	\$ 64,797	\$ 189,738	\$ 191,494
Food, beverage and other	4,231	3,757	14,750	12,764
TOTAL REVENUES	69,253	68,554	204,488	204,258
EXPENSES				
Operating expenses	35,691	34,806	104,759	103,357
Energy	2,997	2,972	8,044	8,208
Property maintenance	3,071	2,892	9,109	8,814
Taxes, insurance and ground lease <sup>(2)</sup>	4,016	3,903	11,476	11,777
TOTAL EXPENSES	45,775	44,573	133,388	132,156
NET OPERATING INCOME	\$ 23,478	\$ 23,981	\$ 71,100	\$ 72,102
NOI Margin %	33.9%	35.0%	34.8%	35.3%

(1) At period end.

(2) Not adjusted for IFRIC 21 property taxes.

### Three months ended September 30, 2019:

For Premium Branded hotels, total revenues for the three months ended September 30, 2019 increased by \$699 thousand (or 1.0%) to \$69.3 million (2018 – \$68.6 million) as a result of higher room, food, beverage, and parking revenues from a strong recovery of hotels previously under renovation partially offset by certain properties currently under renovation and those impacted by new supply.

For the three months ended September 30, 2019, rising occupancy and ADR resulted in positive RevPAR growth in Kentucky, Virginia and Ohio, which saw RevPAR increases of 8.7%, 3.8% and 2.5%, respectively. RevPAR declines of 7.0%, 3.6% and 3.2% occurred in Oklahoma, New Jersey and Tennessee, respectively, as a result of renovation related impacts, new supply and lower oil and gas demand in Oklahoma. Higher labor costs and supplies expense resulted in lower NOI and contributed in part to lower margins. NOI margins were also impacted in part by higher food and beverage revenues, which have lower margins than room revenues.

For the 59 hotels not under renovation (“Non-Renovation Hotels”) during the quarter, total revenues increased by \$2.6 million (or 4.4%) led by improved operating results from larger hotels that were under

renovation last year. RevPAR for Non-Renovation Hotels increased by 2.5% led by occupancy increases of 160 basis points and ADR increases of 0.4%, respectively.

**Nine months ended September 30, 2019:**

Total revenues for the nine months ended September 30, 2019 increased by \$230 thousand (or 0.1%) to \$204.5 million (2018 – \$204.3 million) with lower occupancy offset by higher ADR as a result of improved performance from hotels under renovation last year offset by hotels under renovation this year.

For the nine months ended September 30, 2019, positive RevPAR growth was experienced in Kentucky, North Carolina, Arizona, and Texas, which saw RevPAR increases of 13.7%, 4.9%, 4.6%, and 3.5%, respectively as a result of renovation related tailwinds and strong demand. Renovation related activity caused RevPAR declines of 10.9% in Tennessee, 4.2% in Pennsylvania, 3.6% in New Jersey and 3.0% in Florida. RevPAR in Oklahoma declined by 10.4% as a result of new supply and lower oil gas related demand. Higher labor costs and supplies expense resulted in lower NOI and margins.

For the nine months ended September 30, 2019, total revenues for Non-Renovation Hotels increased by approximately \$3.6 million (or 2.2%) as a result of improved food, beverage and other revenues from larger hotels that were under renovation last year. RevPAR for these hotels not under renovation increased by 0.7% due to higher occupancy and ADR.

## ECONOMY LODGING HOTELS OPERATING STATEMENTS

(US\$000s unless noted)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Number of rooms <sup>(1)</sup>	3,840	3,865	3,840	3,865
Number of properties <sup>(1)</sup>	45	46	45	46
Number of restaurants <sup>(1)</sup>	26	26	26	26
Occupancy rate	71.7%	76.8%	70.7%	72.2%
Average daily rate <sup>(2)</sup>	\$ 64.24	\$ 58.59	\$ 62.22	\$ 58.50
Revenue per available room	\$ 46.06	\$ 45.00	\$ 43.99	\$ 42.24
REVENUES				
Rooms	\$ 16,266	\$ 16,094	\$ 46,148	\$ 45,658
Food, beverage and other	3,000	3,381	8,461	9,090
TOTAL REVENUES	19,266	19,475	54,609	54,748
EXPENSES				
Operating expenses	10,279	9,925	29,517	28,803
Energy	1,060	1,054	2,985	3,014
Property maintenance	957	1,077	3,069	3,179
Taxes and insurance <sup>(3)</sup>	780	552	2,259	2,189
TOTAL EXPENSES	13,076	12,608	37,830	37,185
NET OPERATING INCOME	\$ 6,190	\$ 6,867	\$ 16,779	\$ 17,563
NOI Margin %	32.1%	35.3%	30.7%	32.1%

(1) At period end.

(2) ADR reflects inclusion of guaranteed rail crew room revenues.

(3) Not adjusted for IFRIC 21 property taxes.

For the three months ended September 30, 2019, the Economy Lodging Portfolio experienced higher RevPAR, lower revenues and lower NOI. Specifically, RevPAR increased by 2.4% led by ADR increases of 9.6% as a result of higher contractual and Wyndham generated revenues offset by fewer occupied rooms by rail crews. Total revenues declined as higher room revenues were offset by lower food, beverage and other revenues. Increased labor costs and supplies expense resulted in lower NOI and margins.

For the nine months ended September 30, 2019, the Economy Lodging Portfolio experienced RevPAR increases of 4.1% led primarily by increases in ADR. Total revenues were lower due to higher room revenues offset by lower food, beverage and other revenues. Higher labor costs and supplies expense resulted in lower NOI and margins.

On July 29, 2019, AHIP announced that it had reached an agreement to sell its Economy Lodging Portfolio of 45 hotels with the transaction expected to close in November 2019. For further details, see “Recent Developments” for additional information.

## SAME PROPERTY OPERATING METRICS

A property must be owned and operated for the entire year in both reporting periods for inclusion in same property operating metrics. As such, properties acquired and sold during the comparable reporting period are not included in the same property tables. For the current periods presented, AHIP had no material changes to its portfolio and as a result, no same property tables were presented for the current reporting period.

## TOTAL FUNDS FROM OPERATIONS (“FFO”) AND TOTAL ADJUSTED FUNDS FROM OPERATIONS (“AFFO”)

Net income and comprehensive income reconciled to Total FFO and Total AFFO is calculated as follows:

(US\$000s unless noted and except Unit and per Unit amounts) <sup>(3)</sup>	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net income and comprehensive income	\$ 2,143	\$ 4,232	\$ 7,527	\$ 14,462
Add/(deduct):				
Transaction costs related to sale of Economy Lodging	2,501	-	2,501	-
Depreciation and amortization	9,724	11,613	33,481	33,676
Impairment on hotel asset	1,200	-	1,200	-
Loss on disposal of assets	3	127	66	1,974
Business acquisition costs	-	154	-	563
IFRIC 21 property taxes	(86)	231	(1,309)	(1,839)
Changes in fair values of interest rate swap contracts	456	(390)	2,673	(2,301)
Deferred income tax expense (recovery)	(321)	388	(1,068)	(753)
Total Funds from operations (“FFO”)	\$ 15,620	\$ 16,355	\$ 45,071	\$ 45,782
Add/(deduct):				
Securities-based compensation expense	146	309	296	626
Amortization of finance costs	616	597	1,821	1,665
Actual maintenance capital expenditures	(2,309)	(2,129)	(6,519)	(5,809)
Total Adjusted Funds from operations (“AFFO”)	\$ 14,073	\$ 15,132	\$ 40,669	\$ 42,264
Diluted weighted average number of Units outstanding <sup>(1)</sup>	78,206,063	78,273,324	78,159,903	78,226,651
Diluted Total FFO per Unit <sup>(2)</sup>	\$ 0.20	\$ 0.21	\$ 0.57	\$ 0.57
Diluted Total AFFO per Unit <sup>(2)</sup>	\$ 0.18	\$ 0.19	\$ 0.51	\$ 0.52

(1) Diluted weighted average number of Units calculated in accordance with IFRS included the 100,649 and 211,130 unvested Restricted Stock Units as at September 30, 2019 and September 30, 2018, respectively.

(2) The Debentures were dilutive for FFO and AFFO for the three months and nine months ended September 30, 2019 and 2018. Therefore, Debenture finance costs of \$802 and \$611 were added back to FFO and AFFO for the three months ended September 30, 2019 (three months ended September 30, 2018 - \$788 and \$611 to FFO and AFFO) and \$2,392 and \$1,833 were added back to FFO and AFFO for the nine months ended September 30, 2019 (nine months ended September 30, 2018 - \$1,745 and \$1,222 to FFO and AFFO). As a result, 5,283,783 Units issuable on conversion of the Debentures were added to the diluted weighted average number of Units outstanding for the periods presented.

(3) All figures reflect combined continuing and discontinued operations.

For the three months ended September 30, 2019, total FFO was \$15.6 million (2018 – \$16.4 million) and diluted FFO per Unit was \$0.20 (2018 – \$0.21). For the nine months ended September 30, 2019, total FFO

was \$45.1 million (2018 – \$45.8 million) and diluted FFO per Unit was \$0.57 (2018 – \$0.57). FFO for the three and nine months ended September 30, 2019 decreased as a result of displacement at hotels under renovation and higher operating expenses.

Total AFFO for the three months ended September 30, 2019 was \$14.1 million (2018 – \$15.1 million) as a result of lower FFO and diluted AFFO per Unit was \$0.18 (2018 – \$0.19). Total AFFO for the nine months ended September 30, 2019 was \$40.7 million (2018 – \$42.3 million) as a result of lower FFO and higher actual maintenance capital expenditures and diluted AFFO per Unit was \$0.51 (2018 – \$0.52).

#### ROLLING FOUR QUARTER FFO AND AFFO PAYOUT RATIO

As a result of the impact of seasonal fluctuations in FFO in any period, management considers a rolling four quarter FFO Payout Ratio more relevant for the purposes of assessing AHIP's distribution paying capacity than a payout ratio in any given quarter. The calculations are presented below:

#### FFO PAYOUT RATIO <sup>(1)</sup>

AHIP's FFO Payout Ratio for the four quarters ended September 30, 2019 is calculated as follows:

	Trailing 12 months ended					
(US\$000s unless noted)	September 30, 2019		Q3 2019	Q2 2019	Q1 2019	Q4 2018
Distributions	\$	50,569	\$ 12,689	\$ 12,677	\$ 12,557	\$ 12,646
FFO		54,937	15,620	18,050	11,401	9,866
FFO Payout Ratio		92.0%				

(1) All figures reflect combined continuing and discontinued operations.

AHIP's FFO Payout Ratio for the four quarters ended September 30, 2018 is calculated as follows:

(US\$000s unless noted)	Trailing 12 months ended		Q3 2018	Q2 2018	Q1 2018	Q4 2017		
	September 30, 2018							
Distributions	\$	50,709	\$	12,645	\$	12,665	\$	12,732
FFO		58,932		16,355		18,074		11,353
<hr/>								
FFO Payout Ratio		86.0%						

(1) All figures reflect combined continuing and discontinued operations.

**AFFO PAYOUT RATIO <sup>(1)</sup>**

AHIP's AFFO Payout Ratio for the four quarters ended September 30, 2019 is calculated as follows:

	Trailing 12 months ended					
(US\$000s unless noted)	September 30, 2019		Q3 2019	Q2 2019	Q1 2019	Q4 2018
Distributions	\$	50,569	\$ 12,689	\$ 12,677	\$ 12,557	\$ 12,646
AFFO		49,891	14,073	16,649	9,949	9,220
AFFO Payout Ratio		101.4%				

(1) All figures reflect combined continuing and discontinued operations.

AHIP's AFFO Payout Ratio for the four quarters ended September 30, 2018 is calculated as follows:

	Trailing 12 months ended							
(US\$000s unless noted)	September 30, 2018		Q3 2018		Q2 2018	Q1 2018	Q4 2017	
Distributions	\$	50,709	\$	12,645	\$	12,667	\$	12,732
AFFO		54,078		15,132		17,054		9,904
AFFO Payout Ratio		93.8%						

AHIP expects the payout ratios to improve in the coming quarters as the renovated properties begin contributing higher income levels.



**RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO TOTAL AFFO**

In calculating Total AFFO for continuing and discontinued operations, AHIP made certain adjustments to cash flow from operating activities as follows:

(US\$000s unless noted)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Continuing cash flow from operating activities	\$ 11,501	\$ 12,543	\$ 30,532	\$ 37,204
Discontinued cash flow from operating activities	2,285	4,815	7,103	10,022
Total cash flow from operating activities	\$ 13,786	\$ 17,358	\$ 37,635	\$ 47,226
Add/(deduct):				
Changes in non-cash working capital	(67)	55	7,457	2,560
Business acquisition costs	-	154	-	563
Securities-based compensation	39	37	346	113
IFRIC 21 property taxes	(86)	231	(1,309)	(1,839)
Amortization of other liabilities	6	38	17	124
Interest paid	8,265	8,351	22,192	26,172
Interest expense	(7,021)	(8,963)	(19,665)	(26,846)
Transaction costs incurred on sale of Economy Lodging hotels	2,501	-	2,501	-
Adjustments from discontinued operations	(1,041)	-	(1,986)	-
Actual maintenance capital expenditures	(2,309)	(2,129)	(6,519)	(5,809)
<b>TOTAL AFFO</b>	<b>\$ 14,073</b>	<b>\$ 15,132</b>	<b>\$ 40,669</b>	<b>\$ 42,264</b>

**DISTRIBUTIONS DECLARED COMPARED TO CASH FLOWS FROM OPERATING ACTIVITIES**

(US\$000s)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Continuing cash flow from operating activities	\$ 11,501	\$ 12,543	\$ 30,532	\$ 37,204
Discontinued cash flow from operating activities	2,285	4,815	7,103	10,022
Total cash flow from operating activities	\$ 13,786	\$ 17,358	\$ 37,635	\$ 47,226
Distributions	12,689	12,645	37,923	37,977
Excess (shortfall) of cash flow to distributions	\$ 1,097	\$ 4,713	\$ (288)	\$ 9,249

For the three months ended September 30, 2019, total cash flow from operating activities were higher than distributions declared. The decline in cash flows compared to the prior period was the result of lower income from displacement at hotels under renovation and higher operating expenses.

For the nine months ended September 30, 2019, total cash flow from operating activities were lower than distributions declared. The year-over-year decline in cash flows was due to properties under renovation, the government shutdown during the first quarter of 2019 and working capital changes during the year. It is expected that cash flows will improve as renovated properties begin contributing higher income levels.

## DISTRIBUTION POLICY

AHIP's current policy is to declare and pay monthly cash distributions of \$0.054 per Unit (or \$0.648 per Unit on an annualized basis) using available cash and to maintain a conservative FFO Payout Ratio. Distributions declared will be paid to unitholders of record at the close of business on the last business day of each month on or about the 15th day of the following month.

The declaration of distributions is subject to the discretion of the Board of Directors of the General Partner and is evaluated periodically and may be revised.

## DISTRIBUTION SUMMARY

AHIP declared the following cash distributions to unitholders of record from January 1, 2019 to September 30, 2019 as follows:

Month	Record Date	Payment Date	Distribution per Unit	Amount (\$000s)
January 2019	January 31, 2019	February 15, 2019	\$ 0.054	\$ 4,218
February 2019	February 28, 2019	March 15, 2019	0.054	4,218
March 2019	March 29, 2019	April 15, 2019	0.054	4,121 <sup>(1) (2)</sup>
April 2019	April 30, 2019	May 15, 2019	0.054	4,218
May 2019	May 31, 2019	June 14, 2019	0.054	4,218
June 2019	June 28, 2019	July 15, 2019	0.054	4,241 <sup>(1)</sup>
July 2019	July 31, 2019	August 15, 2019	0.054	4,218
August 2019	August 30, 2019	September 13, 2019	0.054	4,218
September 2019	September 30, 2019	October 15, 2019	0.054	4,253 <sup>(1)</sup>
Totals			\$ 0.486	\$ 37,923

(1) Quarterly amounts include distributions accrued on unvested Restricted Stock Units.

(2) Distributions for the month of March 2019 were \$4,218 and were reduced by reversal of distributions accrued on unvested Restricted Stock Units that were cancelled during the first quarter of 2019.

Distributions totaling \$12.7 million were declared during the three months ended September 30, 2019 (September 30, 2018 – \$12.6 million) and \$37.9 million were declared during the nine months ended September 30, 2019 (September 30, 2018 – \$38.0 million). Of the distributions declared, \$4.2 million (September 30, 2018 – \$4.2 million) was included in accounts payable and accrued liabilities as at September 30, 2019 and subsequently paid on October 15, 2019.

Per Unit	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Annualized distribution	\$ 0.648	\$ 0.648	\$ 0.648	\$ 0.648	\$ 0.648	\$ 0.648	\$ 0.648	\$ 0.648
Period-end Cdn\$ TSX Closing Price	\$ 6.68	\$ 6.70	\$ 7.19	\$ 6.34	\$ 9.17	\$ 8.32	\$ 7.91	\$ 9.34
Annualized distribution yield on Closing Price (%) <sup>(1)</sup>	12.9%	12.7%	12.0%	13.9%	9.2%	10.3%	10.6%	8.7%

(1) Converted at the Bank of Canada period end exchange rate.

## PART III

### SUMMARY OF QUARTERLY RESULTS

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

(US\$000s except Units and per Unit amounts)									
	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	
<b>TOTAL PORTFOLIO</b>									
Revenues <sup>(1)</sup>	\$ 88,519	\$ 90,047	\$ 80,531	\$ 79,555	\$ 88,029	\$ 89,911	\$ 81,066	\$ 82,222	
NOI – inc. IFRIC 21 <sup>(1)</sup>	29,754	34,019	25,415	22,109	30,617	35,513	25,374	25,148	
Net income (loss) and comprehensive income (loss) <sup>(1)</sup>	2,143	5,840	(456)	(6,109)	4,232	8,854	1,376	(5,613)	
FFO <sup>(1)</sup>	\$ 15,620	\$ 18,050	\$ 11,401	\$ 9,866	\$ 16,355	\$ 18,074	\$ 11,353	\$ 13,150	
AFFO <sup>(1)</sup>	14,073	16,649	9,949	9,220	14,954	17,054	9,904	11,988	
Distributions	12,689	12,677	12,557	12,646	12,645	12,667	12,665	12,732	
Total assets <sup>(1)</sup>	\$1,255,168	\$1,253,348	\$1,260,338	\$1,263,177	\$1,280,743	\$1,281,313	\$1,295,473	\$1,295,733	
Total debt <sup>(1)</sup>	776,130	766,939	762,752	754,372	755,935	754,180	755,926	752,783	
Weighted average number of Units outstanding (000s) <sup>(1)</sup>	78,121	78,119	78,114	78,064	78,062	78,062	78,048	78,036	
<b>AMOUNTS ON PER UNIT BASIS <sup>(1)</sup></b>									
Diluted net income (loss) per Unit	\$ 0.03	\$ 0.07	\$ (0.01)	\$ (0.08)	\$ 0.05	\$ 0.11	\$ 0.02	\$ (0.07)	
Diluted FFO per Unit	0.20	0.23	0.15	0.13	0.21	0.23	0.15	0.17	
Diluted AFFO per Unit	0.18	0.21	0.13	0.12	0.19	0.21	0.13	0.14	
<b>BREAKDOWN OF CONTINUING AND DISCONTINUED OPERATIONS</b>									
<b>Revenues</b>									
Cont. Operations	\$ 69,253	\$ 71,693	\$ 63,542	\$ 61,745	\$ 68,554	\$ 71,421	\$ 64,283	\$ 64,909	
Disc. Operations	19,266	18,354	16,989	17,810	19,475	18,490	16,783	17,313	
Total Revenues	88,519	90,047	80,531	79,555	88,029	89,911	81,066	82,222	
<b>Net income (loss) and comprehensive income (loss)</b>									
Cont. Operations	\$ 1,374	\$ 6,427	\$ (141)	\$ (3,758)	\$ 2,110	\$ 6,922	\$ (20)	\$ (3,440)	
Disc. Operations	769	(587)	(315)	(2,351)	2,122	1,932	1,396	(2,173)	
Total net income (loss) and comprehensive income (loss)	\$ 2,143	\$ 5,840	\$ (456)	\$ (6,109)	\$ 4,232	\$ 8,854	\$ 1,376	\$ (5,613)	
<b>Diluted net income (loss) per Unit</b>									
Cont. Operations	\$ 0.02	\$ 0.08	\$ 0.00	\$ (0.05)	\$ 0.02	\$ 0.09	\$ 0.00	\$ (0.04)	
Disc. Operations	0.01	(0.01)	(0.01)	(0.03)	0.03	0.02	0.02	(0.03)	
Total diluted net income (loss) per Unit	0.03	0.07	(0.01)	(0.08)	0.05	0.11	0.02	(0.07)	

(1) Reflects combined continuing and discontinued operations.

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

## LIQUIDITY

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

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

The following table provides an overview of AHIP's change in cash from operating, investing and financing activities for the three and nine months ended September 30, 2019 and 2018:

(US\$000s)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Continuing operations net change in cash:				
Operating activities	\$ 11,501	\$ 12,543	\$ 30,532	\$ 37,204
Investing activities	(9,342)	(1,583)	(21,954)	(8,529)
Financing activities	(2,770)	(14,686)	(19,854)	(41,106)
	\$ (611)	\$ (3,726)	\$ (11,276)	\$ (12,431)
Discontinued operations net change in cash	556	8,505	6,343	14,523
Change in cash	\$ (55)	\$ 4,779	\$ (4,933)	\$ 2,092

The change in cash was largely due to the following activities:

- Net cash provided from operating activities for the three months ended September 30, 2019 was \$11.5 million (2018 – \$12.5 million) as a result of higher operating expenses and working capital changes;
- Net cash used in investing activities for the three months ended September 30, 2019 was \$9.3 million (2018 – \$1.6 million), which reflected higher capital expenditures and contributions to restricted cash during the current quarter;
- Net cash used in financing activities for the three months ended September 30, 2019 was \$2.8 million (2018 – \$14.7 million) due to higher net borrowings in the current quarter;
- Net cash provided from discontinued operations for the current quarter was \$0.6 million (2018 - \$8.5 million) due to lower revolver proceeds during the current year;
- Net cash provided from operating activities for the nine months ended September 30, 2019 was \$30.5 million (2018 – \$37.2 million), which reflected changes in working capital between periods;

- Net cash used in investing activities for the nine months ended September 30, 2019 was \$22.0 million (2018 – \$8.5 million) and related to higher capital expenditures and lower transfers from restricted cash in the current year;
- Net cash used in financing activities for the nine months ended September 30, 2019 was \$19.9 million (2018 – \$41.1 million) as a term loan was repaid last year with proceeds from the revolver; and
- Net cash provided from discontinued operations for the nine months ended September 30, 2019 was \$6.3 million (2018 - \$14.5 million) with the decline due to a loan refinancing and higher revolver transfers last year.

## CONTRACTUAL OBLIGATIONS

The following table summarizes the face value of AHIP's contractual obligations over the next five fiscal years and thereafter for AHIP's Premium Branded Hotels.

(US\$000s)	TOTAL	2019	2020	2021	2022	2023	Thereafter
Term loans and revolving credit facility	\$ 725,357	\$ 1,900	\$ 20,646	\$ 35,776	\$ 69,881	\$ 108,669	\$ 488,485
Debentures	48,875	-	-	-	48,875	-	-
Operating leases	4,076	12	221	221	211	201	3,210
Finance lease liability	1,897	311	683	580	292	31	-
Purchase obligations	2,456	237	636	560	520	214	289
Total	\$ 782,661	\$ 2,460	\$ 22,186	\$ 37,137	\$ 119,779	\$ 109,115	\$ 491,984

In addition to the above, AHIP's operating subsidiaries pay management and franchise fees to an external hotel manager and various franchisors based on the revenues of the hotels.

## CAPITAL EXPENDITURES

When AHIP acquires a Premium Branded Hotel property, under the terms of the applicable franchise agreement, an AHIP subsidiary is required to complete various PIPs within 18 to 24 months of the acquisition date. The PIPs are intended to renovate the hotel property to the franchisor's current standards and optimize operating performance and ensure the hotels remain competitive within their respective market segments. AHIP's operating subsidiaries have entered into contracts or commitments with various suppliers to provide products and services in compliance with these PIPs. Partial payments for these items are held in escrow by AHIP's lenders as restricted cash and funds are disbursed in the ordinary course of business. In addition, on a regular basis, AHIP is required by its lenders to escrow FF&E Reserves over the term of the respective loans. As at September 30, 2019, AHIP's cash balance was \$11.7 million (December 31, 2018 – \$16.6 million), its restricted cash balance was \$34.8 million (December 31, 2018 – \$36.5 million) including \$12.1 million (December 31, 2018 – \$20.6 million) available to fund PIP renovations. In some cases, the renovations may impact hotel operations including some guest displacement which may materially affect quarterly results. AHIP actively works with its external hotel manager to minimize potential disruptions.

During the third quarter of 2019, AHIP completed the renovation projects at four hotels as noted below. The following table also lists the hotel properties that are scheduled to undergo PIP renovation projects during the fourth quarter of 2019 with an estimated cost of more than \$500 thousand:

Hotel Name and Guestrooms	Scheduled Renovation Dates			
	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Embassy Suites Columbus (284 guestrooms)	Completed			
Staybridge Suites Tampa (100 guestrooms)	Completed			
Residence Inn White Marsh (131 guestrooms)	Completed			
Fairfield Inn & Suites Jacksonville (89 guestrooms)	X	Completed		
Residence Inn Chattanooga (109 guestrooms)	X	X	Completed	
Homewood Suites Allentown (108 guestrooms)		X	Completed	
Homewood Suites Bethlehem (113 guestrooms)		X	Completed	
Homewood Suites Dover (108 guestrooms)		X	X	X
Holiday Inn Express Fort Myers (111 guestrooms)			X	X
Holiday Inn Express Sarasota (101 guestrooms)			X	X
Embassy Suites Tempe (224 guestrooms)		X	Completed	
Embassy Suites Cleveland (271 guestrooms)		X	X	X
TownePlace Suites Chattanooga (87 guestrooms)				X

#### GROUND AND AIR RIGHTS LEASES

Certain hotels are subject to non-cancellable leases as at September 30, 2019 as follows:

Hotel Properties	Lease Type	Lease Expiration Date
Embassy Suites Cincinnati, Covington, KY <sup>(1)</sup>	Air rights lease	July 1, 2040
SpringHill Suites, Bellport, NY <sup>(2)</sup>	PILOT lease	November 30, 2021

(1) AHIP has four renewal options of 25 years each, subject to certain terms and conditions, to extend the lease to 2140.

(2) AHIP is part of the PILOT (payment-in-lieu-of property taxes) program and is responsible for all operating costs other than property taxes, which are abated. If AHIP satisfies certain conditions, it can acquire a fee simple interest at the end of the lease term for nominal consideration.

The ground lease expense recorded for the Embassy Suites Cincinnati hotel for the three and nine months ended September 30, 2019 was unchanged at \$50 thousand and \$150 thousand, respectively.

#### DEBT STRATEGY

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

- i) Achieve and maintain staggered debt maturities that reduce its exposure to interest rate fluctuations and re-financing risk in any particular period; and
- ii) Fix rates and extend loan terms when borrowing conditions are favorable.

The fixed rate mortgages are expected to be primarily first charge mortgages. Management currently intends to maintain a total debt-to-gross book value ratio of approximately 50% to 55%. In accordance with AHIP's Limited Partnership Agreement, the maximum debt limit is 60% (65% including convertible debentures) of AHIP's Gross Book Value.

As at September 30, 2019, AHIP's Debt-to-Gross Book Value including continuing and discontinued operations was 54.1% (2018 – 53.4%) as follows:

<b>(US\$000s unless noted)</b>	<b>September 30, 2019</b>		<b>September 30, 2018</b>	
Debt	\$	776,130	\$	755,935
Gross Book Value	\$	1,434,041	\$	1,415,009
Debt-to-Gross Book Value		54.1%		53.4%

The following table calculates AHIP's Interest Coverage Ratio including continuing and discontinued operations for the three and nine months ended September 30, 2019 and 2018:

<b>(US\$000s unless noted)</b>	<b>Three months ended September 30, 2019</b>		<b>Three months ended September 30, 2018</b>		<b>Nine months ended September 30, 2019</b>		<b>Nine months ended September 30, 2018</b>	
EBITDA	\$	25,273	\$	26,131	\$	73,829	\$	74,498
Interest expense <sup>(1)</sup>	\$	9,023	\$	8,959	\$	26,911	\$	26,835
Interest Coverage Ratio (times)		2.8		2.9		2.7		2.8

(1) Interest expense is the sum of interest expense on revolving credit facilities, term loans, Debentures and finance lease liability.

The following table calculates AHIP's Debt-to-EBITDA Ratio including continuing and discontinued operations as at September 30, 2019 and 2018:

<b>(US\$000s unless noted)</b>	<b>September 30, 2019</b>		<b>September 30, 2018</b>	
Debt	\$	776,130	\$	755,935
EBITDA (trailing twelve months)	\$	93,170	\$	97,181
Debt-to-EBITDA (times)		8.3		7.8

The increase in this ratio reflects the impacts of renovation related activity over the past 12 months and EBITDA is expected to improve over the coming quarters as the renovated properties achieve stabilized operating results.

The following table summarizes the interest rates and terms of AHIP's existing non-current debt financing obligations:

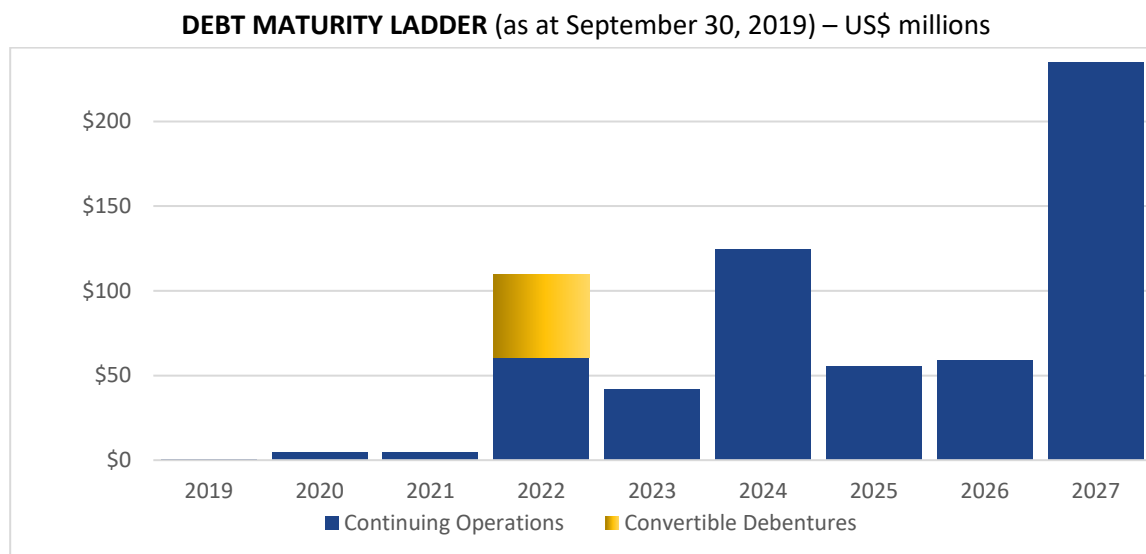
(US\$000s unless noted)	Principal Balance at September 30, 2019	Interest Rate	Initial Term (years)	Maturity Date
<b>Continuing Operations</b>				
Secured Revolver	\$ 25,490	LIBOR + 2.75%	3	March 16, 2021
Debentures	48,875	5.00%	5	June 30, 2022
Eastern Seaboard Term Loan Pool #4	56,500	4.46%	5	July 6, 2022
Pittsburgh Portfolio Term Loans	36,471	5.02%	10	December 6, 2023
NC/GA Portfolio Assumed Loan #2	7,098	5.28%	10	February 1, 2024
Virginia Portfolio Term Loan	24,007	4.97%	10	April 6, 2024
NC/GA Portfolio Term Loan	5,704	4.72%	10	July 6, 2024
Dallas Hotel Assumed Term Loan	19,000	5.25%	10	October 11, 2024
Texas Portfolio Term Loan	16,000	4.20%	10	November 6, 2024
Oklahoma Portfolio Term Loan	25,500	4.20%	10	November 6, 2024
NC/FL Portfolio Term Loan	26,110	4.27%	10	December 6, 2024
Midwestern Portfolio Term Loan	32,000	4.24%	10	July 6, 2025
Florida Portfolio Term Loan	19,000	4.21%	10	August 6, 2025
FL/TN Portfolio Term Loan	26,223	4.43%	10	November 6, 2026
Florida 6 Portfolio Term Loan	35,503	4.99%	10	December 6, 2026
Tempe Hotel Term Loan	13,500	5.14%	10	January 6, 2027
Midwestern 3 Portfolio Term Loan	65,000	4.72%	10	February 6, 2027
Eastern Seaboard Term Loan Pool #1	69,600	4.53%	10	July 6, 2027
Eastern Seaboard Term Loan Pool #2	57,700	4.48%	10	July 6, 2027
Eastern Seaboard Term Loan Pool #3	52,400	4.53%	10	July 6, 2027
<b>Continuing Operations Total</b>	<b>\$ 661,681</b>			
<b>Discontinued Operations</b>				
Nashville Hotel Term Loan	4,121	4.80% <sup>(1)</sup>	5	December 20, 2021
Economy Lodging Hotel Loans	71,568	4.72% <sup>(1)</sup>	7	February 1, 2023
2016 Economy Lodging Term Loan	4,341	4.10% <sup>(1)</sup>	7	February 1, 2023
2018 Economy Lodging Term Loan	3,410	LIBOR + 2.80%	5	February 28, 2023
IML Term Loan	\$ 18,057	LIBOR + 2.80%	7	February 28, 2025
<b>Discontinued Operations Total</b>	<b>101,497</b>			
<b>TOTAL</b>	<b>\$ 763,178</b>			

(1) Variable rate loans with interest rate swap contracts that fix the interest rates for the term of the loans. The fixed interest rates of the loans are shown.

The weighted average stated interest rate on AHIP's Premium Branded term loans and Debentures as at September 30, 2019 was unchanged at 4.63% (September 30, 2018 – 4.63%) and the weighted average debt term to maturity on AHIP's Premium Branded debt was 6.0 years (September 30, 2018 – 7.0 years). As at September 30, 2019, all of AHIP's Premium Branded loans were effectively fixed rate loans. Interest rate swap contracts are in place to fix the interest rates for approximately \$80.0 million of the outstanding principal of certain Economy Lodging Hotel loans with fixed interest rates of between 4.10% and 4.80%. For the three months September 30, 2019, an unrealized fair value loss of \$0.5 million was recorded from changes in the fair value of these interest rate swaps (2018 – gain of \$390 thousand). For the nine months September 30, 2019, an unrealized fair value loss of \$2.7 million was recorded resulting from changes in the fair value of these interest rate swaps (2018 – gain of \$2.3 million).



As at September 30, 2019, Debentures in the aggregate principal amount of approximately \$48.9 million remained outstanding and were traded on the TSX with a closing price of \$97.73 per Debenture.



## CAPITAL RESOURCES

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

## PARTNERS' CAPITAL

AHIP is authorized to issue an unlimited number of Units. As at September 30, 2019, there were 100,649 Restricted Stock Units issued and outstanding (September 30, 2018 – 211,130).

As at September 30, 2019, there were 78,122,528 Units issued and outstanding (September 30, 2018 – 78,062,194). On September 30, 2019, the Units were traded on the TSX with a closing price of Cdn\$6.68 per Unit under the ticker HOT.UN; a closing price of \$5.06 per Unit under the ticker HOT.U; and were traded on the OTCQX with a closing price of \$5.03 per Unit under the ticker AHOTF.

As at November 7, 2019, there were 78,122,528 Units and 100,649 Restricted Stock Units issued and outstanding. The principal amount of Debentures outstanding was \$48.9 million, which are convertible at the option of the Debenture holder into Units at any time prior to maturity at a conversion price equal to \$9.25 per Unit. As a result, 5,283,783 Units are issuable on conversion of the Debentures.

## PART IV

### OFF-BALANCE SHEET ARRANGEMENTS

Other than as disclosed in its unaudited condensed consolidated interim financial statements, AHIP does not have any off-balance sheet arrangements.

### TRANSACTIONS WITH RELATED PARTIES

Aimbridge Hospitality became AHIP's hotel manager effective April 26, 2018. Prior to that date, AHIP's hotel manager was ONE Lodging Management Inc., a company indirectly controlled by a director of the General Partner. For the three and nine months ended September 30, 2019 and three months ended September 30, 2018, AHIP incurred no fees and for the nine months ended September 30, 2018, AHIP incurred the following fees with the former hotel manager:

- a) base management fees of approximately \$3.3 million;
- b) administrative fees of \$727 thousand; and
- c) capital management fees of \$281 thousand which were capitalized to property, buildings and equipment.

For further details, please see the disclosure under the heading "Transactions with Related Parties" in the AIF.

### SUBSEQUENT EVENTS

#### *(a) October 2019 Distribution:*

On October 15, 2019, a cash distribution of \$0.054 per unit was declared for the period from October 1, 2019 to October 31, 2019. The distribution is expected to be paid on November 15, 2019 to unitholders of record on October 31, 2019.

#### *(b) Sale of Economy Lodging Portfolio:*

On October 28, 2019, AHIP announced that it expected to complete the sale of its Economy Lodging operating segment consisting of 45 hotel properties and their associated rail crew lodging contracts and Wyndham franchise agreements in November 2019 upon the satisfactory completion of customary closing conditions including obtaining third-party consents.

## **SIGNIFICANT ACCOUNTING POLICIES**

AHIP's significant accounting policies are described in Note 3 of its unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2019 and 2018. On January 1, 2019, AHIP adopted IFRS 16 Leases ("**IFRS 16**"), which sets out a new model for lease accounting, replacing IAS 17 Leases. The new standard recognizes the initial present value of unavoidable future lease payments as right-of-use assets and lease liabilities on the statement of financial position, including those for most leases that were previously accounted for as operating leases. As a result of the adoption of IFRS 16, finance leases included in land and equipment with a net book value of approximately \$2.0 million and \$222 thousand, respectively, were reclassified as right-of-use property and right-of-use vehicles.

On January 1, 2019, AHIP early adopted IFRS 3 Business Combinations ("**IFRS 3**"), which clarifies the definition of a business to determine whether an acquisition is considered to be an acquisition of a business or a group of assets. If the transaction is an asset acquisition, then guidance under IAS 16 (Property, Plant and Equipment) is applied and all transaction related costs are capitalized to the acquired assets. If the transaction is a business combination, then all transaction costs are expensed to profit and loss. As a result of the early adoption of IFRS 3, transaction expenses of \$598 thousand have been capitalized in the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2019 and 2018.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported results. For a detailed discussion of the critical accounting estimates, refer to Note 2 of AHIP's audited consolidated financial statements for the years ended December 31, 2018 and 2017.

## **ACCOUNTING STANDARDS**

For details on future accounting policy changes, please refer to Note 3 of the audited consolidated financial statements for the years ended December 31, 2018 and 2017.

## **INTERNAL CONTROLS**

National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings" ("**NI 52-109**") requires the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") to be responsible for establishing and maintaining disclosure controls and procedures ("**DC&P**") and internal controls over financial reporting ("**ICFR**"), as defined in the instrument. DC&P are designed to provide reasonable assurance that material information required to be disclosed by AHIP in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Furthermore, DC&P are designed to ensure that material information required to be disclosed by AHIP in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to AHIP's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

As at September 30, 2019, AHIP's management, under the supervision of its CEO and CFO, has designed the DC&P and ICFR. Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework (2013).

## PART V

### FOREIGN EXCHANGE MANAGEMENT

All of AHIP's investments and substantially all its operations are conducted in U.S. dollars. Therefore, AHIP has minimal exposure to fluctuations in currency exchange rates. As at September 30, 2019, AHIP had not entered into any currency swap arrangements.

The following table provides the quarterly Canadian dollar/U.S. dollar exchange rates over the past 12 months:

Period end Exchange Rate	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Cdn\$/US\$	\$ 1.3243	\$ 1.3087	\$ 1.3363	\$ 1.3642	\$ 1.2945
US\$/Cdn\$ <sup>(1)</sup>	\$ 0.7551	\$ 0.7641	\$ 0.7483	\$ 0.7330	\$ 0.7725

(1) Bank of Canada period end exchange rate.

### NON-IFRS MEASURES

AHIP has included certain non-IFRS financial measures throughout this MD&A. Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate and lodging industries use these non-IFRS financial measures to evaluate AHIP's performance, its ability to generate cash flows and its 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 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 or lodging industries. The non-IFRS financial measures used in this MD&A include: debt-to-gross book value, funds from operations, adjusted funds from operations, diluted FFO per Unit, diluted AFFO per Unit, net operating income (NOI), NOI margin, earnings before interest, taxes, depreciation and amortization (EBITDA), EBITDA margin, interest coverage ratio, debt-to-EBITDA, same property metrics, FFO payout ratio and AFFO payout ratio.

#### a) Debt-to-Gross Book Value

AHIP believes that debt-to-gross book value is an important supplemental measure of financial condition. Debt-to-gross book value is a compliance measure pursuant to AHIP's Limited Partnership Agreement to limit its financial leverage.

**“Debt”** means any obligation for borrowed money including the face amount outstanding of revolving credit facilities, term loans, convertible debentures, deferred compensation payable and finance lease liabilities 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; (ii) indebtedness excludes accounts payable, accrued liabilities, distributions payable, short term acquisition credit facilities, and other liabilities comprised of deferred income, preferred shares, and deferred lease inducement; and (iii) face amount excludes unamortized deferred financing costs, unamortized mark-to-market adjustments and interest rate swap contracts.

**“Debentures”** means the aggregate principal amount of approximately \$48.9 million of 5.00% convertible unsecured subordinated debentures issued on June 9, 2017 at a price of \$1,000 per Debenture and maturing on June 30, 2022.

**“Gross Book Value”** means, at any time, the book value of the total assets of AHIP and its consolidated subsidiaries, as shown on its then most recent consolidated statement of financial position, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto, less: (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by 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.

b) **Funds from Operations (“FFO”) and Adjusted Funds from Operations (“AFFO”)**

AHIP believes FFO and AFFO are important measures of operating performance of real estate properties. FFO is a supplemental non-IFRS financial measure of operating performance widely used in the Canadian real estate industry. FFO is not defined under IFRS and should not be considered as an alternative to net income (loss), cash flow from operations, or any other operating or liquidity measure prescribed under IFRS. Instead, FFO has been included to provide readers and investors with additional information to improve their understanding of AHIP’s operating results. As FFO is not defined under IFRS, it does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. AHIP calculates FFO in accordance with the Real Property Association of Canada (**“REALPAC”**) White Paper on Funds from Operations (the **“FFO White Paper”**) issued in February 2019 except for the adjustment for non-recurring transaction related expenses. Based on the FFO definition currently set forth by REALPAC, non-recurring transaction related expenses, such as expenses related to the disposal of properties should be included in FFO. However, AHIP believes that including such transaction related expenses does not represent the recurring operating performance of AHIP. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, FFO has been reconciled to net income (loss) and comprehensive income (loss) in the section “Funds from Operations and Adjusted Funds from Operations”.

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) deferred income tax expense (recovery); (iv) impairment losses or reversals recognized on land and depreciable real estate properties; (v) business acquisition costs related to the purchase of a property being accounted for as a business combination; (vi) foreign exchange gains (or losses); (vii) fair value adjustments to financial instruments; (viii) adjustments for property taxes accounted for under IFRIC 21 *Levies* (“**IFRIC 21**”) for the recognition of liabilities for obligations to pay levies and taxes; and (ix) non-recurring transaction related expenses, such as expenses related to the disposal of properties.

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

In calculating AFFO, FFO is subject to certain adjustments including: (i) amortization of deferred finance costs on term loans and convertible debentures; (ii) accretion on the liability portion of convertible debentures; (iii) amortization of mark-to-market adjustments on assumed term loans; (iv) amortization of deferred compensation payable; (v) securities-based compensation expense; and (vi) deducting actual maintenance capital expenditures. Other adjustments may be made to AFFO as determined by the Board of Directors of the General Partner at its discretion. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, AFFO has been reconciled to cash flow from operations in the section “Reconciliation of Cash Flow from Operating Activities to AFFO”.

For the purposes of calculating Diluted FFO per Unit and Diluted AFFO per Unit, the weighted average number of diluted Units outstanding is calculated assuming the conversion of unvested Restricted Stock Units and the conversion of the convertible debentures outstanding, to the extent that each factor is dilutive. This may differ from the weighted average number of diluted Units outstanding calculated in accordance with IFRS.

c) *Net Operating Income (“NOI”)*

AHIP believes NOI is an important measure of operating performance of real estate properties. NOI is defined as total revenues less hotel operating expenses, energy, property maintenance, property taxes (excluding adjustments under IFRIC 21), insurance and ground lease payments (excluding depreciation and amortization). AHIP calculates “**NOI Margin**” as NOI divided by total revenues.

d) *Earnings before interest, taxes, depreciation and amortization (“EBITDA”)*

AHIP calculates EBITDA as NOI (excluding adjustments under IFRIC 21) less hotel management fees and general administrative expenses, excluding non-recurring transaction related expenses. AHIP calculates “**EBITDA Margin**” as EBITDA divided by total revenues.

e) Interest Coverage Ratio

AHIP calculates the “**Interest Coverage Ratio**” as EBITDA for the period divided by interest expensed during the period comprised of interest expense on term loans, revolving credit facilities, convertible debentures and finance lease liability (excluding unamortized deferred financing costs, unamortized mark-to-market adjustments and interest rate swap contracts). The Interest Coverage Ratio is a measure of AHIP’s ability to service the interest requirements of its outstanding debt.

f) Debt-to-EBITDA Ratio

AHIP calculates the “**Debt-to-EBITDA Ratio**” as the aggregate amount of debt at face value divided by the trailing twelve months EBITDA. AHIP uses this ratio to measure leverage and determine the approximate time it will take AHIP to repay its debt.

g) Same Property Metrics

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

h) FFO Payout Ratio and AFFO Payout Ratio

AHIP calculates its “**FFO Payout Ratio**” as distributions declared divided by FFO for the period and “**AFFO Payout Ratio**” as distributions declared divided by AFFO for the period. As a result of the impact of seasonal fluctuations in FFO or AFFO in any period, management considers a rolling four quarter FFO Payout Ratio more relevant for the purposes of assessing AHIP’s distribution paying capacity than a payout ratio in any given quarter.

## **OPERATIONAL METRICS**

Occupancy is a major driver of room revenue as well as food and beverage revenues. Fluctuations in occupancy are accompanied by fluctuations in most categories of variable hotel operating expenses, including housekeeping and other labor costs. ADR (as defined below) also helps to drive room revenue with limited impact on other revenues. Fluctuations in ADR are accompanied by fluctuations in limited categories of hotel operating expenses, such as franchise fees and credit card commissions, since variable hotel operating expenses, such as labor costs, generally do not increase or decrease correspondingly. Thus, increases in RevPAR (as defined below) attributable to increases in occupancy typically reduce EBITDA and EBITDA margins, while increases in RevPAR attributable to increases in ADR typically result in increases in EBITDA and EBITDA margins.

a) Occupancy Rate

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

b) Average Daily Rate (“ADR”)

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

c) Revenue Per Available Room (“RevPAR”)

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

d) Furniture, Fixtures and Equipment Reserves (“FF&E Reserves”)

FF&E Reserves are calculated as four percent of total revenues for the Premium Branded Hotel portfolio and three percent of room revenues for the Economy Lodging Hotel portfolio.

## PART VI

### RISKS AND UNCERTAINTIES

Investing in AHIP’s securities involves a high degree of risk. In addition to the risks identified in this section and elsewhere in this MD&A, current and prospective investors should carefully consider all the risk factors noted in AHIP’s AIF, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com), before purchasing Units, Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time to time. The occurrence of any of such risks, or other risks not presently known to AHIP or that AHIP currently believes are immaterial, could materially and adversely affect AHIP’s investments, prospects, cash flows, results of operations or financial condition, AHIP’s ability to make cash distributions to unitholders and interest and principal payments to holders of Debentures. In that event, the value of the Units, the Debentures or any other securities of AHIP that may be offered or issued and outstanding from time to time, could decline and investors may lose all or part of their investment.

**The Units and Debentures involve a certain degree of risk. Any person currently holding or considering the purchase of Units, Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time to time, should be aware of these and other factors set forth in AHIP’s AIF and should consult with his or her legal, tax and financial advisors prior to making an investment in the Units, Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time to time. The Units, Debentures and any other securities of AHIP that may be offered or that are issued and outstanding from time to time should only be purchased by persons who can afford to lose all of their investment.**



**PREMIUM BRANDED HOTEL PORTFOLIO AS AT NOVEMBER 7, 2019**

Hotel Address	Brand	Location	Number of Rooms	Restaurant	Acquisition Date
FLORIDA/GEORGIA					
3712 SW 38 <sup>th</sup> Avenue	Courtyard	Ocala, FL	169	Yes	Aug. 6, 2015
3427 Forum Boulevard	Holiday Inn Express	Fort Myers, FL	111	-	Nov. 29, 2016
5730 Gantt Road	Holiday Inn Express	Sarasota, FL	101	-	Nov. 29, 2016
3624 North Falkenburg Road	Staybridge Suites	Tampa, FL	100	-	Nov. 29, 2016
4735 Helen Hauser Blvd.	Fairfield Inn & Suites	Titusville, FL	96	-	Nov. 25, 2014
4101 SW 38 <sup>th</sup> Avenue	Fairfield Inn & Suites	Ocala, FL	96	-	Aug. 6, 2015
561 Chaffee Point Boulevard	Fairfield Inn & Suites	Jacksonville, FL	89	-	Oct. 27, 2016
538 Southwest Corporate Dr.	Fairfield Inn & Suites	Lake City, FL	89	-	Oct. 27, 2016
3610 SW 38 <sup>th</sup> Avenue	Residence Inn	Ocala, FL	87	-	Aug. 6, 2015
3751 East Fowler Avenue	Wingate	Tampa, FL	86	-	Nov. 29, 2016
4355 West New Haven Ave	Fairfield Inn & Suites	Melbourne, FL	83	-	Nov. 25, 2014
1319 East King Avenue	Fairfield Inn & Suites	Kingsland, GA	82	-	Jul. 3, 2014
13575 Cypress Glen Lane	Courtyard	Tampa, FL	81	Yes	Nov. 29, 2016
10971 West Colonial Drive	Fairfield Inn & Suites	Orlando/Ocoee, FL	80	-	Nov. 29, 2016
TOTAL FLORIDA/GEORGIA		14 PROPERTIES	1,350	2	
MARYLAND					
5015 Campbell Boulevard	Hilton Garden Inn	Baltimore, MD	155	Yes	June 22, 2017
4980 Mercantile Road	Residence Inn	Baltimore, MD	131	-	June 22, 2017
7035 Arundel Mill Circle	Residence Inn	Hanover, MD	131	-	June 22, 2017
7027 Arundel Mill Circle	Hampton Inn	Hanover, MD	130	-	June 22, 2017
7544 Teague Road	SpringHill Suites	Hanover, MD	128	-	June 22, 2017
8225 Town Center Drive	Hampton Inn	Baltimore, MD	127	-	June 22, 2017
8477 Cordon Way	Fairfield Inn & Suites	Baltimore, MD	116	-	June 22, 2017
7021 Arundel Mill Circle	TownePlace Suites	Hanover, MD	109	-	June 22, 2017
TOTAL MARYLAND		8 PROPERTIES	1,027	1	
TEXAS/ARIZONA					
4650 West Airport Freeway	Embassy Suites	Irving, TX	305	Yes	Jan. 6, 2017
4400 South Rural Road	Embassy Suites	Tempe, AZ	224	Yes	Jan. 6, 2017
8231 Amarillo Blvd. West	Holiday Inn	Amarillo, TX	151	Yes	Oct. 27, 2014
1740 Airport Boulevard	Fairfield Inn & Suites	Amarillo, TX	79	-	Oct. 27, 2014
6915 I-40 West	Sleep Inn & Suites	Amarillo, TX	63	-	Oct. 27, 2014
TOTAL TEXAS/ARIZONA		5 PROPERTIES	822	3	
OHIO/KENTUCKY					
5100 Upper Metro Place	Embassy Suites	Dublin, OH	284	Yes	Jan. 19, 2017
5800 Rockside Woods Blvd.	Embassy Suites	Independence, OH	271	Yes	Jan. 19, 2017
10 East Rivercentre Blvd.	Embassy Suites	Covington, KY	227	Yes	Jan. 19, 2017
TOTAL OHIO/KENTUCKY		3 PROPERTIES	782	3	

**PREMIUM BRANDED HOTEL PORTFOLIO AS AT NOVEMBER 7, 2019 CONTINUED**

Hotel Address	Brand	Location	Number of Rooms	Restaurant	Acquisition Date
<b>PENNSYLVANIA</b>					
555 Trumbull Drive	Hampton Inn	Pittsburgh, PA	132	-	Nov. 21, 2013
8514 University Boulevard	Hampton Inn	Moon Township, PA	127	-	Nov. 21, 2013
210 Executive Drive	Hampton Inn	Cranberry Township, PA	116	-	Nov. 21, 2013
2031 Avenue C	Homewood Suites	Bethlehem, PA	113	-	June 22, 2017
7686 Industrial Boulevard	Homewood Suites	Allentown, PA	108	-	June 22, 2017
1308 Freedom Road	Residence Inn	Cranberry Township, PA	96	-	Nov. 21, 2013
<b>TOTAL PENNSYLVANIA</b>		<b>6 PROPERTIES</b>	<b>692</b>	<b>-</b>	
<b>NEW JERSEY</b>					
1000 Bishops Gate Boulevard	Residence Inn	Mount Laurel, NJ	144	-	June 22, 2017
3008 English Creek Avenue	Homewood Suites	Egg Harbor Township, NJ	120	-	June 22, 2017
1302 Campus Parkway	Courtyard	Wall Township, NJ	113	Yes	June 22, 2017
2 Commerce Centre Drive	Homewood Suites	Dover, NJ	108	-	June 22, 2017
230 Jumping Brook Road	Residence Inn	Neptune, NJ	105	-	June 22, 2017
3022 Fire Road	Residence Inn	Egg Harbor Township, NJ	101	-	June 22, 2017
<b>TOTAL NEW JERSEY</b>		<b>6 PROPERTIES</b>	<b>691</b>	<b>1</b>	
<b>OKLAHOMA</b>					
4401 SW 15th Street	Holiday Inn	Oklahoma City, OK	147	Yes	Nov. 3, 2014
13800 Quail Springs Pk.	Holiday Inn	Oklahoma City, OK	109	Yes	Nov. 3, 2014
4411 SW 15th Street	Staybridge Suites	Oklahoma City, OK	103	-	Nov. 3, 2014
2814 Williams Avenue	Hampton Inn	Woodward, OK	81	-	Nov. 3, 2014
7840 NW 39 Expressway	Holiday Inn Express	Bethany, OK	69	-	Jun. 18, 2015
3004 South 4th Street	Hampton Inn	Chickasha, OK	63	-	Jun. 18, 2015
2610 S. 4th Street	Holiday Inn Express	Chickasha, OK	62	-	Jun. 18, 2015
<b>TOTAL OKLAHOMA</b>		<b>7 PROPERTIES</b>	<b>634</b>	<b>2</b>	
<b>NORTH CAROLINA</b>					
1137 E. Dixie Drive	Hampton Inn	Asheboro, NC	111	-	Jul. 3, 2014
10024 US Hwy 15/501	Springhill Suites	Pinehurst, NC	107	-	Jul. 11, 2014
1530 Cinema Drive	Courtyard	Statesville, NC	94	Yes	Nov. 25, 2014
920 Executive Way	Fairfield Inn & Suites	Asheboro, NC	87	-	Jul. 3, 2014
1508 Cinema Drive	Hampton Inn	Statesville, NC	80	-	Nov. 25, 2014
<b>TOTAL NORTH CAROLINA</b>		<b>5 PROPERTIES</b>	<b>479</b>	<b>1</b>	
<b>VIRGINIA</b>					
85 University Boulevard	Hampton Inn	Harrisonburg, VA	159	-	Mar. 12, 2014
43 Covenant Drive	Hampton Inn	Harrisonburg, VA	90	-	Mar. 12, 2014
898 Wiggins Road	Hampton Inn	Emporia, VA	85	-	Mar. 12, 2014
150 Arnold Drive	Fairfield Inn & Suites	South Hill, VA	68	-	Mar. 12, 2014
<b>TOTAL VIRGINIA</b>		<b>4 PROPERTIES</b>	<b>402</b>	<b>-</b>	

**PREMIUM BRANDED HOTEL PORTFOLIO AS AT NOVEMBER 7, 2019 CONTINUED**

Hotel Address	Brand	Location	Number of Rooms	Restaurant	Acquisition Date
<b>MIDWEST</b>					
2080 Holliday Drive	Holiday Inn Express	Dubuque, IA	87	-	Jun. 18, 2015
121 Swords Drive	Holiday Inn Express	Mattoon, IL	69	-	Jun. 18, 2015
2501 Holiday Lane	Holiday Inn Express	South Jacksonville, IL	69	-	Jun. 18, 2015
311 S. Johnson Drive	Holiday Inn Express	Nevada, MO	68	-	Jun. 18, 2015
3007 W. 18th Avenue	Holiday Inn Express	Emporia, KS	68	-	Jun. 18, 2015
<b>TOTAL MIDWEST</b>		<b>5 PROPERTIES</b>	<b>361</b>	<b>-</b>	
<b>NEW YORK/CONNECTICUT</b>					
2 Sawgrass Drive	SpringHill Suites	Bellport, NY	128	-	June 22, 2017
291 Old Gate Lane	Hilton Garden Inn	Milford, CT	120	Yes	June 22, 2017
<b>TOTAL NEW YORK/CONNECTICUT</b>		<b>2 PROPERTIES</b>	<b>248</b>	<b>1</b>	
<b>TENNESSEE</b>					
2340 Center Street	Residence Inn	Chattanooga, TN	109	-	Oct. 27, 2016
7010 McCutcheon Road	TownePlace Suites	Chattanooga, TN	87	-	Oct. 27, 2016
<b>TOTAL TENNESSEE</b>		<b>2 PROPERTIES</b>	<b>196</b>	<b>-</b>	
<b>TOTAL PREMIUM BRANDED</b>		<b>67 PROPERTIES</b>	<b>7,684</b>	<b>14</b>	

# ECONOMY LODGING HOTEL PORTFOLIO AS AT NOVEMBER 7, 2019

Hotel Address	Brand	Location	Number of Rooms	Restaurant	Acquisition Date
3475 Union Road	Baymont Inn & Suites	Buffalo, NY	56	-	Feb. 20, 2013
2300 Valley West Ct.	Baymont Inn & Suites	Clinton, IA	123	-	Feb. 20, 2013
1608 E. US Business 60	Baymont Inn & Suites	Dexter, MO	133	Yes	Feb. 20, 2013
95 Spruce Road	Baymont Inn & Suites	Elko, NV	119	-	Feb. 20, 2013
2700 N. Diers Parkway	Baymont Inn & Suites	Fremont, NE	100	Yes	Feb. 20, 2013
2006 North Merrill Avenue	Baymont Inn & Suites	Glendive, MT	74	Yes	Oct. 28, 2014
100 15th Street SE	Baymont Inn & Suites	Glenwood, MN	56	Yes	Feb. 20, 2013
1051 North Market Street	Baymont Inn & Suites	Hearne, TX	140	Yes	Feb. 20, 2013
501 SW Boulevard	Baymont Inn & Suites	Kansas City, KS	107	-	Feb. 20, 2013
451 Halligan Drive	Baymont Inn & Suites	North Platte, NE	135	Yes	Feb. 20, 2013
2005 E. Daley Street	Baymont Inn & Suites	Rawlins, WY	62	Yes	Feb. 20, 2013
1130 E. 16th Street	Baymont Inn & Suites	Wellington, KS	110	-	Feb. 25, 2015
6390 Hwy 93 South	Baymont Inn & Suites	Whitefish, MT	64	-	Nov. 7, 2017
35450 Yermo Road	Baymont Inn & Suites	Yermo, CA	65	Yes	Feb. 20, 2013
1731 S. Sunridge Drive	Baymont Inn & Suites	Yuma, AZ	119	Yes	Feb. 20, 2013
<b>TOTAL BAYMONT HOTELS</b>		<b>15 PROPERTIES</b>	<b>1,463</b>	<b>9</b>	
2407 East Holland Avenue	Travelodge	Alpine, TX	40	Yes	Feb. 20, 2013
2111 Camino Del Llano	Travelodge	Belen, NM	158	Yes	Sept. 16, 2015
3522 N. Highway 59	Travelodge	Bill, WY	112	Yes	Feb. 20, 2013
620 Souder Road	Travelodge	Brunswick, MD	25	Yes	Nov. 24, 2014
1625 Stillwater Avenue	Travelodge	Cheyenne, WY	60	Yes	Feb. 20, 2013
4000 Siskiyou Avenue	Travelodge	Dunsmuir, CA	21	Yes	Feb. 20, 2013
100 North 6th Avenue	Travelodge	Edgemont, SD	56	-	Sept. 16, 2015
2505 S. Main St.	Travelodge	Fort Scott, KS	70	-	Nov. 11, 2015
2307 Wyoming Avenue	Travelodge	Gillette, WY	156	-	Sept. 16, 2015
1170 W. Flaming Gorge Way	Travelodge	Green River, WY	191	Yes	Feb. 20, 2013
800 West Laramie Street	Travelodge	Guernsey, WY	96	-	Sept. 16, 2015
1110 SE 4th Street	Travelodge	Hermiston, OR	86	-	Feb. 20, 2013
1710 Jefferson Street	Travelodge	Jefferson City, MO	77	-	Sept. 12, 2013
8233 Airline Highway	Travelodge	Livonia, LA	60	-	Feb. 20, 2013
123 Westvaco Road	Travelodge	Low Moor, VA	30	Yes	Feb. 20, 2013
1127 Pony Express Highway	Travelodge	Marysville, KS	139	Yes	Feb. 20, 2013
528 S. George Nigh Expressway	Travelodge	McAlester, OK	61	-	Feb. 20, 2013
777 W Center Street	Travelodge	Milford, UT	75	Yes	Feb. 20, 2013
128 S. Willow Rd.	Travelodge	Missouri Valley, IA	41	Yes	Feb. 20, 2013
707 E. Webster Street	Travelodge	Morrill, NE	97	Yes	Feb. 20, 2013
22 N. Frontage Street	Travelodge	Pecos, TX	61	-	Feb. 20, 2013
12 Kitty Hawk Road	Travelodge	Santa Teresa, NM	56	Yes	May 6, 2014
109 E. Commerce St.	Travelodge	Sharon Springs, KS	50	Yes	Feb. 20, 2013
U.S. 285 & 2nd Street	Travelodge	Vaughn, NM	60	Yes	Feb. 20, 2013
1177 E. 16th Street	Travelodge	Wellington, KS	80	Yes	Feb. 20, 2013
1706 N. Park Drive	Travelodge	Winslow, AZ	72	-	Feb. 20, 2013
98 Moffat Avenue	Travelodge	Yampa, CO	37	Yes	Feb. 20, 2013
<b>TOTAL TRAVELODGE HOTELS</b>		<b>27 PROPERTIES</b>	<b>2,067</b>	<b>17</b>	

# **ECONOMY LODGING HOTEL PORTFOLIO AS AT NOVEMBER 7, 2019 CONTINUED**

<b>Hotel Address</b>	<b>Brand</b>	<b>Location</b>	<b>Number of Rooms</b>	<b>Restaurant</b>	<b>Acquisition Date</b>
2545 Cornhusker Highway	Super 8	Lincoln, NE	133	-	Jan. 7, 2016
720 Royal Parkway	Super 8	Nashville, TN	103	-	Dec. 1, 2016
<b>TOTAL SUPER 8 HOTELS</b>		<b>2 PROPERTIES</b>	<b>236</b>	<b>-</b>	
3431 14 <sup>th</sup> Ave S	Days Inn	Fargo, ND	74	-	Oct. 13, 2017
<b>TOTAL DAYS INN HOTELS</b>		<b>1 PROPERTY</b>	<b>74</b>	<b>-</b>	
<b>TOTAL ECONOMY LODGING HOTELS</b>		<b>45 PROPERTIES</b>	<b>3,840</b>	<b>26</b>	
<b>GRAND TOTAL</b>		<b>112 PROPERTIES</b>	<b>11,524</b>	<b>40</b>	