



**AMERICAN HOTEL INCOME PROPERTIES REIT LP**

Notice of Annual and Special Meeting  
of Unitholders to be held on May 12, 2016  
and  
Information Circular

Dated: April 8, 2016



## AMERICAN HOTEL INCOME PROPERTIES REIT LP

### NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**Meeting**”) of the holders (“**Unitholders**”) of the limited partnership units (“**Units**”) of American Hotel Income Properties REIT LP (the “**REIT**”) will be held at The Westin Grand Vancouver Hotel, 433 Robson Street, Vancouver, British Columbia at 9:00 am (Pacific Time), on May 12, 2016, for the following purposes:

1. to receive the financial statements of the REIT for the financial year ended December 31, 2015 and the report of the auditors thereon;
2. to elect directors of American Hotel Income Properties REIT (GP) Inc. (the “**General Partner**”) for the ensuing year;
3. to re-appoint KPMG LLP as auditors of the REIT for the ensuing year and to authorize the directors of the General Partner to fix their remuneration;
4. to consider, and if thought fit, to approve with or without variation, an ordinary resolution for the renewal and amendment and restatement of the securities-based compensation plan of the REIT adopted on June 17, 2013, all as more particularly described in, and subject to, the accompanying information circular of the REIT dated April 8, 2016 (the “**Information Circular**”);
5. to consider, and if thought fit, to approve with or without variation, an ordinary resolution for the reconfirmation and amendment and restatement of the unitholder rights plan agreement made as of June 17, 2013 between the REIT and Computershare Investor Services Inc., all as more particularly described in, and subject to, the accompanying Information Circular; and
6. to transact such further and other business as may properly come before the meeting or any adjournment or postponement thereof.

Specific details of the above items of business are contained in the Information Circular that accompanies and forms a part of this Notice of Annual and Special Meeting.

Unitholders of record are entitled to vote at the Meeting either in person or by proxy. Unitholders who are unable to attend the Meeting in person are requested to read, complete, sign and deliver the accompanying Form of Proxy. To be effective, the Form of Proxy must be received by Computershare Investor Services Inc., 100 University Avenue, 8<sup>th</sup> Floor, North Tower, Toronto, Ontario M5J 2Y1 (facsimile: 1-866-249-7775) not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting, or any adjournment or postponement thereof.

**Beneficial Unitholders who hold their Units of the REIT through an intermediary/broker are not entitled, as such, to vote at the Meeting through a proxy. Regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Unitholders in advance of the Meeting. Beneficial Unitholders should carefully follow the instructions of their intermediary/broker, including those on how and when voting instructions are to be provided, in order to have their Units voted at the Meeting.**

DATED at Vancouver, British Columbia, this 8<sup>th</sup> day of April, 2016.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Robert F. O'Neill  
Director

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# AMERICAN HOTEL INCOME PROPERTIES REIT LP

## INFORMATION CIRCULAR

(Containing information as at April 8, 2016 unless indicated otherwise)

(All amounts in Canadian dollars unless indicated otherwise)

### SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the board of directors (the “**Board of Directors**”, “**Board**” or the “**Directors**”) of American Hotel Income Properties REIT (GP) Inc. (the “**General Partner**”) on behalf of American Hotel Income Properties REIT LP (the “**REIT**”) for use at the annual and special meeting (the “**Meeting**”) of the holders (the “**Unitholders**”) of limited partnership units (the “**Units**”) of the REIT to be held at The Westin Grand Vancouver Hotel, 433 Robson Street, Vancouver, British Columbia at 9:00 am (Pacific Time), on May 12, 2016, or at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of Annual and Special Meeting. Unless the context otherwise requires, all references to the “Meeting” in this Information Circular include all adjournments and postponements thereof.

It is expected that the solicitation of proxies for the Meeting will be primarily by mail, but proxies may be solicited personally, by telephone or by other means of communication by the Directors, officers and regular employees of the REIT and its subsidiaries who will not be specifically remunerated therefor. All costs of solicitation of proxies by or on behalf of the Directors will be borne by the REIT. The REIT has arranged for intermediaries/brokers to forward the Meeting materials to Beneficial Unitholders (as defined below) of the REIT held of record by those intermediaries/brokers, and the REIT may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

### APPOINTMENT OF PROXIES

**The persons named in the accompanying Form of Proxy are Directors. A Unitholder desiring to appoint some other person, who need not be a Unitholder, to attend and act on the Unitholder’s behalf at the Meeting has the right to do so, either by inserting the desired person’s name in the blank space provided in the Form of Proxy or by completing another proper Form of Proxy.**

A Form of Proxy must be in writing and signed by the Unitholder or by the Unitholder’s attorney duly authorized in writing or, if the Unitholder is a body corporate or association, under its seal or by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing. If an attorney executes the Form of Proxy, evidence of the attorney’s authority must accompany the Form of Proxy. A proxy will not be valid unless the completed Form of Proxy is received by Computershare Investor Services Inc., 100 University Avenue, 8<sup>th</sup> Floor, North Tower, Toronto, Ontario M5J 2Y1 (facsimile: 1-866-249-7775) not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting, or any adjournment or postponement thereof. Alternatively, registered Unitholders can call the toll-free telephone number of Computershare Investor Services Inc. (“**Computershare**”) or access Computershare’s dedicated voting website (each as noted on the accompanying Form of Proxy) in order to vote the Units held by them.

**Beneficial Unitholders who hold their Units of the REIT through an intermediary/broker are not entitled, as such, to vote at the Meeting through a proxy. Regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Unitholders in advance of the Meeting. Beneficial Unitholders should carefully follow the instructions of their intermediary/broker, including those on how and when voting instructions are to be provided, in order to have their Units voted at the Meeting. See “Beneficial Unitholders”.**

### REVOCATION OF PROXIES

A Unitholder who has given a Form of Proxy may revoke it by an instrument in writing that is signed and delivered to Computershare in the manner as described above so as to arrive at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, at which the Form of

Proxy is to be used, or to the chair of the Meeting on the day of the Meeting or any adjournment or postponement thereof, or in any other manner provided by law. A revocation of a Form of Proxy does not affect any matter on which a vote has been taken prior to the revocation.

## VOTING OF PROXIES

**The Director representatives designated in the accompanying Form of Proxy will vote or withhold from voting the Units in respect of which they are appointed proxy on any ballot that may be called for in accordance with the instructions of the Unitholder as indicated on the Form of Proxy and, if the Unitholder specifies a choice with respect to any matter to be acted upon, the Units will be voted accordingly. Where no choice is specified in the Form of Proxy, such Units will be voted “for” the matters described therein and in this Information Circular.**

The accompanying Form of Proxy confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Annual and Special Meeting and with respect to other matters that may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Annual and Special Meeting are properly brought before the Meeting or any other business is properly brought before the Meeting, it is the intention of the Director representatives designated in the accompanying Form of Proxy to vote in accordance with their best judgement on such matters or business. At the time of the printing of this Information Circular, the Directors know of no such amendment, variation or other matter, which may be presented to the Meeting.

## BENEFICIAL UNITHOLDERS

These meeting materials are being sent to both registered and non-registered Unitholders. If you are a non-registered Unitholder and the REIT or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary/broker holding Units on your behalf.

The information set forth in this section is important to all Unitholders. Unitholders who do not hold their Units in their own name are referred to in this Information Circular as “**Beneficial Unitholders**”. There are two kinds of Beneficial Unitholders — those who object to their names being made known to the issuers of securities which they own (called “**OBOs**” for Objecting Beneficial Owners), and those who do not object (called “**NOBOs**” for Non-Objecting Beneficial Owners). **Beneficial Unitholders should note that only a Unitholder whose name appears on the records of the REIT as a registered holder of Units or a person they appoint as a proxy can be recognized and vote at the Meeting.** Subject to limited exceptions that may exist from time to time, all issued and outstanding Units are in a book-based system administered by CDS Clearing and Depository Services Inc. (“**CDS**”). Consequently, all Units are, subject to limited exceptions that may exist from time to time, registered under the name of CDS & Co. (the registration name for CDS). CDS also acts as nominee for brokerage firms through which Beneficial Unitholders hold their Units. Units held by CDS can only be voted (for or against resolutions) upon the instructions of the Beneficial Unitholder.

The REIT is taking advantage of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, which permits it to deliver proxy-related materials directly to its NOBOs. As a result, NOBOs will receive Meeting materials from Computershare, including a voting instruction form. By choosing to send these materials to NOBOs directly, the REIT (and not the intermediaries holding Units on behalf of NOBOs) has assumed responsibility for: (i) delivering these materials to NOBOs; and (ii) executing NOBOs’ proper voting instructions. NOBOs are requested to return their voting instructions as specified in the request for voting instructions.

Proxy-related materials will be delivered indirectly to the REIT’s OBOs. As a result, OBOs can expect to receive Meeting materials from their intermediary/broker, including a voting instruction form as more particularly described immediately below.

Applicable regulatory policy requires intermediaries/brokers to whom meeting materials have been sent to seek voting instructions from Beneficial Unitholders in advance of Unitholders’ meetings. Every intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by

Beneficial Unitholders in order to ensure that their Units are voted at the Meeting. Often, the voting instruction form supplied to a Beneficial Unitholder by its intermediary/broker is identical to the Form of Proxy provided to registered Unitholders. However, its purpose is limited to instructing the registered Unitholder (the intermediary/broker) how to vote on behalf of the Beneficial Unitholder. The majority of intermediaries/brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically prepares a special voting instruction form, mails those forms to the Beneficial Unitholders and asks for appropriate instructions respecting the voting of Units to be represented at the Meeting. Beneficial Unitholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, Beneficial Unitholders can call a toll-free telephone number or access Broadridge’s dedicated voting website (each as noted on the voting instruction form) to deliver their voting instructions and vote the Units held by them. Broadridge then tabulates the results of all voting instructions received and provides appropriate instructions respecting the voting of Units to be represented at the Meeting. A Beneficial Unitholder receiving a voting instruction form cannot use that voting instruction form to vote Units directly at the Meeting. The voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Units voted. Beneficial Unitholders who receive forms of proxies or voting materials from organizations other than Broadridge should complete and return such forms of proxies or voting materials in accordance with the instructions on such materials in order to properly vote their Units at the Meeting.

**Beneficial Unitholders cannot be recognized at the Meeting for purposes of voting their Units in person or by way of depositing a Form of Proxy. If you are a Beneficial Unitholder and wish to vote in person at the Meeting, please see the voting instructions you received or contact your intermediary/broker well in advance of the Meeting to determine how you can do so.**

Beneficial Unitholders should carefully follow the voting instructions they receive, including those on how and when voting instructions are to be provided, in order to have their Units voted at the Meeting.

## REIT STRUCTURE

The REIT is a limited partnership formed under the *Limited Partnerships Act* (Ontario) to invest in hotel real estate properties primarily in the U.S. The REIT is governed by its amended and restated limited partnership agreement dated February 20, 2013, as amended on June 9, 2015 (the “**LP Agreement**”), a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The General Partner is the general partner of the REIT. The General Partner is a corporation incorporated under the *Canada Business Corporations Act* and, as general partner of the REIT, has the authority to manage and control the business and affairs of the REIT. The affairs of the General Partner are supervised by the Board of Directors. A third party trustee holds all of the outstanding shares in the capital of the General Partner subject to the Voting Trust Agreement discussed below.

Pursuant to an initial public offering, effective February 20, 2013, the REIT’s Units were listed for trading on the Toronto Stock Exchange (the “**TSX**”) under the symbol HOT.UN. The REIT’s Units were approved for trading in the United States on the OTCQX International marketplace under the symbol AHOTF on July 22, 2013.

The financial year end of the REIT is December 31. The reporting currency of the REIT is U.S. dollars.

The REIT’s head office and address for service is located at Suite 1660, 401 West Georgia Street, Vancouver, British Columbia V6B 5A1.

## VOTING TRUST AGREEMENT

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

The General Partner and the REIT determined that the Unitholders should have control over the election of the Board of Directors and certain other fundamental matters relating to the General Partner. Accordingly, Maverick Management Corp., Darren Investments Inc. and Triple E Investments Ltd., which collectively own 100% of the outstanding shares of the General Partner, entered into a voting trust agreement with a third party trustee (the “**Voting Trust Agreement**”) dated February 20, 2013 pursuant to which the Unitholders are provided with the right to vote for the election of the Board of Directors of the General Partner and in respect of certain other matters relating to the General Partner including, among others, the following:

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

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

#### NOMINATION AGREEMENT

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

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

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

If the Sponsor fails to deliver a Nomination Letter to the General Partner within 14 days after receiving a notification from the General Partner in respect of a Directors Election Meeting, then the General Partner has no

obligation to include one or more selected Sponsor nominees as part of the group of nominees to be considered for election as a Director of the General Partner at such Directors Election Meeting (and for greater certainty, no obligation to include one or more Sponsor nominees in the information circular for such Directors Election Meeting) for which the notice was provided to the Sponsor.

The Sponsor has not submitted a Nomination Letter for the selection of Sponsor nominees as part of the group of nominees to be considered for election as a Director of the General Partner at the Meeting within the required 14 days after receiving a notification from the General Partner.

### **VOTING UNITS AND PRINCIPAL HOLDERS THEREOF**

As of April 8, 2016, there are 34,971,248 Units issued and outstanding, each of which entitles the holder to one vote on a ballot.

Every question submitted to a meeting, other than a special resolution, shall, unless a ballot vote is demanded, be decided by a show of hands, on which every person present and entitled to vote will be entitled to one vote. Only registered holders of Units at the close of business on April 11, 2016, the record date established by the Directors, are entitled to vote at the Meeting.

To the knowledge of the Directors and the General Partner's executive officers, no person beneficially owns, directly or indirectly, or exercises control or direction over, Units carrying more than 10% of the voting rights attached to all the issued and outstanding Units.

### **ADVANCE NOTICE POLICY**

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

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

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

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

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

As at the date hereof, no Unitholder proposals have been received by the General Partner under the Advance Notice Policy for the Meeting.



## ELECTION OF DIRECTORS

The term of office of each of the present Directors expires at the close of the Meeting. All Directors elected at the Meeting will hold office for a term expiring at the close of the next annual meeting of Unitholders or until their successors are appointed, unless a Director's office is earlier vacated in accordance with the LP Agreement.

The following table states the name of each person proposed to be nominated for election as a Director, the municipality in which he or she is ordinarily resident, all offices of the REIT now held by him or her, his or her principal occupation, the period of time for which he or she has been a Director of the REIT, and the number of Units beneficially owned by him or her, directly or indirectly, or over which he or she exercises control or direction, as at the date hereof.

All nominees have established their eligibility and willingness to serve as Directors.

Name, Position and Municipality of Residence <sup>(1)</sup>	Principal Occupation <sup>(1)</sup>	Service as a Director	Number of Units <sup>(1)</sup>
ROBERT F. O'NEILL Director and Chief Executive Officer West Vancouver, BC, Canada	Chief Executive Officer of the General Partner	Since September 6, 2012	794,883 <sup>(2)(3)</sup>
STEPHEN J. EVANS <sup>(4)</sup> Director North Vancouver, BC, Canada	COO of Sunstone Realty Advisors Inc. CEO of Pure Multi-Family REIT LP	Since October 11, 2012	425,554 <sup>(3)(5)</sup>
RICHARD FRANK Director Dallas, TX, USA	Principal, Frank Solutions	Since January 4, 2016	3,160 <sup>(6)</sup>
KEVIN GRAYSTON <sup>(4)(7)</sup> Director North Vancouver, BC, Canada	Corporate Director	Since October 11, 2012	10,000 <sup>(8)</sup>
TAMARA L. LAWSON <sup>(7)(9)</sup> Director Toronto, ON, Canada	CFO of Starlight Investments Ltd.	Since December 14, 2012	8,500 <sup>(10)</sup>
W. MICHAEL MURPHY <sup>(4)(9)</sup> Director Atlanta, GA, USA	Head of Lodging and Leisure Capital Markets, First Fidelity Mortgage Corporation	Since October 11, 2012	15,000 <sup>(11)</sup>
CHARLES W. VAN DER LEE Director Vancouver, BC, Canada	President and CEO of Papa M Pizza Canada Inc.	Proposed Director	2,500 <sup>(12)</sup>
ELIZABETH WALTERS Director Vancouver, BC, Canada	President, BWC Consulting	Since January 4, 2016	Nil

- (1) The information as to municipality of residence, principal occupation and number of Units beneficially owned or over which a Director exercises control or direction, not being within the knowledge of the REIT, has been furnished by the respective Directors individually.
- (2) Directly owns 84,629 Units (excluding: 99,586 unvested Units of Restricted Stock (as defined below), awarded under the STIP (as defined below) and LTIP (as defined below), which such number presumes 28,804 unvested Units of Restricted Stock previously awarded under the LTIP as Performance Awards (as defined below) will be subject to a 200% multiplier on vesting). Mr. O'Neill is a principal of Maverick Management Ltd., Bigwood Investments, Ltd. and National Caterers Registered Pension plan, which own 305,000 Units, 53,000 Units and 4,700 Units, respectively.
- (3) Mr. O'Neill and Mr. Evans, along with two other individuals, share control and direction of 347,554 Units held by the Developer (as defined below) and SunOne Developments General Partnership pursuant to agreements entered into March 10, 2015.
- (4) Member of the compensation committee (the "**Compensation Committee**"). All members of the Compensation Committee are independent.
- (5) Mr. Evans is a principal of Triple E Investments Ltd., which owns 78,000 Units.
- (6) Directly owns 3,160 Units.
- (7) Member of the audit, finance and risk committee (the "**Audit Committee**"). Peter Armstrong is also currently a member of the Audit Committee but will not stand for re-election at the Meeting. All members of the Audit Committee are independent.
- (8) 10,000 Units owned by spouse.
- (9) Member of the nominating and governance committee (the "**Governance Committee**"). Peter Armstrong is also currently a member of the Governance Committee but will not stand for re-election at the Meeting. All members of the Governance Committee are independent.
- (10) Directly owns 8,500 Units.
- (11) Directly owns 15,000 Units.
- (12) Directly owns 2,500 Units.

## Profile of the Board

The following are brief profiles of the above-named Director nominees:

**Robert F. O'Neill (Age: 66).** Mr. O'Neill was the co-founder of Canadian Hotel Income Properties Real Estate Investment Trust ("**CHIP REIT**") in 1997 and served as its President and Chief Executive Officer until September 1998. Mr. O'Neill was also a co-founder of the Coast Hotel chain in 1972. In 1988, he was instrumental in managing the sale of the Coast Hotel chain to OKABE Co. of Tokyo and was retained to manage it as the President and Chief Executive Officer until 1991. Concurrently with the development and management of the Coast Hotel chain, Mr. O'Neill was President and Chief Operating Officer of National Caterers Ltd. and O'Neill Railway Catering Ltd. from 1977 to 1991. National Caterers Ltd. was Canada's largest operator and supplier of remote site construction camps providing food, lodging and support services for construction workers. In that role, he also headed several Canadian Industry Associations including the Pipeline Contractors Association of Canada in 1988. O'Neill Railway Catering Ltd. served both the CP Railway in Western Canada and the BC Railway in British Columbia on and offline. Mr. O'Neill was nominated for Canada's Entrepreneur of the Year in 1998. In 2004, he received two awards: the Industry Entrepreneur Award from the Vancouver branch of the Canadian Foodservice Association; and the Distinguished Alumni Award for Entrepreneurial Innovation from the B.C. Institute of Technology. Mr. O'Neill is recognized as a leading authority in the hotel industry and is a regular speaker at industry conferences in Canada and the U.S. Mr. O'Neill is a graduate of the British Columbia Institute of Technology, Hotel and Foodservice Program, and received his diploma in Hotel Management in 1972. He is a former Secretary of the Canadian Council of the Young Presidents' Organization and a current member of the World Presidents' Organization.

**Stephen J. Evans (Age: 52).** Mr. Evans has over 25 years of real estate experience in both Canada and the United States with an extensive track record in all areas of commercial real estate. His public companies have raised over Cdn\$1.8 billion of equity over the past decade. Mr. Evans is a co-founder and Trustee of Pure Industrial Real Estate Trust ("**PIRET**"), a publicly-listed real estate investment trust (TSX:AAR.UN) that acquires, owns and operates a diversified portfolio of income-producing industrial properties in major markets across Canada and the United States. Since 2007, PIRET has acquired a portfolio of 187 industrial properties having a total value of approximately Cdn\$1.6 billion. Mr. Evans is also a co-founder, CEO and director of Pure Multi-Family REIT LP which owns and operates a portfolio of high quality apartment communities in the U.S. sunbelt growth markets (TSXV: RUF.U, RUF.UN). Mr. Evans is the principal of Sunstone Realty Advisors Inc., which has acquired, redeveloped and drove asset management of over Cdn\$800 million in retail, industrial, residential and hotel properties in Canada and the United States. Mr. Evans co-founded the REIT and is also a director of WesternOne Inc. (TSX:WEQ).

**Richard Frank (Age: 61).** Mr. Frank is currently a principal at Frank Solutions, a hospitality and real estate consulting firm. Mr. Frank's experience includes serving as Chief Investment Officer at Pillar Hotels and Resorts, one of the largest independent management companies in the United States from 2013 to 2014; serving as Senior Vice President Hotel Investments at Behringer Harvard, a real estate investment management firm that has managed over US\$6 billion of equity from 2006 to 2012; and serving as Vice President at AEW Capital Management and Olympus Real Estate Partners. Mr. Frank also gained considerable hotel operational experience at Starwood Hotels and ITT Sheraton Corporation. He began his hotel career over 30 years ago at Arthur Andersen, specializing in the real estate and hospitality industries. Based in Dallas, Mr. Frank also holds an undergraduate degree from the School of Hotel Administration at Cornell University and an MBA from Fordham University.

**Kevin Grayston (Age: 60).** Mr. Grayston served for 11 years as Executive Vice President and Chief Financial Officer of CHIP REIT. In this role, Mr. Grayston played a lead role in developing and implementing the financing and portfolio strategy of CHIP REIT and was responsible for many hotel acquisitions, dispositions and equity and debt financings. He played a lead management role in the sale of CHIP REIT to British Columbia Investment Management Corporation for Cdn\$1.2 billion in 2007. Prior to joining CHIP REIT, Mr. Grayston was a senior executive with Canadian Airlines for 13 years in operating, business development and finance roles. He is also trustee and member of the audit and investment committees and chair of the governance, nomination and compensation committee of Northview Apartment REIT. Mr. Grayston is a past Director of the Vancouver Board of Trade, the Hotel Association of Canada, the Air Transportation Association of Canada and a past Governor of the British Columbia Business Council. Mr. Grayston is a Chartered Professional Accountant (CA) and is a member of the Institute of Corporate Directors.

**Tamara L. Lawson (Age: 58).** Ms. Lawson is the Chief Financial Officer of Starlight Investments Ltd., a private real estate investment and asset management company focused primarily on residential and commercial assets. Prior to joining Starlight in June 2012, Ms. Lawson was the Chief Financial Officer and Corporate Secretary of InnVest Real Estate Investment Trust (“**InnVest**”), a TSX-listed real estate investment trust, and the Chief Financial Officer of Westmont Hospitality Group (“**Westmont**”), a privately-held hospitality organization. Ms. Lawson joined Westmont in 2001 as its Chief Financial Officer and became Chief Financial Officer of InnVest in 2002 when it went public. Ms. Lawson has over 25 years of financial management, acquisitions, corporate governance, investor relations and capital markets experience. Prior to joining Westmont in 2001, Ms. Lawson held senior executive positions at several major Canadian public companies. Ms. Lawson is on the Provincial Advisory Board for the Heart & Stroke Foundation. Ms. Lawson holds a Master of Business Administration degree from the Schulich School of Business at York University and is a Chartered Professional Accountant (CA).

**W. Michael Murphy (Age: 70).** Mr. Murphy serves as Head of Lodging and Leisure Capital Markets of the First Fidelity Mortgage Corporation and as a director of Ashford Hospitality Prime, Inc., listed on the NYSE under the symbol AHP. From 1998 to 2002, Mr. Murphy served as the Senior Vice President and Chief Development Officer of ResortQuest International, Inc. (“**ResortQuest**”), a public, NYSE-listed company. Prior to joining ResortQuest, from 1995 to 1997, he was President of Footprints International, a company involved in the planning and development of environmentally friendly hotel properties. From 1994 to 1996, Mr. Murphy was a Senior Managing Director of Geller & Co., a Chicago-based hotel advisory and asset management firm. Prior to that Mr. Murphy was a partner in the investment firm of Metric Partners where he was responsible for all hospitality related real estate matters including acquisitions, sales and the company’s investment banking platform. Mr. Murphy served in various development roles at Holiday Inns, Inc. from 1973 to 1980. Mr. Murphy has been Co-Chairman of the Industry Real Estate Finance Advisory Council (IREFAC) five times and currently serves on the board of the Atlanta Hospitality Alliance. He is also a member of the advisory board of Radical Innovation. He holds a Bachelor of Science degree from the University of Memphis and a Master of Arts degree from the University of Iowa.

**Charles van der Lee (Age: 62).** Mr. van der Lee is currently the principal owner, President and Chief Executive Officer of Papa M Pizza Canada Inc., the master franchise for Papa Murphy’s restaurants in Canada. From May 1990 to September 2009, Mr. van der Lee served as President and Chief Executive Officer of Rogers Retail (a division of Rogers Communications Inc.) and during his tenure he was responsible for expanding the network of company stores from 33 to over 400 locations. From 2004 to 2015, Mr. Van der Lee also served as an independent director of Amica Mature Lifestyles Inc. culminating in the successful sale of this company in late 2015. Mr. van der Lee graduated with a Bachelor of Commerce Degree in Business Administration from the University of Alberta.

**Elizabeth Walters (Age: 63).** Ms. Walters is currently the president of BWC Consulting, a hospitality and real estate advisory and consulting firm. Ms. Walters has substantial experience in the hotel industry, since mid 2013 as President of hospitality consulting company BWC Consulting and having previously served as a National PKF Consulting Canada Director and Director for Western Canada for over 21 years. Based in Vancouver, Ms. Walters provides advisory services, strategic planning, feasibility analysis and development support as well as valuations and appraisals for hotels and other hospitality related businesses. Ms. Walters’ experience includes a wide variety of public and private sector projects for a myriad of property types, franchises, ownership and management structures and in these capacities has provided advisory services for hotel industry assets valued in the billions of dollars. Ms. Walters holds a Bachelor of Arts degree from the University of Alberta.

### **Majority Voting Policy**

The Board of Directors has adopted a policy (the “**Majority Voting Policy**”) providing for majority voting in Director elections at any meeting where an “uncontested election” of Directors is held. An “uncontested election” means an election where the number of nominees for election as Directors is equal to the number of Directors to be elected.

Pursuant to the Majority Voting Policy, the forms of proxy circulated in connection with a meeting of Unitholders at which an election of Directors is conducted will provide Unitholders with the ability to vote in favour of, or to withhold from voting for, each Director nominee. If the number of proxy votes withheld for a particular Director nominee is greater than the votes in favour of that nominee, the Director nominee is required to submit his or her resignation to the Chair of the Board of Directors. Following receipt of a resignation, the Governance

Committee will consider whether to accept the offer of resignation and recommend to the Board of Directors whether or not to accept it. Within 90 days following the applicable meeting of Unitholders, the Board of Directors is required to decide whether or not to accept the offer of resignation and to publicly disclose its decision. If a resignation is accepted, the Board of Directors may, in accordance with the LP Agreement, the General Partner's bylaws and the *Canada Business Corporations Act*, appoint a new director to fill the vacancy created by the resignation, reduce the size of the Board of Directors, leave the vacancy open, call a special meeting to fill the vacancy, or any combination of the foregoing. In the event that any Director who received a greater number of proxy votes withheld than votes in favour of such Director's election does not tender his or her resignation in accordance with the Majority Voting Policy, he or she will not be re-nominated by the Board of Directors.

#### **Cease Trade Orders, Bankruptcies, Penalties and Sanctions**

Except as may otherwise be set forth below:

- (a) no proposed Director is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the General Partner and the REIT) that:
  - (i) was subject to an order (as defined below) that was issued while the proposed Director was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an order that was issued after the proposed Director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) no proposed Director is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director or executive officer of any company (including the General Partner and the REIT) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) no proposed Director, has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed Director; or
- (d) no proposed Director has been subject to:
  - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
  - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Unitholder in deciding whether to vote for a proposed Director.

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

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

**The Directors recommend that the Unitholders vote FOR the election of each proposed Director.**

**Unless contrary instructions are indicated on the Form of Proxy or the voting instruction form, or such authority is withheld, the persons designated in the accompanying Form of Proxy or voting instruction form intend to vote “for” the election, as Director, of the persons whose names are set forth above and identified in the accompanying Form of Proxy or the voting instruction form, as applicable.**

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### ***General***

The REIT is committed to strengthening its competitive position and to growing its business over the long-term. Due to the competitive nature of the industry that the REIT operates in, executives have significant career mobility and, as a result, the competition for experienced executives is great. The existence of this competition and the need for talented and experienced executive officers to realize the REIT’s business objectives underlies the design and implementation of the REIT’s compensation programs. At the same time, the REIT seeks to keep its approach to compensation simple and streamlined to reflect the growing but still relatively moderate size of the REIT’s business.

For the REIT’s most recently completed financial year, the following individuals represent the General Partner’s and the REIT’s subsidiaries’ Named Executive Officers (as defined in Form 51-102F6 – *Statement of Executive Compensation* as the Chief Executive Officer, Chief Financial Officer, and each of the three most highly compensated executive officers of the REIT, including its subsidiaries, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000) (collectively, the “**Named Executive Officers**”): Mr. Robert F. O’Neill (Chief Executive Officer); Mr. Azim Lalani (Chief Financial Officer); Mr. Robert Hibberd (Executive Vice President); Ms. Anne Yu (Director of Finance) and Mr. Dan Miller (Chief Investment Officer of American Hotel Income Properties REIT Inc. (“**US REIT**”)). Mr. Hibberd ceased to be the Executive Vice President of the General Partner upon his resignation effective November 19, 2015.

#### ***Objectives***

The objectives of the REIT’s compensation program are to:

- attract and retain qualified executive officers;
- motivate executive officers to deliver strong business performance;
- maintain competitive compensation levels for executive officers;
- ensure a significant portion of executive compensation is dependent upon individual and overall business performance, aligning the interests of executive officers with the interests of Unitholders, to create Unitholder value; and
- ensure the executive compensation program is simple to communicate and administer.

While the REIT’s objective is to pay for performance and remain competitive in the marketplace for executive talent, the REIT considers the expense of compensation and benefits in relation to the REIT’s consolidated

budget and financial strength as a significant factor in determining compensation levels. To this effect, the REIT carefully considers information relating to the anticipated costs that will be incurred in making any determination with respect to proposed compensation decisions.

The REIT intends to keep its compensation program simple to communicate and administer by focusing on base salary, short-term incentives in the form of a bonus paid in cash or as Unit-based compensation, in each case, provided under the STIP (as defined below), and long-term incentives in the form of Units or other Unit-based compensation issued under the LTIP (as defined below) and/or the SBC Plan (as defined below). See “*Executive Compensation – Elements of Compensation*”. The REIT does not currently have a pension plan.

### ***Compensation Principles***

The REIT’s overall approach to compensation is to provide senior executives with total compensation that is generally competitive with compensation provided to individuals working in similar positions in the industry and in Canadian and U.S. public issuers with a market capitalization similar in size to the REIT’s market capitalization. Senior executive compensation is comprised of a base salary, performance-based incentives and Unit and securities-based awards. Performance-based incentives include annual cash or securities-based bonuses and Awards (as defined below) that reflect the REIT’s operating results as well as achievement of significant strategic initiatives. Securities-based awards enable the REIT to attract and retain executive talent by aligning the executives’ interests with the REIT’s long-term corporate objectives.

The REIT believes that compensation levels should reflect performance – both personal performance of the Named Executive Officers and the performance of the REIT as a whole. The REIT provides fixed compensation, as well as compensation that is variable, or “at risk” in nature. This approach helps to link compensation to performance by making a significant portion of the Named Executive Officers’ compensation in any given year variable and thus subject to decrease or increase based on REIT and individual performance during the year. This approach is intended to align the interest of the Named Executive Officers with Unitholders.

### **Setting Executive Compensation**

#### ***Roles and Responsibilities***

The Compensation Committee is responsible for the administration of the REIT’s compensation programs for the Named Executive Officers and will typically review any compensation awards and changes in compensation with the Board. The Compensation Committee members are currently W. Michael Murphy (Chair), Stephen J. Evans and Kevin Grayston. None of the Compensation Committee members are current or former officers or employees of the REIT, the General Partner or their respective subsidiaries. Members of management, including the Chief Executive Officer, are invited to Compensation Committee meetings from time to time, but are excused from discussions and decisions with respect to their particular compensation.

The REIT recognizes the importance of appointing knowledgeable and experienced individuals to the Compensation Committee. All Compensation Committee members are independent and have the necessary background and skills to provide effective oversight of executive compensation and ensure that sound risk management principles are being adhered to in order to align the REIT’s and Unitholders’ interests. More specifically, all of the Compensation Committee members have significant senior leadership experience from their tenures at public and private organizations, as well as operational or functional experience overseeing executive compensation in those organizations. For more information on the relevant experience and qualifications of each of the members of the Compensation Committee, see the biographies of such Directors under “*Election of Directors*”, above.

In fulfilling its duties and responsibilities, the Compensation Committee seeks periodic input, advice and recommendations from various sources, including the Board of Directors, executive officers and external independent compensation consultants with respect to the compensation of the Board of Directors and executive officers (including the Named Executive Officers other than the former Executive Vice President and the Chief Investment Officer). The Compensation Committee retains discretion in its executive compensation decisions and is not bound by the input, advice and/or recommendations received from any external independent consultants.

The Chief Executive Officer is actively engaged in the REIT's compensation programs (other than with respect to his own compensation package). The Chief Executive Officer conducts an annual evaluation of each Named Executive Officer's performance for the previous year, and, in the case of the Chief Financial Officer, recommends salary adjustments and short-term incentive awards to the Compensation Committee. The Chief Executive Officer also makes recommendations to the Compensation Committee with respect to securities-based compensation to be awarded to the Chief Financial Officer and the Director of Finance and previously made recommendations to the Compensation Committee with respect to securities-based compensation awarded to the former Executive Vice President. The recommendations are reviewed and approved by the Compensation Committee after discussion and adjustment, if appropriate.

### ***Process***

The compensation of the Chief Executive Officer is recommended by the Compensation Committee for approval by the Board of Directors as a whole. The compensation of the Chief Financial Officer is recommended by the Chief Executive Officer for approval by the Compensation Committee. Cash compensation of the Director of Finance is, and former Executive Vice President was, approved at the discretion of the Chief Executive Officer after review with the Chief Financial Officer; however, all securities-based compensation paid to the Director of Finance is, and former Executive Vice President was, recommended by the Chief Executive Officer for approval by the Compensation Committee. The compensation of the Chief Investment Officer is contractual (see "*Management Contracts*" below for further details).

Performance goals, for the purpose of compensation of the Named Executive Officers (other than the Chief Investment Officer and Director of Finance), are reviewed and set by the Board and the Compensation Committee at meetings held each year. The Board, in consultation with management, sets the REIT's organizational wide performance goals, and the Compensation Committee, in consultation with the Chief Executive Officer, sets the Chief Financial Officer's individual performance goals and compensation targets.

The results of the Chief Executive Officer's and Chief Financial Officer's performance and compensation review by the Compensation Committee are communicated to them each year.

### ***Benefits and Perquisites***

The REIT offers only limited perquisites to the Named Executive Officers, and only where the REIT believes such perquisites promote the retention of the Named Executive Officers or promote the efficient performance of the Named Executive Officers' duties. The REIT does not believe that perquisites and benefits should represent a significant portion of the compensation package for Named Executive Officers. During the REIT's most recently completed financial year, Named Executive Officers' perquisites and benefits totalled approximately \$24,000 (such amounts have not been included in the Summary Compensation Table below).

### **Compensation Clawback Policy**

The Board of Directors has adopted an executive compensation clawback policy concerning awards made under the REIT's STIP, LTIP and SBC Plan. Under this policy, the Board may require reimbursement of annual and long-term incentive compensation paid to a senior executive or former senior executive if:

- (a) the incentive compensation received by the senior executive or former senior executive was calculated based upon the achievement of financial results that were subsequently materially restated or corrected, in whole or in part;
- (b) the senior executive or former senior executive engaged in gross negligence, fraud or intentional misconduct that caused the need for such restatement or correction, as admitted by the senior executive or former senior executive, or, in the absence of such admission, as determined by the Board acting reasonably; and
- (c) the incentive compensation paid to the senior executive or former senior executive would have been lower based on the restated or corrected results.

In such circumstances, reimbursement of all or a portion of the applicable incentive compensation paid to the senior executive or former senior executive will be sought as permitted by applicable laws and to the extent the Board determines, in its sole discretion, it is in the best interests of the REIT. For greater clarity, the compensation clawback policy will not apply where a material restatement or correction of financial results is required as a result of an act of negligence (excluding acts of gross negligence) of a senior executive or former senior executive where such senior executive or former senior executive satisfies the Board, acting reasonably, that the negligent act in question was carried out in good faith and/or in compliance with an applicable industry or professional standard.

## Performance Goals

The primary performance goal for the Chief Executive Officer and the Chief Financial Officer is to increase the REIT's long-term cash flow and facilitate growth in the price of the REIT's Units. The Chief Executive Officer and Chief Financial Officer are incentivised to achieve this goal by means of grants under the REIT's LTIP and SBC Plan, along with a base salary and bonus (payable under the STIP).

The performance goals for the other Named Executive Officers include both REIT objectives and individual objectives. Key REIT objectives are described below under the headings "*Executive Compensation – Elements of Compensation – Short-Term Incentive Plan*" and "*Executive Compensation – Elements of Compensation – Long-Term Incentive Plan*". In addition, they also include such general objectives as the following:

- operating efficiency through diligent monitoring of operating costs;
- contribution to achievement of annual corporate initiatives (e.g. business practice improvements, integration of newly acquired business units and training program development); and
- individual objectives agreed to with the Chief Executive Officer, such as contribution to the development of employee talent for future management potential.

The current Named Executive Officers' overall remuneration is also based on the individuals' efforts in completing certain corporate strategic initiatives, as follows:

- Chief Executive Officer (Mr. Robert F. O'Neill): charting corporate strategies, identifying and negotiating business acquisitions, negotiating and securing financing through capital markets, facilitating growth in cash flow and the price of the Units and achieving the REIT's annual budget.
- Chief Financial Officer (Mr. Azim Lalani): securing equity and debt financing, maintaining internal controls over financial reporting for the REIT and its subsidiaries, implementing changes to current financial reporting standards, risk management, compliance with regulations, facilitating growth in cash flow and the price of the Units and achieving the REIT's annual budget.
- Executive Vice President (Mr. Robert Hibberd until his resignation on November 19, 2015): executing business acquisitions, securing senior debt financing and assisting in securities financing through capital markets.
- Director of Finance (Ms. Anne Yu): managing public company compliance and reporting requirements including financial reporting, lender reporting and compliance with Real Estate Investment Trust regulations, maintaining internal controls over financial reporting, overseeing corporate office finance-related matters and taxation matters including compliance obligations.
- Chief Investment Officer of US REIT (Mr. Dan Miller): sourcing, reviewing and underwriting prospective hotel investments, negotiating and executing business acquisitions, providing analytics and resources to assist with the underwriting, market research, valuation and due diligence process.



## **Benchmarking**

### ***Executive Compensation***

With respect to benchmarking, the Compensation Committee identifies relevant groupings and reviews their target incentive information to assist the Compensation Committee in evaluating competitive incentive structures and performance measures. The main source of data used by the Compensation Committee is a group of growth-oriented companies with similar operations, opportunities and risks. This proxy performance group consists of ten public issuers with business operations that are comparable to the REIT, based on the following criteria: (i) comparable industry group as the REIT; and (ii) comparable scope of operations in both Canada and the U.S. The full list of issuers identified is listed in alphabetical order below:

- Agellan Commercial Real Estate Investment Trust;
- Chatham Lodging Trust;
- InnVest Real Estate Investment Trust;
- InterRent Real Estate Investment Trust;
- Milestone Apartments Real Estate Investment Trust;
- Northview Apartment Real Estate Investment Trust;
- OneREIT;
- Plaza Retail REIT;
- RLJ Lodging Trust; and
- Slate Office REIT.

The Compensation Committee believes the above group of issuers are relevant in that they provide incentive and related governance data from companies with business operations that are closely comparable to the REIT in terms of business nature.

### **Executive Compensation – Related Fees**

The REIT did not engage a compensation consultant or advisor at any time during 2014 or 2015. Accordingly, no fees were paid by the REIT to any compensation consultants or advisors during such years.

## **Elements of Compensation**

### ***Base Salary***

The REIT pays salaries to attract and retain executive talent and provide fair and competitive compensation commensurate with experience and consistent effective performance in discharging day-to-day responsibilities. Base salary is important to give an individual financial stability for personal planning purposes.

In reviewing the base salary of each Named Executive Officer, the REIT considers the responsibilities, performance and experience of the Named Executive Officer, historical compensation and contractual commitments, and the recommendations of the Chief Executive Officer (for all Named Executive Officers other than the Chief Executive Officer). The Chief Executive Officer's base salary is reviewed and recommended for adjustment, if any, by the Compensation Committee. In considering base salary levels, the Compensation Committee does not utilize any specific weighting of the above factors.

### ***Short-Term Incentive Plan***

In addition to base salaries, the REIT provides the Named Executive Officers with non-equity incentive awards paid as cash (subject to the discretion of the Compensation Committee in a given year to permit the Named Executive Officers to opt to receive such awards as securities-based compensation). In the view of the Compensation Committee, non-equity incentives are key to motivating Named Executive Officers on job aspects that are performance-based.

The REIT's Short-Term Incentive Plan ("STIP") was implemented in November 2013 and is used by the Compensation Committee and the Board to make informed decisions with respect to the amount of cash bonuses awarded to the Chief Executive Officer and Chief Financial Officer. The amount of cash bonuses awarded to the Director of Finance is currently approved at the discretion of the Chief Executive Officer after review with the Chief Financial Officer. As noted above, the Board and Compensation Committee also retain the discretion to provide Named Executive Officers with the option of receiving their cash bonuses in the form of securities-based compensation (see "*Executive Compensation – Recent Grants of Awards – STIP Grants*").

The STIP was designed to accurately capture and reward Named Executive Officers for incremental growth in the REIT's asset base and cash flows. Accordingly, awards granted under the STIP are based on the following three key annual financial and operational metrics:

- 37.5% on growth in total enterprise value;
- 37.5% on adjusted funds from operations<sup>(1)</sup> per Unit; and
- 25.0% on strategic objectives.

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(1) The manner in which the REIT calculates adjusted funds from operations is described under the heading "*Non-IFRS Measures*" in its Annual Information Form (as defined below).

Under the STIP, the Board has the discretion to establish an annual target award for each of the Named Executive Officers and other senior management of the REIT and its subsidiaries. Currently, target values are set for the Chief Executive Officer and Chief Financial Officer only. These target values are set in relation to the base salary of the Chief Executive Officer and Chief Financial Officer and are reviewed by the Compensation Committee and Board annually. The target STIP bonuses for the Chief Executive Officer and Chief Financial Officer have been set at 50.0% and 33.3% of base salary, respectively.

The target incentive is multiplied by the individual financial/operational score (in relation to the above metrics) and the base salary of the Chief Executive Officer and Chief Financial Officer, as applicable, to determine the annual cash bonus under the STIP. The financial/operational score for each of the Chief Executive Officer and Chief Financial Officer is set in relation to the respective values of the above noted metrics set out in the annual budget approved by the Board. The payout under the STIP is: (i) nil at a below threshold performance level; (ii) 50% of the target bonus at a threshold performance level; and (iii) up to 200% of target bonus at or above the maximum level of performance. The formula serves as a guideline only. The Board and Compensation Committee retain the discretion to apply informed judgment as necessary to vary the amount of the awards based on factors they deem relevant.

Named Executive Officers and other participants in the STIP are not permitted to pledge or hedge any Restricted Stock Awards granted thereto under the STIP.

### ***Long-Term Incentive Plan***

The REIT's Long-Term Incentive Plan ("LTIP") was implemented in November 2013 and is used by the Compensation Committee and the Board to make informed decisions with respect to the amount of Unit-based compensation awarded to Eligible Persons (as defined below).

The LTIP was designed to incentivize and reward Eligible Persons for creating incremental, long-term Unitholder value. The Board and Compensation Committee believe the LTIP aligns the interests of Eligible Persons with Unitholders. The LTIP also supports the General Partner's and the REIT's subsidiaries' retention of the Named Executive Officers because the vesting periods, which are described below, encourage the Named Executive Officers to remain employed over the long-term.

Certain of the Named Executive Officers are eligible to receive LTIP awards with a grant date value equal to up to 200% of the base cash STIP bonus award such Named Executive Officers earned in the prior year. LTIP awards for the first year of service of any Named Executive Officer are awarded at the discretion of the Compensation Committee and the Board. LTIP awards for Directors, if any, are awarded at the discretion of the Compensation Committee and the Board.

LTIP awards will typically be provided in the form of Restricted Stock (as defined below) (40%) and Performance Awards (as defined below) in the form of Units (60%), each of which will be issued under the SBC Plan. See “*Executive Compensation – Elements of Compensation – Securities-Based Compensation Plan – Restricted Stock*” and “*Executive Compensation – Elements of Compensation – Securities-Based Compensation Plan – Performance Awards*”, below for the particulars of such forms of Awards (as defined below).

Restricted Stock issued under the LTIP will typically vest equally over an approximately three-year period from the grant date (one-third per year). Performance Awards, in the form of Units, issued under the LTIP will typically vest approximately three years from the grant date. The final payout of the Performance Awards is subject to a performance multiplier computed based on the REIT’s three year total Unitholder return (“**TUR**”) relative to the S&P/TSX Capped REIT Index (the “**Index**”) for the same period, which will be adjusted, as necessary, to include the impact from distributions, as follows:

<b>TUR Value Relative to the Index</b>	<b>Vesting of Performance Awards</b>
TUR < the Index	No Performance Awards will vest
TUR = the Index	50% of the Performance Awards will vest
TUR > the Index by 2%	75% of the Performance Awards will vest
TUR > the Index by 4%	100% of the Performance Awards will vest
TUR > the Index by 6%	150% of the Performance Awards will vest
TUR > the Index by 8% or more	200% of the Performance Awards will vest

Named Executive Officers and other participants in the LTIP are not permitted to pledge or hedge any Restricted Stock or Performance Awards granted thereto under the LTIP.

The Board and Compensation Committee retain the discretion under the LTIP to apply informed judgment as necessary to vary the amount of the Awards and any associated vesting periods based on factors they deem relevant.

### ***Securities-Based Compensation Plan***

**The following is a summary of certain of the current provisions of the securities-based compensation plan of the REIT (the “SBC Plan”) adopted by the Unitholders at the Annual and Special Meeting of the REIT held on June 17, 2013. It is not intended to be a comprehensive discussion of all of the terms and conditions of the SBC Plan and, in the case of any conflict or discrepancy between the summary set forth below and the terms of the SBC Plan, the terms of the SBC Plan govern.**

A copy of the SBC Plan may be obtained by a Unitholder or any other interested party by contacting the Chief Financial Officer of the REIT at Suite 1660, 401 West Georgia Street, Vancouver, British Columbia V6B 5A1, by telephone at (604) 630-3134 or by fax at (604) 629-0790.

The REIT is seeking approval from the Unitholders at the Meeting for the renewal and amendment and restatement of the SBC Plan and all unallocated Awards, subject to certain amendments. See “*Particulars of Other Matters to be Acted Upon – Renewal and Amendment and Restatement of the SBC Plan*”.

### **Purpose**

The purpose of the SBC Plan is to promote the REIT’s interests and long-term success by providing directors, officers, employees and consultants of the REIT, the General Partner and their respective affiliates (“**Eligible Persons**”) with greater incentive to further develop and promote the REIT’s business and financial success, to further the alignment of interests of persons to whom Awards (as defined below) may be granted with those of the Unitholders generally through a proprietary ownership interest in the REIT, and to assist the REIT in attracting, retaining and motivating such directors, officers, employees and consultants.

The SBC Plan allows the Compensation Committee flexibility in determining which of Unit options (“**Options**”), stock appreciation rights (“**Stock Appreciation Rights**”), restricted stock (“**Restricted Stock**”), restricted stock units (“**Restricted Stock Units**”), performance awards (“**Performance Awards**”) or other stock-

based awards (collectively, “**Awards**”) are best suited to be granted to Eligible Persons. The Compensation Committee has the power to administer the SBC Plan, where consistent with the general purpose and intent of the SBC Plan and subject to the specific provisions of the SBC Plan and any approvals or requirements of any regulatory authorities to which the REIT is subject, including the TSX. Such power includes, without limitation, determining the types of Awards to be granted, the times the Awards will be granted and the pricing, vesting and other terms of grant.

In determining which Eligible Persons shall receive an Award and the terms of any Award, the Compensation Committee may take into account the nature of the services rendered by the respective Eligible Persons, their present and potential contributions to the success of the REIT or such other factors as the Compensation Committee, in its discretion, deems relevant. Previous grants of option-based and Unit-based Awards may be taken into account by the Compensation Committee when considering new grants.

#### Number of Units Issuable

Subject to the adjustment provisions provided for in the SBC Plan and the applicable rules and regulations of all regulatory authorities to which the REIT is subject (including any stock exchange), the total number of Units reserved for issuance pursuant to the SBC Plan and all other securities-based compensation arrangements of the REIT shall not exceed 10% of the issued and outstanding Units on a “rolling” basis.

The term “rolling” means that as the outstanding capital of the REIT increases from time to time by the issuance of Units, the number of Units eligible to be issued under the SBC Plan will automatically increase to 10% of the then issued and outstanding Units. As at April 8, 2016: (i) up to 155,531 Units were issuable pursuant to outstanding Awards granted under the SBC Plan, representing 0.44% of the REIT’s issued and outstanding Units on a non-diluted basis; and (ii) 3,341,593 Units were eligible to be issued under the SBC Plan representing 9.56% of the REIT’s issued and outstanding Units on a non-diluted basis.

For greater certainty, the REIT must obtain approval from a requisite majority of Unitholders at a duly called meeting of Unitholders without counting the votes associated with Units held by insiders of the REIT or their associates if the total number of Units issuable pursuant to the SBC Plan and all other securities-based compensation arrangements of the REIT could result at any time in the number of Units:

- (a) reserved under all securities-based compensation arrangements of the REIT exceeding 10% of the issued and outstanding Units; or
- (b) issued within any one-year period under all securities-based compensation arrangements of the REIT exceeding 10% of the issued and outstanding Units.

For purposes of the above, if an Award entitles the holder to receive or purchase Units, the number of Units covered by such Award or to which such Award relates is counted on the date of grant of such Awards against the aggregate number of Units available for granting Awards under the SBC Plan. Every Unit subject to an option is counted against the limit as one Unit. Every Unit subject to all other Awards is counted either as a whole Unit or such greater or lesser fraction thereof as is determined in the discretion of the REIT having due regard to such matters and considerations as it determines relevant, including any applicable rules or policies of the TSX.

If an outstanding Award for any reason expires or is terminated or cancelled without having been exercised or settled in full, or if Units acquired pursuant to an Award subject to forfeiture are forfeited by the REIT for an amount not greater than the Participant’s purchase price, the Units are again available for issuance under the SBC Plan. Units are not deemed to have been issued pursuant to the SBC Plan with respect to any portion of an Award that is settled in cash.

#### Exercise Price of Options

The exercise price per Unit for Options is fixed by the Compensation Committee, in its sole discretion, having due regard to such matters and considerations as it determines relevant, including any applicable rules, regulations or policies of the TSX. Subject to the foregoing, the fair market value of any Units for the purposes of determining the exercise price for any Option is the weighted average price at which the Units have traded on the

TSX during the period of five consecutive trading days ending on the trading day immediately prior to the date such Option is granted, where “weighted average price” means, for any period, the amount obtained by dividing the aggregate sale price of all of the Units traded on the TSX during such period by the total number of Units so traded.

#### Vesting Restrictions for Option Grants

Except as determined from time to time by the Compensation Committee, all Options cease to vest as at the date upon which the participating Eligible Person (a “**Participant**”) ceases to be an Eligible Person (which, in the case of an employee or consultant, is the date on which their employment or engagement, as applicable, terminates, specifically without regard to any period of reasonable notice or any salary continuance).

#### Term of Options

Subject to an extension in the case of a blackout period, the term of Options granted is determined by the Compensation Committee and specified in the Option agreement pursuant to which such Option is granted, provided that the date cannot be later than the earlier of: (i) the date which is the tenth anniversary of the date on which such Option is granted; and (ii) the latest date permitted under the applicable rules and regulations of all regulatory authorities to which the REIT is subject. The SBC Plan provides for early termination of Options in certain circumstances, including death and termination for cause. See “*Causes of Cessation*”, below.

#### Transforming Options to Stock Appreciation Rights

The Compensation Committee has the discretion to transform an Option to a Stock Appreciation Right involving an issuance of REIT securities from treasury.

#### Stock Appreciation Rights

The Compensation Committee is authorized to grant Stock Appreciation Rights to Eligible Persons subject to the terms and conditions of the SBC Plan and the requirements of the TSX.

For Stock Appreciation Rights granted under the SBC Plan, the Participant, upon exercise of the Stock Appreciation Right, has the right to receive, as determined by the Compensation Committee, cash or a number of Units equal to the excess of: (i) the fair market value of one Unit on the date of exercise (or, if the Compensation Committee so determines at any time during a specified period before or after the date of exercise); and (ii) the grant price of the Stock Appreciation Right as determined by the Compensation Committee, which grant price cannot be less than 100% of the fair market value of one Unit on the date of grant of the Stock Appreciation Right.

#### Term of Stock Appreciation Rights

The term of each Stock Appreciation Right granted is determined by the Compensation Committee and specified in the Award agreement pursuant to which such Stock Appreciation Right is granted, provided that the date cannot be later than the earlier of: (i) the date which is the tenth anniversary of the date on which such Stock Appreciation Right is granted; and (ii) the latest date permitted under the applicable rules and regulations of all regulatory authorities to which the REIT is subject. The SBC Plan provides for early termination of Stock Appreciation Rights in certain circumstances, including death and termination for cause. See “*Causes of Cessation*”, below.

#### Restricted Stock

The Compensation Committee is authorized to grant Restricted Stock, either in the form of Units to Eligible Persons subject to the terms and conditions of the SBC Plan and the requirements of the TSX. The Restricted Stock is subject to such restrictions as the Compensation Committee may impose and which comply with the requirements of the TSX which restrictions may lapse separately or in combination at such time or times, in such instalments or otherwise as the Compensation Committee determines.

#### Term of Restricted Stock

Subject to an extension in the case of a blackout period, the term of Restricted Stock granted is determined by the Compensation Committee and specified in the agreement pursuant to which such Award is granted, provided that the date cannot be later than the earlier of: (i) the date which is the tenth anniversary of the date on which such Restricted Stock is granted; and (ii) the latest date permitted under the applicable rules and regulations of all regulatory authorities to which the REIT is subject.

#### Restricted Stock Units

The Compensation Committee is authorized to grant Restricted Stock Units to Eligible Persons subject to the terms and conditions of the SBC Plan and the requirements of the TSX. Restricted Stock Units granted under the SBC Plan confer on the holder the right to receive a Unit (or cash payment equal to the fair market value of such security if the Compensation Committee so elects) at some future date.

Restricted Stock Units may also allow the Participant to receive a payment in cash or property equal to any dividend or other distribution paid on the underlying security, subject to the discretion of the Compensation Committee. Any amount so paid does not have to be repaid by the Participant if the Restricted Stock Units are terminated or cancelled prior to vesting. Restricted Stock Unit Awards are subject to an Award agreement containing such terms and conditions, not inconsistent with the provisions of the SBC Plan, as the Compensation Committee determines and reflecting the mechanics of the Restricted Stock Unit component of the SBC Plan set forth below.

#### Term of Restricted Stock Units

Subject to an extension in the case of a blackout period, the term of Restricted Stock Units granted are determined by the Compensation Committee and specified in the agreement pursuant to which such Award is granted, provided that the date cannot be later than the earlier of: (i) the date which is the tenth anniversary of the date on which such Restricted Stock Unit is granted; and (ii) the latest date permitted under the applicable rules and regulations of all regulatory authorities to which the REIT is subject. The SBC Plan provides for early vesting of Restricted Stock Units in the event of the death of an Eligible Person and early termination of Restricted Stock Units in certain circumstances, including termination for cause. See “*Causes of Cessation*”, below.

#### Performance Awards

The Compensation Committee is authorized to grant Performance Awards to Eligible Persons subject to the terms and conditions of the SBC Plan and the requirements of the TSX. A Performance Award granted under the SBC Plan: (i) may be denominated or payable in cash, Units (including, without limitation, Restricted Stock and Restricted Stock Units), other securities, other Awards or other property; and (ii) confers on the holder thereof the right to receive payments, in whole or in part, upon the achievement of such performance goals during such performance periods as the Compensation Committee establishes. Subject to the terms of the SBC Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and any other terms and conditions of the Performance Award is determined by the Compensation Committee.

#### Other Securities-Based Awards

The Compensation Committee is authorized to grant to an Eligible Person, subject to the terms of the SBC Plan and the requirements of the TSX, such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Units (including, without limitation, securities convertible into Units) as are deemed by the Compensation Committee to be consistent with the purpose of the SBC Plan provided the maximum number of Units (including, without limitation, securities convertible into Units) issuable during a calendar year under such Awards shall not exceed 500,000 Units.

### Causes of Cessation

In the event the Participant ceases to be an Eligible Person for any reason, other than the death of the Participant or the termination of the Participant for cause, Options, Stock Appreciation Rights and Restricted Stock Units expire and terminate at such period of time after the date on which the Participant ceases to be an Eligible Person as may be specified by the Compensation Committee, which date shall not exceed three months following the date of termination of the Participant's directorship, employment or active engagement, as applicable.

In the event of the termination of the Participant as a director, officer, employee or consultant for cause, Options, Stock Appreciation Rights and Restricted Stock Units expire and terminate on the date of notice of such termination. In the event of the death of a Participant prior to: (i) the Participant ceasing to be an Eligible Person; or (ii) the date which is the number of days specified by the Compensation Committee pursuant to the paragraphs above from the date on which the Participant ceased to be an Eligible Person, Options, Stock Appreciation Rights and Restricted Stock Units expire on the date which is one year after the date of death of the Participant or such other earlier date specified by the Compensation Committee and which period is specified in the Award agreement with the Participant with respect to such Options, Stock Appreciation Rights and Restricted Stock Units. Except as otherwise determined by the Compensation Committee, upon a Participant's ceasing to be an Eligible Person (as determined under criteria established by the Compensation Committee) during the applicable restriction period, all applicable Units of Restricted Stock shall be forfeited and reacquired by the REIT.

### Assignability

Awards granted under the SBC Plan are non-transferable and non-assignable to anyone other than to a "Permitted Assign" as defined in the SBC Plan (e.g. a spouse, RRSP or holding entity of a Participant).

### Procedure for Amending

Subject to terms of the SBC Plan and any applicable requirements of the TSX, the Compensation Committee has the right at any time to amend the SBC Plan or any Award agreement for Units thereunder, provided that approval of Unitholders has been obtained by ordinary resolution. Notwithstanding the foregoing, approval of Unitholders is not required for amendments of a clerical nature, amendments to reflect any regulatory authority requirements including the TSX, amendments to cancel Awards for Units or reduce the number of Units under an Award, amendments to increase the exercise price of an Award for Units, amendments to vesting provisions, amendments to the term of an Award held by non-insiders, amendments to reduce the exercise price of an Award held by non-insiders, and amendments to obtain, preserve or clarify the provision of desirable tax treatment to Participants in respect of Awards, as well as amendments which may be necessary or desirable in the interests of the Participants as a result of changes in taxation laws or in their interpretation or administration.

### Financial Assistance

The REIT does not provide financial assistance to Participants to facilitate the purchase of Units upon the exercise of Awards granted under the SBC Plan.

### Other Material Information

Appropriate adjustments to the SBC Plan and to Awards granted thereunder are to be made by the Compensation Committee to give effect to adjustments in the number and type of Units (or other securities or other property) resulting from subdivisions, consolidations, substitutions, or reclassifications of Units, payment of distributions in kind or other changes in the REIT's capital. In the event of any merger, acquisition, amalgamation, arrangement or other scheme of reorganization that results in a change of control, the Compensation Committee has the right, in an appropriate and equitable manner: (i) to determine the purchase price or exercise price with respect to any Award, provided, however, that the number of Units covered by any Award or to which such Award relates is always a whole number; (ii) to determine the manner in which all unexercised rights granted under the SBC Plan will be treated; (iii) to offer any Participant the opportunity to obtain a new or replacement Award over any securities into which the Units are changed or are convertible or exchangeable, on a basis proportionate to the number of Units under Award and the exercise price (and otherwise substantially upon the terms of the Award being replaced, or upon terms no less favourable to the Participant); and/or (iv) to commute for or into any other security

or any other property or cash, any Award that is still capable of being exercised, upon giving to the Participant to whom the Award has been granted at least 30 days written notice of its intention to commute the Award, and during such period of notice, such Award, to the extent it has not been exercised, can be exercised by the Participant without regard to any vesting conditions attached thereto, and on the expiry of such period of notice, the unexercised portion of such Award will lapse and be cancelled.

## Recent Grants of Awards

The grants of Awards under the STIP and LTIP pursuant to the SBC Plan described below were approved by the Board on March 30, 2016, after the end of the REIT's most recently completed financial year. Accordingly, such grants have not been included in the body of any of the compensation tables set out under the heading "Executive Compensation" in this Information Circular.

## STIP Grants

Certain Named Executive Officers and other senior management of the REIT receiving STIP awards in 2016 for their performance during the financial year ended December 31, 2015 were given the option by the Board to receive their STIP awards: (i) in cash; or (ii) in that number of Units of Restricted Stock representing 125% of the cash amount of their STIP award vesting over approximately three years in equal annual installments starting on December 15, 2016. Each of Mr. Robert F. O'Neill, Mr. Azim Lalani, Mr. Ian McAuley and Ms. Anne Yu elected to receive their STIP awards for their performance during the financial year ended December 31, 2015 in the form of Units of Restricted Stock. Accordingly, the following Awards of Units of Restricted Stock were granted on March 30, 2016:

SBC Plan Participant	Units of Restricted Stock	Aggregate Grant Date Fair Value <sup>(1)</sup>	Vesting Schedule <sup>(2)</sup>
Robert F. O'Neill	16,778	\$174,995	5,592 vesting December 15, 2016 5,592 vesting December 15, 2017 5,594 vesting December 14, 2018
Azim Lalani	7,350	\$76,661	2,450 vesting December 15, 2016 2,450 vesting December 15, 2017 2,450 vesting December 14, 2018
Ian McAuley	3,295	\$34,367	1,098 vesting December 15, 2016 1,098 vesting December 15, 2017 1,099 vesting December 14, 2018
Anne Yu	3,643	\$37,996	1,214 vesting December 15, 2016 1,214 vesting December 15, 2017 1,215 vesting December 14, 2018

- (1) Awards of Units of Restricted Stock were granted on March 30, 2016 at \$10.43 per Unit. The grant date fair value of \$10.43 per Unit of Restricted Stock was calculated using the weighted average price at which the Units traded on the TSX during the period of the five most recent trading days ending on the trading day immediately prior to the grant date.
- (2) Unvested Units of Restricted Stock are entitled to receive distributions on the basis that any distributions made to Unitholders on or after March 30, 2016 until the date of vesting of any Units of Restricted Stock will be accrued and then, at the time of vesting, paid to the holder in the form of cash equal to the aggregate amount of the then accrued distributions. If any Units of Restricted Stock are cancelled or otherwise fail to vest, the entitlement to distributions accrued on thereon will also be cancelled and forfeited by the holder thereof.



### ***LTIP Grants***

On March 30, 2016, the Board approved the grant of LTIP Awards to each of Mr. Robert F. O'Neill, Mr. Azim Lalani and Ms. Anne Yu as follows:

<b>Plan Participant</b>	<b>Units of Restricted Stock</b>	<b>Aggregate Grant Date Fair Value<sup>(1)</sup></b>	<b>Vesting Schedule<sup>(2)</sup></b>
Robert F. O'Neill	26,845 <sup>(3)</sup>	\$111,997 <sup>(4)</sup>	3,579 vesting March 15, 2017 <sup>(3)</sup> 3,579 vested March 15, 2018 <sup>(3)</sup> 3,580 vested December 14, 2018 <sup>(3)</sup> 0 up to 32,214 vested March 15, 2019 <sup>(3)</sup>
Azim Lalani	11,760 <sup>(3)</sup>	\$49,063 <sup>(4)</sup>	1,568 vested March 15, 2017 <sup>(3)</sup> 1,568 vested March 15, 2018 <sup>(3)</sup> 1,568 vested December 14, 2018 <sup>(3)</sup> 0 up to 14,112 vested March 15, 2019 <sup>(3)</sup>
Anne Yu	2,914 <sup>(5)</sup>	\$30,393	388 vested March 15, 2017 <sup>(5)</sup> 388 vested March 15, 2018 <sup>(5)</sup> 2,138 vested December 14, 2018 <sup>(5)</sup>

- (1) Awards of Units of Restricted Stock were granted on March 30, 2016 at \$10.43 per Unit. The grant date fair value of \$10.43 per Unit of Restricted Stock was calculated using the weighted average price at which the Units traded on the TSX during the period of the five most recent trading days ending on the trading day immediately prior to the grant date.
- (2) Unvested Units of Restricted Stock are entitled to receive distributions on the basis that any distributions made to Unitholders on or after March 30, 2016 until the date of vesting of any Units of Restricted Stock will be accrued and then, at the time of vesting, paid to the holder in the form of cash equal to the aggregate amount of the then accrued distributions. If any Units of Restricted Stock are cancelled or otherwise fail to vest, the entitlement to distributions accrued on thereon will also be cancelled and forfeited by the holder thereof.
- (3) Mr. O'Neill and Mr. Lalani were granted 10,738 and 4,704 Units of Restricted Stock, respectively, which such units of Restricted Stock: (i) represent 40% of their respective LTIP Awards; and (ii) vest over approximately three years in equal annual installments. Mr. O'Neill and Mr. Lalani were also granted 16,107 and 7,056 Units of Restricted Stock as Performance Awards, respectively, which such Units of Restricted Stock: (i) represent 60% of their respective LTIP Awards; and (ii) on vesting, will be subject to a multiplier of 0% to 200% computed based on the REIT's three year TUR relative to the Index for the period from the grant date to the vesting date (see "*Executive Compensation – Elements of Compensation – Long-Term Incentive Plan*" above for details), which could result in Mr. O'Neill and Mr. Lalani receiving as few as zero Units and as many as 32,214 and 14,112 Units, respectively, as settlement for such Units of Restricted Stock.
- (4) The grant date fair value of the Units of Restricted Stock that were granted as Performance Awards and vest subject to a multiplier of 0% to 200% are calculated based on the minimum payout of zero dollars.
- (5) Ms Yu was granted: (i) 1,165 Units of Restricted Stock (representing 40% of Ms. Yu's LTIP Award), which such Units of Restricted Stock vest over approximately three years in equal annual installments; and (ii) 1,749 Units of Restricted Stock (representing 60% of Ms. Yu's LTIP Award), which such Units of Restricted Stock vest on December 14, 2018.

### ***Amendments to 2015 STIP and LTIP Grants***

On March 30, 2016, the Board approved minor amendments to the vesting periods for the Units of Restricted Stock originally granted to Mr. O'Neill, Mr. Lalani and Ms. Yu on May 6, 2015. The vesting dates were brought forward by two weeks or three months, in each case, in order to align the vesting dates with the annual vesting dates (on or about December 15<sup>th</sup> or March 15<sup>th</sup> of each year, as the case may be) currently expected to be used for Awards of Units of Restricted Stock going forward. This was done in order to provide the REIT with operational efficiencies by removing the administrative burden of having Awards vest on multiple dates within a given month.

## Summary Compensation Table

The following table summarizes the compensation of the Named Executive Officers for the years ended December 31, 2013, 2014 and 2015:

Name and principal position	Fiscal Year	Salary (\$)	Unit-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Robert F. O'Neill Chief Executive Officer and Director	2015	350,000	90,999 <sup>(1)</sup>	—	140,000 <sup>(2)</sup>	—	—	29,314 <sup>(3)</sup>	610,313
	2014	350,000	—	—	113,750 <sup>(4)</sup>	—	—	13,500 <sup>(3)</sup>	477,250
	2013	166,088	651,000 <sup>(5)</sup>	—	—	—	—	—	817,088
Azim Lalani Chief Financial Officer	2015	230,000	34,658 <sup>(1)</sup>	—	61,333 <sup>(2)</sup>	—	—	1,007 <sup>(3)</sup>	326,998
	2014	140,000	—	—	43,333 <sup>(4)</sup>	—	—	—	183,333
	2013	—	—	—	—	—	—	—	—
Robert Hibberd Executive Vice President <sup>(6)</sup>	2015	242,438	—	—	—	—	—	—	242,438
	2014	263,983	—	—	140,000	—	—	10,688 <sup>(3)</sup>	414,671
	2013	136,111	598,500 <sup>(5)</sup>	—	—	—	—	—	734,611
Anne Yu Director of Finance	2015	152,000	29,993 <sup>(1)</sup>	—	30,400 <sup>(2)</sup>	—	—	697 <sup>(3)</sup>	213,090
	2014	140,000	—	—	30,000 <sup>(4)</sup>	—	—	—	170,000
	2013	120,000	25,200 <sup>(5)</sup>	—	10,000	—	—	—	155,200
Dan Miller Chief Investment Officer of US REIT	2015	207,600 <sup>(7)</sup>	—	—	—	—	—	437,180 <sup>(8)(9)</sup>	644,778
	2014	174,015 <sup>(7)</sup>	—	—	—	—	—	450,061 <sup>(8)</sup>	624,076
	2013	112,564 <sup>(7)</sup>	—	—	—	—	—	117,926 <sup>(8)</sup>	230,490

- (1) Awards of Units of Restricted Stock were granted on May 6, 2015 at \$10.75 per Unit. Mr. O'Neill was granted 21,162 Units of Restricted Stock with 2,821 vested on March 31, 2016, 2,821 vesting on March 15, 2017, 2,823 vesting on December 15, 2017 and 12,697 vesting, subject to a multiplier of 0% to 200%, on March 15, 2018. Mr. Lalani was granted 8,061 Units of Restricted Stock with 1,074 vested on March 31, 2016, 1,074 vesting on March 15, 2017, 1,076 vesting on December 15, 2017 and 4,837 vesting, subject to a multiplier of 0% to 200%, on March 15, 2018. Ms. Yu was granted 2,790 Units of Restricted Stock with 372 vested on March 31, 2016, 372 vesting on March 15, 2017 and 2,046 vesting on December 15, 2017. The grant date fair value of \$10.75 per Unit of Restricted Stock was calculated using the weighted average price at which the Units traded on the TSX during the period of the five most recent trading days ending on the trading day immediately prior to the grant date. The value of Unit-based awards that vest subject to a multiplier of 0% to 200% are calculated based on the minimum payout of zero dollars. The primary purpose of such grants was to retain and incentivize the future performance of such Named Executive Officers.
- (2) Number represents original cash amount of the STIP award approved for grant to such Named Executive Officer for his or her performance during the financial year ended December 31, 2015. However, each of Mr. O'Neill, Mr. Lalani and Ms. Yu were given the option by the Board to receive their STIP awards earned in 2015: (i) in cash; or (ii) in that number of Units of Restricted Stock representing 125% of the cash amount of their STIP award divided by the grant date fair value of \$10.43 per Unit (rounded down to the nearest whole unit) vesting over approximately three years starting on December 15, 2016. Each of Mr. O'Neill, Mr. Lalani and Ms. Yu elected to receive their STIP awards for their performance during the financial year ended December 31, 2015 in the form of Units of Restricted Stock. The grant date fair value of \$10.43 per Unit of Restricted Stock was calculated using the weighted average price at which the Units traded on the TSX during the period of the five most recent trading days ending on the trading day immediately prior to the grant date. See "Executive Compensation – Recent Grants of Awards – STIP Grants" above for further details.
- (3) Number represents the aggregate of the cash payments made by the REIT to the Named Executive Officer upon the vesting of Units of Restricted Stock held thereby in lieu of cash distributions that would have otherwise been paid to the Named Executive Officer from the date of grant to the date of vesting.
- (4) Number represents original cash amount of the STIP award approved for grant to such Named Executive Officer for his or her performance during the financial year ended December 31, 2014. However, each of Mr. O'Neill, Mr. Lalani and Ms. Yu were given the option by the Board to receive their STIP awards earned in 2014: (i) in cash; or (ii) in that number of Units of Restricted Stock representing 125% of the cash amount of their STIP award divided by the grant date fair value of \$10.75 per Unit (rounded down to the nearest whole unit) vesting over approximately three years starting on December 31, 2015. Each of Mr. O'Neill, Mr. Lalani and Ms. Yu elected to receive their STIP awards for their performance during the financial year ended December 31, 2014 in the form of Units of Restricted Stock. The grant date fair value of \$10.75 per Unit of Restricted Stock was calculated using the weighted average price at which the Units traded on the TSX during the period of the five most recent trading days ending on the trading day immediately prior to the grant date.
- (5) Awards of Units of Restricted Stock were granted on December 30, 2013 at \$10.50 per Unit. Mr. O'Neill was granted 62,000 Units of Restricted Stock with 32,000 Units vesting on the grant date 15,000 Units vesting on December 30, 2014 and 15,000 Units vesting on December 30, 2015. Mr. Hibberd was granted 57,000 Units of Restricted Stock with 28,500 Units vesting on December 30, 2013 and 28,500 Units vesting on May 15, 2014. Ms. Yu was granted 2,400 Units of Restricted Stock which vested on December 30, 2013. The grant date fair value of \$10.50 was calculated using the weighted average price at which the Units have traded on the TSX during the period of the five most recent trading days ending on the trading day immediately prior to the grant date. The primary purpose of such grants was to retain and incentivize such Named Executive Officers.
- (6) Mr. Hibberd ceased to be the Executive Vice President of the General Partner upon his resignation effective November 19, 2015.
- (7) Lodging and Leisure Investment Advisors, LLC (a company wholly owned by Mr. Miller) entered into the Miller Services Agreement (as defined below) with the REIT for a minimum term of 12 months and for a monthly retainer of US\$12,500. The amounts shown represent the amounts paid as a retainer during the fiscal years ended December 31, 2015, 2014 and 2013, converted into Canadian Dollars using the U.S. Dollar to Canadian Dollar noon exchange rate of 1.3840, 1.1601 and 1.636 posted by the Bank of Canada for December 31, 2015, 2014 and 2013, respectively. See "Management Contracts", below for the particulars of the Miller Services Agreement.

- (8) Pursuant to the terms of the Miller Services Agreement, a success fee is payable upon the closing of a transaction based on a percentage of the transaction value. The amounts shown represent the amounts paid as success fees during the fiscal years ended December 31, 2015, 2014 and 2013, converted into Canadian Dollars using the U.S. Dollar to Canadian Dollar noon exchange rate of 1.3840, 1.1601 and 1.0636 posted by the Bank of Canada for December 31, 2015, 2014 and 2013, respectively.
- (9) Commencing in May 2015, Mr. Miller began receiving a monthly administration fee of US\$2,000 under the Miller Services Agreement. The amount shown includes the amounts paid as administration fees during the fiscal year end December 31, 2015, converted into Canadian Dollars using the U.S. Dollar to Canadian Dollar noon exchange rate of 1.3840 posted by the Bank of Canada for December 31, 2015.

## Incentive Plan Awards

### *Outstanding Option-Based and Unit-Based Awards*

The following table sets out the option-based and Unit-based awards outstanding at December 31, 2015 for the Named Executive Officers:

Name and principal position	Option-based awards				Unit-based awards		
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of Units that have not vested	Market or payout value of Unit-based awards that have not vested	Market or payout value of vested Unit-based awards not paid out or distributed
	(#)	(\$)		(\$)	(#)	(\$)	(\$)
Robert F. O'Neill Chief Executive Officer and Director	—	—	—	—	29,980 <sup>(1)</sup>	180,262 <sup>(2)</sup>	—
Azim Lalani Chief Financial Officer	—	—	—	—	11,420 <sup>(1)</sup>	68,661 <sup>(2)</sup>	—
Robert Hibberd Executive Vice President <sup>(3)</sup>	—	—	—	—	—	—	—
Anne Yu Director of Finance	—	—	—	—	5,116	53,360 <sup>(2)</sup>	—
Dan Miller Chief Investment Officer of US REIT	—	—	—	—	—	—	—

- (1) As at December, 31, 2015, Mr. O'Neill and Mr. Lalani held 12,697 and 4,837 Units of Restricted Stock, respectively which are subject to a multiplier of 0% to 200% on vesting based on the achievement of certain performance goals.
- (2) The market values of Unit-based awards that did not vest during 2015 were calculated by multiplying the number of Unit-based awards (less any Unit-based awards that vest subject to a multiplier of 0% to 200% based on the achievement of performance goals) that did not vest by the closing price of the Units on the TSX of \$10.43 as at April 8, 2016. In accordance with Form 51-102F6 – *Statement of Executive Compensation* all Unit-based awards that vest subject to a multiplier of 0% to 200% based on the achievement of performance goals are calculated based on the minimum payout, in this case zero dollars.
- (3) Mr. Hibberd ceased to be the Executive Vice President of the General Partner upon his resignation effective November 19, 2015.

***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets out the value vested or earned with respect to option-based and Unit-based awards during 2015 for the Named Executive Officers:

Name and principal position	Option-based awards – Value vested during the year (\$)	Unit-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Robert F. O’Neill Chief Executive Officer and Director	—	205,945 <sup>(1)</sup>	140,000 <sup>(2)</sup>
Azim Lalani Chief Financial Officer	—	17,881 <sup>(3)</sup>	61,333 <sup>(2)</sup>
Robert Hibberd Executive Vice President <sup>(4)</sup>	—	—	—
Anne Yu Director of Finance	—	12,375 <sup>(5)</sup>	30,400 <sup>(2)</sup>
Dan Miller Chief Investment Officer of US REIT	—	—	—

- (1) The market value of the Unit-based awards that vested during 2015 were calculated as the sum of: (i) the number of Unit-based awards that vested on December 30, 2015 (15,000) multiplied by the closing price of the Units on the TSX of \$10.60 on December 30, 2015; and (ii) the number of Unit-based awards that vested on December 31, 2015 (4,408) multiplied by the closing price of the Units on the TSX of \$10.65 on December 31, 2015.
- (2) Number represents original cash amount of the STIP award approved for grant to such Named Executive Officer for his or her performance during the financial year ended December 31, 2015. However, each of Mr. O’Neill, Mr. Lalani and Ms. Yu were given the option by the Board to receive their STIP awards earned in 2015: (i) in cash; or (ii) in that number of Units of Restricted Stock representing 125% of the cash amount of their STIP award divided by the grant date fair value of \$10.43 per Unit (rounded down to the nearest whole unit) vesting over approximately three years starting on December 15, 2016. Each of Mr. O’Neill, Mr. Lalani and Ms. Yu elected to receive their STIP awards for their performance during the financial year ended December 31, 2015 in the form of Units of Restricted Stock. The grant date fair value of \$10.43 per Unit of Restricted Stock was calculated using the weighted average price at which the Units traded on the TSX during the period of the five most recent trading days ending on the trading day immediately prior to the grant date. See “*Executive Compensation – Recent Grants of Awards – STIP Grants*” above for further details.
- (3) The market value of the Unit-based awards that vested during 2015 were calculated by multiplying the number of Unit-based awards that vested on December 31, 2015 (1,679) by the closing price of the Units on the TSX of \$10.65 as at December 31, 2015.
- (4) Mr. Hibberd ceased to be the Executive Vice President of the General Partner upon his resignation effective November 19, 2015.
- (5) The market value of the Unit-based awards that vested during 2015 were calculated by multiplying the number of Unit-based awards that vested on December 31, 2015 (1,162) by the closing price of the Units on the TSX of \$10.65 as at December 31, 2015.

The following table sets out the number of Units to be issued upon the exercise of outstanding Options under the SBC Plan, the weighted-average exercise price of the outstanding Options, and the number of Units remaining available for future issuance under the SBC Plan, as at December 31, 2015:

Plan Category	Number of Units to be issued upon exercise of outstanding Unit options, warrants and rights	Weighted-average exercise price of outstanding Unit options, warrants and rights	Number of Units remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plan approved by Unitholders	—	—	3,426,776 <sup>(1)(2)</sup>
Equity compensation plan not approved by Unitholders	N/A	N/A	N/A

- (1) The maximum number of Units that are available for grant under the SBC Plan is determined based on 10% of the issued and outstanding number of Units on a “rolling” basis, which means that as the outstanding capital of the REIT increases from time to time by the issuance of Units, whether due to the exercise of Options or otherwise, the number of Units eligible to be issued under Options or other Awards pursuant to the SBC Plan will automatically increase to 10% of the then number of Units issued and outstanding. The number of Units issued and outstanding as at December 31, 2015 was 34,908,265.
- (2) The number of Units remaining available for future issuance under the SBC Plan, as at December 31, 2015, was calculated as the difference of (X) 10% of the number of Units issued and outstanding as at December 31, 2015 (3,490,826), less (Y) the aggregate number of Units (64,050 Units) underlying the outstanding Restricted Stock awards (64,050) that were granted to various Named Executive Officers that had not vested as at December 31, 2015. The number of Units underlying outstanding Units of Restricted Stock presumes the maximum payout of 200% on the 17,534 Units of Restricted Stock previously granted as Performance Awards which were outstanding on December 31, 2015.

## Management of Compensation Risk

The Board of Directors and the Compensation Committee have not formally considered the implications of the risks associated with the REIT’s compensation policies and practices. Such risks, however, are mitigated by the Board’s active involvement at the strategic level of the REIT’s businesses, including:

- annual approval of the REIT’s operational and capital budgets and ongoing review of variances between actual and budgeted operational results, including at regularly scheduled quarterly board meetings;
- approval of business acquisitions as they arise, including a review of the acquisition process and undertaking of due diligence; and
- the ability of the REIT to require reimbursement of annual and long-term incentive compensation paid to its current and former senior executives pursuant to its compensation clawback policy (see “*Executive Compensation – Compensation Clawback Policy*”).

The Board of Directors’ oversight helps to ensure proper monitoring of the level of risk-taking by management. This allows the Board to be responsive to management’s potential bias towards achieving short-term goals at the expense of long-term sustainability and Unitholders’ value. Furthermore, the Compensation Committee and the Board can use their discretion when assessing both an individual Named Executive Officer’s and the REIT’s overall performance.

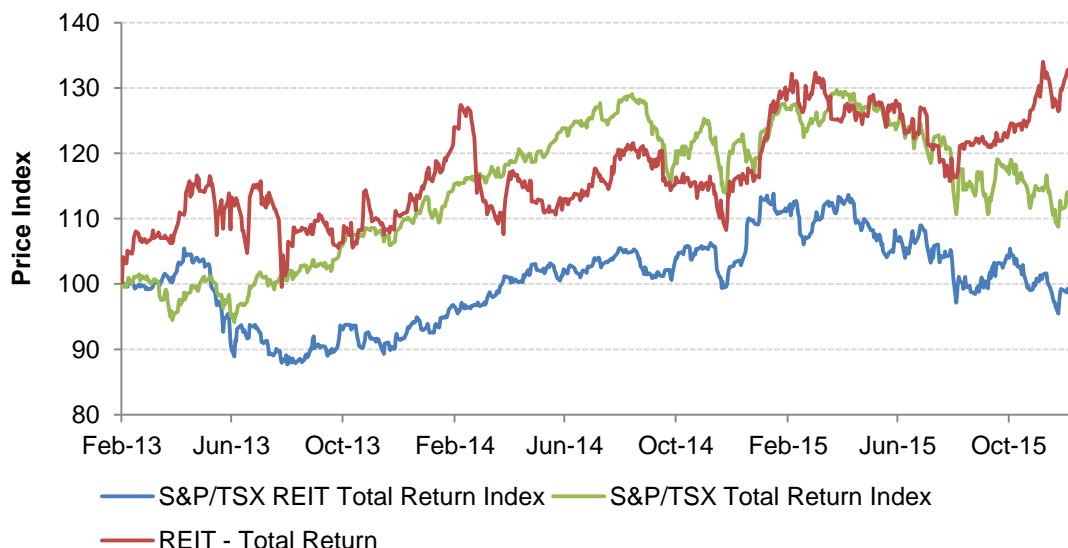
## Financial Instruments

The Board has adopted a formal Anti-Hedging Policy in order to prohibit directors of the General Partner and senior management of the REIT from directly or indirectly engaging in hedging against future declines in the market value of any equity-based securities of the REIT through the purchase of financial instruments (including, without limitation, prepaid variable forward contracts, equity swaps, collars, puts, calls or other derivative securities) designed to offset such risk. It is the Board’s view that the Policy is appropriate as purchases of such financial instruments may undermine the purpose for which such securities are granted to such persons.

In addition, Named Executive Officers and other participants in the STIP and LTIP are not permitted to pledge or hedge any Restricted Stock or Performance Awards granted thereto under the STIP or LTIP, as applicable.

## Performance of Units

The following graph and chart compares the total cumulative Unitholders return for \$100 invested in Units with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX REIT Index since the REIT's initial public offering on February 20, 2013 until December 31, 2015. During the period, the total cumulative Unitholder return for \$100 invested in Units was \$133 as compared to \$112 for the S&P/TSX Composite Index and \$98 for the S&P/TSX REIT Index.



Other than with respect to a portion of Awards granted to the Chief Executive Officer and Chief Financial Officer under the LTIP (see “*Executive Compensation – Elements of Compensation – Long-Term Incentive Plan*”), compensation of the REIT's Named Executive Officers is not currently based on the total return to Unitholders.

## Pension Plan Benefits

During the REIT's most recently completed financial year, the REIT and its direct and indirect subsidiaries did not have a defined benefit plan, deferred contribution plan, deferred compensation plan or pension plan.

## Termination of Employment, Change in Responsibilities and Employment Contracts

Effective January 1, 2016, AHIP Management Ltd. (“AML”), a wholly owned direct subsidiary of the US REIT, replaced the General Partner as the employer of the key executive officers of the REIT and of its various other support staff. AML provides the services of such persons to the REIT and its subsidiaries through: (i) a services agreement between AML and the REIT; (ii) a services agreement between AML and the US REIT; and (iii) a secondment agreement between AML and the US REIT. Under the terms of their new employment arrangements with AML, the REIT's executive officers and all other employees were provided with full credit for past service under their previous employment arrangements with the General Partner.

The REIT believes that severance and change of control benefits can be necessary in order to attract and retain high calibre executive talent. Severance benefits are appropriate, particularly with respect to a termination without cause since in that scenario, both the REIT and the Named Executive Officer will have a mutually agreed upon severance package that is in place prior to any termination event which provides certainty and the flexibility to make changes in executive management if such change is in the best interests of the REIT. Change in control benefits are intended to ensure stability of leadership at a time of heightened uncertainty and to better enable Named Executive Officers to advise the Board of Directors whether an ownership change proposal is in the best interests of the REIT's owners without such officers being unduly influenced by the possibility of employment termination. Severance and change in control benefits are negotiated and set with regard to the experience level of the individual, the complexity of the position and other relevant market factors.

A formal employment agreement is in place between AML and Mr. Robert F. O'Neill. The employment agreement is for an indefinite term. Subject to limited exceptions, it contains non-competition, non-solicitation and confidentiality covenants in favour of AML which apply during the term of employment and will continue for a specified period of time after termination.

During the term of the employment agreement, AML is entitled to terminate the employment of Mr. O'Neill without cause by providing him with written notice and paying Mr. O'Neill his total remuneration over 24 months. Total remuneration means the total salary payable to Mr. O'Neill plus any additional amounts he is entitled to in accordance with applicable bonus, profit sharing or other incentive or compensation programs. Subject to certain exceptions, Mr. O'Neill will be entitled to receive benefits for a period of 12 months after termination. The approximate termination amount for Mr. O'Neill if terminated on December 31, 2015 would have been approximately \$1,342,000 (including the value of 21,691 Units of Restricted Stock which would have vested immediately upon his termination without cause).

If the employment of Mr. O'Neill is terminated for cause, Mr. O'Neill will not be entitled to any notice and will not be entitled to any compensation or benefits beyond the date of termination.

If Mr. O'Neill resigns, he must first provide AML with at least 90 days' prior written notice. AML may elect to waive the notice period at any time after Mr. O'Neill has given notice of his resignation. Mr. O'Neill will be entitled to receive his base salary for the remainder of the notice period, as well as any benefits he remains eligible for.

If there is a change in control, Mr. O'Neill may, at his option where good reason exists, terminate his employment by giving appropriate notice and receive compensation equivalent to that from termination without cause noted above except that the relevant period is 30 months rather than 24 months. The employment agreement defines a "change in control" as:

- (a) any person, or group of persons becomes the beneficial holder, directly or indirectly, of securities of the REIT representing 50.1% or more of the combined voting power of the REIT's then outstanding securities;
- (b) all or substantially all of the assets or undertaking of the REIT is sold or otherwise disposed of, or the REIT is dissolved or liquidated;
- (c) the General Partner ceasing for any reason to be the general partner of the REIT; or
- (d) any transaction or series of transactions (whether by sale, merger, amalgamation, consolidation, reorganization, plan or arrangement or otherwise) that would have substantially the same effect as a change of control under the foregoing provisions is undertaken or the Board approves and/or recommends that Unitholders accept, approve or adopt any such transaction or series of transactions.

A formal employment agreement is in place between AML and Mr. Azim Lalani. The employment agreement is for an indefinite term. Subject to limited exceptions, it contains non-competition, non-solicitation and confidentiality covenants in favour of AML which apply during the term of employment and will continue for a specified period of time after termination.

During the term of the employment agreement, AML is entitled to terminate the employment of Mr. Lalani without cause by providing him with written notice and paying Mr. Lalani his total remuneration over 12 months plus one month for each full calendar year Mr. Lalani has been employed by AML under his employment agreement up to a maximum of 18 months. Total remuneration means the total salary payable to Mr. Lalani plus any additional amounts he is entitled to in accordance with applicable bonus, profit sharing or other incentive or compensation programs. Subject to certain exceptions, Mr. Lalani will be entitled to receive benefits during the severance period after termination. The approximate termination amount for Mr. Lalani if terminated on December 31, 2015 would have been approximately \$461,000 (including the value of 8,262 Units of Restricted Stock which would have vested immediately upon his termination without cause).

If the employment of Mr. Lalani is terminated for cause, Mr. Lalani will not be entitled to any notice and will not be entitled to any compensation or benefits beyond the date of termination.

If Mr. Lalani resigns, he must first provide AML with at least 30 days' prior written notice. AML may elect to waive the notice period at any time after Mr. Lalani has given notice of his resignation. Mr. Lalani will be entitled to receive his base salary for the remainder of the notice period, as well as any benefits he remains eligible for.

If there is a change in control, Mr. Lalani may, at his option where good reason exists, terminate his employment by giving appropriate notice and receive compensation equivalent to that from termination without cause noted above except that the relevant period is 18 months, rather than 12 months plus one month for each full calendar year Mr. Lalani has been employed by AML under his employment agreement up to a maximum of 18 months. The employment agreement defines a "change in control" as:

- (a) any person, or group of persons becomes the beneficial holder, directly or indirectly, of securities of the REIT representing 50.1% or more of the combined voting power of the REIT's then outstanding securities;
- (b) all or substantially all of the assets or undertaking of the REIT is sold or otherwise disposed of, or the REIT is dissolved or liquidated;
- (c) the General Partner ceasing for any reason to be the general partner of the REIT; or
- (d) any transaction or series of transactions (whether by sale, merger, amalgamation, consolidation, reorganization, plan or arrangement or otherwise) that would have substantially the same effect as a change of control under the foregoing provisions is undertaken or the Board approves and/or recommends that Unitholders accept, approve or adopt any such transaction or series of transactions.

Mr. Robert Hibberd was retained to provide services to the General Partner, in his role as Executive Vice President, on a monthly basis. No formal consulting services or employment agreement was entered into between the General Partner and Mr. Hibberd. No termination benefits were paid by the General Partner or the REIT to Mr. Hibberd on or in connection with his resignation on November 19, 2015.

No formal employment agreement has been entered into between AML and Ms. Anne Yu.

Mr. Dan Miller is retained by the REIT's direct subsidiary US REIT on an annual basis pursuant to the terms of the Miller Services Agreement. The Miller Services Agreement provides no termination or change of control benefits to Mr. Miller, and US REIT may terminate the Miller Services Agreement without penalty upon six months prior written notice to Mr. Miller. See "*Management Contracts*", below for the particulars of the Miller Services Agreement.

The Award agreements governing the outstanding Units of Restricted Stock held by Mr. O'Neill, Mr. Lalani and Ms. Yu provide for immediate vesting of all Units of Restricted Stock evidenced by such awards (excluding any Units of Restricted Stock granted as Performance Awards that vest subject to a multiplier based on the achievement of certain performance goals) upon: (i) the termination of such person without cause; or (ii) such person resigning his or her employment under his or her respective employment agreement or arrangement with AML for "good reason" (as defined in such Award agreements) within 180 days of a change of control of the REIT. The vesting of Units of Restricted Stock granted as Performance Awards in such circumstances is at the discretion of the Compensation Committee.

### **Compensation of Directors**

Until September 30, 2015, the annual compensation for each Director was \$25,000 plus \$1,000 for each Board or committee meeting attended, and the Chair of the Board of Directors also received additional annual compensation of \$15,000 while the Chair of the Audit Committee, Chair of the Compensation Committee and the Chair of the Nominating and Governance Committee each received additional annual compensation of \$5,000. Effective October 1, 2016: (i) the annual compensation for each Director was increased to \$45,000; (ii) the



additional annual compensation for the Chair of each of the Board of Directors, Audit Committee, Compensation Committee and Nominating and Governance Committee was increased to \$20,000, \$12,000, \$10,000 and \$10,000, respectively; and; (iii) the \$1,000 fee for attending meetings of the Board and its committees was cancelled.

No Director compensation is paid to Directors who are members of management of the REIT. In addition to the above noted compensation, Directors are also entitled to be reimbursed for reasonable expenses incurred by them in connection with their services.

### **Director Compensation Table**

The following table summarizes the compensation of the Directors for the year ended December 31, 2015:

Name	Fees earned (\$)	Unit-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
				Annual incentive plans	Long-term incentive plans			
Peter Armstrong <sup>(1)</sup>	53,750	—	—	—	—	—	—	53,750
Robert F. O'Neill <sup>(2)</sup>	—	—	—	—	—	—	—	—
Stephen J. Evans	39,000	—	—	—	—	—	—	39,000
Kevin Grayston	45,750	—	—	—	—	—	—	45,750
Tamara L. Lawson	39,000	—	—	—	—	—	—	39,000
W. Michael Murphy	43,750	—	—	—	—	—	—	43,750
Robert Pratt <sup>(3)</sup>	24,750	—	—	—	—	—	—	24,750

- (1) As disclosed in the REIT's news release dated April 1, 2016, Mr. Armstrong has informed the Board that he will not seek re-election at the Meeting.
- (2) Mr. O'Neill does not receive any compensation in his capacity as a director of the General Partner of the REIT; he is solely compensated in his capacity as the Chief Executive Officer of the General Partner.
- (3) Mr. Pratt resigned as a director of the General Partner effective September 17, 2015.

### **Directors' and Officers' Liability Insurance**

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

### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

The Directors, executive officers, employees and former executive officers, Directors and employees of the General Partner, AML and the REIT's other direct and indirect subsidiaries had no indebtedness to the REIT, the General Partner, AML or their subsidiaries as at April 8, 2016.

No individual who is, or was at any time during the most recently completed financial year, a Director or executive officer of the General Partner or AML, a proposed Director, or an associate of any such Director, executive officer or proposed Director, is, or was at any time since the beginning of the most recently completed financial year, indebted to the REIT, the General Partner, AML or any of their direct and indirect subsidiaries, or to another entity where such indebtedness is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the REIT, the General Partner, AML or any of their subsidiaries.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth below and in the REIT's consolidated financial statements for the financial year ended December 31, 2015, no insider of the REIT nor any proposed nominee for election as a Director, nor any associate or affiliate of the foregoing, has any material interest, direct or indirect, in any transaction in the financial year ended December 31, 2015 or in any proposed transaction which has materially affected or would materially affect the REIT, the General Partner or their subsidiaries.

### Master Hotel Management Agreement and Hotel Management Agreements

The properties indirectly acquired by the REIT on February 20, 2013 are externally managed by a wholly owned subsidiary of Tower Rock Hotels & Resorts Inc. (the "**Master Hotel Manager**") pursuant to the master hotel management agreement between the REIT and the Master Hotel Manager (the "**Master Hotel Management Agreement**") dated February 20, 2013 and an individual hotel management agreement made thereunder. All properties indirectly acquired by the REIT since February 20, 2013 are managed by wholly-owned subsidiaries of the Master Hotel Manager pursuant to hotel management agreements in substantially the form of the form of hotel management agreement attached as Annex A to the Master Hotel Management Agreement.

The hotel managers manage and operate the REIT's hotel properties and provide customary hotel management services, including strategic planning, employment of hotel staff, preparation of annual operating and capital budgets and marketing plans, accounting and financial reporting, supervision of rooms and food and beverage operations, supervision of sales and marketing, reservation systems, human resource management, purchasing/bulk buying programs, management and supervision of construction and technical services, information technology, franchise relations and evaluations, supervision of property repairs and maintenance and supervision of compliance with material contracts relating to the properties and leasing.

The Master Hotel Manager is a wholly owned subsidiary of O'Neill Hotels & Resorts Ltd., an entity in which Mr. Robert F. O'Neill (Chief Executive Officer and a Director of the General Partner) has a material ownership interest. Accordingly, Mr. O'Neill has an interest in the Master Hotel Management Agreement and the Additional Hotel Management Agreements.

The REIT recorded the following aggregate fees charged by the Master Hotel Manager and its subsidiaries in corporate and administrative expenses for the year ended December 31, 2015:

(US\$000s)	Twelve months ended December 31, 2015
Management fees	\$ 4,967
Administration fees	1,523
	\$ 6,490

For the year ended December 31, 2015, capital management fees of approximately US\$600,000 were capitalized to property, buildings and equipment.

The Master Hotel Manager's head office and address for service is located at Suite 1690, 401 West Georgia Street, Vancouver, British Columbia V6B 5A1. The Master Hotel Manager also has regional offices in Wichita, Kansas and Scottsdale, Arizona.

A copy the Master Hotel Management Agreement is available on SEDAR at [www.sedar.com](http://www.sedar.com), and the material terms thereof are summarized in the Annual Information Form of the REIT dated March 17, 2016 (the "**Annual Information Form**"), a copy of which is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Master Development Agreement

Through the Master Development Agreement dated February 20, 2013 (the "**Master Development Agreement**") by and among the REIT, SunOne Developments Inc. (the "**Developer**") and Sunstone O'Neill Hotel

Management, the REIT, through its subsidiaries, enters into development agreements with the Developer for the development of properties from time to time, so as to reduce the risk of hotel development for the REIT, while ensuring that the overall portfolio and the cash flows of the REIT continue to grow as opportunities arise, based on market demand. There are no fees charged by the Developer to the REIT or its subsidiaries in connection with the relationship, other than in relation to third-party developments. The Developer is controlled by Mr. Robert F. O'Neill (Chief Executive Officer and a Director of the General Partner) and Mr. Stephen J. Evans (a Director of the General Partner) along with two other individuals. Accordingly, Mr. O'Neill and Mr. Evans have a material interest in the Master Development Agreement and the development agreements entered into thereunder.

Since the commencement of the REIT's most recently completed financial year, the REIT has acquired one Oak Tree Inn hotel and three expansions of existing Oak Tree Inn hotels from the Developer, which were paid for as follows:

(US\$000s)	Wellington, Kansas	Dexter, Missouri (Expansion)	Glendive, Montana (Expansion)	Hearne, Texas (Expansion)	Total
Property, buildings and equipment	\$ 7,480	\$ 2,300	\$ 2,800	\$ 2,400	\$ 14,980
Financed by:					
Cash	\$ 1,507	\$ 1,770	\$ 2,221	1,685	\$ 7,383
Revolver	-	230	-	-	230
Holdback	-	-	279	240	519
Mezzanine loan	648	-	-	-	648
New Loan	4,725	-	-	-	4,725
Issuance of Units	600	300	300	475	1,675
<b>Total</b>	<b>\$ 7,480</b>	<b>\$ 2,300</b>	<b>\$ 2,800</b>	<b>\$ 2,400</b>	<b>\$ 14,980</b>

The purchase price of each of these Oak Tree Inn hotels or expansions thereof was calculated in accordance with the terms of the Master Development Agreement based on: (i) 95% of the fair market value of the property as determined by an independent appraisal where mezzanine loan financing was provided by the REIT to the Developer; or (ii) 100% of the fair market value of the property as determined by an independent appraisal where mezzanine loan financing was not provided by the REIT to the Developer.

On November 2, 2015, the REIT announced three new 24-room expansions at existing high occupancy Oak Tree Inn hotels in North Platte, Nebraska, Hermiston, Oregon and Hearne, Texas (collectively, the "**Expansions**"). The Expansions are being constructed by the Developer pursuant to the Master Development Agreement. The expansion of the Oak Tree Inn hotel in Hearne, Texas was completed on April 1, 2016. The remaining Expansions will be acquired for an aggregate purchase price of approximately US\$4.0 million, are expected to be completed during the first half of 2016 and will be funded with cash on hand, debt and/or the issuance of Units. The Expansions are part of the REIT's previously announced railway growth strategy of constructing additional guestrooms at existing, high occupancy Oak Tree Inn hotels that have excess land and strong market demand.

The Developer's head office and address for service is located at Suite 1690, 401 West Georgia Street, Vancouver, British Columbia V6B 5A1.

A copy of the Master Development Agreement is available on SEDAR at [www.sedar.com](http://www.sedar.com), and the material terms thereof are summarized in the Annual Information Form, a copy of which is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Financial Advisory Services

Mr. W. Michael Murphy (a director of the General Partner) is the Head of Lodging and Leisure Capital of First Fidelity Mortgage Corporation which has provided, from time to time, financial advisory services to certain of the REIT's subsidiaries on a non-exclusive basis in connection with arranging senior secured debt financing secured by such subsidiaries, from time to time, for the purposes of completing hotel acquisitions. The REIT's subsidiaries pay a fixed fee to First Fidelity Mortgage Corporation equal to 50 basis points of the principal value of the senior secured debt financing placed.

## STATEMENT OF CORPORATE GOVERNANCE

Pursuant to National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, disclosure of the General Partner's governance system is attached to this Information Circular as Schedule A.

### RE-APPOINTMENT OF AUDITORS

At the Meeting, the Unitholders will be called upon to re-appoint KPMG LLP as auditors of the REIT, to hold office until the next annual meeting of the REIT, at a remuneration to be fixed by the Directors. KPMG LLP has acted as the auditors of the REIT since the REIT's formation date of October 12, 2012.

**The Directors recommend that the Unitholders vote FOR the re-appointment of KPMG LLP as auditors of the REIT, at a remuneration to be fixed by the Directors.**

**Unless contrary instructions are indicated on the Form of Proxy or the voting instruction form, the persons designated in the accompanying Form of Proxy or voting instruction form intend to vote "for" the re-appointment of KPMG LLP as auditors of the REIT, to hold office until the next annual meeting of the REIT, at a remuneration to be fixed by the Directors.**

### MANAGEMENT CONTRACTS

Mr. Dan Miller is retained by US REIT on an annual basis pursuant to the terms of a services agreement dated April 17, 2013, between the REIT and Lodging and Leisure Investment Advisors, LLC, a company controlled by Mr. Miller, as amended pursuant to an amending agreement dated November 15, 2013, in order to cause US REIT to replace the REIT as a party to the agreement, as further amended and extended from time to time (collectively, the "**Miller Services Agreement**"). Pursuant to the terms of the Miller Services Agreement, Mr. Miller assists the REIT, including its subsidiaries, in sourcing, reviewing, underwriting and in conducting due diligence, market analysis and negotiations for prospective hotel acquisitions.

Lodging and Leisure Investment Advisors, LLC is a Texas limited liability company and has a business address of 16135 Preston Road, Suite 119 Dallas, Texas 75248 USA. Mr. Miller resides in Texas.

Under the terms of the Miller Services Agreement, Mr. Miller is paid a monthly retainer of US\$12,500, a monthly administration fee of US\$2,000 and is paid a success fee upon the closing of hotel acquisitions completed by the REIT and its direct and indirect subsidiaries based on a percentage of the transaction value. The amounts paid to Mr. Miller under the Miller Services Agreement for the most recently completed financial year of the REIT are included in the table under "*Executive Compensation – Summary Compensation Table*", above.

Mr. Miller and Lodging and Leisure Investment Advisors, LLC have no indebtedness to the REIT, the General Partner or any of their subsidiaries and have not entered into any transaction or arrangement with the REIT, the General Partner or any of their subsidiaries, other than the Miller Services Agreement, at any time since the start of the REIT's most recently completed financial year.

### PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

#### **Renewal and Amendment and Restatement of the SBC Plan**

At an annual and special meeting of Unitholders held on June 17, 2013, the Unitholders approved the SBC Plan. The TSX Company Manual provides that all unallocated options, rights or other entitlements under a securities based compensation plan of an issuer must be approved by its securityholders every three years after such plan's institution if the plan does not have a fixed maximum number of securities issuable thereunder, which is the case with the SBC Plan. At the Meeting, Unitholders will be asked to consider and, if thought advisable, pass, with or without variation, an ordinary resolution approving the renewal and amendment and restatement of the SBC Plan and all unallocated Awards. The text of this ordinary resolution is provided below (the "**SBC Plan Resolution**"). For the SBC Plan to be amended and restated and continue in effect after the Meeting, the SBC Plan Resolution must be approved by a simple majority of votes (50% plus one) cast by Unitholders at the Meeting. If the SBC Plan

Resolution is passed, the SBC Plan will require renewal again three years from the date of the Meeting, on or before May 12, 2019. For a discussion of the current terms of the SBC Plan, see “*Executive Compensation – Elements of Compensation – Securities-Based Compensation Plan*”, above.

In the event that the SBC Plan Resolution is not passed by the requisite number of votes cast at the Meeting, the REIT will not have an operative securities-based compensation plan. All unallocated Awards will be cancelled and the REIT will not be permitted to grant further Awards under the SBC Plan until such time as the SBC Plan is approved by Unitholders. Previously allocated Awards under the SBC Plan will continue unaffected by the approval or disapproval of the SBC Plan renewal resolution. Any Awards that have been terminated, cancelled or that have expired will not be available for re-granting.

### ***Proposed Amendments***

As part of the renewal of the SBC Plan, the REIT proposes to make the following amendments to the SBC Plan:

- The SBC Plan does not currently impose limits on the amount or number of Awards that may be granted to non-executive directors of the General Partner on an individual or aggregate basis. Notwithstanding that no Awards have been granted under the SBC Plan to non-executive directors of the General Partner to date, the REIT proposes to amend the SBC Plan to: (i) limit the maximum value of Awards that may be granted pursuant to the SBC Plan and all other securities-based compensation arrangements of the REIT to non-executive directors of the General Partner in a fiscal year to \$100,000 per non-executive director; and (ii) to set a maximum number of Units permitted to be reserved for issuance pursuant to the SBC Plan and all other securities-based compensation arrangements of the REIT to non-executive directors of the REIT equal to 1% of the issued and outstanding Units on a “rolling” basis.
- The SBC Plan currently permits the exercise price of Awards issued to non-insiders of the REIT to be reduced without Unitholder Approval. The REIT proposes to amend the SBC Plan to require Unitholder Approval prior to reducing the exercise price of Awards, regardless of whether the Awards are held by insiders or non-insiders of the REIT.
- The SBC Plan currently permits amendments to be made to the SBC Plan without Unitholder approval to obtain, preserve or clarify the provision of desirable tax treatment to Participants in respect of Awards, as well as amendments which may be necessary or desirable in the interests of the Participants as a result of changes in taxation laws or in their interpretation or administration. The REIT proposes to amend the SBC Plan to permit the REIT to also make future amendments to the SBC Plan without Unitholder approval to obtain, preserve or clarify the provision of desirable tax treatment to the REIT or its subsidiaries in respect of Awards, as well as amendments which may be necessary or desirable in the interests of the REIT or its subsidiaries as a result of changes in taxation laws or in their interpretation or administration.

A copy of the SBC Plan, as proposed to be amended, may be obtained by a Unitholder or any other interested party by contacting the Chief Financial Officer of the REIT at Suite 1660, 401 West Georgia Street, Vancouver, British Columbia V6B 5A1, by telephone at (604) 630-3134 or by fax at (604) 629-0790.

### ***Unallocated Awards***

Subject to the adjustment provisions provided for in the SBC Plan and the applicable rules and regulations of all regulatory authorities to which the REIT is subject (including any stock exchange), the total number of Units reserved for issuance pursuant to the SBC Plan and all other securities-based compensation arrangements of the REIT shall not exceed 10% of the issued and outstanding Shares on a “rolling” basis. As at April 8, 2016, the total number of Units reserved for issuance pursuant to the SBC Plan was 155,531, representing approximately 0.44% of the issued and outstanding Units. As a result, as of April 8, 2016, there were approximately 9.56% of the issued and outstanding Units, being 3,341,593 Units, available for issuance under the SBC Plan.

### *Approval*

The Board has determined that the proposed renewal and amendment and restatement of the SBC Plan are in the best interests of the REIT and its Unitholders. **The Directors recommend that the Unitholders vote FOR the SBC Plan Resolution. Unless contrary instructions are indicated on the Form of Proxy or the voting instruction form, the persons designated in the accompanying Form of Proxy or voting instruction form intend to vote “for” the SBC Plan Resolution.** The text of the SBC Plan Resolution, subject to such amendments, variations or additions as may be approved at the Meeting, is set forth below:

#### **“BE IT RESOLVED THAT:**

1. The renewal and amendment and restatement of the Securities-Based Compensation Plan (the “**SBC Plan**”) of American Hotel Income Properties REIT LP (the “**REIT**”), substantially as described in the information circular of the REIT dated April 8, 2016, be and is hereby authorized and approved.
2. All unallocated Awards issuable pursuant to the SBC Plan are hereby approved and authorized until May 12, 2019, the third anniversary date of the adoption of this resolution by the unitholders (the “**Unitholders**”) of the REIT.
3. Notwithstanding that this resolution has been duly passed by the Unitholders, the board of directors of American Hotel Income Properties REIT (GP) Inc. (the “**General Partner**”), the general partner of the REIT, may revoke these resolutions before they are acted upon, without further notice to, or approval of, the Unitholders.
4. Any one or more of the directors or officers of the General Partner be and are hereby authorized for and on behalf of the General Partner, in its capacity as general partner of the REIT, to take all such actions, do such things and execute and deliver all such agreements, disclosure documents, instruments, statements, forms and other documents as they may deem appropriate in connection with the foregoing resolutions, and the execution thereof by any one or more of such directors or officers shall be conclusive proof of their authority to act on behalf of the General Partner or the REIT.”

#### **Reconfirmation and Amendment and Restatement of the Unitholder Rights Plan**

The REIT adopted a unitholder rights plan (the “**Rights Plan**”) effective June 17, 2013 pursuant to the unitholder rights plan agreement between the REIT and Computershare Investor Services Inc., as rights agent. At the Meeting, Unitholders will be asked to consider and, if deemed appropriate, approve an ordinary resolution to reconfirm and amend and restate the Rights Plan at the Meeting. The text of this ordinary resolution is provided below (the “**Rights Plan Resolution**”). For the Rights Plan to be amended and restated and continue in effect after the Meeting, the Rights Plan Resolution must be approved by a simple majority of votes (50% plus one) cast by Unitholders at the Meeting. If the Rights Plan Resolution is not passed, the Rights Plan will terminate May 12, 2016. If the Rights Plan Resolution is passed, the Rights Plan will require reconfirmation by Unitholders at the 2019 annual meeting of Unitholders.

### *Proposed Amendments*

On February 25, 2016, the Canadian Securities Administrators published amendments to the take-over bid regime (the “**TOB Amendments**”) that will require all non-exempt take-over bids:

- meet a minimum tender requirement where bidders must receive tenders of more than 50% of the outstanding securities that are subject to the bid and held by disinterested securityholders;
- remain open for a minimum deposit period of 105 days, unless the target board states in a news release an acceptable shorter deposit period of not less than 35 days, or the target board states in a news release that it has agreed to enter into a specific alternative transaction (such as a plan of arrangement) in which case the 35 day period would apply to all concurrent take-over bids; and

- be extended for an additional 10 days after the minimum tender requirement is met and all other terms and conditions of the bid have been complied with or waived.

Under the previous regime, non-exempt take-over bids were only required to remain open for 35 days and were not subject to any minimum tender requirement or an extension requirement once the bidder had taken up deposited securities. The TOB Amendments are expected to become effective for all Canadian issuers on May 9, 2016.

As a result of the TOB Amendments, a number of the initial purposes of the Rights Plan are no longer relevant as many of the protective features of Canadian securityholder rights plans have been adopted as part of the TOB Amendments. However, although the TOB Amendments include many of the protections provided by the Rights Plan, the TOB Amendments will not replace all of the protections that the Rights Plan provides. In particular, even when the amendments come into force, in the absence of the Rights Plan:

- a person seeking to acquire control of the REIT could enter into agreements with holders of more than 20% of the outstanding Units irrevocably committing such holders to tender their Units to a take-over bid;
- a person could accumulate securities through stock exchange acquisitions over time, resulting in the acquisition of control without payment of fair value for control or sharing a controlling interest premium fairly among all Unitholders;
- a small group of large Unitholders could dispose of their Units under a private agreement at a premium price not available to other Unitholders; and
- it may be possible to engage in transactions outside of Canada without regard to the protections provided by the take-over bid rules.

The only proposed substantive amendment to the Rights Plan is to extend the period of time a Permitted Bid (as defined in the Rights Plan) must remain open solely to reflect TOB Amendments. To ensure the Permitted Bid definition in the Rights Plan remains aligned with the minimum period a take-over bid must remain open under applicable Canadian securities laws, the proposed amendments to the Rights Plan include (the “**Rights Plan Amendments**”):

- amending the definition of Permitted Bid to be outstanding for a minimum period of 105 days or such shorter period that a take-over bid must remain open for deposits of securities, in the applicable circumstances, pursuant to Canadian securities laws; and
- certain additional non-substantive, technical and administrative amendments.

The purpose and principal terms of the Rights Plan, including the Rights Plan Amendments, are set forth in Schedule C to this Circular. A copy of the Rights Plan, as proposed to be amended, may be obtained by a Unitholder or any other interested party by contacting the Chief Financial Officer of the REIT at Suite 1660, 401 West Georgia Street, Vancouver, British Columbia V6B 5A1, by telephone at (604) 630-3134 or by fax at (604) 629-0790.

The Board believes that the Rights Plan, as amended by the Rights Plan Amendments, is consistent with the TOB Amendments, current Canadian corporate best practices and addresses institutional investor guidelines. The Rights Plan is not intended to prevent a take-over of the REIT. Reconfirmation of the Rights Plan is not being sought in response to, or in anticipation of, any pending or threatened take-over bid and the Board is not aware of any third party considering or preparing any proposal to acquire control of the REIT.

The Rights Plan does not affect in any way the financial condition of the REIT. The issuance of rights (the “**Rights**”) to the Unitholders under the Rights Plan is not dilutive and does not affect reported earnings or cash flow per Unit until the Rights separate from the underlying Units and become exercisable. The Rights Plan does not diminish or detract from the duty of the Board to act honestly, in good faith and with a view to the best interests of the REIT, nor does the Rights Plan alter the proxy mechanism to change the Board or change the way in which Units trade.

### **Approval**

The Board has determined that the proposed reconfirmation and amendment and restatement of the Rights Plan are in the best interests of the REIT and its Unitholders. **The Directors recommend that the Unitholders vote FOR the Rights Plan Resolution. Unless contrary instructions are indicated on the Form of Proxy or the voting instruction form, the persons designated in the accompanying Form of Proxy or voting instruction form intend to vote “for” the Rights Plan Resolution.** The text of the Rights Plan Resolution, subject to such amendments, variations or additions as may be approved at the Meeting, is set forth below:

#### **“BE IT RESOLVED THAT:**

1. The Amended and Restated Unitholder Rights Plan Agreement to be dated as of May 12, 2016 between the American Hotel Income Properties REIT LP (the “**REIT**”) and Computershare Investor Services Inc., which amends and restates the Unitholder Rights Plan Agreement dated June 17, 2013, and continues the rights issued thereunder, in each case, substantially as described in the information circular of the REIT dated April 8, 2016, be and is hereby authorized and approved.
2. Notwithstanding that this resolution has been duly passed, the board of directors of American Hotel Income Properties REIT (GP) Inc. (the “**General Partner**”), the general partner of the REIT, may revoke these resolutions before they are acted upon, without further notice to, or approval of, the unitholders of the REIT.
3. Any one or more of the directors or officers of the General Partner be and are hereby authorized for and on behalf of the General Partner, in its capacity as general partner of the REIT, to take all such actions, do such things and execute and deliver all such agreements, disclosure documents, instruments, statements, forms and other documents as they may deem appropriate in connection with the foregoing resolutions, and the execution thereof by any one or more of such directors or officers shall be conclusive proof of their authority to act on behalf of the General Partner or the REIT.”

### **No Other Matters**

The Directors know of no matters to come before the Meeting other than those referred to in the Notice of Annual and Special Meeting accompanying this Information Circular. However, if any other matters properly come before the Meeting, it is the intention of the Director representatives named in the Form of Proxy accompanying this Information Circular to vote the same in accordance with their best judgment of such matters.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No Director or executive officer of the General Partner or AML, nor any person who has held such a position since the beginning of the last completed financial year of the REIT, nor any proposed nominee for election as a Director of the General Partner, nor any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of Directors and as otherwise set out herein.

### **ADDITIONAL INFORMATION**

Additional information relating to the REIT may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information in respect of the Audit Committee is contained in the Annual Information Form, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com), under the heading “*Audit Committee Information*”. In addition, the full text of the “Terms of Reference for the Audit, Finance and Risk Committee” is set out in Schedule A to the Annual Information Form. Additional financial information is provided in the REIT’s audited consolidated financial statements and management’s discussion and analysis for the REIT’s most recently completed financial year. A copy of the REIT’s financial statements and management’s discussion and analysis is available, free of charge, upon written request to the Chief Financial Officer of American Hotel Income Properties REIT (GP) Inc., Suite 1660, 401 West Georgia Street, Vancouver, British Columbia V6B 5A1. These documents are also available on SEDAR at [www.sedar.com](http://www.sedar.com).



**APPROVAL OF CIRCULAR**

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by the Directors.

DATED at Vancouver, British Columbia, this 8<sup>th</sup> day of April, 2016.

**BY ORDER OF THE DIRECTORS**

(signed) Robert F. O'Neill  
Director

## SCHEDULE A

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The board of directors (the “**Board**”) of American Hotel Income Properties REIT (GP) Inc. (the “**General Partner**”) is responsible for the governance of American Hotel Income Properties REIT LP (the “**REIT**”). Unless the context otherwise requires, references to the REIT in this Schedule A include the REIT and its direct and indirect subsidiaries. Seven of the eight current directors the General Partner are “independent” as defined under *National Instrument 58-101 – Disclosure of Corporate Governance Practices*. The directors have established an audit, finance and risk committee (“**Audit Committee**”), a nominating and governance committee (“**Governance Committee**”) and a compensation committee (the “**Compensation Committee**”) consisting of independent directors.

The directors and the Board consider good governance to be central to the effective and efficient operation of the REIT and its subsidiaries and are committed to reviewing and adapting their governance practices so that they meet the REIT’s and its direct and indirect subsidiaries’ changing needs and to ensure compliance with regulatory requirements.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
<p><b>1. Directors/Board</b></p> <p>(a) Disclose the identity of directors who are independent.</p>	<p>Peter Armstrong, Stephen J. Evans, Richard Frank, Kevin Grayston, Tamara L. Lawson, W. Michael Murphy and Elizabeth Walters are independent directors. Peter Armstrong is not seeking re-election at the annual and special meeting of the unitholders (“<b>Unitholders</b>”) of the REIT to be held on May 12, 2016 (the “<b>Meeting</b>”).</p>
<p>(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.</p>	<p>The Board has determined that Mr. Robert F. O’Neill is not an independent director as he is Chief Executive Officer (“<b>CEO</b>”) of the General Partner. Mr. O’Neill cannot be considered to be “independent” as that term is defined under <i>National Instrument 58-101 – Disclosure of Corporate Governance Practices</i>.</p>
<p>(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board does to facilitate its exercise of independent judgement in carrying out its responsibilities.</p>	<p>A majority of the directors are independent.</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
<p>(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p>	<p>None of the directors is presently a director of another reporting issuer except as follows:</p> <ul style="list-style-type: none"> <li>• Mr. Evans is a director of WesternOne Inc. and SRAI Capital Corp. Mr. Evans is also a director of the general partners of each of Sunstone Opportunity Fund (2005) Limited Partnership, Sunstone Opportunity Fund (2006) Limited Partnership, Sunstone Opportunity Fund (2008) Limited Partnership, Sunstone U.S. (2008) LP, Sunstone U.S. (No. 2) LP, Sunstone U.S. (No. 3) LP and Sunstone U.S. (No. 4) LP. Mr. Evans is a Director of Sunstone Investment Management Inc., in its capacity as Manager of Morguard Sunstone Real Estate Income Fund. Mr. Evans is a trustee of Pure Industrial Real Estate Trust. Mr. Evans is a director of the governing general partner of Pure Multi-Family REIT LP. Mr. Evans is a Trustee of REALnorth Opportunities Fund, a Canadian non-listed reporting issuer.</li> <li>• Mr. Grayston is a trustee of Northview Apartment REIT.</li> <li>• Mr. Murphy is a director of Ashford Hospitality Prime, Inc., a NYSE-listed hotel real estate investment trust.</li> </ul>
<p>(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.</p>	<p>The majority of directors are independent. Members of management may be excluded from a portion of each regularly scheduled meeting of the Board, as required. Meetings where non-independent directors are not in attendance may be held as required by the Board; this is considered appropriate given the REIT's overall governance, and in particular, the majority of the directors being independent.</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
<p>(f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.</p>	<p>Peter Armstrong is currently the chair of the Board and lead independent director. As noted above, Mr. Armstrong is not seeking re-election at the Meeting.</p> <p>The chair of the Board is responsible for providing leadership to the Board, coordinating with the CEO to ensure that management strategy, plans and performance are appropriately represented to the Board, Unitholders, and other stakeholders as appropriate, assisting the directors in reviewing and monitoring the aims, strategy, policy and directions of the REIT and the achievement of its objectives, among other duties.</p> <p>The role and responsibilities for the chair of the Board and the lead independent director are set forth in written position descriptions, supplemented from time to time.</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES																																				
<p>(g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.</p>	<p>The following attendance records relate to meetings of the Board and the committees thereof held during the most recently completed financial year of the REIT.</p> <p><u>Meetings of the Board:</u></p> <table> <tr><td>Peter Armstrong</td><td>12/13</td></tr> <tr><td>Robert F. O'Neill</td><td>13/13</td></tr> <tr><td>Stephen J. Evans</td><td>12/13</td></tr> <tr><td>Kevin Grayston</td><td>13/13</td></tr> <tr><td>Tamara L. Lawson</td><td>13/13</td></tr> <tr><td>W. Michael Murphy</td><td>11/13</td></tr> <tr><td>Robert Pratt</td><td>6/9</td></tr> </table> <p><u>Meetings of the Audit Committee:</u></p> <table> <tr><td>Peter Armstrong</td><td>4/4</td></tr> <tr><td>Kevin Grayston</td><td>4/4</td></tr> <tr><td>Tamara L. Lawson</td><td>4/4</td></tr> </table> <p><u>Meetings of the Compensation Committee:</u></p> <table> <tr><td>Stephen J. Evans</td><td>2/2</td></tr> <tr><td>Kevin Grayston</td><td>2/2</td></tr> <tr><td>W. Michael Murphy</td><td>2/2</td></tr> <tr><td>Robert Pratt</td><td>1/1</td></tr> </table> <p><u>Meetings of the Governance Committee:</u></p> <table> <tr><td>Peter Armstrong</td><td>2/2</td></tr> <tr><td>Tamara L. Lawson</td><td>2/2</td></tr> <tr><td>W. Michael Murphy</td><td>2/2</td></tr> <tr><td>Robert Pratt</td><td>1/1</td></tr> </table> <p>Mr. Pratt ceased to be a director upon his resignation from the Board, effective September 17, 2015. Accordingly, the attendance statistics for Mr. Pratt only reflect meetings held during the period from January 1, 2015 to September 17, 2015.</p>	Peter Armstrong	12/13	Robert F. O'Neill	13/13	Stephen J. Evans	12/13	Kevin Grayston	13/13	Tamara L. Lawson	13/13	W. Michael Murphy	11/13	Robert Pratt	6/9	Peter Armstrong	4/4	Kevin Grayston	4/4	Tamara L. Lawson	4/4	Stephen J. Evans	2/2	Kevin Grayston	2/2	W. Michael Murphy	2/2	Robert Pratt	1/1	Peter Armstrong	2/2	Tamara L. Lawson	2/2	W. Michael Murphy	2/2	Robert Pratt	1/1
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<p><b>2. Board Mandate</b></p> <p>Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.</p>	<p>The text of the mandate of the directors (called "<b>Terms of Reference for the Directors of American Hotel Income Properties REIT (GP) Inc.</b>") is attached as Schedule B to the information circular of the REIT dated April 8, 2016.</p>																																				

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
<b>3. Position Descriptions</b> (a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.	The Board has developed written position descriptions for the chair of the Board, and the mandate for each committee of the Board contains written position descriptions for the chair of each committee.
(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.	The Board and the CEO have developed a written position description for the CEO.
<b>4. Orientation and Continuing Education</b> (a) Briefly describe what measures the Board takes to orient new directors regarding	
(i) the role of the Board, its committees and its directors; and	The Board has adopted a Board Information Manual which contains, among other things, the mandates of the Board and each of the committees of the Board. This manual has been reviewed by the directors, and a copy of the manual has been provided to each of the directors.
(ii) the nature and operation of the issuer's business.	The CEO reviews with the Board at each meeting the nature and operations of the business of the REIT and its subsidiaries. The Board meets with other members of senior management of the REIT periodically to review each of their specific operations.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
(b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	In accordance with a Director Education Policy adopted by the Board, the Governance Committee is responsible for coordinating continuing director development programs to enable the directors to maintain or enhance their skills and abilities as directors as well as ensuring their knowledge and understanding of the REIT and its business remains current. This Policy not only encourages directors to stay abreast of emerging corporate governance topics but also broader topics such as accounting, finance, general business and human resource management. The REIT reimburses directors for all reasonable costs of attending director education programs under this Policy. The auditors may periodically review at meetings of the Audit Committee the emerging standards for corporate governance, and the Board meets with independent counsel to the REIT to review the governance practices of the directors and the obligations of the Board.
<b>5. Ethical Business Conduct</b> (a) Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:	The REIT has adopted a written code of corporate ethics and behaviour (the “ <b>Code</b> ”) for the General Partner’s, the REIT’s and its subsidiaries’ directors, officers and employees.
(i) disclose how a person or company may obtain a copy of the code;	The Code is available on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a> .
(ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and	A copy of the Code is provided to each of the directors, officers and senior employees of the General Partner, the REIT and its subsidiaries, and each is requested to certify that he or she has read the Code and that, to the best of his or her knowledge, information or belief, no breach of the Code has occurred except those instances reported by him or her for remedial action. This certification is to be provided annually. A copy of the Code is provided to each new director, officer or employee.
(iii) provide a cross-reference to any material change report(s) filed since the beginning of the issuer’s most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	No material change reports have been filed by the REIT since the beginning of its most recently completed financial year that pertain to the conduct of a director, officer or senior employee that constitutes a departure from the Code.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
(b) Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	A director is required to disclose to the Board information regarding any transaction or agreement in respect of which a director or executive officer has a material interest and to abstain from voting on any matter in respect of such transaction or agreement. The Board may request the director to excuse himself or herself from the portion of any meeting at which such transaction or agreement is discussed.
(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.	The Board encourages and promotes a culture of ethical business conduct and requires the CEO to conduct himself in a manner that exemplifies ethical business conduct. Each director is entitled to engage an outside advisor at the REIT's expense in appropriate circumstances.
<b>6. Nomination of Directors</b>  (a) Describe the process by which the Board identifies new candidates for Board nomination.	The Governance Committee is mandated to identify new candidates for Board nomination. In making its recommendations, the Governance Committee considers the competencies and skills that the Board should possess as a group. When new candidates for Board nomination are reviewed, the Governance Committee considers criteria that include, but are not limited to, age, geographical representation, diversity (including gender diversity), disciplines, and other factors that the Governance Committee views appropriate.
(b) Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.	The Governance Committee, which has the mandate of a nominating committee, is composed entirely of independent directors.
(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	Under its terms of reference, the Governance Committee has the responsibility and power to, among other things, administer and make recommendations respecting the overall approach for the REIT and its subsidiaries to corporate governance issues. In addition, the Governance Committee assists the Board in determining nominees for election and re-election to the Board, filling vacancies among the directors and periodically reviews the effectiveness of the directors as a whole and individually and oversees compliance with the Code and the REIT's disclosure policy.



CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
<p><b>7. Compensation</b></p> <p>(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.</p>	<p>The Board determines the compensation for the directors with reference to market rates for such services. The Governance Committee has the responsibility to review and recommend adjustments for compensation to directors as warranted in the future. Compensation for officers and other key employees is reviewed annually by the Compensation Committee of the Board with reference to contributions of each officer to business results achieved and to market based compensation for similar based positions.</p> <p>For further details, see “<i>Executive Compensation – Setting Executive Compensation</i>” in the information circular of the REIT dated April 8, 2016.</p>
<p>(b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.</p>	<p>The Compensation Committee is composed entirely of independent directors.</p>
<p>(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p>	<p>Under its terms of reference, the Compensation Committee has the responsibility and power to review and make recommendations to the Board respecting the compensation of officers and other key employees.</p> <p>For further details, see “<i>Executive Compensation – Setting Executive Compensation</i>” in the information circular of the REIT dated April 8, 2016.</p>
<p><b>8. Other Board Committees</b></p> <p>If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Board has no other committees.</p>
<p><b>9. Assessments</b></p> <p>Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.</p>	<p>The Governance Committee has the responsibility to ensure that a process is in place for the annual review of the performance of individual directors, the Board as a whole and the individual committees. A review of the performance of the individual directors and Board as a whole was completed with respect to the REIT's most recently completed financial year. The Audit Committee underwent an assessment after the completion of the financial year of the REIT ended December 31, 2015.</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
<p><b>10. Term Limits</b></p> <p>Disclose whether or not the REIT has adopted term limits for the directors on the Board or other mechanisms of Board renewal and, if so, include a description of those director term limits or other mechanisms of Board renewal. If the REIT Partner has not adopted director term limits or other mechanisms of Board renewal, disclose why it has not done so.</p>	<p>The General Partner has not adopted term limits for the directors on the Board because the Board believes the imposition of arbitrary term limits may result in an effective director being disqualified and discounts the value of experience and continuity. The Governance Committee is responsible for assessing the effectiveness of the Board and board renewal is one of the factors the Governance Committee utilizes in its evaluation.</p>
<p><b>11. Policies Regarding the Representation of Women on the Board</b></p> <p>Disclose whether the REIT has adopted a written policy relating to the identification and nomination of women directors. If the REIT has not adopted such a policy, disclose why it has not done so. If the REIT has adopted such a policy, disclose the following in respect of the policy:</p> <ul style="list-style-type: none"> <li>(i) a short summary of its objectives and key provisions,</li> <li>(ii) the measures taken to ensure that the policy has been effectively implemented,</li> <li>(iii) annual and cumulative progress by the REIT in achieving the objectives of the policy, and</li> <li>(iv) whether and, if so, how the Board or its Governance Committee measures the effectiveness of the policy.</li> </ul>	<p>The General Partner has adopted a written Board Diversity Policy in order to define the General Partner's policy with respect to diversity on its Board and to set out the guidelines by which the Board endeavours to maintain a diverse Board. Responsibility for overseeing and ensuring the implementation of the Policy has been delegated to the Governance Committee. The Policy articulates the Board's desire to promote better corporate governance and performance and effective decision-making by having a diverse range of views and considerations represented at the Board level. In considering directors for election to the Board, the Policy requires the Governance Committee to consider diversity criteria generally, with factors such as gender, ethnicity, age, religion, education, experience, geographical representation, political belief and disability all being considered. As such, the Policy does not focus solely on promoting gender diversity. Under the Policy, the Governance Committee is required to annually assess the diversity initiatives that may be established by the Board from time to time under the Policy and the progress in achieving them. Other factors that the Governance Committee takes into consideration when considering the composition of the Board include the current strengths, skills and experience on the Board, any planned retirement dates and the strategic direction of the REIT. The Board does not believe a written policy relating solely to the identification of directors based upon gender is necessary.</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
<p><b>12. Consideration of the Representation of Women in the Director Identification and Selection Process</b></p> <p>Disclose whether and, if so, how the Board or Governance Committee considers the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board. If the REIT does not consider the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board, disclose the REIT's reasons for not doing so.</p>	<p>The Governance Committee considers the diversity of the Board, including the level of representation of women, as one of the factors in identifying and nominating candidates for election or re-election to the Board pursuant to its Board Diversity Policy. The other factors that the Governance Committee considers include: the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; the competencies and skills that the Board considers each existing director to possess; the competencies and skills each new nominee will bring to the Board; the time and energy of the proposed nominee to devote to the tasks; and, the understanding by the proposed nominee of the nature of the business and operations of the REIT.</p>
<p><b>13. Consideration Given to the Representation of Women in Executive Officer Appointments</b></p> <p>Disclose whether and, if so, how the REIT considers the level of representation of women in executive officer positions when making executive officer appointments. If the REIT does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the REIT's reasons for not doing so.</p>	<p>The General Partner considers diversity in its executive officer positions, including the level of representation of women, as one of the factors in making executive officer appointments. The General Partner also considers the skills and experience necessary for the position.</p>
<p><b>14. The REIT's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions</b></p> <p>(a) Disclose whether the REIT has adopted a target regarding women on the Board. If the REIT has not adopted a target, disclose why it has not done so.</p>	<p>The General Partner has not adopted a target regarding women on the Board. Diversity, including gender diversity, is one of the factors that the Governance Committee considers in identifying and nominating candidates for election or re-election to the Board. The other factors that the Governance Committee considers are described in part 12 above. The Governance Committee believes all of these factors are relevant to ensure high functioning Board members and that establishing targets based upon only gender may disqualify desirable director candidates.</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
(b) Disclose whether the REIT has adopted a target regarding women in executive officer positions of the General Partner and of the Subsidiaries of the REIT. If the REIT has not adopted a target, disclose why it has not done so.	The General Partner has not adopted a target regarding women in executive officer positions of the General Partner or of the REIT's subsidiaries. Diversity, including gender diversity, is one of the factors that the General Partner and the REIT's subsidiaries consider in identifying executive officers. The other factors that the General Partner and the REIT's subsidiaries consider are described in part 13 above. The General Partner believes all of these factors are relevant to ensure appropriate executive officers are hired and retained, and that establishing targets based upon only gender may disqualify desirable executive officer candidates.
<b>15. Number of Women on the Board and in Executive Officer Positions</b>  (a) Disclose the number and proportion (in percentage terms) of directors on the Board who are women.	Two of the eight directors of the General Partner are women, representing 25% of the Board.
(b) Disclose the number and proportion (in percentage terms) of executive officers of the REIT, including all subsidiaries of the REIT, who are women.	None of the executive officers of the REIT or any of its subsidiaries are currently women.

## SCHEDULE B

### TERMS OF REFERENCE FOR THE DIRECTORS OF AMERICAN HOTEL INCOME PROPERTIES REIT (GP) INC. (the “GP”)

#### A. TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

##### 1. Purpose

- (a) These terms of reference are for the board of directors (the “**Board**”) of the GP.
- (b) The Board has the responsibility to oversee the conduct of the businesses of American Hotel Income Properties REIT LP (the “**REIT**”) and to supervise management, which is responsible for the day-to-day conduct of business. A key objective of the Board is to generate stable and growing cash distributions for unitholders of the REIT. It is the overall responsibility of the Board that the GP meets its obligations on an ongoing basis and operates in a reliable and safe manner. In performing its functions, the Board also considers the legitimate interests that other stakeholders such as employees, suppliers, customers and communities may have in the REIT. In supervising the conduct of business, the Board through the Chief Executive Officer (“**CEO**”) shall set the standards of conduct for the GP.

##### 2. Organization and Procedures

- (a) The Board is to be composed of a majority of individuals who are “independent” within the meaning of *National Instrument 58-101 – Disclosure of Corporate Governance Practices*, as amended. A director is independent if he or she has no direct or indirect material relationship with the GP. A “material relationship” is a relationship, which could, in the view of the Board, be reasonably expected to interfere with the exercise of the director’s independent judgment.
- (b) The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself.
- (c) The Board retains the responsibility for managing its own affairs including by:
  - (i) selecting its Chair;
  - (ii) if the Chair is not independent, developing a procedure to provide leadership for its independent directors;
  - (iii) nominating candidates for election to the Board, after considering the recommendations of the Nominating and Governance Committee;
  - (iv) constituting committees of the Board;
  - (v) determining director compensation; and
  - (vi) holding regularly scheduled meetings at which members of management are not in attendance.
- (d) Subject to the By-laws of the GP and the *Canada Business Corporations Act*, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

### 3. Duties and Responsibilities

- (a) Selection of Management. With respect to the selection of management:
  - (i) the Board has the responsibility: (i) to appoint and replace the CEO; (ii) to monitor the CEO's performance; (iii) to approve the CEO's compensation; (iv) to provide advice and counsel in the execution of the CEO's duties; and (v) to the extent feasible, to satisfy itself as to the integrity of the CEO and other executive officers in order to create a culture of integrity throughout the organization;
  - (ii) acting upon the advice of the CEO, and the recommendation of the Compensation Committee, the Board has the responsibility for approving the appointment and remuneration of all corporate officers; and
  - (iii) the Board has the responsibility for ensuring that plans have been made for succession of executive management, including appointing, training and monitoring senior management.
- (b) Orientation and Continuing Education. With respect to orientation and continuing education:
  - (i) the Board shall ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and energy that the Board expects from its directors); and
  - (ii) the Board shall provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the businesses of the REIT remains current.
- (c) Monitoring and Acting. The Board has the responsibility:
  - (i) for monitoring the progress of the GP towards its goals, and to revise and alter its direction through management in light of changing circumstances;
  - (ii) for approving distributions by the GP to unitholders of the REIT;
  - (iii) for approving financing by the GP on behalf of the REIT;
  - (iv) for the identification of the principal risks of the businesses of the REIT and taking all reasonable steps to ensure the implementation of appropriate systems to manage these risks;
  - (v) for directing management to ensure systems are in place for the implementation and integrity of the internal control and management information systems of the GP; and
  - (vi) for directing management to ensure appropriate disclosure controls and procedures are in place to enable information to be recorded, processed, summarized and reported within the time periods required by law.
- (d) Strategy Determination. The Board has the responsibility:
  - (i) to adopt a strategic planning process and approve, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the businesses of the REIT;

- (ii) to review with management the mission of the businesses, as well as objectives and goals, and the strategy by which it proposes to reach those goals; and
  - (iii) to review progress in respect to the achievement of the goals established in the strategic plans.
- (e) Policies and Procedures. The Board has the responsibility:
  - (i) to approve and monitor compliance with all significant policies and procedures by which the GP is operated; and
  - (ii) to direct management to implement systems which are designed to ensure that the GP operates at all times within applicable laws and regulations, and to the highest ethical and moral standards.
- (f) Compliance Reporting and Corporate Communications. The Board has the responsibility:
  - (i) to ensure that the financial performance of the REIT is adequately reported to unitholders and other security holders in order that the GP can meet its responsibilities to report the financial performance to unitholders of the REIT and regulators on a timely and regular basis;
  - (ii) to ensure that the financial results are reported fairly and in accordance with generally accepted accounting principles;
  - (iii) to ensure that the GP has appropriate disclosure controls and procedures that enable information to be recorded, processed, summarized and reported within the time periods required by law;
  - (iv) to ensure the timely reporting of any developments that are required to be disclosed by applicable law;
  - (v) to provide information to enable the GP to report annually to unitholders of the REIT on the stewardship of the directors of the GP for the preceding year (the Annual Report); and
  - (vi) to assist the directors of the GP to enable it to communicate effectively with unitholders of the REIT, stakeholders and the public generally.
- (g) General Legal Obligations of the Board of Directors. With respect to the general legal obligations of the Board:
  - (i) The Board is responsible for directing management to ensure that legal requirements have been met, and that documents and records have been properly prepared, approved and maintained.
  - (ii) The *Canada Business Corporations Act* identifies the following as legal requirements for the Board and individual directors:
    - (A) to manage the affairs and business of the GP including the relationships with the direct and indirect subsidiaries of the REIT, their members or security holders, directors and officers;
    - (B) to act honestly and in good faith with a view to the best interests of the GP;
    - (C) to exercise the care, diligence and skill of a reasonably prudent person; and

- (D) in particular, the following matters must be considered by the Board as a whole:
- (1) to submit to the unitholders of the REIT any question or matter requiring the approval of the unitholders;
  - (2) to fill a vacancy among the directors or in the office of the auditor of the REIT;
  - (3) to issue securities except in the manner and on the terms authorized by the directors;
  - (4) to declare distributions by the REIT;
  - (5) to purchase, redeem or otherwise acquire shares issued by the GP or units issued by the REIT;
  - (6) to pay a commission to any person in consideration of that person purchasing or agreeing to purchase shares of the GP or procuring or agreeing to procure purchasers for any such shares;
  - (7) to approve a management proxy circular;
  - (8) to approve a take-over bid circular or directors' circular;
  - (9) to approve any financial statements; and
  - (10) to adopt, amend or repeal By-laws of the GP.

**B. TERMS OF REFERENCE FOR A DIRECTOR**

**1. Goals and Objectives**

As a member of the Board, each of the directors shall:

- (a) fulfil the legal requirements and obligations of a director which includes a comprehensive understanding of the statutory and fiduciary roles;
- (b) represent the interests of all unitholders of the REIT in the governance of the REIT ensuring that the best interests of the REIT are paramount; and
- (c) participate in the review and approval of the GP's policies and strategy and in monitoring their implementation.

**2. Duties and Responsibilities**

- (a) Board Activity. As a member of the Board, each director shall:
  - (i) exercise good judgment and act with integrity;
  - (ii) use his or her abilities, experience and influence constructively;
  - (iii) be an available resource to management and the Board;
  - (iv) respect confidentiality;



- (v) advise the CEO and/or Chair when introducing significant and/or previously unknown information or material at a Board meeting;
  - (vi) understand the difference between governing and managing, and not encroach on management's area of responsibility;
  - (vii) identify potential conflict areas - real or perceived - and ensure they are appropriately identified and reviewed;
  - (viii) when appropriate, communicate with the Chair and CEO between meetings;
  - (ix) demonstrate a willingness and availability for one on one consultation with the Chair and CEO;
  - (x) evaluate the performance of the CEO and the GP; and
  - (xi) assist in maximization of the distribution of available cash to unitholders of the REIT while maintaining the long-term objectives of the REIT.
- (b) Preparation and Attendance. To enhance the effectiveness of Board and committee meetings, each director shall:
- (i) prepare for Board and committee meetings by reading reports and background materials prepared for each meeting;
  - (ii) maintain an excellent Board and committee meeting attendance record;<sup>1</sup> and
  - (iii) have acquired adequate information necessary for decision making.
- (c) Communication. Communication is fundamental to Board effectiveness and therefore each Board member shall:
- (i) participate fully and frankly in the deliberations and discussions of the Board;
  - (ii) encourage free and open discussion of the affairs of the GP by the Board and its members;
  - (iii) ask probing questions, in an appropriate manner and at proper times; and
  - (iv) focus inquiries on issues related to strategy, policy, implementation and results rather than issues relating to the day to day management of the GP.
- (d) Independence. Recognizing that the cohesiveness of the Board is an important element in its effectiveness, each director shall:
- (i) be a positive force with a demonstrated interest in the long-term success of the REIT; and
  - (ii) speak and act independently.
- (e) Board Interaction. As a member of the Board, each director shall strive to establish an effective, independent and respected presence and a collegial relationship with other Board members.

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<sup>1</sup> The target is 100% attendance. Anything less than 75%, without extenuating circumstances, would create considerable concern for the Board.

- (f) Committee Work. In order to assist Board committees in being effective and productive, each director shall:
  - (i) participate on committees and become knowledgeable with the purpose and goals of the committee; and
  - (ii) understand the process of committee work, and the role of management and staff supporting the committee.
- (g) Business, Corporate and Industry Knowledge. Recognizing that decisions can only be made by well-informed Board members, each director shall:
  - (i) become generally knowledgeable of the REIT's products, services and industry in which it operates;
  - (ii) develop an understanding of the unique role of the REIT within its various communities;
  - (iii) maintain an understanding of the regulatory, legislative, business, social and political environments within which the GP operates;
  - (iv) become acquainted with the officers of the GP;
  - (v) remain knowledgeable about the REIT's facilities and visit them when appropriate; and
  - (vi) be an effective ambassador and representative of the GP.

**C. ADMINISTRATIVE GUIDELINES FOR THE BOARD OF DIRECTORS**

1. The Board assumes the responsibility for the stewardship of the businesses of the REIT. While, in law, the Board is called upon to manage the businesses, this is done by proxy through the CEO who is charged with the day-to-day leadership and management of the businesses of the REIT.
2. The Board has the authority and obligation to protect and enhance the assets of the REIT in the interest of all unitholders. Although directors are elected to bring special expertise or a point of view to Board's deliberations, the best interests of the businesses of the REIT must be paramount at all times.
3. Terms of reference for the Board, the Chair, committees and the CEO are annually reviewed by the Nominating and Governance Committee, or other committee where applicable, and any changes are recommended to the Board for approval.
4. Every year the Board reviews and approves a long range strategic plan and one-year operating and capital plans for the businesses of the REIT.
5. The Board has concluded that the appropriate size for the Board is not less than seven and not more than nine members.
6. All directors stand for election every year.
7. The Board does not believe that directors who retire from or otherwise change their current position responsibilities should necessarily retire from the Board. There should, however, be an opportunity for the Board, through the Nominating and Governance Committee, to review the appropriateness of continued Board membership.

8. The Board believes there should be a majority of independent directors on the Board.<sup>2</sup>
9. The Board currently supports the concept of the separation of the role of Chair from that of the CEO. The Board is able to function independently of management when necessary and the Chair's role is to effectively manage and provide leadership to the Board and to interface with the CEO.
10. The Board will evaluate the performance of the CEO at least annually. The evaluation will be based on criteria that include the performance of the businesses of the REIT, the accomplishment of long-term strategic objectives and other non-quantitative objectives established at the beginning of each year.
11. The CEO has the special responsibility to manage and oversee the required interfaces between the GP and the public and to act as the principal spokesperson for the GP and the direct and indirect subsidiaries of the REIT. This includes the responsibility for managing the equity and other financial market interfaces on behalf of the businesses of the REIT.
12. The Chair of the Board, with the assistance of the CEO, will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda.
13. The Board will meet at least four times per year and schedule meetings one year in advance. In addition, the Board will consider monthly resolutions in order to enable the GP to declare distributions to the unitholders of the REIT as frequently as monthly.
14. Materials will be delivered at least three days in advance of meetings for items to be acted upon. Presentations on specific subjects at director and Board meetings will only briefly summarize the material sent to directors so that discussion can be focused on issues relevant to the material.
15. The Board encourages the CEO to bring employees into Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas, and/or employees whom represent future potential who the CEO wishes to bring to the attention of the Board.
16. The Board is responsible, in fact as well as in procedure, for selecting candidates as directors or for Board membership. The Board delegates the screening process to the Nominating and Governance Committee.
17. The Nominating and Governance Committee will annually assess the effectiveness of the Board and its committees.
18. Committees established by the Board analyze in-depth policies and strategies, usually developed by management, which are consistent with their terms of reference. They examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated to do so.
19. From time to time the Board may create ad hoc committees to examine specific issues on behalf of the Board.
20. Committee members and committee chairs are appointed by the directors and the Board respectively, and where possible, consideration is given to having directors rotate their committee assignments.
21. Committees annually review their terms of reference and changes are recommended to the Board through the Nominating and Governance Committee for approval.

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<sup>2</sup> A director is independent if he or she has no direct or indirect material relationship with the GP or any of its subsidiaries. A "material relationship" is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

22. Succession and management development plans will be reviewed by the Compensation Committee and reported annually by the CEO to the Board.
23. The Board ensures new directors are appropriately introduced to the GP and the industry of the REIT and that directors receive the necessary ongoing industry training and development.
24. Each director will have the later of three years from November 12, 2015 and the date he or she was appointed to the Board, to own units of the REIT equal to a value of not less than three times (3X) the annual base fees received by the director for his or her participation on the Board, with the value ascribed to any units of the REIT acquired by a director being equal to the greater of the acquisition cost and the market value of such units. For greater certainty, the base fees do not include any additional fees a director receives for acting as Chair of the Board or chair of any committee.
25. The Board may meet during each meeting on an “in camera” basis without management present, as required.
26. The Board and committees may engage separate independent counsel and/or advisors at the expense of the GP. An individual director may engage separate independent counsel and/or advisors at the expense of the GP in appropriate circumstances with the approval of the Chair.
27. Attached to these Administrative Guidelines is the forward agenda for the Board.
28. These Guidelines are reviewed and approved annually by the Board.

These Terms were last updated on November 12, 2015.

**AMERICAN HOTEL INCOME PROPERTIES REIT (GP) INC.**

**Board Forward Agenda**

<b>Meeting Timing Agenda Items:</b>	<b>March</b>	<b>May</b>	<b>August</b>	<b>November</b>
<b>A. Governance</b>				
CEO Performance Review	X			X (Begin)
Board Performance Review	X			
Director Nominating Report	X			
Appoint Officers		X		
Appoint Board Committees		X		
Review Committee Terms of Reference			X	
Review disclosure controls and procedures			X	
Annual certification of Code of Conduct		X		
<b>B. Financial</b>				
Quarterly Results	X	X	X	X
Year End Results	X			
<b>C. Plans and Strategies</b>				
Strategic Plan		X		
Operating Plan, Capital Budgets				X
Succession Plan				X
Compensation Plans				X
<b>D. Operations</b>				
CEO Report	X	X	X	X
Review of Key Corporate Policies		X		

## SCHEDULE C

### PURPOSE AND PRINCIPAL TERMS OF THE RIGHTS PLAN

Capitalized terms used but not defined in this Schedule C have the meanings ascribed to them in the body of the information circular of American Hotel Income Properties REIT LP (the “**REIT**”) dated April 8, 2016 to which this Schedule C is attached.

#### Purpose of the Rights Plan

On February 25, 2016, the Canadian Securities Administrators published amendments to the take-over bid regime (the “**TOB Amendments**”) that will require all non-exempt take-over bids:

- meet a minimum tender requirement where bidders must receive tenders of more than 50% of the outstanding securities that are subject to the bid and held by disinterested securityholders;
- remain open for a minimum deposit period of 105 days, unless the target board states in a news release an acceptable shorter deposit period of not less than 35 days, or the target board states in a news release that it has agreed to enter into a specific alternative transaction (such as a plan of arrangement) in which case the 35 day period would apply to all concurrent take-over bids; and
- be extended for an additional 10 days after the minimum tender requirement is met and all other terms and conditions of the bid have been complied with or waived.

Consistent with the TOB Amendments, the Rights Plan encourages a potential acquiror to proceed with their bid in accordance with Canadian takeover bid rules, which requires that the bid satisfy certain minimum standards intended to promote fairness or have the approval of the Board, by:

- protecting against “creeping bids” (i.e. the accumulation of more than 20% of the Units through purchases exempt from Canadian take-over bid rules, such as (i) purchases from a small group of Unitholders under private agreements at a premium to the market price not available to all Unitholders, (ii) acquiring control through the slow accumulation of Units over a stock exchange without paying a control premium, or (iii) through transactions outside of Canada not subject to Canadian take-over bid rules), and requiring the bid to be made to all Unitholders; and
- preventing a potential acquiror from entering into lock-up agreements with existing Unitholders prior to launching a take-over bid, except for permitted lock-up agreements as specified in the Rights Plan.

By encouraging bids in accordance with Canadian take-over bid rules, the Board wants to allow all Unitholders to benefit from the acquisition of a control position of 20% or more of the Units, and allow the Board to have sufficient time to explore and develop all options for maximizing Unitholder value in the event a person tries to acquire a control position in the REIT. Under the Rights Plan, potential acquirors are prevented from accumulating effective control of the REIT or a blocking position against other bidders except by way of a Permitted Bid (as defined below).

#### Summary of the Rights Plan

Principal terms of the Rights Plan are summarized below. This summary is qualified in its entirety by reference to the text of the Rights Plan. A Unitholder or any other interested party may obtain a copy of the agreement governing the Rights Plan as proposed to be amended by contacting the Chief Financial Officer of the REIT at Suite 1660, 401 West Georgia Street, Vancouver, British Columbia V6B 5A1, by telephone at (604) 630-3134 or by fax at (604) 629-0790.

The only proposed substantive amendment to the Rights Plan is to extend the period of time a Permitted Bid must remain open solely to reflect the TOB Amendments. To ensure the Permitted Bid definition in the Rights Plan remains aligned with the minimum period a take-over bid must remain open under applicable Canadian securities

laws, it is proposed this definition be amended to be outstanding for a minimum period of 105 days or such shorter period that a take-over bid must remain open for deposits of securities, in the applicable circumstances, pursuant to Canadian securities laws. See “*Permitted Bids*”, below. It is also proposed that certain additional non-substantive, technical and administrative amendments be made to the Rights Plan, including to align the definition of a Competing Permitted Bid to the minimum number of days as required under Canadian securities laws.

### **Term**

The Rights Plan must be reconfirmed by a simple majority of votes cast by Unitholders at every third annual meeting of Unitholders. The Rights Plan, including the amendments described herein, is therefore presented at the Meeting for reconfirmation and approval. If not approved, the Rights Plan will expire and cease to have effect May 12, 2016. If it is approved at the Meeting, the Rights Plan will require reconfirmation by Unitholders at the 2019 annual meeting of Unitholders.

### **Issue of Rights**

Upon the Rights Plan becoming effective, one right (“**Right**”) was issued and attached to each Unit. One Right also attaches to each subsequently issued Unit.

### **How the Rights Plan Works and Effect of the Rights Plan**

Notwithstanding the effectiveness of the Rights Plan, the Rights are not exercisable until the Separation Time (as defined in the Rights Plan). Unless waived or deferred by the Board of Directors in the circumstances permitted by the Rights Plan, the Separation Time would generally be the close of business on the tenth trading day after the earliest to occur of:

- (a) a public announcement that a person or a group of affiliated or associated persons has acquired beneficial ownership of 20% or more of the outstanding Units (an “**Acquiring Person**”) other than as a result of, among other things: (i) a reduction in the number of Units outstanding; (ii) a “Permitted Bid” or a “Competing Permitted Bid” (each as defined below); (iii) certain specified “Exempt Acquisitions” (as defined below); (iv) an acquisition by a person of Voting Units (as defined below) pursuant to a stock dividend or other “Pro Rata Acquisition” (as defined in the Rights Plan); and (v) an acquisition by a person of Voting Units upon the exercise, conversion or exchange of a security convertible, exercisable or exchangeable into a Voting Unit received by a person pursuant to (ii), (iii) or (iv), above;
- (b) the date of commencement, or the first public announcement, of an intention of any person (other than the REIT or any of its subsidiaries) to commence a take-over bid (other than a Permitted Bid or a Competing Permitted Bid) where the Voting Units that are subject to the bid together with the Voting Units beneficially owned by that person (including affiliates, associates and others acting jointly or in concert therewith) would constitute 20% or more of the outstanding Voting Units; and
- (c) the date upon which a Permitted Bid or a Competing Permitted Bid ceases to be such.

An “**Exempt Acquisition**” would include the acquisition of Voting Units or securities convertible into Voting Units: (i) in respect of which the Board of Directors has waived the application of the Rights Plan; (ii) pursuant to a regular distribution reinvestment or similar plan made available to all holders of Units where such plan permits the holder to direct that distributions paid in respect of such Units be used to purchase from the REIT further Units; (iii) pursuant to a distribution made under a prospectus or private placement provided that the person does not increase his, her or its ownership percentage (eg. pursuant to a rights offering); (iv) pursuant to an amalgamation, arrangement or other statutory procedure requiring unitholder approval; and (v) pursuant to certain equity incentive plans of the REIT.

An Acquiring Person does not include a holder of 20% or more of the outstanding Voting Units on the date the Rights Plan was implemented (a “**Grandfathered Person**”), provided that such Grandfathered Person acquires no more Voting Units, other than through one of the exemptions set out in the Rights Plan. As of the date of the information circular of the REIT to which this Schedule C is attached, there are no such Grandfathered Persons.

As soon as practicable following the Separation Time, separate certificates evidencing the Rights (“**Rights Certificates**”) will be mailed to the Unitholders as of the Separation Time and the Rights Certificates alone will evidence the Rights.

After the Separation Time, each Right entitles the holder thereof to purchase one Unit at the Exercise Price. The initial “**Exercise Price**” under each Right is five times the Market Price at the Separation Time. “**Market Price**” is generally defined as the average of the daily closing prices per unit of such securities on each of the 20 consecutive trading days through and including the trading day immediately preceding the Separation Time.

Following a transaction that results in a person becoming an Acquiring Person (a “**Flip-in Event**”), each Right entitles the holder thereof to receive, upon exercise, such number of Units as have an aggregate market value (as of the date of the Flip-in Event) equal to twice the then Exercise Price of the Rights for an amount in cash equal to the Exercise Price. In such event, however, any Rights beneficially owned by an Acquiring Person (including affiliates, associates and others acting jointly or in concert therewith), or certain transferees of any such person, will be void. A Flip-in Event does not include acquisitions approved by the Board of Directors (to the extent permitted by the Rights Plan) or acquisitions pursuant to a Permitted Bid or Competing Permitted Bid.

By way of example, assume that the Units have a Market Price of \$20.00 at the date relevant for determination. Following the Separation Time but prior to a Flip-in Event, a Unitholder would be entitled to exercise a Right and acquire one additional Unit in exchange for a cash payment of \$100.00. Following a Flip-in Event, the same Unitholder (unless it has become an Acquiring Person) would be entitled to exercise the Right and acquire 10 additional Units for the Exercise Price of \$100.00 (ie. one-half of the Market Price).

It is not the intention of the Board of Directors to entrench themselves or avoid a bid for control that is fair and in the best interest of Unitholders. For example, Unitholders may tender to a bid that meets the Permitted Bid criteria without triggering the Rights Plan, regardless of the acceptability of the bid to the Board.

### **Lock-Up Agreements**

A bidder may enter into lock-up agreements with Unitholders whereby such Unitholders agree to tender their Units to the take-over bid (the “**Subject Bid**”) without a Flip-in Event occurring. Such agreement must be publicly disclosed and allow the Unitholder to withdraw the Units to tender to another take-over bid or to support another transaction that exceeds the value of the Subject Bid either on an absolute basis or by as much or more than a specified amount, which specified amount may not be greater than 7%. The definition of “**Permitted Lock-up Agreement**” provides that no “break-up” fees or other penalties that exceed, in the aggregate, the greater of 2.5% of the price or value of the consideration payable under the Subject Bid and 50% of the increase in the consideration resulting from another take-over bid transaction shall be payable by the Unitholder if the Unitholder fails to tender its Units to the Subject Bid.

### **Trading of Rights**

Notwithstanding the effectiveness of the Rights Plan, the Rights are not exercisable until the Separation Time and certificates representing the Rights will not be sent to the Unitholders. Until the Separation Time, or earlier termination or expiry of the Rights, the Rights are evidenced by and transferred with the associated Units and the transfer of any Units will also constitute the transfer of the Rights associated with those Units. After the Separation Time, the Rights will become exercisable and begin to trade separately from the associated Units.

### **Permitted Bids**

The Rights Plan includes a “Permitted Bid” concept whereby a take-over bid will not trigger a separation of the Rights (and will not cause the Rights to become exercisable) if the bid meets certain conditions. A “**Permitted Bid**” is defined as an offer to acquire “**Voting Units**” (which means Units and any other units in the capital of the REIT entitled to vote generally in the election of all directors of the General Partner, or securities that are eligible to be converted into Voting Units for cash or securities) made by means of a take-over bid circular where the Voting Units (including Voting Units that may be acquired upon conversion of securities convertible into Voting Units) subject to the offer, together with Voting Units beneficially owned by the offeror at the date of the offer (including its



affiliates, associates and others acting jointly or in concert therewith), constitute 20% or more of the outstanding Voting Units and that also complies with the following additional provisions:

1. the bid must be made to all holders of Voting Units other than the offeror; and
2. the bid must also contain the following irrevocable and unqualified conditions: (i) no Voting Units will be taken up or paid for prior to the close of business on the 105<sup>th</sup> day following the date of the bid or such shorter period that a take-over bid must remain open for deposit of securities, in the applicable circumstances, pursuant to Canadian securities laws and then only if more than 50% of the Voting Units held by Independent Unitholders (as defined below) have been deposited or tendered to the bid and not withdrawn; (ii) Voting Units may be deposited pursuant to the bid, unless it is withdrawn, at any time prior to the date units are first taken up or paid for under the bid; (iii) Voting Units deposited pursuant to the bid may be withdrawn until taken up or paid for; and (iv) if the deposit condition referred to in (i) above is satisfied, the offeror will extend the bid for deposit of Voting Units for at least 10 days from the date such extension is publicly announced and, if such bid is a partial bid, not take up any Voting Units under the bid until the expiry of such 10 day period.

“**Independent Unitholders**” includes all holders of Voting Units other than: (i) an Acquiring Person; (ii) any offeror making a take-over bid; (iii) any affiliate or associate of an Acquiring Person or offeror; (iv) persons acting “jointly or in concert” with an Acquiring Person or offeror; and (v) employee benefit, stock purchase or certain other plans or trusts for employees of the REIT or the General Partner or their wholly-owned subsidiaries unless the beneficiaries of such plans or trusts direct the voting and tendering to a take-over bid of the Voting Units.

### **Competing Permitted Bids**

A “**Competing Permitted Bid**” is a take-over bid made after a Permitted Bid has been made and prior to expiry of such Permitted Bid that satisfies all of the provisions of a Permitted Bid, except that it must remain open for acceptance until at least the later of: (i) 35 days after the date of the bid; and (ii) the earliest date on which Voting Units may be taken up or paid for under another Permitted Bid then in existence, and only if at that date more than 50% of the Voting Units owned by Independent Unitholders have been deposited to the Competing Permitted Bid and not withdrawn.

### **Redemption and Waiver**

Under the Rights Plan, the Board can: (i) waive the application of the Rights Plan to enable a particular take-over bid to proceed, in which case the Rights Plan will be deemed to have been waived with respect to any other take-over bid made prior to the expiry of any bid subject to such waiver; or (ii) with the prior approval of the holders of Voting Units or Rights, as the case may be, redeem the Rights at a redemption price of \$0.00001 per Right at any time prior to a Flip-in-Event. Rights are deemed to have been redeemed if a bidder successfully completes a Permitted Bid or a Competing Permitted Bid.

### **Protection Against Dilution**

The Exercise Price, the number and nature of securities which may be purchased upon the exercise of Rights and the number of Rights outstanding are subject to adjustment from time to time to prevent dilution in the event of stock dividends, subdivisions, consolidations, reclassifications or other changes in the outstanding Units, pro rata distributions to holders of Units and other circumstances where adjustments are required to appropriately protect the interests of the holders of Rights.

### **Amendment**

The Board may amend the Rights Plan with the approval of a majority of the votes cast by the Independent Unitholders (or the holders of Rights if the Separation Time has occurred) voting in person or by proxy at a meeting duly called for that purpose. The Board, without such approval, may correct clerical or typographical errors and, subject to approval as noted above at the next meeting of the holders of Units (or the holders of Rights, as the case may be), may make amendments to the Rights Plan to maintain its validity due to changes in applicable legislation.

**Board**

The Rights Plan will not detract from or lessen the duty of the Board to act honestly and in good faith with a view to the best interests of the REIT. The Board, when a Permitted Bid is made, will continue to have the duty and power to take such actions and make such recommendations to Unitholders as are considered appropriate.