No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold in the U.S. except in compliance with exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the securities will only be offered or sold within the U.S. pursuant to Rule 144A under the U.S. Securities Act and thereafter may only be reoffered or resold in the U.S. pursuant to the registration requirements of the U.S. Securities Act and applicable state securities laws or an exemption therefrom. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of American Hotel Income Properties REIT LP, 1660 – 401 West Georgia Street, Vancouver, British Columbia V6B 5A1, Telephone (604) 630-3134, and are also available electronically at www.sedar.com.*

SHORT FORM PROSPECTUS

New Issue **October 21, 2014**

AHIP
AMERICAN HOTEL
INCOME PROPERTIES
REIT LP

Cdn$45,039,500

4,310,000 Units

This short form prospectus qualifies the distribution of 4,310,000 limited partnership units of American Hotel Income Properties REIT LP (the "**REIT**") as well as the limited partnership units of the REIT issuable under the Over-Allotment Option (as defined below) (collectively, the "**Offered Units**") at a price of Cdn$10.45 per Offered Unit (the "**Offering Price**") pursuant to an underwriting agreement dated October 10, 2014 (the "**Underwriting Agreement**") among the REIT and Canaccord Genuity Corp., National Bank Financial Inc., CIBC World Markets Inc., TD Securities Inc., Haywood Securities Inc., Scotia Capital Inc., Dundee Securities Ltd. and GMP Securities L.P. (collectively, the "**Underwriters**").

Price: Cdn$10.45 per Offered Unit

	Price to Public(1)	**Underwriters' Fee**(2)	**Net Proceeds to the REIT**(3)
Per Offered Unit	Cdn$10.45	Cdn$0.418	Cdn$10.032
Total	Cdn$45,039,500	Cdn$1,801,580	Cdn$43,237,920

(1) The Offering Price of the Offered Units was determined by negotiation between the Underwriters and the REIT.

(2) The REIT has granted to the Underwriters an over-allotment option, exercisable for a period of 30 days from the closing of the Offering (the "**Offering Closing**"), to purchase up to an additional 646,500 units of the REIT sold hereunder on the same terms as set out above solely to cover over-allotments, if any (the "**Over-Allotment Option**"). If the Over-Allotment Option is exercised in full, the total aggregate "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the REIT" will be Cdn$51,795,425, Cdn$2,071,817, and Cdn$49,723,608, respectively. This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of the units of the REIT issuable upon exercise of the Over-Allotment Option. A purchaser who acquires units of the REIT forming part of the Underwriters' over-allocation position acquires those units under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

(3) Before deducting expenses of the Offering which are estimated to be Cdn$600,000. The REIT will pay these expenses and the Underwriters' Fee (as defined below) from the proceeds of the Offering.

An investment in the Offered Units is subject to a number of risks. See "Risk Factors" for a more complete discussion of these risks as well as the REIT's assessment of those risks and their potential consequences.

The REIT's long-term objectives are to: (i) generate stable and growing cash distributions from hotel properties substantially in the U.S.; (ii) enhance the value of its assets and maximize the long-term value of the properties through active management; and (iii) expand its asset base and increase its AFFO (as defined below) per Unit (as defined below) through an accretive acquisition program, participation in strategic development opportunities and improvements to the properties through targeted value added capital expenditure programs.

The outstanding units of the REIT (the "**Units**") are traded on the Toronto Stock Exchange (the "**Exchange**") under the symbol HOT.UN. The Exchange has conditionally approved the listing of the Offered Units to be distributed under this short form prospectus on the Exchange. Listing is subject to the REIT fulfilling all of the requirements of the Exchange on or before January 8, 2015. On October 3, 2014, the business day immediately preceding the date of the announcement of the Offering, the closing price of the Units on the Exchange was Cdn$10.71 per Unit, and on October 20, 2014, the last business day prior to the filing of this short form prospectus, the closing price of the Units on the Exchange was Cdn$10.26 per Unit.

The Underwriters, as principals, conditionally offer the Offered Units, subject to prior sale, if, as and when issued by the REIT and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of the REIT by Farris, Vaughan, Wills & Murphy LLP and as to certain legal matters on behalf of the Underwriters by Blake, Cassels & Graydon LLP. The REIT has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time. **The Underwriters may offer the Offered Units at prices lower than that stated above. See "Plan of Distribution".**

The following table sets out the options that have been issued to the Underwriters and which are outstanding:

Underwriters' Position	Maximum Number of Securities Available	Exercise Period / Acquisition Date	Exercise Price
Over-Allotment Option	646,500 Offered Units	30 days after Offering Closing	Cdn$10.45

Subscriptions for Offered Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offered Units will be issued electronically through the non-certificated inventory system and held by, or on behalf of, CDS Clearing and Depository Services Inc. ("**CDS**") or its successor (collectively, the "**Depository**"), as custodian for the direct and indirect participants of the Depository. The date of the Offering Closing is expected to occur on or about October 28, 2014, or such later date as the REIT and the Underwriters may agree, but in any event not later than October 31, 2014. The purchaser of Offered Units will receive only a customer confirmation from a registered dealer that is a participant in the CDS depository service and from or through which the Offered Units are purchased.

Unitholders will generally be required to include (or be entitled to deduct), in computing their income for income tax purposes, their proportionate share of the income (or loss) of the REIT allocated to the Unitholder by the REIT for the Fiscal Year (as defined herein) of the REIT ending in or on the Unitholder's taxation year. Such allocation may bear no relation to the cash distributions made by the REIT to such Unitholder for that period. In the event that cash distributions paid to a Unitholder in a Fiscal Year are less than the income for income tax purposes allocated to such Unitholder for the year, the full amount of such income will be required to be included in the Unitholder's income for the year and any such shortfall in distributions will generally result in a net increase in the adjusted cost base of the Unitholder's Units. If a Unitholder receives distributions from the REIT in a year which exceed the amount of income for income tax purposes allocated to the Unitholder by the REIT for the year, any such excess distributions will not generally be included in the Unitholder's income for the year, but will result in a net reduction of the adjusted cost base of the Unitholder's Units (i.e. tax deferred returns of capital). See "Principal Canadian Federal Income Tax Considerations".

The after-tax return to an investor from an investment in Units will depend in part on the Unitholder's ability to recognize for purposes of the Tax Act (as defined herein) U.S. taxes paid directly or indirectly by the REIT or by the Unitholder through foreign tax credits or foreign tax deductions under the Tax Act. See "Principal Canadian Federal Income Tax Considerations". **Prospective purchasers of the Offered Units should consult their own tax advisors with respect to the Canadian income tax considerations in their circumstances. See "Principal Canadian Federal Income Tax Considerations".**

No person is authorized by the REIT to provide any information or to make any representation other than as contained in this short form prospectus in connection with the issue and sale of the securities offered hereunder.

The REIT's head office is located at 1660 – 401 West Georgia Street, Vancouver, British Columbia V6B 5A1. The registered office of American Hotel Income Properties REIT (GP) Inc., the general partner of the REIT, is located at 25th Floor – 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3.

Each of Bonadio & Co., LLP, Keiter and W. Michael Murphy (a director of the General Partner): (i) is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, as applicable; and (ii) has appointed the REIT as its agent for service of process in Canada. Cushman & Wakefield, Inc.: (i) is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction; and (ii) has appointed Cushman & Wakefield Ltd. of 33 Yonge Street, Suite 1000, Toronto, Ontario MSE 1S9 as its agent for service of process in Canada. CBRE, Inc.: (i) is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction; and (ii) has appointed CBRE Limited of 145 King Street West, Suite 600, Toronto, Ontario M5H 1J8 as its agent for service of process in Canada.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference or a copy of the permanent information record may be obtained on request without charge from the Chief Financial Officer of American Hotel Income Properties REIT LP, 1660 – 401 West Georgia Street, Vancouver, British Columbia V6B 5A1 or by accessing the disclosure documents available through the Internet on the System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com.

The following documents of the REIT, filed with the securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of the REIT dated March 26, 2014 for the year ended December 31, 2013;

(b) the audited annual consolidated financial statements of the REIT for the year ended December 31, 2013 and from the date of formation on October 12, 2012 to December 31, 2012, together with the auditors' report thereon and the notes thereto;

(c) the management's discussion and analysis of the REIT for the year ended December 31, 2013;

(d) the unaudited condensed consolidated interim financial statements of the REIT for the six-month period ended June 30, 2014;

(e) the management's discussion and analysis of the REIT for the six-month period ended June 30, 2014;

(f) the material change report of the REIT dated October 20, 2014 with respect to the REIT's removal of all due diligence conditions under the Texas PSA and the Oklahoma PSA with respect to its previously announced potential acquisitions of the Texas Portfolio and Oklahoma Portfolio, respectively;

(g) the material change report of the REIT dated July 11, 2014 with respect to the indirect acquisition by the REIT of the North Carolina Portfolio;

(h) the material change report of the REIT dated June 4, 2014 with respect to the completion of the June 2014 Offering;

(i) the material change report of the REIT dated April 14, 2014 with respect to the appointment of Mr. Azim Lalani as the Chief Financial Officer of the General Partner and the appointment of Mr. Robert Hibberd as the Executive Vice President of the General Partner, in each case, effective April 21, 2014;

(j) the material change report of the REIT dated March 20, 2014 with respect to the indirect acquisition by the REIT of the Virginia Portfolio;

(k) the business acquisition report of the REIT dated August 13, 2014 with respect to the indirect acquisition by the REIT of the North Carolina Portfolio;

(l) the amended business acquisition report of the REIT dated May 20, 2014 with respect to the indirect acquisition by the REIT of the Virginia Portfolio (excluding the unaudited *pro forma* condensed consolidated financial statements of the REIT as at and for the year ended December 31, 2013 included therein);

(m) the business acquisition report of the REIT dated December 6, 2013 with respect to the indirect acquisition by the REIT of the Pittsburgh Portfolio (excluding the unaudited *pro forma* condensed consolidated financial statements of the REIT for the six months ended June 30, 2013 and for the year ended December 31, 2012 included therein);

(n) the information circular of the REIT dated May 9, 2014 issued in connection with the annual meeting of the Unitholders held on June 10, 2014; and

(o) the "template version" (as such term is defined in National Instrument 41-101 – *General Prospectus Requirements*) of the term sheet for the Offering dated October 6, 2014 and filed October 6, 2014.

Any material change reports (excluding confidential material change reports), business acquisition reports, interim financial statements, annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations in respect of the periods covered by such interim or annual financial statements and management information circulars (excluding those portions that are not required pursuant to National Instrument 44-101 of the Canadian Securities Administrators to be incorporated by reference herein) and all other documents of the type required by National Instrument 44-101 of the Canadian Securities Administrators, which are filed by the REIT with a securities commission or similar authority in any of the provinces of Canada after the date of this short form prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. Any such modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be

considered in its unmodified or unsuperseded form to constitute part of this short form prospectus; rather only such statement as so modified or superseded shall be considered to constitute part of this short form prospectus.

Neither the REIT nor the Underwriters have provided, or otherwise authorized any other person to provide, investors with information other than as contained or incorporated by reference in this short form prospectus. If an investor is provided with different or inconsistent information, he or she should not rely on it.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined under applicable Canadian securities laws) that are utilized by the Underwriters in connection with the Offering are not part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any marketing material that has been, or will be, filed on SEDAR before termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated into this short form prospectus. The marketing materials can be viewed under the REIT's profile on www.sedar.com.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for US$1.00, expressed in Canadian dollars, published by the Bank of Canada:

	Year Ended December 31		
	2013	**2012**	**2011**
	(Cdn$)	**(Cdn$)**	**(Cdn$)**
Highest rate during the period	1.0697	1.0418	1.0604
Lowest rated during the period	0.9839	0.9710	0.9449
Average rate for the period	1.0299	0.9996	0.9891
Rate at the end of the period	1.0636	0.9949	1.0170

Where there is a conversion of United States dollars to Canadian dollars in this prospectus, the conversion was based on a rate of exchange of US$1.00 equals Cdn$1.115, unless otherwise noted. On October 20, 2014, the noon rate of exchange posted by the Bank of Canada for conversion of United States dollars into Canadian dollars was US$1.00 equals Cdn$1.1277.

ABOUT THIS SHORT FORM PROSPECTUS

An investor should rely only on the information contained in this short form prospectus (including the documents incorporated by reference herein) and should not rely on parts of the information contained in this short form prospectus (including the documents incorporated by reference herein) to the exclusion of others. The REIT has not, and the Underwriters have not, authorized anyone to provide investors with additional or different information. The REIT is not, and the Underwriters are not, offering to sell these securities in any jurisdictions where the offer or sale of these securities is not permitted. The information contained in this short form prospectus (including the documents incorporated by reference) is accurate only as at the date of this short form prospectus (or the date of the document incorporated by reference herein, as applicable), regardless of the time of delivery of this short form prospectus or any sale of the Offered Units. The REIT's business, financial condition, results of operations and prospects may have changed since the date of this short form prospectus.

MEANINGS OF CERTAIN REFERENCES

Certain terms used in this short form prospectus are defined under "Commonly Used Terms". Except as otherwise stated in this short form prospectus, all dollar amounts in this short form prospectus are stated in U.S. dollars.

The REIT's investment and operating activities are limited because the REIT's investment and operating activities are carried out by direct and indirect Subsidiaries, including the U.S. REIT. For simplicity, the REIT uses terms in this short form prospectus to refer to the investments and operations of the REIT and its direct and indirect Subsidiaries, including the U.S. REIT, as a whole. Accordingly, in this short form prospectus, unless the context otherwise requires, the "REIT" is referring to the REIT and its direct and indirect Subsidiaries, including the U.S. REIT, as a whole. When the REIT uses expressions such as "the REIT's operations", the REIT is referring to the REIT's indirect operations, as carried out by its direct and indirect Subsidiaries, including the U.S. REIT, as a whole, in each case, from and after the Offering Closing. When the REIT uses expressions such as "the REIT's portfolio" or "the REIT owns" in relation to the Properties, the REIT is referring to the REIT's indirect ownership of and investment in the Properties through its investment in its direct and indirect Subsidiaries, including the U.S. REIT. When the REIT uses expressions such as "the REIT operates", the REIT is referring to the REIT's indirect operations, as carried out by its direct and indirect Subsidiaries, including the U.S. REIT.

References to "management" in this short form prospectus mean the persons acting in the capacities of the REIT's Chief Executive Officer, Chief Financial Officer, Executive Vice President, Chief Investment Officer and Director of Finance. Any statements in this short form prospectus made by or on behalf of management are made in such persons' capacities as officers of the General Partner and not in their personal capacities.

FORWARD-LOOKING STATEMENTS

This short form prospectus contains forward-looking information. Statements other than statements of historical fact contained in this short form prospectus may be forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and the REIT's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the estimates or predictions of actions of customers, competitors or regulatory authorities, and statements regarding the REIT's future economic performance. The REIT has based these forward-looking statements on the REIT's current expectations about future events. Some of the specific forward-looking statements in this short form prospectus include, but are not limited to, statements with respect to: the expected timing for closing the Offering; the expected use of proceeds of the Offering; the expected expenses of the Offering; the potential acquisition of the Texas Portfolio, Oklahoma Portfolio, the Southeast Portfolio II, the Oak Tree Inn located in Glendive, Montana and the other New Oak Tree Inns (as defined in the June 2014 Prospectus) and the expected timing for closing of such acquisitions; the cost of brand-mandated property improvement plans and renovations; the capitalization rates and purchase prices at which such hotels would be acquired; the REIT's intention to partially fund such acquisitions with additional debt financing and the expected terms thereof; the conditions in and indemnification obligations under the Texas PSA and the Oklahoma PSA; the REIT's intention to apply for an exemption from the requirement to prepare a business acquisition report with respect to the acquisition of each of the Texas Portfolio and the Oklahoma Portfolio, if completed; the REIT's intention to include adequate reserves in its cash flow to fund ongoing capital expenditure requirements for the Texas Portfolio and the Oklahoma Portfolio; the expected acquisition of the New Oak Tree Inns (as defined in the June 2014 Prospectus), the expected timing of the closing of such acquisitions and the expected number of additional rooms to be provided by such hotels; the REIT's intention to provide stable, sustainable and growing cash flows through operation of the Properties and the REIT's other stated objectives; the REIT's intention to make regular monthly cash distributions; the REIT's REIT's business and growth strategies and its ability to execute such strategies, including by, among other things, making additional acquisitions of Properties in the REIT's target markets; the manner in which future acquisitions of the REIT will be undertaken; the expected tax treatment of the REIT's distributions to Unitholders; the REIT's access to available sources of debt and equity financing; expectations for Units to be considered "regularly traded" on an established securities market; expectations, including anticipated trends and challenges, in respect of the hotel sector in the REIT's target markets; the expected level of foreign tax, if any, payable on amounts that give rise to the REIT's distributable income and other taxation matters; and the REIT's expectations with respect to the Existing Portfolio.

Forward-looking statements do not take into account the effect of transactions or other items announced or occurring after the statements are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after the forward-looking statements are made.

Although the REIT believes that the expectations reflected in such forward-looking information are reasonable, the REIT 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 short form prospectus as well as the following: the REIT will receive financing on acceptable terms; the REIT's future level of indebtedness and the REIT's future growth potential will remain consistent with the REIT's current expectations; there will be no changes to tax laws adversely affecting the REIT's financing capability, operations, activities, structure or distributions; the REIT will retain and continue to attract qualified and knowledgeable personnel as the REIT expands the REIT's portfolio and business; the impact of the current economic climate and the current global financial conditions on the REIT's operations, including the REIT's financing capability and asset value, will remain consistent with the REIT's current expectations; there will be no material changes to government and environmental regulations adversely affecting the REIT's operations; conditions in the international and, in particular, the U.S. hotel and lodging industry, including competition for acquisitions, will be consistent with the economic climate; and capital markets will provide the REIT with readily available access to equity and/or debt financing.

Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The forward-looking statements are subject to inherent risks and uncertainties, including, but not limited to, the factors discussed under "Risk Factors". Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

Readers are cautioned that the preparation of financial statements, including *pro forma* financial statements in accordance with International Financial Reporting Standards in Canada ("**IFRS**"), requires management of the REIT to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses.

The forward-looking information contained in this short form prospectus is expressly qualified in its entirety by these cautionary statements. All forward-looking information in this short form prospectus is as of the date of this short form prospectus. The REIT does not undertake any obligation to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. For more information on the risk factors that could cause the REIT's actual results to differ from current expectations, see "Risk Factors".

ELIGIBILITY FOR INVESTMENT

In the view of KPMG, in its capacity as tax advisor to the REIT, and in the opinion of Blakes, counsel to the Underwriters, based on the provisions of the Tax Act (as defined herein) in force on the date hereof and the Proposed Amendments (as defined herein), the Offered Units will be qualified investments under the Tax Act for trusts governed by Plans at a particular time provided that, at that time, the Offered Units are listed on a "designated stock exchange" for purposes of the Tax Act (which includes the Exchange).

Notwithstanding the foregoing, a holder of a TFSA or an annuitant under an RRSP or RRIF, as the case may be, will be subject to a penalty tax if the Units held in the TFSA, RRSP or RRIF are a "prohibited investment" as defined in the Tax Act for the TFSA, RRSP or RRIF. Units will generally not be a "prohibited investment" for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, does not deal at arm's length with the REIT for purposes of the Tax Act or has a "significant interest" as defined in the Tax Act in the REIT. Generally, a holder or annuitant will have a significant interest in the REIT if the holder or annuitant and/or persons and partnerships not dealing at arm's length with the holder or annuitant own partnership interests of the REIT having a fair market value of 10% or more of the fair market value of all partnership interests of the REIT. In addition, Units will not be a "prohibited investment" if the Units are "excluded property" as defined in the Tax Act. Holders of a TFSA and annuitants of an RRSP or RRIF should consult their own tax advisors in regards to the application of these rules in their particular circumstances.

COMMONLY USED TERMS

In this short form prospectus the following words and phrases have the following meanings unless the context otherwise requires:

"**5 Percent Exception**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**75 percent gross income test**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**95 percent gross income test**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**100 Shareholder Requirement**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**Active Business Exception**" has the meaning ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**ADR**" means the product of total revenue from rooms divided by the number of rooms occupied for the given period;

"**Affiliate**" or "**Associate**" means, where used to indicate a relationship with any person: (i) a partner, other than a Unitholder, of that person; (ii) a trust or estate in which that person has a substantial beneficial interest or for which that person serves as trustee or in a similar capacity; (iii) an entity in respect of which that person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the entity; or (iv) a relative, including the spouse, of that person or a relative of that person's spouse, where the relative has the same home as that person, and for the purpose of this definition, spouse includes a man or woman not married to that person but who is living with that person and has lived with that person as husband or wife for a period of not less than six months;

"**AFFO**" has the meaning ascribed to it under "Non-IFRS Measures" in the AIF;

"**AIF**" means the annual information form of the REIT dated March 26, 2014 for the year ended December 31, 2013, a copy of which is available on SEDAR at www.sedar.com;

"**allowable capital loss**" has the meaning ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**Asheboro Assumed Loan**" has the meaning ascribed to it under "Recent Developments – Acquisition of the North Carolina Portfolio";

"**Blakes**" means Blake, Cassels & Graydon LLP;

"**Branded Hotels Portfolio**" means, collectively, hotels owned by the REIT that are not contained in the Railway Portfolio;

"**CBCA**" means the *Canada Business Corporations Act* and the regulations thereto, as amended;

"**CBRE**" means CBRE, Inc.;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**Certificate**" has the meaning ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**CFA**" has the meaning ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**CMBS**" means commercial mortgage-backed securities debt;

"**Code**" means the Internal Revenue Code of 1986 and the regulations thereunder, as amended;

"**CRA**" means Canada Revenue Agency;

"**Depository**" has the meaning ascribed to it under "Description of the Units – Book-Entry, Delivery and Form";

"**Developer**" means SunOne Developments Inc.;

"**ECI**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**EIK**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**Employee Exception**" has the meaning ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**Exchange**" means the Toronto Stock Exchange;

"**Existing Portfolio**" means a portfolio of 47 hotel properties located in 22 states in the U.S. and indirectly owned by the REIT;

"**FAPI**" has the meaning ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**FAPI Exceptions**" has the meaning ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**FAT**" has the meaning ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**FDAP**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**Fiscal Year**" means each fiscal year of the REIT;

"**foreign tax credit**" has the meaning ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**foreign tax deduction**" has the meaning ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**General Partner**" means American Hotel Income Properties REIT (GP) Inc., a corporation incorporated under the CBCA and, where the context requires, will also refer to one or more of its direct and indirect Subsidiaries;

"**Hotel Managers**" has the meaning ascribed to it under "Business of the REIT – Hotel Management";

"**hybrid entities**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**IFRS**" means International Financial Reporting Standards in Canada;

"**Indirect Exception**" has the meaning ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**IPO Hotel Manager**" means TR Lodging Enterprises Inc.;

"**IRS**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**ITSI**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**June 2014 Offering**" has the meaning ascribed to it under "Prior Sales";

"**June 2014 Prospectus**" has the meaning ascribed to it under "Prior Sales";

"**KPMG**" means KPMG LLP;

"**Lodging Enterprises**" means Lodging Enterprises, LLC;

"**Lodging Properties**" means Lodging Properties LLC;

"**LP Agreement**" means the limited partnership agreement of the REIT dated as of October 12, 2012, and subsequently amended and restated as of February 20, 2013;

"**Master Hotel Manager**" means Tower Rock Hotels & Resorts Inc.;

"**NCI**" has the meaning ascribed to it under "Description of the Units – Book-Entry, Delivery and Form";

"**New CMBS Loan**" has the meaning ascribed to it under "Recent Developments – Acquisition of the North Carolina Portfolio";

"**NFFE**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*;

"**Non-U.S. Unitholders**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**North Carolina Portfolio**" means a portfolio of three hotel properties located in North Carolina and one hotel property located in Georgia three of which properties were indirectly acquired by the REIT on July 3, 2014, with the fourth hotel property in the portfolio indirectly acquired by the REIT on July 11, 2014. For greater clarity, the North Carolina Portfolio has previously been referred to as the "Southeastern Portfolio" in certain continuous disclosure filings of the REIT;

"**Not-Closely Held Requirement**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**Offered Units**" means the Units issuable pursuant to the Offering, including, as applicable, the Units issuable pursuant to the Over-Allotment Option;

"**Offering**" means the offering of Units issued and sold by the REIT pursuant to this short form prospectus;

"**Offering Closing**" means the closing of the Offering;

"**Offering Price**" means Cdn$10.45 per Offered Unit, the price a which the Offered Units are to be sold pursuant to the Offering;

"**Oklahoma Appraisals**" has the meaning ascribed to under "The Acquisitions – The Oklahoma Portfolio";

"**Oklahoma Portfolio**" has the meaning ascribed to under "The Acquisitions – The Oklahoma Portfolio";

"**Oklahoma PSA**" has the meaning ascribed to it under "The Acquisitions – The Oklahoma Portfolio";

"**Oklahoma Purchaser**" has the meaning ascribed to it under "The Acquisitions – The Oklahoma Portfolio";

"**Oklahoma Sellers**" means Satya Sairam LLC, Premier Hospitality Group LLC, Premier Hospitality Group I LLC and Quail Springs Hotel LLC;

"**ordinary REIT dividends**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**Over-Allotment Option**" means the option granted by the REIT to the Underwriters to purchase up to 646,500 additional Units, exercisable for a period of 30 days from the Offering Closing;

"**Participant**" has the meaning ascribed to it under "Description of the Units – Book Entry, Delivery and Form";

"**Phase I ESA Report**" means a Phase I environmental site assessment report;

"**Pinehurst Assumed Loan**" has the meaning ascribed to it under "Recent Developments – Acquisition of the North Carolina Portfolio";

"**Pittsburgh Portfolio**" means a portfolio of four hotel properties located in metropolitan Pittsburgh, Pennsylvania indirectly acquired by the REIT on November 21, 2013;

"**Plans**" means RRSPs, RRIFs, registered education savings plans, deferred profit sharing plans, registered disability savings plans or TFSAs, each as defined in the Tax Act;

"**Property**" means, at any time and from time to time, each of the properties indirectly owned and operated by the U.S. REIT or other Subsidiary of the REIT;

"**Proposed Amendments**" has the meaning ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**Railway Portfolio**" means, collectively, hotels owned by the REIT that have railway lodging agreements and are typically operated under the "Oak Tree Inn" brand;

"**RECs**" means recognized environmental conditions;

"**Regulations**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**REIT**" means American Hotel Income Properties REIT LP;

"**RevPAR**" means revenue per available room;

"**RRIFs**" means registered retirement income funds;

"**RRSPs**" means registered retirement savings plans;

"**Section 754 election**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**Section 1441 FDAP Withholding**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**Section 1445 Withholdings**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**Section 1446 Withholdings**" has the meaning ascribed to it under "Principal United States Federal Income Tax Considerations";

"**SIFT Measures**" has the meanings ascribed to it under "Principal Canadian Federal Income Tax Considerations";

"**Southeast Portfolio II**" has the meaning ascribed to it under "Use of Proceeds";

"**Southeast Portfolio II PSA**" has the meaning ascribed to it under "Use of Proceeds";

"**Subscription Receipt**" means those subscription receipts described in the final prospectus for the Subscription Receipt Offering dated October 24, 2013;

"**Subscription Receipt Adjustment Payment**" has the meaning ascribed to it under "Prior Sales";

"**Subscription Receipt Offering**" has the meaning ascribed to it under "Prior Sales";

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

"**Sunstone**" means Sunstone Realty Advisors Inc., a British Columbia corporation;

"**Sunstone Group**" means Sunstone, its principals and the various corporations, limited partnerships, trusts, joint ventures and other entities which are Associated with Sunstone, as the context requires;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;

“**taxable capital gain**” has the meaning ascribed to it under “Principal Canadian Federal Income Tax Considerations”;

“**Texas Appraisals**” has the meaning ascribed to it under “The Acquisitions – The Texas Portfolio”;

“**Texas Portfolio**” has the meaning ascribed to under “The Acquisitions – The Texas Portfolio”;

“**Texas PSA**” has the meaning ascribed to it under “The Acquisitions – The Texas Portfolio”;

“**Texas Purchaser**” has the meaning ascribed to it under “The Acquisitions – The Texas Portfolio”;

“**Texas Sellers**” means I Ram Money Tree Investments, Ltd, 1011 Ram Fairfield AMA, LLC and Coulter Hospitality, LLC;

“**TFSAs**” means tax free savings accounts;

“**Treaty**” has the meaning ascribed to it under “Principal United States Federal Income Tax Considerations”;

“**TRS**” has the meaning ascribed to it under “Principal United States Federal Income Tax Considerations”;

“**TSX Publicly Traded Exception**” has the meaning ascribed to it under “Principal United States Federal Income Tax Considerations”;

“**Underwriters**” means, collectively, Canaccord Genuity Corp., National Bank Financial Inc., CIBC World Markets Inc., TD Securities Inc., Haywood Securities Inc., Scotia Capital Inc., Dundee Securities Ltd. and GMP Securities L.P;

“**Underwriters’ Fee**” means the cash commission payable to the Underwriters pursuant to the Underwriting Agreement equal to 4.0% of the gross proceeds of the Offering;

“**Underwriting Agreement**” means the underwriting agreement dated October 10, 2014 between the REIT and the Underwriters, as such agreement is amended, restated and/or supplemented from time to time;

“**Unitholders**” means the holders of Units;

“**Units**” means the limited partnership units of the REIT;

“**USPAP**” means Uniform Standards of Professional Appraisal Practice;

“**USRPI**” has the meaning ascribed to it under “Principal United States Federal Income Tax Considerations”;

“**U.S. Publicly Traded Exception**” has the meaning ascribed to it under “Principal United States Federal Income Tax Considerations”;

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

“**Virginia Portfolio**” means a portfolio of four hotel properties located in Virginia indirectly acquired by the REIT on March 12, 2014; and

“**working capital**” means at any time, the sum of cash and cash equivalents, restricted cash, trade and other receivables, prepaids and deposits and other assets less the sum of accounts payable and accrued expenses, current portion of term loans, current portion of construction loans and current portion of deferred income tax liabilities.

THE REIT AND ITS OPERATING SUBSIDIARIES

American Hotel Income Properties REIT LP

The REIT is a limited partnership formed under the *Limited Partnerships Act* (Ontario) on October 12, 2012 and governed by the LP Agreement. The REIT's head office is located at 1660 – 401 West Georgia Street, Vancouver, British Columbia V6B 5A1.

American Hotel Income Properties REIT (GP) Inc.

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

American Hotel Income Properties REIT Inc.

American Hotel Income Properties REIT Inc. (the "**U.S. REIT**") is a corporation formed in Maryland. The head office and address for service of the U.S. REIT is located at 8080 East Central, Suite 180, Wichita, Kansas 67206. The U.S. REIT's registered office is in the State of Maryland and is c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201. The U.S. REIT qualifies as a real estate investment trust pursuant to the Code.

In order to accommodate the requirements of lenders, to segregate risks of ownership of the Existing Portfolio, and to comply with qualification requirements as a real estate investment trust under the Code, the U.S. REIT owns the Existing Portfolio through wholly-owned direct and indirect Subsidiaries of the U.S. REIT (including Lodging Properties and direct Subsidiaries of AHIP Properties LLC), which in turn lease the Existing Portfolio to other wholly-owned direct and indirect Subsidiaries of the U.S. REIT (including Lodging Enterprises and direct Subsidiaries of AHIP Enterprises LLC, respectively). Lodging Enterprises and direct Subsidiaries of AHIP Enterprises LLC continue to operate the Existing Portfolio through arrangements with Lodging Properties and Subsidiaries of AHIP Properties, respectively, and direct Subsidiaries of the Master Hotel Manager. Additional acquisitions of properties by the U.S. REIT will be undertaken through one or more wholly-owned Subsidiaries of the U.S. REIT in a manner similar to acquisitions recently completed by the REIT. See "Recent Developments".

Lodging Properties LLC

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

Lodging Enterprises, LLC

Lodging Enterprises, LLC was formed in Delaware on April 18, 2008 and is a wholly-owned Subsidiary of the U.S. REIT. It leases real estate from Lodging Properties to operate the hotels underlying the Railway Portfolio. Lodging Enterprises is domiciled in the U.S. and its head and registered office is located at 8080 East Central, Suite 180, Wichita, Kansas 67206.

AHIP Properties LLC

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

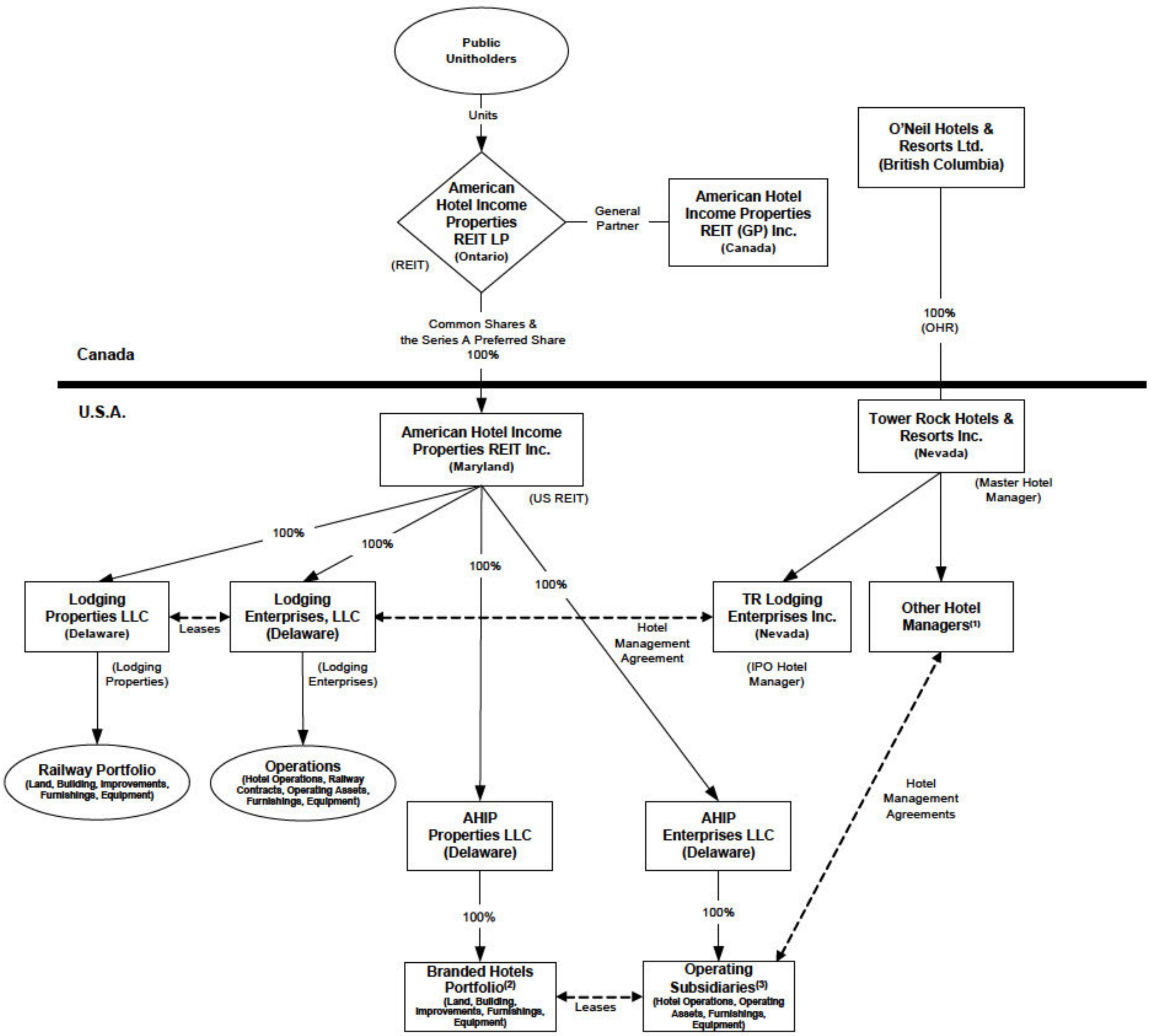
AHIP Enterprises LLC

AHIP Enterprises LLC was formed in Delaware on August 27, 2013 and is a wholly-owned Subsidiary of the U.S. REIT. In the case of each hotel within the Branded Hotels Portfolio, a direct subsidiary of AHIP Enterprises

LLC leases the applicable real estate from a direct subsidiary of AHIP Properties LLC to operate the hotel. AHIP Enterprises LLC is domiciled in the U.S. and its head and registered offices are located at 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

Organizational Structure

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



(1) Each of the properties comprising the Branded Hotels Portfolio is managed by a separate, direct, wholly owned Subsidiary of the Master Hotel Manager through an individual hotel management agreement entered into with a direct, wholly owned Subsidiary of AHIP Enterprises LLC.

(2) Each of the properties comprising the Branded Hotels Portfolio is owned by a separate, direct, wholly owned Subsidiary of AHIP Properties LLC. The Branded Hotels Portfolio currently consists of the Pittsburgh Portfolio, the Virginia Portfolio and the North Carolina Portfolio.

(3) Each of the properties comprising the Branded Hotels Portfolio is leased by a separate, direct, wholly owned Subsidiary of AHIP Enterprises LLC from a direct Subsidiary of AHIP Properties LLC.

BUSINESS OF THE REIT

The REIT currently owns 47 hotel properties located in 22 states across the United States, representing an aggregate of 3,958 rooms, excluding three previously announced properties currently under development through the Developer, which are expected by the REIT's management to aggregate 185 additional rooms. The REIT's growth strategy is to focus on transportation-oriented hotels located in secondary markets in the U.S. in close proximity to railroads, airports, highway interchanges and other transportation hubs providing select and limited-service lodging to need-based corporate, transient travelers, crew and contractual customers.

The REIT structures its operations in two operating and reportable segments: (i) the Railway Portfolio; and (ii) the Branded Hotels Portfolio.

Railway Portfolio

The Railway Portfolio of the REIT is currently comprised of 35 hotel properties representing a total of 2,697 rooms. The Railway Portfolio is geographically diversified among 19 states in the U.S. and each of the properties has been built to a high standard of quality, is well maintained, and has been acquired for less than its replacement cost. Management believes that the Railway Portfolio comprises the largest and highest-quality chain of crew lodging facilities presently serving the U.S. freight railroad industry. The average age of the properties in the Railway Portfolio is approximately 11 years (including major renovations).

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

Management expects the Railway Portfolio to continue to provide a platform on which to expand the REIT's business and activities through a combination of organic growth, participation in strategic development opportunities and accretive acquisitions.

Branded Hotels Portfolio

The Branded Hotels Portfolio of the REIT is currently comprised of 12 hotel properties representing a total of 1,261 rooms. As with the Railway Portfolio, the REIT intends for the Branded Hotels Portfolio to be geographically diversified throughout the U.S. The average age of the properties in the Branded Hotels Portfolio is approximately 16 years (including major renovations).

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

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

Hotel Management

The REIT is internally managed by an experienced senior management team. Each of the properties within the Railway Portfolio and the Branded Hotels Portfolio is externally operated by a direct Subsidiary (each, a "**Hotel Manager**") of Tower Rock Hotels & Resorts Inc. (the "**Master Hotel Manager**"). The Master Hotel Manager is a wholly owned Subsidiary of O'Neill Hotels & Resorts Ltd. All subsequent Properties will be externally managed by the Master Hotel Manager, or through one or more of the Master Hotel Manager's wholly owned Subsidiaries.

Hotel Development

The REIT has entered into a development agreement with the Developer, an Affiliate of each of O'Neill Hotels & Resorts Ltd. and the Sunstone Group, and Sunstone O'Neill Hotel Management Inc. pursuant to which the REIT's Subsidiaries have preferential rights to acquire properties that are developed by the Developer from time to time.

For a more detailed description of the business of the REIT, investors should refer to pages 16 - 27 under the heading "Business of AHIP" of the AIF which is incorporated by reference herein and available on SEDAR at www.sedar.com.

RECENT DEVELOPMENTS

The following is a summary of recent developments involving the REIT since June 30, 2014, being the end date of the reporting period covered by the REIT's most recently filed interim financial statements and management's discussion and analysis.

Acquisition of the North Carolina Portfolio

On July 3, 2014, the REIT indirectly acquired three of the four hotel properties in the North Carolina Portfolio, with the fourth hotel property in the portfolio indirectly acquired by the REIT on July 11, 2014. The North Carolina Portfolio is comprised of an aggregate of 387 guest rooms and consists of two hotels under the "Fairfield Inn & Suites" flag (a brand controlled by Marriott International, Inc.), one hotel under the "SpringHill Suites" flag (a brand controlled by Marriott International, Inc.) and one hotel under the "Hampton Inn" flag (a brand controlled by Hilton Worldwide). The properties are located in Asheboro, North Carolina (one Fairfield Inn & Suites hotel and one Hampton Inn hotel), Pinehurst, North Carolina (one SpringHill Suites hotel) and Kingsland, Georgia (one Fairfield Inn & Suites hotel), proximate to transportation hubs and other major demand generators such as military bases, manufacturing facilities, medical centers and golf and leisure attractions. The properties cater primarily to corporate travelers seeking select-service lodging. The aggregate cost of the North Carolina Portfolio was approximately US$30.5 million, including a payment into a post-closing escrow of approximately US$1.2 million, and excluding customary closing and post-acquisition adjustments and the funding of a US$1.5 million brand-mandated property improvement plan. The North Carolina Portfolio was purchased at a weighted average going-in capitalization rate of approximately 8.2%, after inclusion of all hotel management fees, or approximately US$82,700 per room.

The REIT funded the purchase price for the North Carolina Portfolio using a combination of cash from the June 2014 Offering, the assumption of separate CMBS debt on each of the Asheboro, North Carolina Hampton Inn hotel (the "**Asheboro Assumed Loan**") and the Pinehurst, North Carolina SpringHill Suites hotel (the "**Pinehurst Assumed Loan**") and a single new CMBS financing on the two Fairfield Inn & Suites hotels (the "**New CMBS Loan**"). The Asheboro Assumed Loan commenced on July 8, 2011 and is scheduled to mature on August 1, 2018. The interest rate on the Asheboro Assumed Loan is fixed at 5.69% per annum, and the loan is collateralized, defaulted and secured by a first-priority mortgage encumbering the Asheboro, North Carolina Hampton Inn hotel. The Pinehurst Assumed Loan commenced on January 7, 2014 and is scheduled to mature on February 1, 2024. The interest rate on the Pinehurst Assumed Loan is fixed at 5.28% per annum, and the loan is collateralized, defaulted and secured by a first-priority mortgage encumbering the Pinehurst, North Carolina SpringHill Suites hotel. The REIT indirectly entered into the New CMBS Loan with a major international bank for US$6.0 million pursuant to the terms of a loan agreement. The initial term of the New CMBS Loan is 10 years, which commenced on July 3, 2014 and is scheduled to mature on July 6, 2024. The interest rate on the loan is fixed at 4.72% per annum, and the Loan is cross-collateralized, cross-defaulted and secured by a first-priority mortgage encumbering each of the two Fairfield Inn & Suites hotels. The following table sets out certain key characteristics of the North Carolina Portfolio:

Hotel	Location	Year Built	# of Rooms	Occupancy (2013)	ADR (2013)	RevPAR (2013)
Hampton Inn	Asheboro, NC	1995	111	71.7%	US$82.36	US$59.08
Fairfield Inn & Suites	Asheboro, NC	2009	87	62.4%	US$75.34	US$46.99
Fairfield Inn & Suites	Kingsland, GA	2008	82	65.3%	US$72.45	US$47.30
SpringHill Suites	Pinehurst, NC	1999	107	62.6%	US$81.87	US$51.22
Total/Weighted Average			**387**	**65.7%**	**US$78.55**	**US$51.63**

Agreement to Acquire Oak Tree Inn in Glendive, Montana

The REIT, through its indirect wholly-owned subsidiary Lodging Properties, has entered into a definitive purchase and sale agreement with the Developer dated October 17, 2014 for its previously disclosed intended acquisition of a new Oak Tree Inn and Penny's Diner located in Glendive, Montana for a purchase price of approximately US$4.9 million. The purchase price for this Oak Tree Inn will be satisfied by a combination of: (i) approximately US$3.9 million in cash from a combination of cash on hand (approximately US$800,000) and debt financing through a draw on AHIP's construction facility (approximately US$3.1 million); (ii) the offset of approximately US$600,000 in mezzanine loans currently owed by the Developer to the REIT; and (iii) approximately US$400,000 in Units, the number of Units being calculated based on an agreed upon price per Unit as follows: US$400,000 divided by the product of Cdn$10.45 per Unit and the ratio representing the closing exchange rate of the U.S. dollar to the Canadian dollar published by the Bank of Canada on the business day immediately prior to the closing date for this acquisition. The closing of this acquisition is expected to occur on or about October 23, 2014.

THE ACQUISITIONS

The Texas Portfolio

Overview

The REIT has entered into a purchase and sale agreement (the "**Texas PSA**") dated August 29, 2014 with the Texas Sellers for a high-quality nationally-branded portfolio of three hotels in Amarillo, Texas (the "**Texas Portfolio**"). The Texas Portfolio is comprised of three branded hotels with 293 guestrooms, which includes a Fairfield Inn and Suites (a Marriott International brand), a Holiday Inn (an Intercontinental Hotels Group brand) and a Sleep Inn and Suites (a Choice Hotels brand). The Texas Portfolio is being acquired for approximately US$31.4 million or approximately US$107,000 per room, excluding brand-mandated property improvement plans of approximately US$400,000 and customary closing and post acquisition adjustments. The properties are situated in Amarillo, Texas on the I-40 corridor between Oklahoma City, Oklahoma and Albuquerque, New Mexico and the US-287 corridor between Dallas, Texas and Denver, Colorado. Amarillo is located 260 miles west of Oklahoma City. One of the properties is adjacent to an international airport. The properties are all less than five years old and are in good physical condition. Major employers in the local area include Tyson Foods, Affiliated Foods, BWXT Pantex, Bell Helicopter, Western National Life Insurance, Amarillo College and BNSF.

The REIT expects to fund the purchase price of the Texas Portfolio, including the brand-mandated property improvement plans, using a combination of cash and a new CMBS loan. The new CMBS loan is expected to be provided at approximately 50-55% loan-to-value, for a 10 year term, interest-only for the entire term at an expected fixed interest rate of approximately 4.5%.

The following table sets out certain key characteristics of the Texas Portfolio:

Hotel	Location	Year Built	# of Rooms	Occupancy (2013)	ADR (2013)	RevPAR (2013)
Fairfield Inn & Suites	Amarillo, TX	2012	79	82.4%	US$96.00	US$79.10
Holiday Inn	Amarillo, TX	2011	151	76.7%	US$94.94	US$72.82
Sleep Inn & Suites	Amarillo, TX	2009	63	87.7%	US$76.02	US$66.67
Total/Weighted Average			**293**	**80.6%**	**US$91.16**	**US$73.47**

The acquisition of the Texas Portfolio is expected to close by the end of October 2014 (which closing may occur prior to the Offering Closing), subject to customary closing conditions and documentation. In the event that the closing of the Texas Portfolio occurs prior to the Offering Closing, the REIT will use a combination of cash on hand and the proceeds of a new CMBS loan to fund the purchase price for the Texas Portfolio, including the brand-mandated property improvement plans.

Texas Portfolio Financial Statements

Securities regulation in Canada requires that a public entity that files a prospectus and that is undertaking a significant proposed acquisition include financial statements or other information about the proposed acquisition in the prospectus, if the inclusion of the financial statements is necessary for the prospectus to contain full, true and plain disclosure of all the material facts relating to the securities being distributed. If such financial statements or other information are required, such requirement must be satisfied by including either: (i) the financial statements or other information that will be required to be included in, or incorporated by reference into, a business acquisition report filed under Part 8 of NI 51-102; or (ii) satisfactory alternative financial statements or other information.

The acquisition of the Texas Portfolio is a "significant acquisition" within the meaning of Part 8 of NI 51-102. While the acquisition of the Texas Portfolio would not trigger the asset test or the investment test (as such tests are defined in NI 51-102), it would trigger the profit or loss test, thereby requiring the filing of a business acquisition report. Notwithstanding the foregoing, the REIT does not consider the acquisition of the Texas Portfolio to be a "significant acquisition" from a commercial, business, practical and financial perspective for the following reasons: (i) the test for whether or not an acquisition is significant under the profit or loss test produces an anomalous result in this instance that exaggerates the significance of the acquisition of the Texas Portfolio and does not correlate to the actual significance of the acquisition of the Texas Portfolio from a commercial, business, practical or financial perspective; (ii) the number of guestrooms of the Texas Portfolio represents a non-significant proportion of the REIT's overall number of guestrooms; and (iii) the expected revenue of the Texas Portfolio represents a non-significant proportion of the REIT's overall expected revenue.

The REIT believes that the inclusion of financial statements that would be required to be included in, or incorporated by reference into, a business acquisition report in respect of the acquisition of the Texas Portfolio is not necessary in order for this prospectus to contain full, true and plain disclosure of all material facts relating to the Offered Units since: (i) the prospectus contains disclosure about the proposed acquisition of the Texas Portfolio; (ii) as a commercial, business, practical or financial matter, the acquisition of the Texas Portfolio would not be significant to the REIT; and (iii) a copy of the Texas Appraisals (as defined below) has been filed on SEDAR.

In accordance with the above position, the REIT will apply for an exemption from the requirement to prepare a business acquisition report with respect to the acquisition of the Texas Portfolio once the acquisition has closed.

Independent Appraisal of the Texas Portfolio

The REIT retained CBRE to provide an independent appraisal of the fair market value of each of the three hotel properties comprising the Texas Portfolio (collectively, the "**Texas Appraisals**"). CBRE reports that the sum of the individual appraised values of the Texas Portfolio as of September 15, 2014 was US$31.8 million. This sum of the individual appraised values gives no consideration to a portfolio discount or premium. The appraised values are subject to the assumptions and limiting conditions as described in the Texas Appraisals.

CBRE confirms that the Texas Appraisals were prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which include the USPAP adopted by the Appraisal Standards Board of the Appraisal Foundation (United States). The Dictionary of Real Estate Appraisal, 5th ed., published by the Appraisal Institute, cites market value as "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus". Implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure of each individual property in the open market; (iv) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. None of CBRE or its affiliates were given any limiting instructions.

There are three generally-accepted approaches to developing an opinion of value: income capitalization, cost and sales comparison. In appraisal practice, an approach to value is included or eliminated based on its applicability to the property type being valued and the quality of information available. The reliability of each approach depends on the availability and comparability of market data as well as the motivation and thinking of purchasers. These valuation methods are methods traditionally used by investors when acquiring properties of this nature.

In determining the approximate market value of the Texas Portfolio, CBRE relied on operating and financial data provided by the Texas Sellers, including detailed reports on occupancies and average daily rates, which also included data on current and historic financial information from financial statements provided by the

Texas Sellers. CBRE believes that the Texas Appraisals give appropriate consideration to projected net operating income for each property in terms of occupancy, average daily rate, growth rates, operating expenses, fixed charges and provisions for required capital improvements. Specifically, for each property, CBRE discussed with management the applicable property's history, current status and future prospects, reviewed historical operating results and reviewed in detail management revenue and expense estimates as set forth in the operating budgets and historical statements for their reasonableness. CBRE visited each hotel property comprising the Texas Portfolio to assess location and physical characteristics and estimated the highest and best use for each property. Appropriate valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information. Based on its review, and other relevant facts, CBRE considered such applicable data to be reasonable and supportable.

In appraising the Texas Portfolio, CBRE assumed that title to the hotel properties comprising the Texas Portfolio is good and marketable and did not take into account engineering, environmental, zoning, planning or related issues.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value as of a specified date based upon assumptions and limiting conditions and any extraordinary assumptions specific to the Texas Appraisals. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Texas Appraisals are based on various assumptions of future expectations and while CBRE's internal forecasts of net operating income for the properties comprising the Texas Portfolio is considered by CBRE to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

A publicly traded real estate limited partnership will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Texas Appraisals.

Environmental Site Assessment of Texas Portfolio

Each of the hotel properties comprising the Texas Portfolio have been the subject of a Phase I ESA Report conducted by independent environmental consultants. The Phase I ESA Reports were completed for the Texas Portfolio in September 2014. The Phase I ESA Reports were prepared in general accordance with standard practices for environmental site assessments. The purpose of the Phase I ESA Reports was to identify any RECs at the hotel properties comprising the Texas Portfolio, which means the presence or likely presence of any hazardous substances or petroleum products on such properties under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on such properties or into the ground, groundwater or surface water of such properties. RECs include hazardous substances or petroleum products even under conditions in compliance with laws. RECs are not intended to include *de minimis* conditions that generally do not present a threat to human health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate government agencies. Intrusive sampling and analysis were not part of these Phase I ESA Reports.

Based on the Phase I ESA Reports, the independent environmental consultants did not identify any RECs at the properties comprising the Texas Portfolio that warranted further environmental assessment investigation.

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

Property Condition Reports for Texas Portfolio

Property condition reports were prepared for each of the hotel properties comprising the Texas Portfolio to determine and document the existing condition of each building. The assessments included the major building operating components and systems of subject properties and also identified and quantified any major defects in materials or systems which would likely affect significantly the value of any of the subject properties or the continued operation thereof. The reports on the properties were completed in September 2014.

The reports estimated requirements for modified capital reserve expenditures in the amount of approximately US$52,000 to be completed immediately (i.e. within 90 days of the assessment), approximately US$12,000 in the short term (i.e. with six months of the assessment), and approximately US$4.7 million over the next 12 years, excluding any costs associated with any brand-mandated property improvement plans. Categories for modified capital reserve expenditures included, without limitation, the site, exteriors, roofing, interiors, plumbing systems, heating, ventilation and air conditioning, fire protection and life safety and elevators.

Based on the reports, each of the hotel properties comprising the Texas Portfolio was determined to be in a satisfactory condition commensurate with its age. In addition, the REIT will include adequate reserves in its cash flow to fund ongoing capital expenditure requirements for the Texas Portfolio.

Texas PSA

Overview

The following is a summary of the material attributes and characteristics of the Texas PSA. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Texas PSA, which has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com. A subscriber of Offered Units should refer to the terms of the Texas PSA for a complete description of the representations, warranties and indemnities being provided in favour of the U.S. REIT (the "**Texas Purchaser**"), and related limitations under the Texas PSA.

Purchase Price

The REIT, indirectly through the Texas Purchaser, intends to acquire the Texas Portfolio from the Texas Sellers for an aggregate purchase price of approximately US$31.4 million (including a payment into a post-closing escrow in the amount of US$625,000). The purchase price for the Texas Portfolio will be satisfied by a combination of: (i) approximately US$16.0 million net proceeds from a new CMBS loan; and (ii) approximately US$15.4 million in cash from a combination of the REIT's cash on hand (approximately US$6.4 million) and the proceeds of the Offering (approximately US$9.0 million). The total purchase price is subject to customary closing and post-closing adjustments of rents, real estate taxes and other items of income and expenses with respect to the Texas Portfolio as set forth in the Texas PSA.

Representations, Warranties and Covenants

The Texas PSA contains representations and warranties typical of those contained in acquisition agreements negotiated between parties dealing at arm's length (including, among other things, representations and warranties as to organization and status, power and authorization, ownership of the hotel properties comprising the Texas Portfolio, compliance with laws, tax matters, employees and environmental matters).

Conditions

The obligation of the Texas Purchaser to complete the transactions contemplated by the Texas PSA is subject to various conditions for the exclusive benefit of the Texas Purchaser to be fulfilled or performed at or prior to the closing date of the acquisition, including, among other things, conditions relating to the Texas Sellers' representations and warranties; compliance with all of the covenants, agreements, closing requirements and conditions required by the Texas PSA; termination of the existing management agreements and the existing franchise agreements; execution and delivery of a new franchise agreement; and execution and delivery of non-compete agreements, as qualified in the Texas PSA.

The obligation of the Texas Sellers to complete the transactions contemplated by the Texas PSA is subject to various conditions for the exclusive benefit of the Texas Sellers to be fulfilled or performed at or prior to the closing date of the acquisition, including, among other things, conditions relating to the Texas Purchaser's representations and warranties; compliance with all of the covenants, agreements, closing requirements and conditions required by the Texas PSA; and execution and delivery of the Texas Purchaser's franchise agreements, as qualified in the Texas PSA.

Indemnities

In the Texas PSA, each Texas Seller indemnifies the Texas Purchaser on customary terms for losses arising or resulting from, among other things, any breach of any representation or warranty of such Texas Seller; noncompliance or breach by such Texas Seller of any covenant or agreement of such Texas Seller; any breach of any tax representation or warranty of such Texas Seller; any claims brought by any third party to the extent arising from acts, omissions or occurrences that occur or accrue in connection with the Texas Portfolio prior to the closing date for the acquisition thereof; and any non-compliance with any applicable laws relating to fraudulent conveyance or transfer. The indemnification obligations of each Texas Seller are subject to a number of limitations, including thresholds for minimum size of a claim and an overall liability cap of US$625,000 (subject to certain exceptions). The obligations of the Texas Sellers and the Texas Purchaser in relation to these indemnities are subject to a specified survival period of 18 months following the closing date of the acquisition. Subject to certain specified exceptions, the indemnification provisions constitute the Texas Purchaser's sole and exclusive remedies against the Texas Sellers under the Texas PSA.

There can be no assurance of recovery by the Texas Purchaser from the Texas Sellers directly or through the post-closing escrow for breach of the representations, warranties and indemnity provided under the Texas PSA. There can be no assurance that the assets of the Texas Sellers will be sufficient to satisfy any claims made against them. Only the Texas Purchaser will be entitled to bring a claim or action for misrepresentation or breach of contract under the Texas PSA and purchasers of the Offered Units under this prospectus will not have any contractual rights or remedies under the Texas PSA. Purchasers will, however, have certain statutory rights against the REIT under applicable securities laws. See "Purchaser's Statutory and Contractual Rights".

In the Texas PSA, the Texas Purchaser indemnifies each Texas Seller on customary terms for losses arising or resulting from, among other things, any breach of any representation or warranty of the Texas Purchaser; any claims brought by any third party to the extent arising from acts, omissions or occurrences that occur or accrue in connection with the Texas Portfolio after the closing date for the acquisition thereof; and any claims arising in relation to the *United States Worker Adjustment and Retraining Notification Act* as a result of the transactions contemplated under the Texas PSA. The indemnification obligations of the Texas Purchaser are subject to a number of limitations, including thresholds for minimum size of a claim and an overall liability cap of US$625,000. The obligations of the Texas Purchaser and the Texas Seller in relation to these indemnities are subject to a specified survival period of 18 months following the closing date of the acquisition. Subject to certain specified exceptions, the indemnification provisions constitute the Texas Sellers' sole and exclusive remedies against the Texas Purchaser under the Texas PSA.

The Oklahoma Portfolio

Overview

The REIT has entered into a purchase and sale agreement (the "**Oklahoma PSA**") dated August 29, 2014 with the Oklahoma Sellers for a high-quality nationally-branded portfolio of four hotels in Oklahoma (the "**Oklahoma Portfolio**"). The Oklahoma Portfolio comprises four branded hotels with 440 guestrooms, which includes a Hampton Inn and Suites (a Hilton Worldwide brand), two Holiday Inn properties (an Intercontinental Hotels Group brand) and a Staybridge Suites (an Intercontinental Hotels Group brand). The Oklahoma Portfolio is being acquired for approximately US$48.0 million or approximately US$109,000 per room, excluding brand-mandated property improvement plans of approximately US$700,000 and customary closing and post acquisition adjustments. The properties are located in and around the Oklahoma City area, which has a population of approximately 610,000 and is one of the top 30 cities in the United States by population. The properties are located approximately 200 miles north of Dallas, Texas, 100 miles southwest of Tulsa, Oklahoma and 350 miles southwest of Kansas City, Missouri. Two of the properties are located next to an international airport. The properties are all less than four years old and are in good physical condition. Major employers in the local area include Chesapeake Energy and DEVON Energy (both Fortune 500 companies) and OGE Energy (a Fortune 1,000 company).

The REIT expects to fund the purchase price of the Oklahoma Portfolio, including the brand-mandated property improvement plans, using a combination of cash and a new CMBS loan. The new CMBS loan is expected to be provided at approximately 50-55% loan-to-value, for a 10 year term, interest-only for the entire term at an expected fixed interest rate of approximately 4.5%.

The following table sets out certain key characteristics of the Oklahoma Portfolio:

Hotel	Location	Year Built	# of Rooms	Occupancy (2013)	ADR (2013)	RevPAR (2013)
Holiday Inn Oklahoma City Airport	Oklahoma City, OK	2010	147	71.4%	US$92.12	US$65.76
Staybridge Suites Oklahoma City Airport	Oklahoma City, OK	2010	103	80.8%	US$82.48	US$66.62
Holiday Inn Oklahoma City North Quail Springs	Oklahoma City, OK	2011	109	66.3%	US$79.96	US$53.01
Hampton Inn Woodward	Woodward, OK	2010	81	72.9%	US$112.72	US$82.17
Total/Weighted Average			**440**	**72.6%**	**US$90.64**	**US$65.82**

The acquisition of the Oklahoma Portfolio is expected to close by mid-November 2014, subject to customary closing conditions and documentation.

Oklahoma Portfolio Financial Statements

Securities regulation in Canada requires that a public entity that files a prospectus and that is undertaking a significant proposed acquisition include financial statements or other information about the proposed acquisition in the prospectus, if the inclusion of the financial statements is necessary for the prospectus to contain full, true and plain disclosure of all the material facts relating to the securities being distributed. If such financial statements or other information are required, such requirement must be satisfied by including either: (i) the financial statements or other information that will be required to be included in, or incorporated by reference into, a business acquisition report filed under Part 8 of NI 51-102; or (ii) satisfactory alternative financial statements or other information.

The acquisition of the Oklahoma Portfolio is a “significant acquisition” within the meaning of Part 8 of NI 51-102. While the acquisition of the Oklahoma Portfolio would not trigger the asset test or the investment test (as such tests are defined in NI 51-102), it would trigger the profit or loss test, thereby requiring the filing of a business acquisition report. Notwithstanding the foregoing, the REIT does not consider the acquisition of the Oklahoma Portfolio to be a “significant acquisition” from a commercial, business, practical and financial perspective for the following reasons: (i) the test for whether or not an acquisition is significant under the profit or loss test produces an anomalous result in this instance that exaggerates the significance of the acquisition of the Oklahoma Portfolio and does not correlate to the actual significance of the acquisition of the Oklahoma Portfolio from a commercial, business, practical or financial perspective; (ii) the number of guestrooms of the Oklahoma Portfolio represents an non-significant proportion of the REIT’s overall number of guestrooms; and (iii) the expected revenue of the Oklahoma Portfolio represents a non-significant proportion of the REIT’s overall expected revenue.

The REIT believes that the inclusion of financial statements that would be required to be included in, or incorporated by reference into, a business acquisition report in respect of the acquisition of the Oklahoma Portfolio is not necessary in order for this prospectus to contain full, true and plain disclosure of all material facts relating to the Offered Units since: (i) the prospectus contains disclosure about the proposed acquisition of the Oklahoma Portfolio; (ii) as a commercial, business, practical or financial matter, the acquisition of the Oklahoma Portfolio would not be significant to the REIT; and (iii) a copy of the Oklahoma Appraisals (as defined below) have been filed on SEDAR.

In accordance with the above position, the REIT will apply for an exemption from the requirement to prepare a business acquisition report with respect to the acquisition of the Oklahoma Portfolio once the acquisition has closed.

Independent Appraisal of the Oklahoma Portfolio

The REIT retained CBRE to provide an independent appraisal of the fair market value of each of the four hotel properties comprising the Oklahoma Portfolio (collectively, the “**Oklahoma Appraisals**”). CBRE reports that the sum of the individual appraised values of the Oklahoma Portfolio as of September 22, 2014 was US$48.1 million. This sum of the individual appraised values gives no consideration to a portfolio discount or premium. The appraised values are subject to the assumptions and limiting conditions as described in the Oklahoma Appraisals.

CBRE confirms that the Oklahoma Appraisals were prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which include the

USPAP adopted by the Appraisal Standards Board of the Appraisal Foundation (United States). The Dictionary of Real Estate Appraisal, 5th ed., published by the Appraisal Institute, cites market value as "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus". Implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure of each individual property in the open market; (iv) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. None of CBRE or its affiliates were given any limiting instructions.

There are three generally-accepted approaches to developing an opinion of value: income capitalization, cost and sales comparison. In appraisal practice, an approach to value is included or eliminated based on its applicability to the property type being valued and the quality of information available. The reliability of each approach depends on the availability and comparability of market data as well as the motivation and thinking of purchasers. These valuation methods are methods traditionally used by investors when acquiring properties of this nature.

In determining the approximate market value of the Oklahoma Portfolio, CBRE relied on operating and financial data provided by the Oklahoma Sellers, including detailed reports on occupancies and average daily rates, which also included data on current and historic financial information from financial statements provided by Oklahoma Sellers. CBRE believes that the Oklahoma Appraisals give appropriate consideration to projected net operating income for each property in terms of occupancy, average daily rate, growth rates, operating expenses, fixed charges and provisions for required capital improvements. Specifically, for each property, CBRE discussed with management the applicable property's history, current status and future prospects, reviewed historical operating results and reviewed in detail management revenue and expense estimates as set forth in the operating budgets and historical statements for their reasonableness. CBRE visited each hotel property comprising the Oklahoma Portfolio to assess location and physical characteristics and estimated the highest and best use for each property. Appropriate valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information. Based on its review, and other relevant facts, CBRE considered such applicable data to be reasonable and supportable.

In appraising the Oklahoma Portfolio, CBRE assumed that title to the hotel properties comprising the Oklahoma Portfolio is good and marketable and did not take into account engineering, environmental, zoning, planning or related issues.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value as of a specified date based upon assumptions and limiting conditions and any extraordinary assumptions specific to the Oklahoma Appraisals. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Oklahoma Appraisals are based on various assumptions of future expectations and while CBRE's internal forecasts of net operating income for the properties comprising the Oklahoma Portfolio is considered by CBRE to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

A publicly traded real estate limited partnership will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Oklahoma Appraisals.

Environmental Site Assessment of Oklahoma Portfolio

Each of the hotel properties comprising the Oklahoma Portfolio have been the subject of a Phase I ESA Report conducted by independent environmental consultants. The Phase I ESA Reports were completed for the Oklahoma Portfolio in September 2014. The Phase I ESA Reports were prepared in general accordance with standard practices for environmental site assessments. The purpose of the Phase I ESA Reports was to identify any RECs at the hotel properties comprising the Oklahoma Portfolio, which means the presence or likely presence of any hazardous substances or petroleum products on such properties under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on such properties or into the ground, groundwater or surface water of such properties. RECs include hazardous substances or petroleum products even under conditions in compliance with laws. RECs are not intended to include *de minimis* conditions that generally do not present a threat to human health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate government agencies. Intrusive sampling and analysis were not part of these Phase I ESA Reports.

Based on the Phase I ESA Reports, the independent environmental consultants did not identify any RECs at the properties comprising the Oklahoma Portfolio that warranted further environmental assessment investigation other than as described below.

A prior occupant of the hotel property located in Woodward, Oklahoma (the "**Woodward Property**") was identified on the leaking underground storage tank ("**LUST**") database. A release was reported at this property in 1993. Regulatory closure was issued on March 28, 2003. No additional relevant information was provided in the regulatory database report; therefore, the independent environmental consultants obtained files from the Oklahoma Corporation Commission ("**OCC**") pertaining to this LUST case for the Woodward Property. According to the records provided by the OCC, the underground storage tank ("**UST**") closure report for the Woodward Property from May 1998 indicated that two USTs were removed from the Woodward Property on May 12, 1998. The soil and groundwater were subsequently tested and monitored by an environmental consulting firm. The final closure report for the Woodward Property LUST case was reviewed by the OCC on March 28, 2003. The OCC issued a No Further Action letter for this LUST case on March 28, 2003 based upon review of an Oklahoma Risk-Based Corrective Action Report. Based on the permitted closure of the monitoring wells and the regulatory closure by the OCC, as well as the subsequent redevelopment of the site with the current improvements, this is a closed LUST case and is considered by the independent environmental constants to be a historical REC with no additional action or investigation recommended by such independent environmental consultants.

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

Property Condition Reports for Oklahoma Portfolio

Property condition reports were prepared for each of the hotel properties comprising the Oklahoma Portfolio to determine and document the existing condition of each building. The assessments included the major building operating components and systems of subject properties and also identified and quantified any major defects in materials or systems which would likely affect significantly the value of any of the subject properties or the continued operation thereof. The reports on the properties were completed in September 2014.

The reports estimated requirements for modified capital reserve expenditures in the amount of approximately US$29,000 to be completed immediately (i.e. within 90 days of the assessment), approximately US$37,000 in the short term (i.e. with six months of the assessment), and approximately US$5.7 million over the next 12 years, excluding any costs associated with any brand-mandated property improvement plans. Categories for modified capital reserve expenditures included, without limitation, the site, exteriors, roofing, interiors, plumbing systems, heating, ventilation and air conditioning, fire protection and life safety and elevators.

Based on the reports, each of the hotel properties comprising the Oklahoma Portfolio was determined to be in a satisfactory condition commensurate with its age. In addition, the REIT will include adequate reserves in its cash flow to fund ongoing capital expenditure requirements for the Oklahoma Portfolio.

Oklahoma PSA

Overview

The following is a summary of the material attributes and characteristics of the Oklahoma PSA. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Oklahoma PSA, which has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com. A subscriber of Offered Units should refer to the terms of the Oklahoma PSA for a complete description of the representations, warranties and indemnities being provided in favour of the U.S. REIT (the "**Oklahoma Purchaser**"), and related limitations under the Oklahoma PSA.

Purchase Price

The REIT, indirectly through the Oklahoma Purchaser, intends to acquire the Oklahoma Portfolio from the Oklahoma Sellers for an aggregate purchase price of approximately US$48.0 million (including a payment into a post-closing escrow in the amount of US$200,000). The purchase price for the Oklahoma Portfolio will be satisfied by a combination of: (i) approximately US$25.5 million net proceeds from a new CMBS loan; and (ii) approximately US$22.5 million in cash from a combination of the REIT's cash on hand (approximately US$4.6 million) and the proceeds of the Offering (approximately US$17.9 million). The total purchase price is subject to customary closing and post-closing adjustments of rents, real estate taxes and other items of income and expenses with respect to the Oklahoma Portfolio as set forth in the Oklahoma PSA.

Representations, Warranties and Covenants

The Oklahoma PSA contains representations and warranties typical of those contained in acquisition agreements negotiated between parties dealing at arm's length (including, among other things, representations and warranties as to organization and status, power and authorization, ownership of the hotel properties comprising the Oklahoma Portfolio, compliance with laws, tax matters and employees).

Conditions

The obligation of the Oklahoma Purchaser to complete the transactions contemplated by the Oklahoma PSA is subject to various conditions for the exclusive benefit of the Oklahoma Purchaser to be fulfilled or performed at or prior to the closing date of the acquisition, including, among other things, conditions relating to the Oklahoma Sellers' representations and warranties; compliance with all of the covenants, agreements, closing requirements and conditions required by the Oklahoma PSA; termination of the existing management agreements and the existing franchise agreements; execution and delivery of a new franchise agreement; and execution and delivery of non-compete agreements, as qualified in the Oklahoma PSA.

The obligation of the Oklahoma Sellers to complete the transactions contemplated by the Oklahoma PSA is subject to various conditions for the exclusive benefit of the Oklahoma Sellers to be fulfilled or performed at or prior to the closing date of the acquisition, including, among other things, conditions relating to the Oklahoma Purchaser's representations and warranties; compliance with all of the covenants, agreements, closing requirements and conditions required by the Oklahoma PSA; and execution and delivery of the Oklahoma Purchaser's franchise agreements, as qualified in the Oklahoma PSA.

Indemnities

In the Oklahoma PSA, each Oklahoma Seller indemnifies the Oklahoma Purchaser on customary terms for losses arising or resulting from, among other things, any breach of any representation or warranty of such Oklahoma Seller; noncompliance or breach by such Oklahoma Seller of any covenant or agreement of such Oklahoma Seller; any claims brought by any third party to the extent arising from acts, omissions or occurrences that occur or accrue in connection with the Oklahoma Portfolio prior to the closing date for the acquisition thereof; any breach of any tax representation or warranty of such Oklahoma Seller; and any non-compliance any applicable law relating to fraudulent conveyance or transfer. The indemnification obligations of each Oklahoma Seller are subject to a number of limitations, including thresholds for minimum size of a claim and an overall liability cap of US$200,000 (subject to certain exceptions). The obligations of the Oklahoma Sellers and the Oklahoma Purchaser in relation to these indemnities are subject to a specified survival period of 12 months following the closing date of the acquisition. Subject to certain specified exceptions, the indemnification provisions constitute the Oklahoma Purchaser's sole and exclusive remedies against the Oklahoma Sellers under the Oklahoma PSA.

There can be no assurance of recovery by the Oklahoma Purchaser from the Oklahoma Sellers directly or through the post-closing escrow for breach of the representations, warranties and indemnity provided under the Oklahoma PSA. There can be no assurance that the assets of the Oklahoma Sellers will be sufficient to satisfy any claims against them. Only the Oklahoma Purchaser will be entitled to bring a claim or action for misrepresentation or breach of contract under the Oklahoma PSA and purchasers of the Offered Units under this prospectus will not have any contractual rights or remedies under the Oklahoma PSA. Purchasers will, however, have certain statutory rights against the REIT under applicable securities laws. See "Purchaser's Statutory and Contractual Rights".

In the Oklahoma PSA, the Oklahoma Purchaser indemnifies each Oklahoma Seller on customary terms for losses arising or resulting from, among other things, any breach of any representation or warranty of the Oklahoma Purchaser and any claims brought by any third party to the extent arising from acts, omissions or occurrences that occur or accrue in connection with the Oklahoma Portfolio after the closing date for the acquisition thereof. The indemnification obligations of the Oklahoma Purchaser are subject to a number of limitations, including thresholds for minimum size of a claim and an overall liability cap of US$200,000. The obligations of the Oklahoma Purchaser and the Oklahoma Seller in relation to these indemnities are subject to a specified survival period of 12 months following the closing date of the acquisition. Subject to certain specified exceptions, the indemnification provisions constitute the Oklahoma Sellers' sole and exclusive remedies against the Oklahoma Purchaser under the Oklahoma PSA.

DISTRIBUTION HISTORY

Distributions

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

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

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

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

The REIT is currently making and intends to continue to make monthly cash distributions of Cdn$0.075 per Unit to Unitholders. Declared distributions will be paid to Unitholders of record at the close of business on the last business day of a month on or about the 15th day of the following month. The first distribution that will be reflected in the Offered Units is expected to be the distribution made by the REIT on November 14, 2014 to Unitholders of record as of October 31, 2014.

Previous Distributions

The REIT declared and paid cash distributions to Unitholders of record from October 31, 2013 to September 30, 2014 as per the following table:

Period	Record Date	Payment Date	Distribution Per Unit (Cdn)	Amount (Cdn)
October 2013[1]	October 31, 2013	November 15, 2013	$0.075	$1,077,938
November 2013	November 29, 2013	December 16, 2013	$0.075	$1,077,938
December 2013	December 31, 2013	January 15, 2014	$0.075	$1,082,835
January 2014	January 31, 2014	February 17, 2014	$0.075	$1,082,835
February 2014	February 28, 2014	March 14, 2014	$0.075	$1,082,835
March 2014	March 31, 2014	April 15, 2014	$0.075	$1,082,835
April 2014	April 30, 2014	May 15, 2014	$0.075	$1,082,835
May 2014	May 30, 2014	June 16, 2014	$0.075	$1,092,566
June 2014	June 30, 2014	July 15, 2014	$0.075	$1,460,066
July 2014	July 31, 2014	August 15, 2014	$0.075	$1,460,066
August 2014	August 29, 2014	September 15, 2014	$0.075	$1,460,066
September 2014	September 30, 2014	October 15, 2014	$0.075	$1,460,066
TOTAL				**$14,502,881**

(1) The holders of record as at November 21, 2013 of the Subscription Receipts were also entitled to receive the October 31, 2013 distribution. Such holders received payment thereof on November 26, 2013.

PRIOR SALES

No Units, or any securities convertible into or exchangeable into Units, have been issued by the REIT within the last 12 months, other than as set out below.

On October 31, 2013, the REIT completed a bought deal public offering of Subscription Receipts (the "**Subscription Receipt Offering**"), issuing a total of 3,967,500 Subscription Receipts at a price of Cdn$10.15 per Subscription Receipt for gross proceeds of approximately Cdn$40.3 million. On November 21, 2013, concurrent with the acquisition of the Pittsburgh Portfolio, one Unit of the REIT was issued in exchange for each outstanding Subscription Receipt without payment of additional consideration, which resulted in the issuance of 3,967,500 Units. In addition, the Subscription Receipt holders received Cdn$0.075 per Subscription Receipt (the "**Subscription Receipt Adjustment Payment**"), equal to the amount per Unit of the cash distribution made by the REIT on November 15, 2013 to the Unitholders of record on October 31, 2013. The Subscription Receipt Adjustment Payment was paid on November 26, 2013. The full details of the Subscription Receipt Offering are described in the final prospectus for the Subscription Receipt Offering dated October 24, 2013, a copy of which is available on SEDAR at www.sedar.com.

On December 30, 2013, the REIT issued a total of 65,300 Units with a grant date fair value of Cdn$10.50 per Unit to employees and executive officers of the General Partner as performance awards pursuant to the REIT's Securities-Based Compensation Plan. The grant date fair value of Cdn$10.50 per Unit was calculated using the weighted average price at which the Units had traded on the Exchange during the period of the five most recent trading days ending on the trading day immediately prior to the grant date, which was December 30, 2013.

On May 1, 2014, the REIT issued 101,247 Units at a price of Cdn$10.825 per Unit in connection the closing of the REIT's indirect acquisition from the Developer of the Oak Tree Inn hotel and Penny's Diner located in Santa Teresa, New Mexico.

On May 15, 2014, the REIT issued a total of 28,500 Units with a grant date fair value of Cdn$10.50 per Unit to an officer of the General Partner as a performance award pursuant to the REIT's Securities-Based Compensation Plan. This award was originally granted to such officer of the General Partner on December 30, 2013 and became fully vested on May 15, 2014. The grant date fair value of Cdn$10.50 per Unit was calculated using the weighted average price at which the Units had traded on the Exchange during the period of the five most recent trading days ending on the trading day immediately prior to the grant date.

On June 4, 2014, the REIT completed a bought deal public offering of Units (the "**June 2014 Offering**"), issuing a total of 4,900,000 Units at a price of Cdn$10.35 per Unit for gross proceeds of approximately Cdn$50.7

million. The full details of the June 2014 Offering are described in the final prospectus for the June 2014 Offering dated May 29, 2014 (the "**June 2014 Prospectus**"), a copy of which is available on SEDAR at www.sedar.com.

TRADING PRICE AND VOLUME

The Units are listed and posted for trading on the Exchange under the symbol HOT.UN. The following table sets out the price range and trading volume of the Units, for the months set out below, as reported by the Exchange:

	Price Range		
Month	**High (Cdn)**	**Low (Cdn)**	**Total Volume**
October 2013	$10.60	$10.18	1,046,426
November 2013	$11.00	$9.99	1,281,280
December 2013	$10.64	$10.23	543,006
January 2014	$11.27	$10.50	1,007,218
February 2014	$12.10	$11.00	757,997
March 2014	$11.91	$10.05	1,288,182
April 2014	$10.93	$9.96	1,204,198
May 2014	$10.83	$10.09	1,129,780
June 2014	$10.40	$10.08	1,742,247
July 2014	$10.73	$10.26	1,220,190
August 2014	$10.95	$10.33	1,340,219
September 2014	$10.95	$10.41	1,226,938
October 1 - 20, 2014	$10.81	$10.10	964,552

USE OF PROCEEDS

The total net proceeds from the sale of the Offered Units under this Offering are estimated to be approximately Cdn$42,637,920 (or approximately Cdn$49,123,608 if the Over-Allotment Option is exercised in full) after deducting the Underwriters' fees of Cdn$1,801,580 (or Cdn$2,071,817 if the Over-Allotment Option is exercised in full) and the expenses of the Offering estimated at Cdn$600,000.

The net proceeds of the Offering will be used: (i) as to approximately Cdn$10.0 million, to partially fund the acquisition of the Texas Portfolio (see "The Acquisitions – The Texas Portfolio"); (ii) as to approximately Cdn$20.0 million, to partially fund the acquisition of the Oklahoma Portfolio (see "The Acquisitions – The Oklahoma Portfolio"); (iii) as to approximately Cdn$12.5 million, to partially fund the potential acquisition of another portfolio of hotels in the southeast United States that is under preliminary review and subject to various conditions (the "**Southeast Portfolio II**"); and (iv) as to the balance, if any, to fund working capital and/or other potential acquisitions. See "The Acquisitions – The Texas Portfolio" and "– The Oklahoma Portfolio".

In the event that the closing of the Texas Portfolio occurs prior to the Offering Closing the REIT will: (i) use a combination of cash on hand and the proceeds of a new CMBS loan to fund the purchase price for the Texas Portfolio, including the brand-mandated property improvement plans; and (ii) re-allocate the proceeds of the Offering that would have otherwise been used to partially fund the acquisition of the Texas Portfolio to further fund (in conjunction with new CMBS loans) the purchase price for each of the Oklahoma Portfolio and the Southeast Portfolio II, if acquired, and to further fund working capital and/or other potential acquisitions.

Southeast Portfolio II

The REIT has entered into a conditional purchase and sale agreement (the "**Southeast Portfolio II PSA**") for a high-quality nationally-branded portfolio of hotels in the southeast United States. The aggregate purchase price for such portfolio is expected to be approximately US$45 million, including closing costs and approximately US$2.5 million in brand-mandated property improvement plans (but excluding customary closing and post-closing adjustments), which management expects to finance in part with a new interest-only CMBS loan at approximately 55-60% loan-to-value. For this acquisition, the REIT is targeting a portfolio capitalization rate of approximately 8.0% (after including all hotel management fees and a reserve for furniture, fixtures and equipment, and accounting for brand-mandated property improvement plans). The Southeast Portfolio II PSA is preliminary and subject to various conditions, including satisfactory completion of due diligence by the REIT and negotiation of formal legal documents.

The REIT intends to use a portion of the net proceeds of the Offering together with internally generated funds from its existing operations and to obtain additional debt financing in relation to the acquisition of the Southeast Portfolio II, if completed.

Use of Proceeds from the Over-Allotment

It is the REIT's current intention to use the net proceeds received by the REIT on the exercise of the Over-Allotment Option, if exercised, for future acquisitions and/or general corporate and working capital purposes.

Retaining Broad Discretion

The REIT will retain broad discretion in allocating (based on sound business principles) the net proceeds not applied in the manner set out above and the REIT's actual use of the net proceeds may vary depending on its operating and capital needs from time to time and may be used, without limitation, to further the REIT's business objectives. Any unallocated funds of the REIT will be initially added to its general working capital. To the degree that any of the above noted acquisitions does not occur, the REIT intends for such unused funds to be used for future acquisitions and/or general corporate and working capital purposes.

Use of Proceeds from the REIT's June 2014 Offering

In the June 2014 Prospectus, the REIT disclosed that the total net proceeds from the sale of the Units under the June 2014 Offering was estimated to be approximately Cdn$49,681,987 (inclusive of the estimated net proceeds of Cdn$6,480,259 related to the over-allotment option) after deducting the underwriters' fees for that offering of Cdn$2,070,083 and before deducting the estimated expenses of the June 2014 Offering of Cdn$350,000. As at May 29, 2014, the REIT estimated that the net proceeds of the June 2014 Offering would be used: (i) as to approximately Cdn$7.4 million, to acquire the New Oak Tree Inns (as defined in the June 2014 Prospectus) from the Developer, upon completion of construction; (ii) as to approximately Cdn$3.5 million, to partially fund the acquisition of the Additional Railway Hotels (as defined in the June 2014 Prospectus); (iii) as to approximately Cdn$30.8 million, to partially fund the potential acquisition of the Additional Other Branded Hotel Portfolios (as defined in the June 2014 Prospectus); and (iv) as to the balance, to fund working capital and general corporate purposes.

The table below compares the estimated and actual use of proceeds from the June 2014 Offering for the specific uses identified in the June 2014 Prospectus as at September 30, 2014:

Item	Estimated Use of Proceeds (Cdn)	Actual Use of Proceeds (Cdn)	Variance (Cdn)
Expenses of June 2014 Offering and Over-Allotment(1)	$350,000	$772,930	$422,930
Equity proceeds used for the completion of the purchase of the New Oak Tree Inns (as defined in the June 2014 Prospectus)(2)	$7,400,000	$0	($7,400,000)
Equity proceeds used for purchase of the Additional Railway Hotels (as defined in the June 2014 Prospectus)(3)	$3,500,000	$0	($3,500,000)
Equity proceeds used for purchase of the Additional Other Branded Hotel Portfolios (as defined in the June 2014 Prospectus)(4)	$30,800,000	$16,400,000	($14,400,000)
Equity proceeds used for working capital and general corporate purposes(4)	$7,631,987	$32,509,057	$24,877,070
TOTAL	**$49,681,987**	**$49,681,987**	**$0**

(1) The expenses of the June 2014 Offering were higher than budgeted due largely to higher than expected professional fees for translation, transaction support and tax advice.
(2) Completion of the purchase of the New Oak Tree Inns (as defined in the June 2014 Prospectus) has not yet occurred and is scheduled to occur during the fourth quarter of 2014.
(3) The purchase of the Additional Railway Hotels (as defined in the June 2014 Prospectus) has not yet occurred as management is currently negotiating lodging contracts with railway companies and continues to evaluate potential acquisition targets.
(4) The acquisition of a further suitable branded hotel portfolio contemplated by the LOI (as defined in the June 2014 Prospectus) did not occur; consequently, the REIT intends to utilize the remaining funds during the fourth quarter of 2014 to partially fund the purchase price for each of the Texas Portfolio, the Oklahoma Portfolio and the Southeast Portfolio II as contemplated herein.

CONSOLIDATED CAPITALIZATION OF THE REIT

The following table sets out the consolidated capitalization of the REIT both before and after giving effect to the Offering, but without giving effect to the exercise of the Over-Allotment Option.

	Outstanding at June 30, 2014 before giving effect to the Offering (unaudited)	Outstanding at June 30, 2014 after giving effect to the Offering (unaudited)
Indebtedness		
Term loan (gross)	US$136,012,000	US$136,012,000
Term loans – Acquisition Properties (gross)	–	US$41,500,000
Construction facility	–	–
Unitholders' Equity		
Units	US$170,316,000	US$210,710,170
Total capitalization	**US$306,328,000**	**US$388,222,170**

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the REIT has agreed to issue and sell, and the Underwriters have agreed to purchase on the date of the Offering Closing, subject to the terms and conditions contained in the Underwriting Agreement and subject to the approval of certain legal matters on behalf of the REIT by Farris, Vaughan, Wills & Murphy LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP, 4,310,000 Offered Units at the Offering Price for total gross consideration of Cdn$45,039,500, payable in cash to the REIT against delivery of the Offered Units. The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take and pay for all of the Offered Units if any of the Offered Units are purchased under the Underwriting Agreement.

The Offering Price for the Offered Units was determined by negotiation between the Underwriters and the REIT. The REIT has agreed to pay the Underwriters a commission of Cdn$0.418 per Unit, or 4.0% of the gross proceeds from the sale of the Offered Units, being an aggregate of Cdn$1,801,580. The Underwriters will also be reimbursed for certain expenses incurred in connection with the Offering. The REIT has also granted to the Underwriters, for a period of 30 days following the Offering Closing, the Over-Allotment Option to purchase up to 646,500 additional Units at the Offering Price payable in immediately available funds against delivery of such additional Units, to cover over-allotments and for market stabilization purposes, if any. If the Over-Allotment Option is exercised, the Underwriters will receive a fee of Cdn$0.418 per additional Unit purchased pursuant to such Over-Allotment Option.

Subscriptions for Offered Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Underwriters propose to offer the Offered Units to the public in Canada initially at the Offering Price stated on the cover page of this short form prospectus. Without affecting the firm obligation of the Underwriters to purchase the Offered Units in accordance with the Underwriting Agreement, the Underwriters may decrease the Offering Price of the Offered Units which they sell under this short form prospectus after they have made a reasonable effort to sell all such Offered Units at the Offering Price. The sale by the Underwriters of Offered Units at a price of less than the Offering Price will have the effect of reducing the compensation realized by the Underwriters by the amount that the aggregate price paid by the purchasers for the Offered Units is less than the gross proceeds paid by the Underwriters to the REIT for the Offered Units. The Underwriters will inform the REIT if the Offering Price is decreased.

This short form prospectus qualifies the distribution of the Offered Units. A purchaser who acquires Units forming part of the Underwriters' over-allotment position acquires those Units under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The REIT has agreed to indemnify the Underwriters and each of their shareholders, directors, officers, employees, partners, agents and each other person, if any, controlling the Underwriters against certain liabilities including, without limitation, civil liabilities under Canadian provincial securities legislation and to contribute to any payments the Underwriters may be required to make in respect thereof.

During a period ending 90 days after the date of the Offering Closing, the REIT and its Subsidiaries will not offer, sell or issue for sale any Units (other than pursuant to the exercise of the Over-Allotment Option or pursuant to any securities-based compensation plans of the REIT) or financial instruments or securities convertible into, or exercisable or exchangeable for, Units or agree to, or announce, any such offer, sale or issuance, without the prior written consent of Canaccord Genuity Corp. and National Bank Financial Inc. on behalf of the Underwriters, which consent may not be unreasonably withheld.

Pursuant to policy statements of the securities regulatory authority in Ontario, the Underwriters may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Units. These exceptions include a bid or purchase permitted under the rules of the applicable regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first mentioned exception, in connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The Exchange has conditionally approved the listing of the Offered Units to be distributed under this short form prospectus on the Exchange. Listing is subject to the REIT fulfilling all of the requirements of the Exchange on or before January 8, 2015.

The Offering Closing is expected to take place on or about October 28, 2014 or on any other date which may be mutually agreed upon in writing by the REIT and the Underwriters, but no later than October 31, 2014.

DESCRIPTION OF THE UNITS

Units

The following is a brief summary of all material attributes and characteristics of the Units. The following does not purport to be complete. For a more detailed description of the Units, investors should refer to page 44 under the heading "Capital Structure", pages 44-54 under the heading "LP Agreement" and pages 54-55 under the heading "Voting Trust Agreement" of the AIF which is incorporated by reference herein and available on SEDAR at www.sedar.com.

The REIT is authorized to issue an unlimited number of Units. As at October 6, 2014, there were 19,467,547 Units issued and outstanding. Each Unit entitles the Unitholder to the same rights and obligations as any other Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholders.

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

Each Unit has attached to it the right to exercise one vote at meetings of the REIT. Certain powers, relating generally to the existence and fundamental powers of the REIT may be exercisable only by way of a Special Resolution (as defined in the LP Agreement) passed by the Unitholders.

Book-Entry, Delivery and Form

The Offered Units will be issued electronically through the non-certificated inventory ("**NCI**") system and held by, or on behalf of, CDS or its successor (collectively, the "**Depository**"), as custodian for its Participants (defined below).

All Offered Units will be registered in the name of the Depository or its nominee through the NCI system. Purchasers of Offered Units will not receive certificates evidencing the Offered Units. Rather, the Offered Units will be represented only in "book-entry only" form (unless the REIT, in its sole discretion, elects to prepare and deliver certificates evidencing the Offered Units). Beneficial interests in the Offered Units will be represented through book-entry accounts of institutions (including the Underwriters) acting on behalf of beneficial owners, as direct and indirect participants of the Depository (each, a "**Participant**"). Each purchaser of an Offered Unit will receive a customer confirmation of purchase from the Underwriter or registered dealer from whom the Offered Unit is purchased in accordance with the practices and procedures of the selling Underwriter or registered dealer. The practices of registered dealers may vary but, generally, customer confirmations are issued promptly after execution of a customer order. The Depository will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in Offered Units. If the Depository notifies the REIT that it is unwilling or unable to continue as depository, or if at any time the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the REIT is unable to locate a qualified successor, beneficial owners of Offered Units holding through the NCI system at such time will receive certificates evidencing the Offered Units.

PRINCIPAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

Prospective purchasers of the Offered Units should consult their own tax advisors with respect to the Canadian income tax considerations in their circumstances.

In the view of KPMG, tax advisor to the REIT, and in the opinion of Blakes, counsel to the Underwriters, the following is a summary, as of the date hereof, of the principal Canadian federal income tax considerations generally applicable under the Tax Act to Unitholder who acquires Units pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times, is resident in Canada for the purposes of the Tax Act, deals at arm's length with the REIT, the General Partner and the Manager and is not affiliated with the REIT, the General Partner or the Manager and holds the Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided such Units are not held in the course of carrying on a business and have not been acquired in one or more transactions considered to be an adventure or concern in the nature of trade. The Units will not be "Canadian securities" for purposes of the election under subsection 39(4) of the Tax Act to have all "Canadian securities" owned by a qualifying holder deemed to be capital property.

This summary is not applicable to a Unitholder: (i) that is a "financial institution" as defined for purposes of the "mark-to-market properties" rules in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) which makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act; (iv) an interest in which would be a "tax shelter investment" as defined in the Tax Act (and this summary assumes that no such persons hold Units); (v) that has, directly or indirectly, a "significant interest" as defined in subsection 34.2(1) of the Tax Act in the REIT; (vi) to which the U.S. REIT or any other affiliate of the REIT is a "foreign affiliate" for purposes of the Tax Act; (vii) which borrows money to acquire the Units under this Offering; or (viii) that enters into a "derivative forward agreement" (as defined in the Tax Act) with respect to the Units. Any such Unitholders should consult their own tax advisors.

This summary assumes that: (i) the REIT is not a "tax shelter" or "tax shelter investment", each as defined in the Tax Act; and (ii) Units that represent more than 50% of the fair market value of all interests in the REIT are held by Unitholders that are not "financial institutions" as defined for purposes of the "mark-to market properties" rules in the Tax Act. However, no assurances can be given in this regard. The tax consequences described herein may be materially and detrimentally different in the event that one or more of these assumptions are not accurate.

This summary describes the principal Canadian federal income tax considerations based on the application of specific provisions of the Tax Act to the transactions described in this short form prospectus, and does not address any tax consequences which could arise as a result of any potential application of the general anti-avoidance rule in subsection 245(2) of the Tax Act to any particular transaction or series of transactions. This summary is based on the facts set out in this short form prospectus and in a certificate provided to KPMG and Blakes by the General Partner on behalf of the REIT (the "**Certificate**"). This summary is also based upon the provisions of the Tax Act in force as of the date hereof and on KPMG's and Blakes' understanding of the publicly available administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") published prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"). There can be no assurance that the Proposed Amendments will be enacted in their current form or at all, or that the CRA will not change its administrative policies and assessing practices.

This summary does not otherwise take into account or anticipate any changes in law or in administrative policies or assessing practices, whether by legislative, governmental or judicial decision or action. There can be no assurances that such changes, if made, might not be retroactive. Modification or amendment of the Tax Act or Proposed Amendments could significantly alter the status of the REIT and the tax consequences of investing in Units. **This summary also does not take into account provincial, territorial, U.S., state, or other foreign tax legislation or considerations, which may differ significantly from those discussed in this summary.**

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the particular circumstances applicable to each Unitholder thereof. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units. The REIT has not obtained, nor sought, an advance tax ruling from the CRA in respect of this Offering. Prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on their particular circumstances.

The SIFT Measures

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the "**SIFT Measures**"). A "SIFT partnership" (as defined in the Tax Act) will be subject to SIFT tax on its "taxable non-portfolio earnings" (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. The "taxable non-portfolio earnings" less SIFT tax payable by a SIFT partnership will also be included in computing income of the Unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any "non-portfolio property" throughout the taxation year of the partnership. The General Partner has represented in the Certificate that it does not expect the REIT to hold any "non-portfolio property". Consequently the General Partner expects, and this summary assumes, that the REIT will not be liable to tax under the SIFT Measures.

There can be no assurances that the treatment of SIFT partnerships under the Tax Act will not be changed, or that administrative policies or assessing practices of the CRA will not develop, in a manner which adversely affects the REIT or its Unitholders.

Taxation of the REIT

Computation of Income or Loss

The REIT is not generally subject to tax under the Tax Act. Each Unitholder of the REIT is required to include or entitled to deduct in computing its income for a particular taxation year its share of the income or loss of the REIT allocated to it for the REIT's Fiscal Year ending in the Unitholder's taxation year or on the Unitholder's taxation year-end, whether or not distributed to the Unitholder in the taxation year, subject to certain loss limitation rules (see "Taxation of the Unitholders – Limitation on Deductibility of Losses" below). For this purpose, the income or loss of the REIT must be computed for each Fiscal Year as if the REIT were a separate person resident in Canada, and allocated to the Unitholders on the basis of their respective shares of that income or loss as provided for in the REIT LP Agreement, subject to certain provisions of the Tax Act in that regard.

The income of the REIT for purposes of the Tax Act will include dividends, if any, received or deemed to be received at any time in the Fiscal Year on shares of the U.S. REIT. An amount will be deemed to be a dividend received by the REIT on a share of the U.S. REIT where the amount is the share's portion of a *pro rata* distribution made in respect of all the shares of that class (other than a distribution made in the course of a liquidation and dissolution of the corporation, on a redemption, acquisition or cancellation of the share by the corporation, or on a qualifying return of capital in respect of the share). A distribution made by the U.S. REIT in respect of its shares that is a reduction of the paid-up capital of the U.S. REIT may be treated as a qualifying return of capital if an election is made, such that the distribution would not be included in the income of the REIT but rather applied to reduce the REIT's adjusted cost base in the relevant shares. If at any time the adjusted cost base of shares of the U.S. REIT held by the REIT would become a negative amount, the REIT will be deemed to have realized a capital gain equal to such amount.

In the Certificate, the General Partner has stated it intends to consent on behalf of the REIT where necessary to the filing of "consent dividend" U.S. tax elections under section 565 of the Code in respect of shares of the U.S. REIT, where such consent dividends are necessary for the U.S. REIT to distribute any balance of taxable income for U.S. tax purposes of the U.S. REIT that has not been distributed by dividends paid with cash. In general terms, a "consent dividend" election would give rise to a dividend deemed paid by the U.S. REIT for U.S. tax purposes (without a corresponding amount of cash being distributed to the REIT) together with a U.S. withholding tax liability to be paid by the U.S. REIT on behalf of its shareholders. The CRA has stated that "consent dividends" under the Code are not dividends received for purposes of the Tax Act. Based on this administrative policy, no amount of consent dividends would be required to be included in the income of the REIT for purposes of the Tax Act, nor would such consent dividends result in an increase to the adjusted cost base of shares of the U.S. REIT. However, the CRA has also expressed the view that the amount of any U.S. tax remitted by a U.S. corporation on behalf of a shareholder in respect of dividends deemed paid for U.S. tax purposes by virtue of consent dividend elections would constitute a taxable benefit conferred on such shareholder, but such amount would also qualify as non-business income tax for purposes of the provisions of the Tax Act governing foreign tax credits and foreign tax deductions. Consequently, on the basis of the foregoing, the General Partner has advised that it intends to include in computing the REIT's income for purposes of the Tax Act any U.S. tax remitted by the U.S. REIT with respect to consent dividend elections, and the amount of any such U.S. tax attributable to a particular Unitholder will be allocated to such Unitholder and should be treated as non-business income tax from a U.S. source in determining such Unitholder's entitlement to foreign tax credits and foreign tax deductions, subject to the detailed rules in the Tax Act in this regard (see "Taxation of the Unitholders - Foreign Tax Credits and Deductions" below).

The General Partner has advised that the REIT will take the position that any gains and losses realized on a disposition (including a redemption) of any share of the U.S. REIT are capital gains and capital losses. Accordingly, the income of the REIT for purposes of the Tax Act will also include the taxable capital gain portion of any capital gain (or the allowable capital loss portion of any capital loss), if any, realized by the REIT during a Fiscal Year on a disposition (including a redemption) of any share of the U.S. REIT. The treatment of capital gains and capital losses is generally described below under "Taxation of Capital Gains and Capital Losses". Where capital losses are realized by the REIT on disposition (including a redemption) of such shares, such losses may, under certain circumstances, be denied and be added to the adjusted cost base to the REIT of the remaining shares of the U.S. REIT based on the relative fair market value of such shares.

The REIT will enter into transactions involving U.S. dollar currency, including receipt of distributions from the U.S. REIT in U.S. dollars. For purposes of the Tax Act, all income (or losses) of the REIT must be calculated in Canadian currency in accordance with the detailed rules in the Tax Act in that regard. Where the REIT holds investments in U.S. dollars or other foreign currencies, gains and losses may be realized by the REIT as a consequence of fluctuations in the relative values of the Canadian and foreign currencies. The REIT may enter into foreign currency swap arrangements. In accordance with the CRA's published administrative practice, gains and losses on currency hedging transactions may be treated as capital gains and capital losses provided there is sufficient linkage. Where the REIT enters into derivative transactions other than those that are on account of capital, gains and losses on such derivatives will be treated on income account rather than as capital gains and capital losses.

In computing its income or loss, the REIT may generally deduct administrative costs and other expenses of a current nature incurred by it for the purpose of earning income from its business or property, provided such expenses are reasonable and otherwise deductible, subject to applicable provisions of the Tax Act. The REIT may also deduct any expenses incurred by it in the course of the issuance of Units on a five-year straight line basis (subject to pro-ration for short taxation years).

To the extent that any "controlled foreign affiliate" ("**CFA**") of the REIT, including the U.S. REIT or any direct or indirect subsidiary thereof, earns income that is characterized as "foreign accrual property income" as defined in the Tax Act ("**FAPI**") in a particular taxation year of the CFA, the FAPI allocable to the REIT must be included in computing the income of the REIT for Canadian federal income tax purposes for the Fiscal Year of the REIT in which the taxation year of the CFA ends, whether or not the REIT actually receives a distribution of that FAPI. Dividends received by the REIT from the U.S. REIT or any other CFA will be included in computing the income of the REIT; however, as described in the ensuing paragraphs, a deduction will be available to the extent that the REIT has already included such amount in its income as FAPI.

FAPI does not include income from a business carried on by a CFA that is an "active business", within the meaning of the foreign affiliate provisions of the Tax Act (the "**Active Business Exception**"). An active business for these purposes excludes an "investment business" which is generally defined as a business the principal purpose of which is to derive income from property (including interest, dividends, rents, royalties or any similar returns or substitutes therefor), and certain other types of investment income. The CRA's interpretation taken in a different context is that a corporation that operates a hotel is generally considered to be in the business of providing services and not in the business of renting real property, and that accordingly, such business is considered to be an active business. KPMG is of the view and Blakes is of the opinion that such interpretation should be applicable in the context of the determination of FAPI and the Active Business Exception. FAPI also does not include income from a business carried on by a CFA where, generally, throughout the period in the taxation year during which the business was carried on the business is the leasing of property and the CFA employs more than five employees full time in the active conduct of the business outside of Canada (the "**Employee Exception**"). The General Partner has advised that it does not expect that the U.S. REIT or any of the REIT's Subsidiaries will meet the Employee Exception with respect to individuals involved in hotel operations, as for U.S. tax purposes it is required that such individuals be employed by the Hotel Managers. The General Partner has also advised that it does not anticipate that the U.S. REIT or any of the REIT's Subsidiaries will directly employ a sufficient number of other employees throughout the 2014 taxation year to meet the Employee Exception, although the General Partner anticipates that employment levels may increase in subsequent taxation years. Finally, FAPI also does not include income of a CFA that, generally, is derived by the CFA from activities that can reasonably be considered to be directly related to active business activities carried on by certain other CFAs that qualify for the Active Business Exception or the Employee Exception, or that, generally, is derived from amounts that were paid or payable, directly or indirectly, to such CFA by certain other CFAs to the extent that those amounts are for expenditures that were deductible by those other CFAs in computing amounts prescribed to be its earnings or loss from an active business that qualifies for the Active Business Exception or the Employee Exception (the "**Indirect Exception**"). Where the CFAs of the REIT qualify for any one or more of the Active Business Exception, the Employee Exception, or the Indirect Exception (the "**FAPI Exceptions**"), the REIT should not be required to include any amount of FAPI in computing its income for Canadian federal income tax purposes.

To the extent income earned by any CFA of the REIT fails to fall within at least one of the FAPI Exceptions throughout a particular taxation year, an amount of FAPI will be required to be included in computing the income of the REIT for Canadian federal income tax purposes, and a grossed-up amount may be deductible in respect of the "foreign accrual tax" as defined in the Tax Act ("**FAT**") applicable to the FAPI. As the U.S. REIT intends to qualify as a real estate investment trust for U.S. federal income tax purposes the amount of U.S. federal income tax payable by the U.S. REIT is not expected to be material, and it is not expected that there would be a material FAT deduction available to apply against any FAPI in respect of the U.S. REIT if the U.S. REIT or any of its Subsidiaries fails to meet one of the FAPI Exceptions throughout a particular year. Any amount of FAPI included in income (net of the amount of any FAT deduction) will increase the adjusted cost base to the REIT of its shares of the U.S. REIT or other CFA in respect of which the FAPI was included. At such time as the REIT receives a dividend from the U.S. REIT or other CFA out of this type of income that was previously treated as FAPI (net of the amount of any previous FAT deduction, if any), that dividend will effectively not be included in computing the income of the REIT and there will be a corresponding reduction in the adjusted cost base to the REIT of the shares of the U.S. REIT or other CFA, as the case may be, to the extent such adjusted cost base was increased as a result of such FAPI inclusion.

Taxation of the Unitholders

Allocation of Income or Loss

Subject to the restrictions described under "Taxation of the Unitholders – Limitation on Deductibility of Losses", each Unitholder will be required to include (or be entitled to deduct) in computing the Unitholder's income, the Unitholder's proportionate share of the income (or loss) of the REIT allocated to the Unitholder pursuant to the REIT LP Agreement for the Fiscal Year of the REIT ending in the Unitholder's taxation year or on the Unitholder's taxation year-end. A Unitholder's share of the REIT's income must (or loss may) be included (or deducted) in determining the Unitholder's income (or loss) for the year, whether or not any distribution has been made by the REIT. See "LP Agreement – Allocation of Income and Losses" at pages 47-48 of the AIF incorporated by reference herein and available on SEDAR at www.sedar.com.

In general, a Unitholder's share of any income (or loss) of the REIT from a particular source or from sources in a particular place will be treated as if it were income (or loss) of the Unitholder from that source or from sources in that particular place, and any provisions of the Tax Act applicable to that type of income (or loss) or income (or loss) from that place will apply to the Unitholder.

Limitation on Deductibility of Losses

If the REIT incurs losses for purposes of the Tax Act, each Unitholder will be entitled to deduct in the computation of income for tax purposes the Unitholder's *pro rata* share of any net losses for tax purposes of the REIT for its Fiscal Year to the extent of the Unitholder's "at-risk amount" within the meaning of the Tax Act. In general, the "at-risk amount" of a Unitholder in respect of the REIT for any taxation year will be the adjusted cost base of the Unitholder's Units at the relevant time, and where that time is the end of the REIT's Fiscal Year (subject to certain provisions of the Tax Act), plus any income allocated to the Unitholder for the year, less any amount owing by the Unitholder (or a person or partnership with whom the Unitholder does not deal at arm's length) to the REIT (or a person or partnership with whom the REIT does not deal at arm's length), and less the amount of any benefit that the Unitholder (or a person with whom the Unitholder does not deal at arm's length) is entitled to receive or obtain for the purpose of reducing the impact, in whole or in part, of any loss of the Unitholder from the investment. A Unitholder's loss that is limited by the at-risk rules under the Tax Act becomes a "limited partnership loss", which is available for indefinite carry forward to be claimed against income from the REIT allocated to such Unitholder to the extent that the Unitholder has an at-risk amount in respect of the REIT in a subsequent year. Where a Unitholder acquired Units from a transferor other than the REIT, the cost to the Unitholder for purposes of determining the Unitholder's "at-risk amount" under the Tax Act is generally the lesser of the Unitholder's cost of the Units and the transferor's adjusted cost base of the Units immediately before that time. Where the adjusted cost base of the Units to the transferor cannot be determined, the initial "at-risk amount" of the Unitholder will generally be nil.

Adjusted Cost Base of Units

In general, the adjusted cost base of a Unitholder's Units will be equal to: (i) the actual cost of the Units (excluding any portion thereof financed with limited recourse indebtedness); plus (ii) the *pro rata* share of the income of the REIT allocated to the Unitholder pursuant to the terms of the REIT LP Agreement for Fiscal Years of the REIT ending before the relevant time; less (iii) the aggregate of the *pro rata* share of losses of the REIT allocated to the Unitholder (other than limited partnership losses) for the Fiscal Years of the REIT ending before the relevant time; and less (iv) the Unitholder's distributions from the REIT made before the relevant time. The adjusted cost base of each of the Units will be subject to the averaging provisions contained in the Tax Act.

A Unitholder will realize a deemed capital gain if, and to the extent that, the adjusted cost base of the Unitholder's Units is negative at the end of any Fiscal Year of the REIT. In such a case, the adjusted cost base of the Unitholder's Units will be nil at the beginning of the next Fiscal Year of the REIT.

Disposition of Units

The disposition by a Unitholder of a Unit will result in the realization of a capital gain (or capital loss) by such Unitholder in the amount, if any, by which the proceeds of disposition of the Unit, less any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of such Unit to the Unitholder. Where a Unitholder disposes of all of its Units, it will no longer be a partner of the REIT. If, however, a Unitholder is entitled to receive a distribution from the REIT after the disposition of all such Units, then the Unitholder will be deemed to dispose of the Units at the later of: (i) the end of the Fiscal Year of the REIT during which the disposition occurred; and (ii) the date of the last distribution made by the REIT to which the Unitholder was entitled. The pro rata share of income (or loss) of the REIT for tax purposes for a particular Fiscal Year which is allocated to a Unitholder who has ceased to be a partner will generally be added (or deducted) in the computation of the adjusted cost base of the Unitholder's Units immediately prior to the time of the disposition as if the particular Fiscal Year were a completed Fiscal Year. These rules are complex and Unitholders should consult their own tax advisors for advice with respect to the specific tax consequences to them of disposing of Units. Also see "Taxation of the Unitholders – Taxation of Capital Gains and Capital Losses".

Furthermore, if: (i) a Unitholder holds, or has held, actually or constructively, more than 5% of the outstanding Units, as determined for U.S. federal income tax purposes; or (ii) the regularly traded exception is not satisfied (see "Risk Factors – Canadian and U.S. Tax Related Risk Factors – U.S. Federal Income Tax-Related Risks" in the AIF), a Unitholder may be subject to additional U.S. tax on disposition of the Units. The portion of such U.S. tax paid that is not applied as a foreign tax credit may generally not be available as a foreign tax deduction. Where such Unitholders are not entitled to all benefits under the Treaty, the proceeds receivable on a disposition of a Unit may not qualify as U.S. source income for purposes of the Tax Act (including for Canadian foreign tax credit purposes), and, where such Unitholders are trusts, their beneficiaries may not be considered to have paid such tax for purposes of the Tax Act and, accordingly, may not be entitled to a foreign tax credit or deduction in respect of such U.S. tax for Canadian tax purposes. See "Taxation of the Unitholders – Foreign Tax Credits and Deductions" for a more detailed discussion on the limitations on foreign tax credits and deductions.

Foreign Tax Credits and Deductions

Foreign taxes paid by the REIT and taxes withheld at source (other than for the account of a particular Unitholder) will be allocated pursuant to the REIT LP Agreement. As set out under "Principal United States Federal Income Tax Considerations", the REIT intends to be treated as a partnership for U.S. federal income tax purposes, and for such purposes, a Unitholder should be considered the relevant taxpayer with respect to U.S. tax withheld on distributions in respect of shares of the U.S. REIT. To the extent the U.S. REIT withholds U.S. tax on distributions to the REIT, the amount of U.S. tax attributable to a particular Unitholder may be deductible from such Unitholder's Canadian federal income tax otherwise payable for that year (a "**foreign tax credit**"), or may be deductible in computing the Unitholder's income for Canadian tax purposes for that year (a "**foreign tax deduction**"), as described in the ensuing paragraphs, provided however that in the event any U.S. tax is withheld that does not represent the final U.S. income tax liability for the year, the Unitholder also files a U.S. federal income tax return to establish the Unitholder's final U.S. income tax liability for the year and the Unitholder is not entitled to a refund of such withholding tax.

The U.S. tax paid for a taxation year that is attributable to a particular Unitholder will generally be characterized as "non-business income tax", as defined in the Tax Act, and may be deductible as a foreign tax credit from the Unitholder's Canadian federal income tax otherwise payable for that year as relates to the Unitholder's share of the non-business income from U.S. sources, where the Unitholder has a sufficient amount of such income, to the extent permitted by the Tax Act and to the extent that such non-business income tax paid has not been deducted in computing the Unitholder's income and, in the case of a Unitholder that is an individual, does not exceed 15% of such share of non-business income. To the extent that such non-business income tax paid by a Unitholder that is an individual exceeds 15% of the Unitholder's share of non-business income from U.S. sources, such excess may generally be deducted by the Unitholder in computing the Unitholder's net income for the purposes of the Tax Act subject to the rules and limitations contained in the Tax Act.

A Unitholder's ability to apply U.S. taxes in the foregoing manner may be affected where the Unitholder does not have sufficient taxes otherwise payable under Part I of the Tax Act, or sufficient U.S. source income in the taxation year the U.S. taxes are paid, or where the Unitholder has other U.S. source income or losses, has paid other U.S. taxes or in certain circumstances has not filed a U.S. federal income tax return where required for the relevant taxation year. See also "Taxation of the Unitholders – Disposition of Units". Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited and a Unitholder who is an individual will be limited to a foreign tax deduction where the relevant U.S. tax exceeds 15% of the related U.S. source income as discussed above. Because of this, and because of timing differences in recognition of expenses and income and other factors, there is a risk of double taxation. Prospective purchasers should consult their own tax advisors regarding their ability to claim foreign tax credits or foreign tax deductions.

The foregoing mechanism for recognition of U.S. taxes for purposes of the Tax Act through foreign tax credits or foreign tax deductions does not apply to Unitholders that are Plans. A Unitholder that is a Plan will not be entitled to a foreign tax credit or foreign tax deduction under the Tax Act in respect of any U.S. tax paid by the Plan (including any withholding tax imposed on distributions paid to the Plan). In reference to the matters set out under "Principal United States Federal Income Tax Considerations", to the extent that an annuitant, a beneficiary, a subscriber or a holder of a Plan that is a Unitholder files a U.S. federal income tax return and the annuitant, beneficiary, subscriber or holder (rather than the Plan itself) receives a U.S. tax refund of (or claims a foreign tax credit or a foreign tax deduction for an amount in respect of) all or a portion of the amounts withheld by the U.S. REIT, the annuitant, the beneficiary, the subscriber or the holder may, in certain circumstances, be required to include, in computing income for purposes of the Tax Act, or to pay a penalty tax on, an applicable portion of such amount of U.S. tax as a benefit or advantage received out of or under the Plan. Annuitants, beneficiaries, subscribers or holders of Unitholders that are Plans should consult their own tax advisors in this regard.

Reference should be made below to "Principal United States Federal Income Tax Considerations – Taxation of the REIT and Non-U.S. Unitholders" for further information on the taxation of the REIT and the Unitholders for U.S. federal income tax purposes, as such taxation directly affects the Unitholder's entitlement to the foreign tax credits and deductions outlined above.

Taxation of Capital Gains and Capital Losses

In general, one-half of a capital gain (a "**taxable capital gain**") realized by a Unitholder on a disposition or deemed disposition of Units must be included in computing such Unitholder's income in the taxation year in which the disposition occurs. One-half of a capital loss (an "**allowable capital loss**") realized by a Unitholder on a disposition or deemed disposition of Units generally must be deducted by the Unitholder against taxable capital gains of the Unitholder realized in the year of disposition or deemed disposition and any remainder may be deducted against taxable capital gains of the Unitholder in any of the three years preceding the year or any year following the year to the extent and under the circumstances described in the Tax Act.

Refundable Tax

A Unitholder which is a "Canadian-controlled private corporation" (as defined in the Tax Act) may also be liable to pay an additional refundable tax of 6⅔%on the Unitholder's share of certain investment income, including the Unitholder's share of taxable capital gains and dividends on shares of the U.S. REIT, as well as taxable capital gains from dispositions or deemed dispositions of Units by the Unitholder.

Alternative Minimum Tax

A Unitholder who is an individual or trust (except for certain trusts) may be liable for alternative minimum tax on certain amounts including capital gains realized by such Unitholder on a disposition or deemed disposition of Units as well as the proportionate share of capital gains realized by the REIT as allocated to such Unitholder.

Tax Reporting Requirements

Each Unitholder will generally be required to file an income tax return reporting such Unitholder's share of the income or loss of the REIT. While the REIT will provide each Unitholder with information required for income tax purposes pertaining to such Unitholder's investment in Units, the REIT will not prepare or file income tax returns on behalf of any Unitholder.

Each person who is a Unitholder in a year will be required to file an information return on or before the last day of March in the following year in respect of the activities of the REIT in which the Unitholder holds Units or, where the REIT is dissolved, within 90 days after the dissolution. A return made by any one partner will be deemed to have been made by each partner. Under the REIT LP Agreement, the General Partner is required to file the necessary return.

PRINCIPAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

In this summary, references to "real estate investment trust" are general references to entities that are treated as real estate investment trusts under the Internal Revenue Code of 1986, as amended (the "**Code**").

In the view of KPMG as tax advisor to the REIT, the following is a general summary of the principal U.S. federal income tax considerations applicable to Non-U.S. Unitholders (defined below) of the purchase, ownership and disposition of the Units offered by this short form prospectus.

This summary is based on the facts set out in this short form prospectus and the facts, assumptions and representations set out in a representation letter provided to KPMG by the REIT. This summary is also based upon the relevant provisions of the Code, the regulations under the Code (the "**Regulations**"), the 1980 Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, as amended (the "**Treaty**"), and the judicial and administrative interpretations and pronouncements thereof as currently in effect, all of which are subject to change or differing interpretations, possibly with retroactive effect, and any such changes could affect the U.S. tax consequences described in the summary below.

There can be no assurances that the Internal Revenue Service (the "**IRS**") will not challenge one or more of the tax consequences described below. The REIT has not obtained, nor does it intend to obtain, a ruling from the IRS on any aspect of this offering.

This summary is directed only to prospective purchasers who purchase the Units offered by this short form prospectus who are not United States persons under the Code and who do not own (and who are not considered to own) for U.S. federal income tax purposes more than five percent of the Units in the REIT that are listed for trading on an established securities market at any time. The U.S. federal income tax consequences of an investment in the Units by either a United States Person or any person who owns (or is considered to own) more than five percent of the Units will be materially different than the U.S. federal income tax consequences described in this summary.

References to "**Non-U.S. Unitholders**" in this summary mean non-U.S. persons unless otherwise indicated. As such, for this purpose, a "Non-U.S. Unitholder" means any person that is not: (i) a U.S. citizen, U.S. permanent resident (green card holder) or individual resident in the United States; (ii) a U.S. partnership; (iii) a corporation or other entity taxable as a corporation that is either created or organized under the laws of the United States or a political subdivision thereof or that is for other reasons treated as if were taxable as a corporation created or organized under the laws of the United States; (iv) an estate, the income of which is subject to United States federal income tax regardless of the source; or (v) a trust, if a court within the United States is able to exercise primary supervision over the trust's administration and one or more United States persons have the authority to control all of its substantial decisions.

All Non-U.S. Unitholders are assumed to be residents of Canada entitled to all relevant benefits of the Treaty.

This summary does not consider all of the U.S. federal income tax consequences of the purchase, ownership, and disposition of the Units, is not intended to reflect the particular tax position of any beneficial owner, and is not intended to constitute tax advice. For example, except to the extent specifically provided, this summary does not address the U.S. federal income tax consequences to Non-U.S. Unitholders that are subject to special treatment, including, but not limited to, financial institutions, broker-dealers, mutual funds, insurance companies, tax-exempt organizations and trusts. This summary also does not address state or local income tax or state or local tax filing matters.

Non-U.S. Unitholders are urged to consult their own tax advisors concerning the U.S. federal income tax consequences of the issues discussed below, in light of their particular circumstances.

The U.S. federal income tax treatment of a partner in a partnership or other entity treated as a partnership that holds Units depends on the status of the partner and the activities of the partnership. Partners in a partnership that owns the Units should consult their own tax advisors as to the particular U.S. federal income tax considerations applicable to them.

Special Considerations Applicable to RRSPs and to TFSAs

The U.S. federal income tax treatment and classification of RRSPs and TFSAs is complex, is not free from doubt and is dependent upon the terms of the specific RRSP or TFSA. This summary assumes RRSPs and TFSAs are treated as either grantor trusts, or as investments of the individual annuitants which are not separate entities from the individuals for U.S. federal income tax purposes. As such, this summary assumes the individual annuitants or holders are treated as the owners of the RRSPs or the TFSAs assets for U.S. federal income tax purposes. There is, however, a risk that the IRS might take a different position from that taken in the summary. In such event, the U.S. federal income tax consequences with respect to such RRSPs and TFSAs may be different from those described below. Investors that are RRSPs or TFSAs should consult their own tax advisors as to the U.S. federal, state, and local income and non-U.S. tax consequences to them as a result of their status either as an RRSP or as a TFSA.

This summary assumes that the REIT is treated as a partnership and that Units in the REIT are "regularly traded" on an "established securities market" for U.S. federal income tax purposes. The U.S. federal income tax consequences of an investment in the Units may be materially adversely affected relative to the description in this summary if the REIT is not treated as a partnership or if its Units are not considered to be regularly traded on an established securities market for U.S. federal income tax purposes. Whether the REIT is treated as a partnership in a particular year for U.S. federal income tax purposes depends on the composition of the REIT's gross income for that year. Whether Units are regularly traded on an established securities market for U.S. federal income tax purposes depends, in part, on the extent to which Units actually trade in a particular quarter. Management has represented to KPMG that it expects that the type and amount of the REIT's gross income will allow the REIT to be treated as a partnership for each year for U.S. federal income tax purposes. However, no assurances can be given that the REIT will be treated as a partnership for U.S. federal income tax purposes, whether in its current or in any subsequent year. Management has represented to KPMG that it anticipates that the Units will satisfy the "regularly traded" standards (discussed generally later) for each calendar quarter. In addition, the REIT intends to comply with certain prescribed annual filings and disclosures to the extent the Units are regularly traded solely on the Exchange in a particular quarter. However, given the possibility that actual circumstances may be materially different than those expected at the outset, no assurances can be given that Units will be treated as regularly traded in any particular calendar quarter.

This commentary also summarizes, in a general way, the principal U.S. federal income tax considerations to the U.S. REIT regarding its qualification and taxation as a real estate investment trust for U.S. federal income tax purposes. Whether the U.S. REIT qualifies as a real estate investment trust for U.S. federal income tax purposes is dependent on whether it satisfies the various real estate investment trust requirements for each taxable year. Management has represented to KPMG that it intends for the U.S. REIT to qualify as a real estate investment trust for each relevant taxable year and that it will establish procedures to regularly monitor real estate investment trust classification and compliance. However, given the highly complex nature of the rules governing real estate investment trusts and the possibility of future changes in circumstances, no assurances can be given that the U.S. REIT will qualify as a real estate investment trust for U.S. federal income tax purposes, whether in its first taxable year or in any subsequent year. The failure of the U.S. REIT to qualify as a real estate investment trust, in its first or in any subsequent taxable year, may result in materially reduced distributions to Unitholders and U.S. federal income tax consequences that are not described in this summary.

This summary also assumes that there are no sales of real estate within one year of the respective property acquisitions by the U.S. REIT.

THE PROSPECTUS WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTION(S) OR MATTER(S) ADDRESSED IN THIS SHORT FORM PROSPECTUS. ALL TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM THEIR INDEPENDENT TAX ADVISOR(S).

Taxation of the REIT and Non-U.S. Unitholders

Entity Classification Rules

The Code prescribes the classification of various organizations for U.S. federal income tax purposes. A business entity that is not automatically classified as a corporation and that has at least two members may generally elect to be treated as either a partnership or as a corporation for U.S. federal income tax purposes. In general, a business entity such as the REIT that is organized in Canada is automatically classified as a corporation only if it is a corporation as a matter of corporate law, or if all of its members have limited liability with respect to the entity's debts. In the case of a business entity that is a partnership, such partnership is automatically classified as a corporation only if its units are publicly traded and certain exemptions are not met.

A business entity is an organization that is formed to carry on business, to divide its profits amongst its participants and which engages in activities beyond the mere co-ownership of investment property. An organization that merely protects and conserves properties for the benefit of its unitholders is generally classified as a trust rather than as a business entity for U.S. federal income tax purposes.

A business entity that is otherwise classified as a partnership for U.S. federal income tax purposes may be treated as a corporation if interests in the entity are traded on an established securities market. However, partnership classification is retained for a publicly traded partnership if 90 percent or more of the partnership's income is "qualifying income" for each year and it is not required to register as an investment company under the Investment Company Act of 1940 (the "**qualifying income exception**"). Qualifying income includes interest, dividends and gain from the disposition of shares of corporations that are treated as real estate investment trusts for U.S. federal income tax purposes. A partnership is deemed to meet the qualifying income test if it inadvertently fails to meet the test, takes steps to meet the test no later than a reasonable time after the discovery of the failure, and the partnership agrees to certain terms and conditions that may be imposed on it by the IRS.

Management has represented to KPMG that it expects that 90 percent or more of the REIT's gross income will consist of qualifying income each year, that it expects the REIT to meet the qualifying income exception, and that the REIT will not elect to be treated as a corporation for U.S. federal income tax purposes. Therefore, the REIT should be treated as a partnership for U.S. federal income tax purposes. If this is not the case, the U.S. federal income tax consequences will differ significantly from those described below and distributions to Unitholders may be materially lower than if the REIT were treated as a flow-through entity for U.S. federal income tax purposes.

A business entity that is treated as a partnership for U.S. federal income tax purposes is not subject to U.S. federal income tax. Rather, the distributive share of the partnership's income, gains, losses, deductions and credits is generally taken into account separately by each interest holder in the partnership. In that regard, the character of distributions received by the REIT from the U.S. REIT and gains recognized by the REIT on the sale or exchange (or on the deemed sale or exchange) of its U.S. REIT shares is generally determined as if such distributions, payments and gains were recognized directly by the Unitholders, without regard to whether any distributions are or will be received from the REIT.

Taxation of Non-U.S. Unitholders as Partners

The following describes, in general terms, the U.S. federal income taxation to Non-U.S. Unitholders of gains and losses from the disposition of the Units, of income and gains derived by the REIT from the U.S. REIT and from dispositions by the REIT of interests in the U.S. REIT. This description assumes the REIT is classified as a partnership and the U.S. REIT qualifies as a real estate investment trust for U.S. federal income tax purposes.

Disposition of Units

A non-U.S. person's gain from the disposition of a United States Real Property Interest ("**USRPI**") is generally treated as income effectively connected with a U.S. trade or business ("**ECI**") and is subject to U.S. tax, withholding and filing requirements and is not exempt under the Treaty. A USRPI generally includes shares in corporations organized in the United States, such as the U.S. REIT, the fair market value of whose interests in real property located in the United States, at any time in a five year testing period, equals or exceeds 50 percent of the fair market value of the sum of its interests in real property located in the United States, its interests in real property located outside the United States and its other assets used or held for use in a trade or business.

Under a “look-through” rule, a non-U.S. person’s gain from the disposition of an interest in an entity treated as a partnership for U.S. federal income tax purposes, wherever organized, is treated as gain from the disposition of an interest in a USRPI to the extent gain on the disposition of the partnership interest is attributable to USRPIs owned by the partnership, such as the U.S. REIT stock owned by the REIT. As such, gain on the sale or exchange of the Units by a Non-U.S. Unitholder is generally ECI and the taxable amount (gain reduced in most cases by allocable deductions) is subject to U.S. federal income tax at graduated rates. The Non-U.S. Unitholder is required to file a U.S. federal income tax return using its U.S. tax payer identification number (“**U.S. TIN**”) (a Form 1040-NR in the case of an individual, estate or trust or a Form 1120-F in the case of a corporation) for the year of disposition. Additionally, a corporate Non-U.S. Unitholder may be subject to U.S. branch profits tax on gain recognized from the disposition of a USRPI. U.S. branch profits tax is imposed in addition to regular federal income tax at the rate of 30 percent on the foreign corporation’s “dividend equivalent amount” determined in accordance with Section 884 of the Code, subject to reduction under the Treaty for eligible corporations to the applicable dividend withholding rate under the Treaty (i.e., 5 percent of earnings attributable to a permanent establishment in excess of a Cdn$500,000 cumulative exemption amount). Corporate Non-U.S. Unitholders should consult with their own advisors to determine whether they are potentially liable for U.S. branch profits taxes on the sale or other disposition of their Units and their eligibility for a reduced rate under a treaty, including any relevant filing requirements.

Exception from USRPI Classification – 5 Percent Unitholders

However, if the Units are considered “regularly traded on an established securities market,” gains recognized from the disposition thereof would not be subject to U.S. federal income tax nor would they generally result in a U.S. federal income tax filing requirement to a Non-U.S. Unitholders who did not hold, actually or constructively, more than 5 percent of the outstanding Units at any time during the shorter of the five-year period ending on the date of disposition or the period during which such Units were held (the “**5 Percent Exception**”). Complex constructive ownership and attribution rules apply in determining whether a person qualifies for the 5 Percent Exception. In addition, a purchaser of Units from a Non-U.S. Unitholder is not required to withhold tax if the Units are considered “regularly traded on an established securities market,” regardless of whether the selling Non-U.S. Unitholder met the 5 Percent Exception.

An established securities market includes national securities exchanges outside the United States that are officially recognized, sanctioned or supervised by governmental authority and should include the Exchange. An established securities market also includes an over-the-counter market that is reflected by the existence of an interdealer quotation system. An interdealer quotation system is any system of general circulation to brokers and dealers which regularly disseminates quotations of stocks and securities by identified brokers or dealers, other than by quotation sheets which are prepared and distributed by a broker or dealer in the regular course of business and which contain only quotations of such broker or dealer.

In general terms, the Regulations consider units in a partnership traded on the Exchange to be regularly traded in a particular quarter if each of four tests is met (the “**TSX Publicly Traded Exception**”).

First, trades are effected, other than in *de minimis* quantities, on at least 15 days during the calendar quarter.

Second, the aggregate number of units traded in the calendar quarter, as a percentage of the average number of units in such class outstanding during the calendar quarter, equals or exceeds a minimum threshold. The minimum quarterly threshold is 2.5 percent if the average number of partners of record is 2,500 or more and 7.5 percent otherwise. Although not entirely free from doubt, a partner of record for this purpose is likely to include the beneficial Unitholder rather than a nominee or custodian.

Third, 100 or fewer persons do not own or constructively own 50 percent or more of the outstanding class of partnership units at any time in the calendar quarter.

Fourth, the partnership units are traded in registered form and the partnership maintains records of the beneficial owners of the units at all times and also meets certain reporting requirements, which include identifying each person who, at any time in the year, was the beneficial owner of more than 5 percent of any class of units in the partnership that are traded.

Where the Units are regularly traded on both the Exchange and a U.S. established securities market, such as the OTCQX, during a calendar year (the "**U.S. Publicly Traded Exception**"), the aforementioned four tests generally should not need to be met for such calendar year.

Under the U.S. Publicly Traded Exception, unlike the TSX Publicly Traded Exception, there is no specific requirement as to the volume of trading that must occur. The Regulations provide that a class of interests (such as the Units) that is traded on an established securities market located in the United States is considered to be regularly traded for any calendar quarter during which it is regularly quoted by brokers or dealers making a market in such interest. A broker or dealer makes a market in a class of interest only if the broker or dealer holds himself out to buy or sell interests in such class at the quoted price.

Management has represented that it has received legal advice that under applicable U.S. securities laws the OTCQX tiers of OTC Markets Group Inc. are over-the-counter markets that have an interdealer quotation system of general circulation to brokers and dealers which regularly disseminates quotations of stocks and securities by identified brokers or dealers, other than by quotation sheets prepared and distributed by a broker or dealer in the regular course of business and which contain only quotations of such broker or dealer. As such, the OTCQX tiers of OTC Markets Group Inc. should be treated as an "established securities market" located in the United States. Neither the Code, the applicable Regulations, administrative pronouncements nor judicial decisions provide guidance as to the frequency or duration with which the Units must be quoted and traded during a calendar quarter to be considered "regularly traded" on an established securities market located in the United States. Due to the lack of guidance, investors are cautioned that there can be no assurance that the IRS will concur that the U.S. Publicly Traded Exception is satisfied by the REIT at any time.

Management has represented to KPMG that it expects that the Units will satisfy the regularly traded standards of the Regulations in each quarter. Management has also represented to KPMG that it has procedures in place to limit the likelihood that the regularly traded standards of the Regulations will not be met. However, since certain of the requirements are based on factual matters and future events that are beyond management's control, management cannot provide assurances that each of the requirements in the Regulations will be met during a particular Non-U.S. Unitholder's holding period.

If the Units are not considered "regularly traded on an established securities market", the sale of Units by a Non-U.S. Unitholder generally would be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized, including any U.S. branch profits tax with respect to a corporate Non-U.S. Unitholder, as described earlier. In addition, a purchaser of Units would be required to withhold tax at the rate of 10 percent of the amount realized from the sale and to report and remit such tax to the IRS. Such withheld amount would not be an additional tax but would be a credit against the Non-U.S. Unitholder's U.S. federal income tax liability arising from the sale, and the Non-U.S. Unitholder would be required obtain a U.S. TIN and file a U.S. federal income tax return. Furthermore, even though management expects that the Units will satisfy the regularly traded standards of the Regulations, a prospective purchaser of Units may disagree with this position.

Non-U.S. Unitholders that meet the 5 Percent Exception may still be subject to U.S. federal income tax if either:

1. The Non-U.S. Unitholder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are also met; or

2. The gain is effectively connected with the conduct by the Non-U.S. Unitholder of a trade or business within the United States unless such Unitholder is a resident under the Treaty (or another U.S. income tax treaty) and such gain is not considered to be attributable to a permanent establishment which the Non-U.S. Unitholder has, or is considered to have, in the United States.

<u>FIRPTA Tax, Withholding and Filing Requirements on a Non-U.S. Unitholder's Distributive Share of the REIT's USRPI Gains</u>

The 5 Percent Exception only applies to gain from the disposition by a non-U.S. person of a partnership interests. It does not extend to other gains recognized (or considered to be recognized) by a Non-U.S. Unitholder attributable to the actual or deemed disposition of USRPIs that may result from an investment in the REIT ("**Non-Exempt Gains**").

A Non-U.S. Unitholder may recognize Non-Exempt Gains from one of three main sources, even if the REIT meets the regularly traded on an established securities market requirements of the Regulations and the Non-U.S. Unitholder owned 5 percent or less of the REIT's listed Units throughout a five year holding period. These three main categories of Non-Exempt Gains are:

1. A Non-U.S. Unitholder's distributive share of distributions made by the U.S. REIT attributable to the sale or exchange of USRPIs by the U.S. REIT;

2. Distributions made by the U.S. REIT in excess of both its earnings and profits and the REIT's adjusted basis in the shares of the U.S. REIT; and

3. Gain from the sale or exchange by the REIT of its shares of the U.S. REIT.

The REIT's adjusted basis for purposes of calculating its Non-Exempt Gains is generally calculated with reference to the original cost of its U.S. REIT shares, less certain adjustments (mostly notably a reduction for distributions in excess of the U.S. REIT's earnings and profits). The adjusted basis of a partnership's assets is not generally adjusted to reflect gains and losses recognized by its partners unless the partnership files a special election ("**Section 754 election**"). The REIT does not expect to file a Section 754 election. Accordingly, the REIT does not expect gains and losses recognized by its Non-U.S. Unitholders to affect the amount of its Non-Exempt Gains from the disposition (or the deemed disposition) of its U.S. REIT shares. To the extent the REIT recognizes Non-Exempt Gains, a Non-U.S. Unitholder's distributive share of such income in the particular year may not be proportionate to a Non-U.S. Unitholder's distributive share of cash distributions for such year.

Generally, the taxable amount (gain reduced by deductions in most cases) of such Non-Exempt Gain is subject to tax to the Non-U.S. Unitholders at graduated rates with a maximum rate of 20 percent for gains recognized through the REIT by nonresident alien individuals and a maximum rate of 35 percent for gains recognized through the REIT by foreign corporations, subject to alternative minimum tax, is not eligible for a reduced rate under the Treaty and is subject to withholding at source, as described generally below.

To the extent the gain to the Non-U.S. Unitholders is the result of a sale of a USRPI by the U.S. REIT, the gain from such sale attributable to a distribution to the Unitholder who is a nonresident alien individual will be treated as long-term capital gain only if the underlying USRPI was held by the U.S. REIT for more than one year. In addition, even if the USRPI was held by the U.S. REIT for more than one year, the portion of a nonresident alien individual Unitholder's gain attributable to depreciation previously taken with respect to such USRPI will be taxed at a maximum rate of 25 percent. Gains which are attributable to distributions to a non-resident alien individual of short-term capital gains are taxed at graduated income tax rates of up to 39.6 percent.

Additionally, a corporate Non-U.S. Unitholder may be subject to U.S. branch profits tax on its distributive share of distributions made by the U.S. REIT to the REIT attributable to the sale or exchange of USRPIs by the U.S. REIT, as previously discussed. Corporate Non-U.S. Unitholders should consult with their own advisors to determine whether they are potentially liable for U.S. branch profits taxes on their distributive shares of distributions by the U.S. REIT attributable to dispositions by the U.S. REIT of USRPIs and their eligibility for a reduced rate under a treaty, including any relevant filing requirements.

A publicly traded partnership that has ECI generally must withhold and remit U.S. withholding tax ("**Section 1446 Withholdings**") on any distributions of ECI made to non-U.S. partners (using procedures generally applicable to U.S. tax withholding on U.S. source fixed or determinable, annual or periodic income), and must file annually with the IRS Form 1042 and a Form 1042-S for each Non-U.S. Unitholder. Withholdings must be made at the highest rate of tax, without regard to the preferential rates of tax, including those applicable to an individual's capital gains. Hence, the REIT will be required to withhold Section 1446 Withholdings at 39.6 percent for any Non-Exempt Gains included in the distributive shares of nonresident alien individual Unitholders and 35 percent for any Non-Exempt Gains included in the distributive shares of corporate non-U.S. Unitholders.

Distributions made by the U.S. REIT to the REIT that are attributable to the sale or exchange of USRPIs by the U.S. REIT, distributions made by the U.S. REIT in excess of both its earnings and profits and the REIT's adjusted basis in its U.S. REIT shares and the sale or exchange by the REIT of shares of the U.S. REIT may also be subject to withholding on the part of the U.S. REIT or the purchaser, as the case may be ("**Section 1445 Withholdings**"). In the case of the sale or exchange of USRPIs by the U.S. REIT, Section 1445 Withholdings are required at a rate of 35 percent of distributions made by the U.S. REIT attributable to such sale or exchange of USRPIs by the U.S. REIT. In the case of distributions made by the U.S. REIT in excess of both its earnings and profits and the REIT's adjusted basis in the U.S. REIT shares, Section 1445 Withholdings are required at a rate of 10 percent of the portion of such distribution in excess of both the U.S. REIT's earnings and profits and the REIT's adjusted basis in the U.S. REIT shares. Finally, in the case of the sale or exchange by the REIT of shares of the U.S. REIT, Section 1445 Withholdings are required at a rate of 10 percent of the amount realized on such sale or exchange. Under Regulations, the REIT may claim as a credit against its liability for Section 1446 Withholdings amounts withheld under Code Section 1445.

Management has represented to KPMG that it intends to take all reasonable steps necessary to limit the REIT from recognizing Non-Exempt Gains that may cause a Non-U.S. Unitholder to have ECI and, therefore, a U.S. tax return filing requirement. For example, management has represented to KPMG that any dispositions of properties by the U.S. REIT will, to the extent practicable, be made by way of a non-recognition transaction. Likewise, management has represented to KPMG that the REIT has no plans to sell its U.S. REIT shares or to cause it to make distributions in excess of the sum of the U.S. REIT's earnings and profits and the REIT's adjusted basis in its shares of the U.S. REIT. Management has also represented that the U.S. REIT has no plans to sell its units of Lodging Enterprises or AHIP Enterprises LLC ("**AHIP Enterprises**"), or to cause either entity to make a distribution in excess of the sum of its earnings and profits and the U.S. REIT's adjusted basis in its units. However, no assurances can be given that Non-Exempt Gains will not be included in a particular Non-U.S. Unitholder's distributive share of the REIT's income in a particular year. As such, no assurances can be given that a Non-U.S. Unitholder will not have U.S. tax return filing obligations in one or more years arising as a result of an investment in the REIT (and no assurances can be given that a Non-U.S. Unitholder will not be subject to the U.S. withholding tax rules described above).

Distributions made by the U.S. REIT to the REIT that are in excess of U.S. earnings and profits but that are not in excess of the REIT's adjusted basis in its U.S. REIT shares are treated as a non-taxable return of capital for U.S. federal income tax purposes. However, such distributions may be subject to Section 1445 Withholdings at a 10 percent rate unless the REIT obtains a withholding certificate from the Internal Revenue Service and the withholding certificate waives the Section 1445 Withholdings. The REIT has represented to KPMG that it intends to file for a withholding certificate for each U.S. REIT distribution that includes a non-taxable return of capital. However, no assurances can be given that the Internal Revenue Service will approve such a withholding certificate application.

A nonresident alien individual or a foreign corporation that derives ECI (including amounts received as a partner through a partnership) is generally required to make quarterly payments of estimated U.S. tax and is required to file a U.S. federal income tax return. A Non-U.S. Unitholder may generally take its distributive share of Section 1446 Withholdings and Section 1445 Withholdings into account in determining whether estimated tax payments are required.

Non-U.S. Unitholders may claim Section 1446 Withholdings and Section 1445 Withholdings as credits against their final U.S. federal income tax liabilities. However, claims for refunds of overpayments of such withholdings must generally be made by filing a U.S. federal income tax return (Form 1040-NR for nonresident alien individuals and Form 1120-F for foreign corporations) within two years of the date the tax was paid and by showing proof of withholdings by attaching Form 8805 (Form 1042-S in the case of a publicly traded partnership) for Section 1446 Withholdings and Form 8288-A for Section 1445 Withholdings. Non-U.S. Unitholders are required to file a U.S. federal income tax return, with a U.S. TIN, to report their distributive shares of Non-Exempt Gains without regard to the amount of tax withheld.

Non-U.S. Unitholders' Distributive Share of the REIT's Non-ECI Income

Nonresident alien individuals and non-U.S. corporations are generally subject to U.S. federal income tax on fixed or determinable, annual or periodic income received from U.S. sources ("**FDAP**"), including U.S. source dividends to the extent not effectively connected with the conduct of a U.S. trade or business. U.S. source FDAP is generally subject to 30 percent U.S. tax applied to the gross amount (with no allowance for deductions) of FDAP unless a lower rate applies to the gross amount of FDAP under an applicable U.S. treaty. FDAP that is effectively connected with the conduct of a U.S. trade or business is generally subject to the U.S. tax rules and filings requirements applicable to ECI, discussed earlier.

The 30 percent tax on the gross amount of U.S. source FDAP payments to a nonresident alien individual or non-U.S. corporation is generally collected through withholdings at source ("**Section 1441 FDAP Withholding**"). Withholding at source is also required when U.S. source FDAP payments are made to a partnership, such as the REIT, which is organized outside the United States and which has non-U.S. partners. Withholding is generally required at a 30 percent rate, unless a lower rate applies under an applicable U.S. treaty and certain documentation requirements are met. A withholding agent which has deducted and withheld U.S. federal income tax on FDAP on behalf of the REIT is required to file information Form 1042-S on behalf of the REIT with respect to each partner to whom a payment was made (or deemed made).

Treaty Reduced Rates of U.S. Tax on FDAP

U.S. source FDAP payments that would otherwise be subject to 30 percent withholding at source when paid to a non-U.S. partnership (such as the REIT) are treated as being made directly to the partners of the non-U.S. partnership in certain circumstances. For example, a payment made to a non-U.S. partnership with non-U.S. partners is treated as made directly to a non-U.S. partner if the non-U.S. partnership satisfies certain documentation requirements and a non-U.S. clearing organization or the financial institution through which the partner beneficially owns its partnership interest is a "qualified intermediary" that can reliably associate the payment with documentation that establishes the beneficial owner as a non-U.S. person entitled to a reduced rate of withholding under an applicable U.S. treaty. Withholding is made at the reduced treaty rate of withholding where the required documentation is in place and the requirements for a reduced rate of withholding are satisfied. Reduced rates of withholding tax on FDAP payments are not available under the Treaty unless the beneficial owner is a qualified resident of Canada under the Treaty. A resident of Canada (within the meaning of the Treaty) who is a natural person generally is entitled to all of the benefits of the Treaty. Similarly, an RRSP generally is entitled to all of the benefits of the Treaty if its sole beneficiary is an individual resident in Canada.

Likewise, income received by a TFSA should be treated as received by the beneficiary of the TFSA and the TFSA should be disregarded for U.S. federal income tax purposes. The beneficiary or annuitant of the TFSA may be eligible for Treaty-reduced withholding tax rates. Whether a corporation resident in Canada is entitled to all of the benefits of the Treaty depends on a number of factors. Corporations resident in Canada that intend to invest in the REIT should consult their own tax advisors to determine whether they are eligible for Treaty-reduced rates of tax.

The source and character of a partner's distributive share of income received through a partnership is normally determined as if such item were realized directly by the partner. However, Treaty-reduced rates of withholding tax on FPAP payments are not available under either the Code or the Treaty if amounts are paid by or through certain entities ("**hybrid entities**") that are treated as fiscally transparent by one jurisdiction and not by the other. The U.S. REIT, Lodging Enterprises, AHIP Enterprises and the REIT should not be treated as hybrid entities either under the Code or under the Treaty. Accordingly, Non-U.S. Unitholders should be eligible for Treaty-reduced rates on their distributive shares of FDAP received through the REIT to the same extent as if they had received such FDAP directly.

Ordinary REIT Dividends

Distributions out of a real estate investment trust's current or accumulated earnings and profits that are not attributable to gain from the sale or exchange of USRPI ("**ordinary REIT dividends**") are generally treated as U.S. source FDAP and are subject to 30 percent withholding tax at source with no allowance for deductions.

A Canadian resident Unitholder's distributive share of ordinary REIT dividends from the U.S. REIT may be subject to a Treaty-reduced rate of tax if such Unitholder is also a "qualifying person" under the Treaty. The applicable Treaty rates of U.S. withholding tax on a Canadian resident Unitholder's distributive share of ordinary REIT dividends that are not ECI should be zero for RRSPs and 15 percent for individuals, including TFSAs. Canadian resident corporate Unitholders should consult with their own tax advisors to determine whether they are eligible for the 15 percent Treaty-reduced rate. Certain residents of Canada may not be eligible for Treaty-reduced rates of withholding on their distributive shares of the U.S. REIT's ordinary dividends. In general, Treaty-reduced rates are not available on a Canadian resident Unitholder's distributive share of the U.S. REIT's ordinary dividends if that Unitholder beneficially owns, through the REIT, a greater than 10 percent interest in the U.S. REIT.

A Non-U.S. Unitholder that has sufficient proof of withholding may generally recover any excess withholding by filing a U.S. federal income tax return (with a U.S. TIN) for the year in which the distribution is received, provided the return is filed no later than two years after the tax is withheld.

Gift and Estate Tax

Gift Tax

Nonresident individuals for gift tax purposes (referred to as non-domiciliary individuals) are subject to U.S. gift tax on gifts of real property and tangible personal property located within the United States, unless a deduction or exclusion is available. Gifts of intangible property made by non-domiciliary individuals are generally not subject to the gift tax, even if the intangibles are located in the United States (e.g., U.S. stocks and bonds).

A gratuitous transfer of a partnership interest (such as a Unit) by a non-domiciliary individual will not be subject to U.S. gift tax (regardless of where the partnership interest is situated) if the partnership interest is considered intangible personal property. The IRS and the courts have accepted, in other contexts, that an interest in a partnership should be treated as intangible personal property. However, there is no clear guidance on whether a partnership interest is intangible property for gift tax purposes. Moreover, the IRS has placed this issue on its "no-rule" list.

The U.S. gift tax rules relating to partnership interests are complex and unsettled. As such, Non-U.S. Unitholders should consult with their own tax advisors for more specific information and advice regarding their U.S. gift tax exposure before making a gift of a Unit.

Estate Tax

A non-domiciliary individual is taxed at death on the fair market value of the individual's gross estate, less certain deductions and exclusions. The gross estate of a non-domiciliary is limited to certain tangible and intangible property situated in the United States. For example, stocks and bonds of corporations organized in the United States and real property located in the United States are included in a non-domiciliary individual's U.S. estate.

The transfer of a partnership interest (such as a Unit) by a non-domiciliary at death will not be subject to U.S. estate tax if the partnership is not considered to be situated in the United States. The place where a partnership interest is situated is not addressed in the Code and the issue has not been judicially resolved. However, the IRS has ruled that a partnership interest is situated "where the partnership business is carried on."

Substantially all of the REIT's assets will be comprised of shares of the U.S. REIT, which will likely be considered property situated in the United States for U.S. estate tax purposes. As such, the IRS may take the view that the REIT's business is carried on in the United States and that Units owned by a non-domiciliary individual Unitholder will constitute property having an estate tax situs in the United States, subject to the payment of U.S. estate tax by such Unitholder's estate (with possible full or partial Treaty relief) based upon the fair market value of such Units at the time of death.

The U.S. estate tax rules relating to partnership interests are complex and remain unsettled. As such, Non-U.S. Unitholders should consult with their own tax advisors for more specific information and advice regarding their specific U.S. estate tax exposures (and any potential relief under the Treaty) should such Non-U.S. Unitholders hold Units at the time of their deaths.

Federal Income Taxation of the U.S. REIT

Management represented to KPMG that the U.S. REIT intends to elect to be a real estate investment trust commencing with its first taxable year ended December 31, 2013 and intends to maintain such election to be taxed as a real estate investment trust under the Code. However, qualifying as a real estate investment trust depends on an entity meeting various real estate investment trust requirements each taxable year. As such, there is no assurance that the U.S. REIT will qualify as a real estate investment trust. The failure of the U.S. REIT to qualify as a real estate investment trust in its first or in any subsequent taxable year may result in materially reduced distributions to Unitholders and U.S. federal income tax consequences that are not described in this summary.

The following describes the general real estate investment trust qualification rules and the significant U.S. federal income tax consequences to a business entity electing to be treated as a real estate investment trust.

The sections of the Code and Regulations relating to qualification and operation as a real estate investment trust are highly technical and complex. The following discussion sets out, in very general terms, the material aspects of the Code and Regulations that govern the U.S. federal income tax treatment of the U.S. REIT and its non-U.S. interest holders.

A business entity that qualifies and timely elects to be taxed as a real estate investment trust is not generally subject to U.S. federal income tax on its income and capital gains that it distributes to its interest holders each year. However, it would remain subject to U.S. federal income tax in certain circumstances.

For example:

- Undistributed taxable income (including undistributed net capital gains) will be taxed at the regular rates for corporations.

- The U.S. REIT may be subject to "alternative minimum tax" on items of tax preference, if any.

- The U.S. REIT is subject to the highest corporate income tax rate on net income from a sale or other disposition of "foreclosure property" (i.e., generally property acquired through foreclosure or after default on a loan secured by the property or a lease of the property) held primarily for sale to customers in the ordinary course of business and on other non-qualifying income earned from foreclosure property.

- The U.S. REIT is subject to a 100 percent tax on net income from "prohibited transactions." Prohibited transactions are generally sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business.

- The U.S. REIT is subject to a 100 percent tax on certain transactions with its taxable REIT subsidiaries (defined generally below) if such transactions are not at "arm's-length," as defined.

- If the U.S. REIT fails to satisfy either the 75 percent or 95 percent gross income test (as discussed below) but has nonetheless maintained its qualification as a real estate investment trust because it has met certain other requirements, the U.S. REIT will be subject to a 100 percent tax on an amount equal to the greater of the amount by which it fails the 75 percent or 95 percent test multiplied by a fraction calculated to reflect the U.S. REIT's profitability.

- If the U.S. REIT (1) fails to satisfy any of the real estate investment trust asset tests (as discussed below), other than a *de minimis* failure of the 5 percent or 10 percent real estate investment trust asset test (as described more fully below), it may continue to qualify as a real estate investment trust if it meets certain other requirements and it pays a tax equal to the greater of US$50,000 or the highest corporate income tax rate multiplied by the net income from the non-qualifying assets for the period of time it failed to satisfy the asset tests; or (2) fails to satisfy real estate investment trust requirements other than the gross income and asset tests and meets certain other requirements, it will have to pay US$50,000 for each failure in order to remain a REIT.

- The U.S. REIT is subject to a 4 percent excise tax on the excess of the required distribution for a calendar year over the sum of amounts distributed and amounts retained on which U.S. federal income tax was paid. The required distribution for this purpose is at least 85 percent of its ordinary income, 95 percent of its capital gain net income, and any undistributed amounts from prior periods.

Requirements for Real Estate Investment Trust Qualification

To qualify as a real estate investment trust, a business entity must timely elect to be treated as a real estate investment trust and must meet certain organizational, operational, income, asset and distribution requirements, discussed in very general terms below.

Organizational Requirements

The Code defines a real estate investment trust as a corporation, trust or association that:

1. Is managed by one or more trustees or directors;

2. Issues transferable stock or transferable certificates as evidence of its beneficial ownership;

3. Would be taxed as a domestic corporation but for the real estate investment trust provisions of the Code;

4. Is neither a financial institution nor an insurance company;

5. Is beneficially owned by at least 100 persons (the "**100 Shareholder Requirement**");

6. Not more than 50 percent of the value of its outstanding equity interests is owned, directly or indirectly by attribution, by five or fewer "individuals" (which may also include certain entities, as defined in the Code), during the last half of the taxable year (the "**Not-Closely Held Requirement**"); and

7. Satisfies the asset and income requirements, described below.

Conditions (1) to (4) described above must be met for the entire taxable year. The 100 Shareholder Requirement must be met for at least 335 days of a 12-month taxable year or for a proportionate number of days if the taxable year is less than 12 months. The Not-Closely Held Requirement is generally measured at the individual level through the application of constructive ownership rules. The 100 Shareholder Requirement, on the other hand, is generally measured at the actual shareholder level. Both the 100 Shareholder Requirement and the Not-Closely Held Requirement are waived for the first taxable year for which a REIT election is made.

A real estate investment trust's taxable year must be the calendar year. As well, a real estate investment trust cannot have earnings and profits as of the close of any real estate investment trust taxable year which were accumulated in a non-real estate investment trust taxable year. As discussed more fully below under the heading "Annual Distribution Requirements," the U.S. REIT is required to make dividend distributions (other than capital gain dividends) equal to at least 90 percent of real estate investment trust taxable income, determined without regard to the deduction for dividends paid and by excluding any net capital gain, plus 90 percent of the excess of net income from foreclosure property over the tax imposed on such income, less "excess non-cash income." A REIT is also required to maintain certain records pertinent to its qualified real estate investment trust status.

REIT Subsidiaries

A "qualified REIT subsidiary" is a corporation (other than a taxable REIT subsidiary) if 100 percent of the stock of the entity is owned by the real estate investment trust. The separate existence of a qualified REIT subsidiary is disregarded for U.S. federal income tax purposes. All the assets, liabilities, income, deductions, and credits of a qualified REIT subsidiary are treated as though they are owned or earned directly by the real estate investment trust.

A "taxable REIT subsidiary" ("**TRS**") is treated as a separate entity and is taxed as a regular corporation. A TRS is usually formed to earn nonqualified real estate investment trust income or to hold nonqualified real estate investment trust assets. A TRS is an entity (other than a real estate investment trust) in which the real estate investment trust directly or indirectly owns stock and for which a joint election is timely made by the real estate investment trust and by the subsidiary. A corporation (other than a real estate investment trust) of which a TRS directly or indirectly owns more than 35 percent of the voting power or value of the securities will itself be automatically treated as a TRS.

An entity will not qualify as a TRS if it directly or indirectly operates or manages a "qualified lodging facility" or a "qualified health care property" or directly or indirectly provides to another person under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care property is operated, unless such rights are provided (in the TRS's capacity as a licensee, franchisee or similar capacity) to an "eligible independent contractor" ("**EIK**") (as defined below) to enable it to operate or manage a lodging facility or health care property and such lodging facility or health care property is either owned by the TRS or leased to the TRS by its parent REIT. A "qualified lodging facility" means a hotel, motel or any establishment more than one-half of the dwelling units in which are used on a transient basis and in which no authorized gambling activities are conducted. A qualified lodging facility also includes any customary amenities and facilities operated as part of, or associated with, the lodging facility so long as such amenities and facilities are customary for other properties of a comparable size and class owned by other owners unrelated to such real estate investment trust.

A TRS is not considered to operate or manage a qualified lodging facility or a qualified health care property solely because it possesses a license or permit or similar instrument enabling it to do so or employs individuals working at such facilities or properties located outside the U.S., provided that an EIK (defined below) is responsible for the daily supervision and direction of such individuals on behalf of the TRS pursuant to a management agreement or similar contract.

An EIK is a person (or entity) that satisfies the following requirements: (i) it is, or is related to, a person who is engaged in the active trade or business of operating and managing qualified lodging facilities for any person who is not a related person with respect to the real estate investment trust or the TRS at the time of entering into a management agreement or other similar service contract with the TRS to operate its qualified lodging facility; (ii) it does not own, directly or indirectly, more than 35 percent of the REIT's stock; and (iii) not more than 35 percent of such person is owned, directly or indirectly, by one or more persons owning 35 percent or more of the real estate investment trust's stock. For purposes of determining whether those ownership limits are satisfied, actual ownership as well as constructive ownership under the rules of Section 318 of the Code (with certain modifications) are taken into account. The U.S. REIT and Lodging Enterprises have timely filed, and the U.S. REIT and AHIP Enterprises have timely filed, a joint election for Lodging Enterprises and AHIP Enterprises (together the Hotel TRSs) each to be treated as a TRS of the U.S. REIT. The lodging and hotel properties, which the U.S. REIT believes constitute qualified lodging facilities, are leased by the U.S. REIT to Lodging Enterprises and AHIP Enterprises. The U.S. REIT intends for each lease to be treated as a true lease for U.S. federal income tax purposes. As such, the respective lease payments made by the Hotel TRSs to the U.S. REIT are intended to qualify as rents from real property discussed below under the heading "Annual Income Requirements".

Lodging Enterprises has contracted IPO Hotel Manager to manage and operate the Railway Portfolio. AHIP Enterprises contracted Master Hotel Manager to manage and operate the Branded Hotels Portfolio. The U.S. REIT, Lodging Enterprises, and AHIP Enterprises believe that, and have taken, and intend to continue to take, all steps reasonably practicable to ensure that, Lodging Enterprises and AHIP Enterprises have not engaged in, and will not engage in, directly or indirectly, the operation or management of the respective lodging and/or hotel properties, and that IPO Hotel Manager (and any subcontractor thereof) has qualified and will continue to qualify as an EIK with respect to Lodging Enterprises, AHIP Enterprises, and the U.S. REIT.

In order for the base rent, percentage rent and additional charges paid by the Hotel TRSs to constitute "rents from real property" for the purposes of the 75 percent and the 95 percent gross income tests (see discussion under "Annual Income Requirements" below), the leases between the Hotel TRSs and the U.S. REIT must be respected as true leases for U.S. federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. In making such a determination, courts have considered a variety of factors, including the following:

- The intent of the parties;
- The form of the agreement;
- The degree of control over the property that is retained by the property owner (e.g., whether the lessee has substantial control over the operation of the property or whether the lessee was required simply to use its best efforts to perform its obligations under the agreement); and
- The extent to which the property owner retains the risk of loss with respect to the property (e.g., whether the lessee bears the risk of increases in operating expenses or the risk of damage to the property) or the potential for economic gain (e.g., appreciation) with respect to the property.

In addition, Section 7701(e) of the Code provides that a service contract or a partnership agreement in form should be treated as a lease of property if the contract should be properly treated as such, taking into account all relevant factors. Since the determination of whether a service contract should be treated as a lease is inherently factual, the presence or absence of any single factor may not be dispositive in every case.

Dividends from the Hotel TRSs to the U.S. REIT should qualify for the purposes of the 95 percent gross income test but not for the purposes of the 75 percent gross income test (see discussion under "Annual Income Requirements" below). As mentioned above, certain transactions, such as lease payments between the U.S. REIT and the Hotel TRSs (as TRSs of the U.S. REIT), are subject to a 100 percent tax to the extent the IRS were able to assert successfully that a deduction for such item(s) by the Hotel TRSs could be reduced under specified arm's length standards required by the Code. Such tax would be in lieu of an actual reduction of the deducted item.

The U.S. REIT and the Hotel TRSs intend that transactions between the U.S. REIT and the Hotel TRSs reflect arm's-length standards required by the IRC. Any leases between the U.S. REIT (and/or the U.S. REIT's qualified REIT subsidiary) and the Hotel TRSs have been, or will be, structured with the intent to qualify as true leases for U.S. federal income tax purposes. For example, with respect to each lease entered into, or to be entered into, by the U.S. REIT and the Hotel TRSs:

- The U.S. REIT (as the lessor) and the applicable Hotel TRS (as the lessee) intend for their relationship to be that of a lessor and lessee, and such relationship is, or will be, documented by a lease agreement;

- The lessee has, or will have, the right to exclusive possession and use and quiet enjoyment of the properties covered by the lease during the term of the lease;

- The lessee has borne, or will bear, the cost of, and is, or will be, responsible for day-to-day maintenance and repair of the properties other than the cost of certain capital expenditures, and has dictated, or will dictate, through the hiring of the hotel managers, how the properties are operated and maintained;

- The lessee will benefit from any savings and will bear the burdens of any increases in the costs of operating the properties during the term of the lease;

- In the event of damage or destruction to the properties, the lessee will be at economic risk because it will bear the economic burden of the loss in income from operation of the properties subject to the right, in certain circumstances, to terminate the lease if the lessor does not restore the properties to their prior condition;

- The lessee will indemnify the lessor against all liabilities imposed on the lessor during the term of the lease by reason of (A) injury to persons or damage to property occurring at the properties or (B) the lessee's use, management, maintenance or repair of the properties;

- The lessee is, or will be, obligated to pay, at a minimum, substantial base rent for the period of use of the properties under the lease;

- The lessee will stand to incur substantial losses or reap substantial gains depending on how successfully it, through the hotel managers, who work for the lessee during the terms of the leases, operates the properties;

- The lessor believes that the lessee reasonably expected, at the times the leases were entered into and subsequently renewed or extended, to derive a meaningful profit, after expenses and taking into account the risks associated with the lease, from the operation of the properties during the term of its leases; and

- Upon termination of each lease, the applicable property is expected to have a remaining useful life of at least 20 percent of its expected useful life on the date the lease was entered into, and a fair market value of at least 20 percent of its fair market value on the date the lease was entered into.

However, no assurances can be given that the IRS will not challenge the belief that each lease is based on "arm's-length" terms and/or recharacterize a lease as a service or partnership agreement. If any lease were recharacterized as a service or partnership agreement, or disregarded altogether for U.S. federal income tax purposes, all or part of the payments that the lessor receives from the lessees would not be considered rent or would not otherwise satisfy the various requirements for qualification as "rents from real property." In that case, the U.S. REIT likely would not be able to satisfy either the 75 percent or 95 percent gross income test described below, and as a result, would lose its real estate investment trust status.

Annual Income Requirements

The U.S. REIT must meet the following two gross income test requirements, excluding gross income from prohibited transactions and certain hedging and foreign currency transactions, annually:

1. At least 75 percent of the U.S. REIT's gross income (the "**75 percent gross income test**"), excluding gross income from prohibited transactions and certain hedging and foreign currency transactions, must be derived from:
   (a) Rents from real property, as defined;
   (b) Interest on obligations secured by mortgages on real property;
   (c) Gain from the sale of real property that is not held primarily for sale;
   (d) Income and gain derived from "foreclosure property" (as previously described);
   (e) Income from certain temporary investments (described below); and
   (f) Certain other real estate-related income.

2. At least 95 percent of the U.S. REIT's gross income (the "**95 percent gross income test**"), excluding gross income from prohibited transactions and certain hedging and foreign currency transactions, must be income of a passive-type, including:
   (a) Income described in the 75 percent test, above;
   (b) Dividends, including dividends from a TRS;
   (c) Interest (whether or not secured by a mortgage); and
   (d) Gain from the sale or disposition of stock or securities not held primarily for sale.

Certain Types of Income

<u>Rents from Real Property</u>

Generally, "rents from real property" means the gross amounts received for the use of real property. "Rents from real property" includes:

1. Rents from interests in real property;

2. Charges for services customarily furnished or rendered (i.e., services customarily provided in the geographic area in connection with the rental of space for occupancy) in connection with the rental of real property, whether or not those charges are separately stated;

3. Rent attributable to personal property that is leased in connection with a lease of real property provided that the rent attributable to personal property does not exceed 15 percent of the total rental amount;

4. Rents received from a TRS (which would otherwise be disqualified as related party rents), provided that certain conditions are satisfied; and

5. "Rents from real property" does not include, among other categories of real property-related rental income:
   (a) Any amount received or accrued that is based upon profits of any person either in whole or in part, directly or indirectly. However, an amount is not so excluded solely by being based on a fixed percentage or percentages of sales or if it is based on the net income of a tenant which derives substantially all of its income with respect to such property from subleasing substantially all of such property, to the extent that the rents paid by the subtenants would qualify as rents from real property, if earned directly by the real estate investment trust;
   (b) Any amounts received from a tenant that is directly or indirectly 10 percent or more owned (based on voting power or value for a corporate entity or assets or net profits for a non-corporate entity) by the REIT, except in certain cases for amounts received from a taxable TRS; and

(c) Impermissible tenant service income ("**ITSI**").

Generally, ITSI means, with respect to a property, any amount received or accrued directly or indirectly by a real estate investment trust for furnishing or rendering services to its tenants or for managing or operating the property. However, if such services are rendered or furnished, or such management or operation is provided through (1) an "independent contractor" from whom the real estate investment trust does not derive or receive any income; or (2) a TRS of the real estate investment trust, then such services, management or operation is not treated as furnished, rendered or provided by the real estate investment trust for purposes of determining whether they create ITSI. In addition, certain customary property management services may be provided directly by the real estate investment trust without causing amounts to be treated as ITSI. Nonetheless, if the amount of ITSI as determined under the preceding rules exceeds 1 percent of all amounts received or accrued directly or indirectly during the taxable year by the real estate investment trust with respect to such property, then all such amounts received with respect to the property are treated as ITSI.

Property Held Primarily for Sale

A real estate investment trust is subject to a 100 percent tax on its net income from "prohibited transactions." A prohibited transaction includes the sale of property held primarily for sale to customers in the ordinary course of business other than a foreclosure property. Whether property is held primarily for sale to customers in the ordinary course of business depends on the facts and circumstances. However, a prohibited transaction is deemed not to include the sale of property that is a real estate asset and is held primarily for sale to customers in the ordinary course of business if:

1. The real estate investment trust has owned the property (consisting of land and improvements) for two years or longer for the production of rental income;

2. The aggregate expenditures of a capital nature made by the real estate investment trust or its partner on the property during the two-year period prior to the sale do not exceed 30 percent of the property's net selling price; and

3. The real estate investment trust (a) makes no more than seven sales of property during the taxable year, (b) the aggregate tax basis of the properties sold during the year does not exceed 10 percent of the aggregate tax basis of all the real estate investment trust's assets, determined as of the beginning of the tax year, or (c) the fair market value of the properties sold during the taxable year does not exceed 10 percent of the fair market value of all of the real estate investment trust's assets, determined as of the beginning of the tax year. If the real estate investment trust relies on the percentage of tax basis or fair market value test to avoid prohibited transaction treatment, then substantially all the marketing and development expenditures with respect to the property must be made through an independent contractor in a prescribed manner.

Income from Certain Temporary Investments

Interest income on obligations not secured by real property and certain other investment income may qualify under the 75 percent gross income test if it is "qualified temporary investment income." Qualified temporary investment income is limited to certain investment income from stock or a debt instrument that is attributable to the temporary investment of new capital and is received or accrued during the one-year period beginning on the date the real estate investment trust receives such new capital. The same one year period also limits the time such temporary investments are treated as real estate assets for asset testing purposes.

Quarterly Asset Requirements

At the end of each quarter, the U.S. REIT must meet certain asset requirements, generally as follows:

- At least 75 percent of the value of the U.S. REIT's gross assets must consist of real estate assets (which generally include qualified temporary investments, described above, interests in real property, interests in mortgages and shares in other real estate investment trusts), cash, cash items, and U.S. Government securities.

- Not more than 25 percent of the value of its total assets may consist of securities, other than U.S. Government securities and securities that qualify as real estate assets.

- Not more than 25 percent of the value of its total assets may consist of securities of TRSs (see earlier discussion).
- Not more than 5 percent of its total assets may consist of securities of one issuer (other than interests in TRSs, U.S. Government securities and securities that qualify as real estate assets).
- The U.S. REIT may not hold securities that make up more than 10 percent of total voting power or value of the outstanding securities of any one issuer (except for interests in TRSs, U.S. Government securities, securities that qualify as real estate assets and, for the 10 percent value limitation purposes, certain exempted securities).

If the U.S. REIT meets the asset tests at the close of any quarter, it will not lose its real estate investment trust status if it fails to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values of assets owned in the immediately preceding quarter (including a failure caused solely by a change in the foreign currency exchange rate used to value a foreign asset). If, on the other hand, the U.S. REIT fails the asset test because of the acquisition of an asset, the failure can be cured by disposing of non-qualifying assets within 30 days after the close of the quarter. Under certain circumstances, the U.S. REIT may avoid real estate investment trust disqualification after the 30-day cure period by disposing of sufficient non-qualifying assets (or otherwise meeting such asset tests) within six months of the last day of the quarter in which the U.S. REIT first identifies the violation and by taking certain other steps. The procedures for curing asset test violations following the 30-day cure period generally are available in the case of *de minimis* violations of the 5 percent and 10 percent (vote or value) tests, and for other asset test violations that were due to reasonable cause and not due to willful neglect. In the case of non-*de minimis* violations that are due to reasonable cause, the U.S. REIT may be liable for a tax (as discussed above).

If the U.S. REIT fails to satisfy the real estate investment trust requirements, other than the gross income tests and the asset tests, it may avoid real estate investment trust disqualification if such a failure is due to reasonable cause and not due to willful neglect and the U.S. REIT pays US$50,000 for each such failure.

A real estate investment trust that is disqualified as a real estate investment trust cannot generally again elect to become a real estate investment trust prior to the fifth taxable year beginning after the first taxable year for which the termination is effective unless it can establish the disqualification was due to reasonable cause and not due to willful neglect. A corporation that elects real estate investment trust status and which is later disqualified as a real estate investment trust becomes subject to U.S. federal income tax as a U.S. corporation.

Annual Distribution Requirements

The U.S. REIT is required annually to take a dividends paid deduction (excluding capital gain dividends) at least equal to the sum of: (i) 90 percent of its real estate investment trust taxable income (determined without regard to the deduction for dividends paid and by excluding any net capital gain); and (ii) 90 percent of the excess of net income from foreclosure property over the tax imposed on such income, minus “excess non-cash income.” Generally, a distribution is treated as a dividend that may qualify for the dividends paid deduction only to the extent it is paid from current or accumulated earnings and profits of the U.S. REIT and provided it is not treated as a preferential dividend.

Generally, a dividend paid during the taxable year is taken into account in the same year, for purposes of the dividends paid deduction. However, dividends paid in the immediately subsequent year are treated as if distributed on December 31 of the prior year if the dividends were declared in October, November or December of the prior year, the dividends were payable to “stockholders” of record on a specified date in such a month, and the dividends were actually distributed during January of the immediately subsequent year.

A dividend is also taken into account for the prior year if it is declared before the U.S. REIT timely files its federal income tax return for such year, it is actually paid in the 12-month period following the close of the prior year, it is paid not later than the first regular dividend payment after such declaration, and the U.S. REIT timely files an election. To the extent the U.S. REIT relies on this election for more than 15 percent of its ordinary income or more than 5 percent of its capital gain net income, it may be subject to 4 percent excise tax on such excess late distributions. Finally, the U.S. REIT and its holders of common interest (i.e., consent stock) may agree to deem a dividend (consent dividend) to occur if certain conditions are met and if consents to such treatment are timely filed. The amount specified as a consent dividend generally is considered as (a) distributed in money by the U.S. REIT to the shareholder on December 31 of the taxable year of the U.S. REIT and (b) contributed to the capital of the U.S.

REIT by the shareholder on the same day. Any U.S. withholding tax applicable to the consent dividend will be required to be withheld and timely remitted by the U.S. REIT. However, amounts specified in consents filed by shareholders are not treated as consent dividends to the extent that they would constitute a preferential dividend, or they would not constitute a dividend as defined in Section 316 of the Code (because, for example, the amount exceeded the U.S. REIT's earnings and profits).

The U.S. REIT may choose to treat certain dividends to be treated as designated capital gain dividends. The U.S. REIT may designate prior distributions as capital gain dividends in a written notice mailed to shareholders within 30 days of the close of the taxable year, or in its annual report for the taxable year. Capital gain dividends are generally limited to the amount of the U.S. REIT's net capital gain for the year. Capital gain dividends are taxed in the hands of the beneficiaries as a gain from the sale or exchange of a capital asset held for more than one year.

Records Maintenance

The U.S. REIT is required to keep such records as are required in order to disclose the actual ownership of its outstanding equity interests. The actual owner of the U.S. REIT's outstanding equity interests is generally the person who is required to include the dividends received from the U.S. REIT in gross income for U.S. federal income tax purposes.

Other Applicable Rules

The U.S. REIT is generally subject to all other provisions of the Code that apply to corporations except to the extent those provisions are inconsistent with the real estate investment trust rules. For example, but for the dividends paid deduction and certain modifications to the normal operating rules applicable to corporations, the U.S. REIT generally computes its taxable income in the same way as a U.S. corporation. As such, the U.S. REIT is entitled to deduct ordinary and necessary expenses, including fees, interest, depreciation and amortization computed under the rules of the Code and other amounts that are not properly treated as being on capital account. However, to be deductible, expenses must also meet the clear reflection of income, economic performance and certain other standards.

U.S. Foreign Account Tax Compliance Act ("FATCA")

FATCA, U.S. tax legislation that came into effect on July 1, 2014, generally imposes certain U.S. reporting, and information gathering requirements as well as a 30 percent withholding tax applied to certain payments received by a "foreign financial institution".

Specifically with respect to a Canadian entity, FATCA (as modified by the intergovernmental agreement between Canada and the United States, the "**IGA**", and the Tax Act) requires a "reporting Canadian financial institution" to, amongst other things:

(a) Report to the CRA certain information regarding its U.S. holders and certain U.S. persons that indirectly hold interests in such reporting Canadian financial institution (other than equity and debt interests that are regularly traded on an established securities market); and

(b) Comply with certain reporting, verification, due diligence and other procedures established by the IRS and/or the CRA.

Further, unless a reporting Canadian financial institution complies with the FATCA reporting requirements (as modified by the IGA), it may be subject to 30 percent tax on certain payments it receives from U.S. withholding agents. In addition, non-U.S. financial institutions that have entered into an agreement with the IRS (or are subject to an intergovernmental agreement and the jurisdiction's local law) and that hold Units on behalf of a Unitholder may be required to withhold all or a portion of the 30 percent tax on foreign pass through payments that they make with respect to the Units after December 31, 2016 where such Units are held by non-compliant entities.

A Canadian entity that is not a financial institution generally will be a non-financial foreign entity ("**NFFE**"). An NFFE does not have registration requirements on the IRS portal, but may face a similar 30 percent FATCA withholding on certain payments unless it provides certain documentation to applicable withholding agents.

Pursuant to the IGA, the Canadian Income Tax Act, and published CRA guidance, the REIT may be a reporting Canadian financial institution. The REIT will continuously monitor any future guidance from the IRS and/or the CRA and will comply with any future changes in guidance as they relate to the REIT to ensure that it is fully compliant with any differing or additional requirements that such guidance may dictate.

RISK FACTORS

An investment in the Offered Units involves a number of risks. Prior to making an investment in the Offered Units, investors should carefully consider the risks described at pages 29 - 43 under the heading "Risk Factors" of the AIF which is incorporated by reference herein and available on SEDAR at www.sedar.com, the risks identified elsewhere in this short form prospectus and the other documents incorporated by reference herein and the risk factors set forth below. The risks described herein are not the only risks facing the REIT. Additional risks and uncertainties not currently known to the REIT, or that the REIT currently deems immaterial, may also materially and adversely affect its business.

Risks Related to the Acquisition of the Texas Portfolio, the Oklahoma Portfolio and the Southeast Portfolio II

Closing of the Acquisitions of the Texas Portfolio, the Oklahoma Portfolio and the Southeast Portfolio II

The closings of the REIT's acquisitions of the Texas Portfolio and the Oklahoma Portfolio are subject to the satisfaction of certain closing conditions. In addition, the Southeast Portfolio II is still being evaluated and negotiated with the applicable sellers and such acquisition, if it proceeds, will, be subject to conditions, including, without limitation, satisfactory completion of the REIT's due diligence, negotiation and finalization of formal legal documents, debt financing and approval from the General Partner's board of directors. There is no certainty, nor can the REIT provide any assurance, that the aforementioned conditions will be satisfied or, if satisfied, when they will be satisfied. As a result, there can be no assurance that the REIT will complete such acquisitions on the basis described in this short form prospectus or by any currently expected completion dates. If the REIT does not complete such acquisitions or any part thereof, the REIT may be subject to a number of risks, including: (i) the price of the Units may decline to the extent that the current market price reflects a market assumption that such acquisitions will be completed; (ii) certain costs related to such acquisitions, such as legal, accounting and consulting fees, must be paid even if the acquisitions are not completed; (iii) if the Offering is completed, the REIT may possess substantial unutilized acquisition capacity, which would cause its financial performance to be negatively impacted until suitable hotel properties are identified for acquisition and such acquisitions are completed; and (iv) there is no assurance that such suitable properties will be available to the REIT in the future or at all.

Possible Failure to Realize Expected Returns on the Acquisitions of the Texas Portfolio, the Oklahoma Portfolio and the Southeast Portfolio II

The acquisitions of the Texas Portfolio, the Oklahoma Portfolio and the Southeast Portfolio II involve risks that could materially and adversely affect the REIT's business plan, including the failure of such acquisitions to realize the results the REIT expects. While management considers such acquisitions not to be dilutive to the REIT's AFFO, such determination should not be regarded as a guarantee of future performance or results.

Potential Undisclosed Liabilities Associated with the Acquisitions of the Texas Portfolio, the Oklahoma Portfolio and the Southeast Portfolio II

The REIT has conducted its due diligence review of each of the hotel properties comprising the Texas Portfolio and Oklahoma Portfolio and has not yet completed its due diligence on the Southeast Portfolio II. There may be liabilities, including under applicable environmental laws, that the REIT failed to discover or was unable to quantify in the due diligence review prior to the closing of the acquisitions of these properties and the REIT may not be indemnified for some or all of these liabilities. The subsequent discovery or quantification of any material liabilities could have a material adverse effect on the REIT's business, financial condition or future prospects, which may include diminution in the value of the affected properties or the inability to finance or dispose of the affected properties on acceptable terms.

No Financing Condition in the Texas PSA, the Oklahoma PSA or the Southeast Portfolio II PSA

There exists no condition for financing under any of the Texas PSA, the Oklahoma PSA or the Southeast Portfolio II PSA which the REIT can rely on to terminate such agreements. The REIT has not yet obtained a firm commitment from a lender to provide the CMBS financing for the acquisitions of the Texas Portfolio, the Oklahoma Portfolio or the Southeast Portfolio II which, together with a combination of the REIT's cash on hand and the proceeds of the Offering, would provide enough funds to pay the expected purchase price for one or more of such acquisitions and related transaction expenses. If the CMBS financing for the acquisitions of the Texas Portfolio, the Oklahoma Portfolio and/or the Southeast Portfolio II cannot be obtained or does not close, then the REIT may not have enough funds and cash on hand to complete one or more of such acquisitions, which could have a material adverse effect on the REIT.

CMBS Financing Terms

The CMBS financing for the acquisitions of each of the Texas Portfolio, Oklahoma Portfolio and the Southeast Portfolio II, if obtained by the REIT, will be subject to certain restrictive conditions that limit the discretion of management with respect to certain business matters, including financial covenants that require the REIT to meet certain financial ratios, financial condition tests and other restrictive covenants. A failure to comply with the obligations in the agreements governing such CMBS financing could result in a default which, if not cured or waived, may lead to a termination of such agreements.

Use of Property Appraisals

Caution should be exercised in the evaluation and use of the Texas Appraisals and the Oklahoma Appraisals prepared by CBRE. A valuation is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Texas Appraisals and the Oklahoma Appraisals are based on various assumptions of future expectations. Some of these assumptions may not materialize or may differ materially from actual experience in the future.

The REIT may not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the initial appraisal of the value of the REIT's properties or the value of such properties from time to time.

Risks Related to the Offering

Use of Proceeds

The REIT intends to use the net proceeds from the Offering as set out under "Use of Proceeds" in this short form prospectus. The use of proceeds as set out herein are based on the current expectations of management of the REIT; however, there may be circumstances where, for business reasons, a reallocation of funds may be necessary as determined at the discretion of the REIT, and there can be no assurance as of the date of this short form prospectus as to how those funds may be reallocated.

To the extent that any of the net proceeds of this Offering remain un-invested pending their intended use, or are used to pay down indebtedness with a low interest rate, this Offering may result in substantial dilution, on a per Unit basis, to the REIT's net income and other measures used by the REIT.

Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount, and reductions in, or suspensions of, cash distributions may occur that would reduce yield based on the Offering Price. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. See "Principal Canadian Federal Income Tax Considerations".

Dilution

The number of Units the REIT is authorized to issue is unlimited. Subject to the rules of any applicable stock exchange on which the Units are listed and applicable securities laws, the REIT may, in its sole discretion, issue additional Units from time to time (including pursuant to any existing incentive compensation plan or that may be introduced in the future), and the interests of the holders of Units may be diluted thereby.

AUDITORS, TRANSFER AGENT, REGISTRAR AND TRUSTEE

The auditors of the REIT are KPMG LLP, Chartered Accountants, of Vancouver, British Columbia. KPMG LLP was appointed as auditors of the REIT on October 12, 2012.

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

LEGAL PROCEEDINGS

Management is not aware of any legal proceedings of a material nature to which either the REIT or any of its Subsidiaries is a party or of which any of their respective property is the subject matter.

EXPERTS

Certain legal matters in connection with this Offering will be passed upon by Farris, Vaughan, Wills & Murphy LLP, on behalf of the REIT, and by Blake, Cassels & Graydon LLP on behalf of the Underwriters. As of the date of this short form prospectus, the partners and associates of Farris, Vaughan, Wills & Murphy LLP, and the partners and associates of Blake, Cassels & Graydon LLP beneficially own, directly and indirectly, less than 1% of the outstanding securities of the REIT and its affiliates.

KPMG LLP, in its capacity as tax advisor to REIT, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, have jointly prepared the summaries set out under "Principal Canadian Federal Income Tax Considerations" and under "Eligibility for Investment". KPMG LLP, in its capacity as tax advisor to REIT, has also prepared the summary set out under "Principal United States Federal Income Tax Considerations". As of the date of this short form prospectus, KPMG LLP does not beneficially own, directly or indirectly, any securities of REIT and its Affiliates.

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

Bonadio & Co., LLP is named as having prepared audit reports included in continuous disclosure filings made by the REIT that are incorporated by reference into this short form prospectus. As at the date of such reports and this short form prospectus, the partners and associates of Bonadio & Co., LLP beneficially owned, directly and indirectly, less than 1% of the outstanding securities of the REIT and its affiliates.

Keiter is named as having prepared audit reports included in continuous disclosure filings made by the REIT that are incorporated by reference into this short form prospectus. As at the date of such reports and this short form prospectus, the partners and associates of Keiter beneficially owned, directly and indirectly, less than 1% of the outstanding securities of the REIT and its affiliates.

Cushman & Wakefield, Inc. is named as having prepared appraisals described in continuous disclosure filings made by the REIT that are incorporated by reference into this short form prospectus. As at the date of such appraisals and this short form prospectus, the partners and associates of Cushman & Wakefield, Inc. beneficially owned, directly and indirectly, less than 1% of the outstanding securities of the REIT and its affiliates.

CBRE is named as having prepared the Texas Appraisals and the Oklahoma Appraisals. See "The Acquisitions – The Texas Portfolio" and "– The Oklahoma Portfolio". As at the date of such appraisals and this short form prospectus, the partners and associates of CBRE beneficially owned, directly and indirectly, less than 1% of the outstanding securities of the REIT and its affiliates.

PROMOTER

Sunstone O'Neill Hotel Management Inc. took the initiative in founding and organizing the REIT and was therefore considered a promoter of the REIT for the purposes of applicable securities legislation at the time of the

REIT's initial public offering. As at the date hereof, Sunstone O'Neill Hotel Management Inc. does not beneficially own, control or direct, directly or indirectly, any Units or other securities of the REIT.

PURCHASER'S STATUTORY AND CONTRACTUAL RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE REIT

October 21, 2014

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

(Signed) ROBERT O'NEILL Chief Executive Officer of the General Partner	(Signed) AZIM LALANI Chief Financial Officer of the General Partner

AMERICAN HOTEL INCOME PROPERTIES REIT (GP) INC.

(as General Partner)

(Signed) ROBERT O'NEILL Chief Executive Officer	(Signed) AZIM LALANI Chief Financial Officer
(Signed) KEVIN GRAYSTON Director	(Signed) ROBERT PRATT Director

CERTIFICATE OF THE UNDERWRITERS

October 21, 2014

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

CANACCORD GENUITY CORP.

(Signed) JUSTIN BOSA

NATIONAL BANK FINANCIAL INC.

(Signed) GLEN HIRSH

CIBC WORLD MARKETS INC.

(Signed) JEFF APPLEBY

TD SECURITIES INC.

(Signed) DAVID BARNES

HAYWOOD SECURITIES INC.

(Signed) FRANK STRONACH

SCOTIA CAPITAL INC.

(Signed) BRYCE STEWART

DUNDEE SECURITIES LTD.

(Signed) BRAD CUTSEY

GMP SECURITIES L.P.

(Signed) ANDREW KIGUEL