



**AMERICAN HOTEL**  
INCOME PROPERTIES



AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

For the three and nine months ended September 30, 2018  
(Expressed in U.S. Dollars)

Dated: November 6, 2018

*Courtyard by Marriott, Statesville, North Carolina*

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# PART I

## FORWARD-LOOKING INFORMATION

This Management's Discussion and Analysis of Results of Operations and Financial Condition ("**MD&A**") contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements). Forward-looking statements generally can be identified by words such as "anticipate", "believe", "continue", "expect", "estimates", "intend", "may", "outlook", "objective", "plans", "should", "will" and similar expressions suggesting future outcomes or events. Forward-looking statements include, but are not limited to, statements made or implied relating to the objectives of American Hotel Income Properties REIT LP ("**AHIP**"), AHIP's strategies to achieve those objectives and AHIP's beliefs, plans, estimates, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Some specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to: expectations with respect to the performance of the U.S. economy and its impact on the U.S. hotel industry; the expectations of STR with respect to key performance indicators in the U.S. hotel and lodging industry; AHIP management's expectations and outlook with respect to RevPAR (as defined below), ADR (as defined below), lodging demand, occupancy rates, cash flows from hotel operations, real estate values and other key performance indicators, including such expectations with respect to specific markets and hotels; AHIP management's expectation that the seasonal nature of the lodging industry, as well as other factors beyond AHIP's control, will cause quarterly fluctuations in occupancy rates, room rates, revenues, operating expenses, cash flows and earnings; AHIP management's expectations with respect to how it will pay expenses, service debt and pay distributions to unitholders if cash flow from operations is insufficient to cover such obligations in a given quarter; the expectation that AHIP's expenses will grow at, or greater than, the general rate of inflation; competition could adversely affect AHIP's occupancy rates, ADR and RevPAR, and may require AHIP to provide additional amenities or make capital improvements, which may reduce AHIP's profitability; the expected cost and timing of brand mandated property improvement plan ("**PIP**") renovations to be completed in 2018 and 2019 and the expected impacts thereof on the applicable hotels including on occupancy levels, revenues and operating results; AHIP management's expectation that the renovated properties will be better positioned within their respective markets relative to AHIP's competitors, but there will also be some guestroom displacement directly related to the renovations; the expected negative impact on margins of increases to minimum wage and tighter labour markets in certain states; AHIP's expectation that higher trade tariffs will increase the cost of certain hotel supplies and equipment; AHIP continuing to work with its external hotel manager to mitigate the impacts of market and tariff changes and drive margin expansion through operating efficiencies; AHIP management's belief that AHIP is well positioned to deliver a stable and reliable income stream to its unitholders; AHIP's CEO's intention to receive all of his compensation in the form of equity; AHIP's expectation that business acquisition costs will vary between periods; AHIP's intention to repay maturing debt and its means of doing so; the expected maturities and amortization periods on future long term debt; the timing and amount of payments under term loans, finance and operating leases, Debentures (as defined below) and deferred compensation; the expected guaranteed room night revenue from its railway customers; AHIP's expectation that it will complete the acquisition of the land underlying the Fairfield Inn, Baltimore (which is currently subject to a ground lease) in April 2019; AHIP management's expectation that AHIP's AFFO

Payout Ratio (as defined below) will be close to 100% for 2018 on a full year basis; AHIP's intention to maintain total indebtedness at approximately 50% to 55% of AHIP's Gross Book Value (as defined below); management's intention to obtain additional equity financing and/or debt financing with similar interest rates and terms as past financings to meet AHIP's planned growth strategy; the expected timing of the payment of the October 2018 distribution; AHIP's objective to generate stable and growing cash distributions from its hotel properties and AHIP's other stated objectives; AHIP's intention to declare regular monthly cash distributions and the expected timing of the record and payment dates for monthly distributions; AHIP management's intention to continue to operate AHIP in such a manner to remain exempt from the SIFT Measures (as defined below) on a continuous basis in the future; the possibility that the U.S. REIT may be subject to certain state and local income, franchise and property taxes even if it continues to qualify as a real estate investment trust under the Code (as defined below); and the possibility that future regulations and interpretations to be issued by U.S. authorities may also impact AHIP's estimates and assumptions used in calculating its income tax provisions.

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

Forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results as actual results may differ materially from those expressed

or implied in such forward-looking statements. Those risks and uncertainties include, among other things, risks related to: AHIP continuing to realize the expected benefits of the rebranding of its Economy Lodging Hotels under Wyndham brands; AHIP realizing the expected benefits of renovations to be completed in 2018 and 2019 and that such renovations may not be completed in accordance with expected timing or budgets; the possibility that AHIP's financial performance may not improve to the extent expected by AHIP management; AHIP's AFFO payout ratio for 2018 may not be consistent with management's estimate; general economic conditions and consumer confidence; the growth in the U.S. hotel and lodging industry; prices for the Units and Debentures; liquidity; tax risks; ability to access debt and capital markets; financing risks; changes in interest rates; the financial condition of, and AHIP's relationships with, its external hotel manager, franchisors or railway companies; real property risks, including environmental risks; the degree and nature of competition; ability to acquire accretive hotel investments; ability to integrate new hotels; construction of new hotels; renewal of rail crew lodging contracts; environmental matters; and changes in legislation. Additional information about risks and uncertainties is contained in this MD&A and in AHIP's annual information form ("**AIF**") dated March 27, 2018 for the year ended December 31, 2017, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The forward-looking information contained in this MD&A is expressly qualified in its entirety by these cautionary statements. All forward-looking statements in this MD&A are made as of November 6, 2018. AHIP does not undertake any obligation to update any such forward looking information, resulting from new information, future events or otherwise, except as required by applicable law.

## **OVERVIEW OF AHIP**

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

The principal business of AHIP is to issue limited partnership units ("**Units**") and to acquire and hold shares of American Hotel Income Properties REIT Inc. (the "**U.S. REIT**"). The U.S. REIT was established for the purposes of indirectly acquiring and owning hotel real estate properties in the U.S. AHIP has two reportable operating segments for making operating decisions and assessing performance: (i) "Premium Branded Hotels", which are select-service hotel properties that have franchise agreements with international hotel brands, such as Marriott, Hilton, IHG and Choice (all defined below); and (ii) "Economy Lodging Hotels", which are select-service hotel properties that have rail crew lodging agreements with large U.S. freight railway companies and, effective November 1, 2017, also have long term franchise agreements with various Wyndham brands (as explained below).



AHIP's long-term objectives are to:

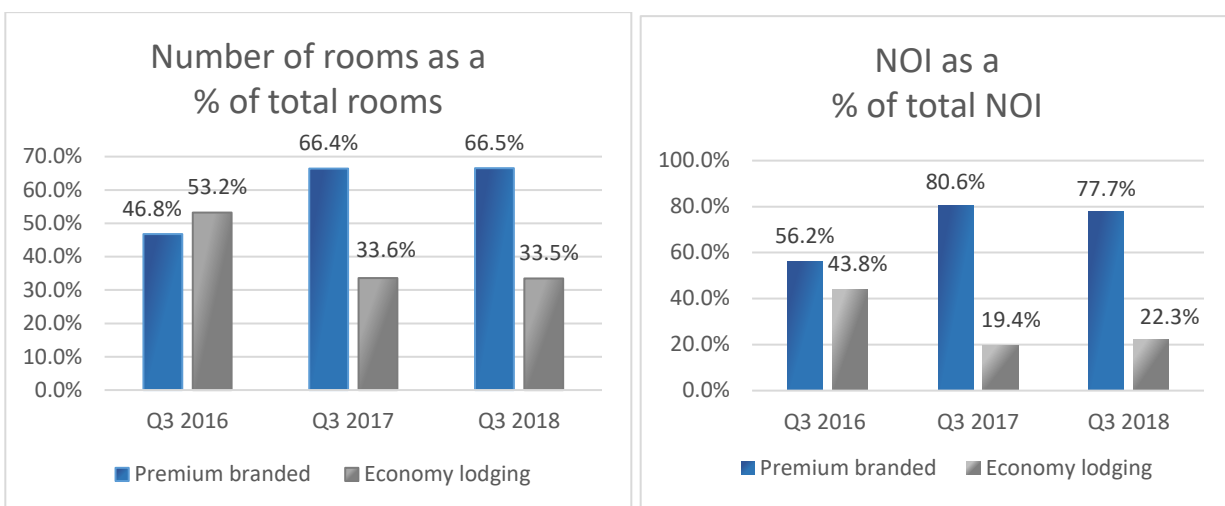
- (i) generate stable and growing cash distributions from hotel properties located in the U.S.;
- (ii) enhance the value of its assets and maximize the long-term value of its hotel properties through active asset management; and
- (iii) expand its asset base and increase its AFFO per Unit through an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

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

As of November 6, 2018, AHIP's diversified portfolio is comprised of 113 hotels with a total of 11,549 guestrooms located in 33 states across the United States. AHIP's 67 Premium Branded Hotels (comprised of 7,684 guestrooms) are geographically located in secondary markets with diverse and stable demand generators and are supported by the world's leading hotel brand partners, such as Marriott International Inc. ("**Marriott**"), Hilton Worldwide ("**Hilton**"), InterContinental Hotels Group ("**IHG**"), Choice Hotels International Inc. ("**Choice**") and Wyndham Hotel Group ("**Wyndham**") who provide global distribution channels, targeted brand segmentation, strong loyalty programs, and premier information technology system standards. AHIP's distribution of Premium Branded hotels by chain scale segment is shown below:

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

AHIP's Economy Lodging Hotel portfolio consists of 46 hotels (comprised of 3,865 guestrooms) which have been purpose-built for mobile workforce employees primarily in the transportation, construction, and resource sectors. Effective November 1, 2017, the Economy Lodging Hotels were rebranded under various Wyndham brands including Baymont Inn and Suites, Travelodge, Super 8 and Days Inn pursuant to 15-year franchise agreements. The Wyndham licensing agreements do not apply any royalty fees to the contractually guaranteed room revenues under the various rail crew lodging agreements currently in place at the Economy Lodging hotels. As at September 30, 2018, management estimates that approximately 74% of the current room revenues within the Economy Lodging Hotel portfolio were covered under rail crew lodging agreements containing contractual revenue guarantees.



## TAXATION

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

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

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

On December 22, 2017, the Tax Cuts and Jobs Act (“**U.S. Tax Reform**”) was passed. The U.S. Tax Reform reduces the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. Future regulations and interpretations to be issued by U.S. authorities may also impact AHIP’s estimates and assumptions used in calculating its income tax provisions.

## PART II

### **BASIS OF PRESENTATION**

This MD&A for the three and nine months ended September 30, 2018 includes material financial information as of November 6, 2018. This MD&A should be read in conjunction with AHIP's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and 2017 and audited consolidated financial statements for the years ended December 31, 2017 and 2016, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

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

Additional information relating to AHIP, including its AIF for the year ended December 31, 2017, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **THIRD PARTY INFORMATION**

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

### **NON-IFRS MEASURES**

AHIP has included certain non-IFRS financial measures throughout this MD&A. Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate and lodging industries use these non-IFRS financial measures to evaluate AHIP's performance, its ability to generate cash flows and its financial condition. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. These terms are not recognized under IFRS; as a result, they do not have standardized meanings prescribed by IFRS and may not be comparable to measures used by other issuers in the real estate or lodging industries. The non-IFRS financial measures used in this MD&A include debt-to-gross book value, funds from operations, adjusted funds from operations, diluted FFO per Unit, diluted AFFO per Unit, gross operating profit, net operating income, earnings before interest, taxes, depreciation and amortization, interest coverage ratio, debt-to-EBITDA, same property metrics and AFFO payout ratio.



*a) Debt-to-Gross Book Value*

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

**"Debt"** means any obligation for borrowed money including the face amount outstanding (excluding deferred financing costs, unamortized mark-to-market adjustments and interest rate swap contracts) of revolving credit facilities, term loans, convertible debentures, deferred compensation payable and finance lease liabilities provided that: (i) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated statement of financial position; and (ii) indebtedness excludes accounts payable, accrued liabilities, distributions payable, short term acquisition credit facilities, and other liabilities comprised of deferred income, preferred shares, and deferred lease inducement.

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

**"Gross Book Value"** means, at any time, the book value of the total assets of AHIP and its consolidated subsidiaries, as shown on its then most recent consolidated statement of financial position, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto, less: (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by AHIP; and (ii) deferred income tax liabilities arising out of fair value adjustments in respect of indirect acquisitions.

**"Debt-to-Gross Book Value"** is the ratio of Debt divided by Gross Book Value.

*b) Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO")*

AHIP believes FFO and AFFO are important measures of operating performance of real estate properties. FFO is a supplemental non-IFRS financial measure of operating performance widely used in the Canadian real estate industry. FFO is not defined under IFRS and should not be considered as an alternative to net income, cash flow from operations, or any other operating or liquidity measure prescribed under IFRS. Instead, FFO has been included to provide readers and investors with additional information to improve their understanding of AHIP's operating results. As it is not defined by IFRS, it does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. AHIP calculates FFO in accordance with the Real Property Association of Canada ("**REALPAC**") White Paper on Funds From Operations (the "**FFO White Paper**") issued in February 2018. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", FFO has been reconciled to net income and comprehensive income in the section "Funds from Operations and Adjusted Funds from Operations" below.

FFO is defined as net income and comprehensive income calculated in accordance with IFRS excluding: (i) depreciation and amortization; (ii) gains (or losses) from sales of hotel properties and equipment; (iii) deferred income taxes; (iv) impairment losses or reversals recognized on land and depreciable real estate

properties; (v) business acquisition costs related to the purchase of a property being accounted for as a business combination; (vi) foreign exchange gains (or losses); (vii) fair value adjustments to financial instruments; and (viii) adjustments for property taxes accounted for under IFRIC 21 *Levies* (“**IFRIC 21**”) for the recognition of liabilities for obligations to pay levies and taxes.

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

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

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

*c) Gross Operating Profit (“GOP”) and Net Operating Income (“NOI”)*

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

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

AHIP calculates EBITDA as NOI (excluding adjustments under IFRIC 21) less corporate and administrative expenses. AHIP calculates “**EBITDA Margin**” as EBITDA divided by total revenues.

*e) Interest Coverage Ratio*

AHIP calculates the “**Interest Coverage Ratio**” as EBITDA for the period divided by interest expensed during the period comprised of interest expense on term loans, revolving credit facilities, convertible

debentures and finance lease liability. The Interest Coverage Ratio is a measure of AHIP's ability to service the interest requirements of its outstanding debt.

*f) Debt-to-EBITDA Ratio*

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

*g) Same Property Metrics*

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

*h) AFFO Payout Ratio or Payout Ratio*

AHIP calculates its "**AFFO Payout Ratio**" or "**Payout Ratio**" as distributions declared divided by AFFO for the period.

**OPERATIONAL METRICS**

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

*a) Occupancy Rate*

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

*b) Average Daily Rate ("ADR")*

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

*c) Revenue Per Available Room ("RevPAR") and Pro-forma RevPAR*

RevPAR is the product of occupancy and ADR for the period. Pro-forma RevPAR ("**Pro-forma RevPAR**") includes operating results for newly acquired hotels and includes data for periods prior to their ownership by AHIP.

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

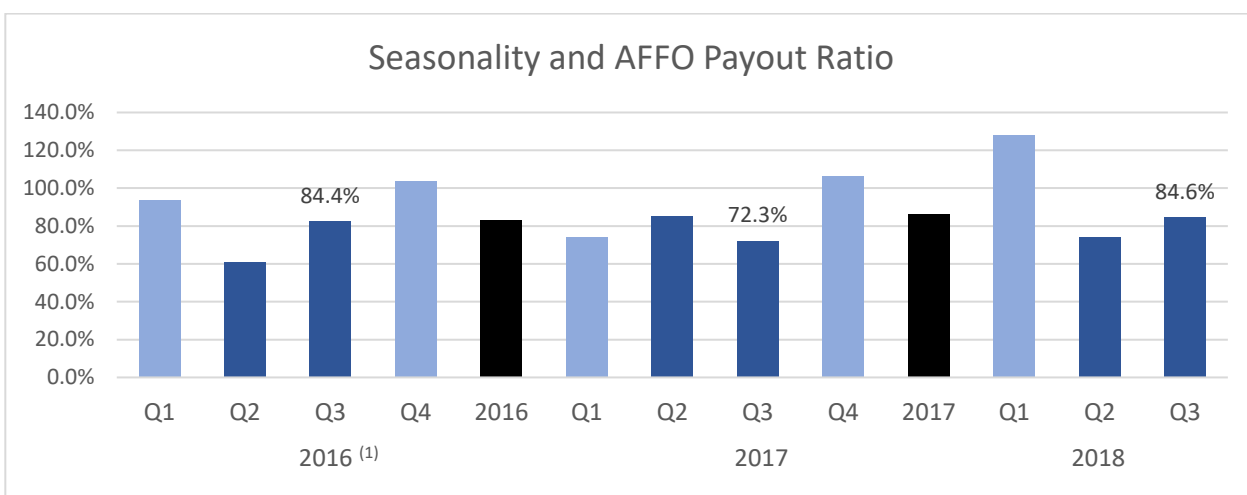
FF&E Reserves are calculated as four percent of total revenues for the Premium Branded Hotel portfolio and three percent of room revenues for the Economy Lodging Hotel portfolio.

## INFLATION

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

## SEASONALITY

The lodging industry is seasonal in nature, which can be expected to cause quarterly fluctuations in occupancy rates, room rates, revenues, operating expenses, and cash flows. Historically, occupancies, revenues, and cash flows tend to be higher in the second and third quarters and lower in the first and fourth quarters. Quarterly earnings may also be influenced by factors beyond AHIP’s control including overall economic cycles and weather conditions. To the extent cash flow from operations is insufficient during any quarter, due to temporary or seasonal fluctuations in revenues, AHIP expects to utilize cash on hand or borrowings under its revolving credit facilities to pay expenses, service debt, or to make distributions to unitholders. The quarterly fluctuations in AHIP’s AFFO Payout Ratio highlighting the seasonality of its operations are shown in the following table:



(1) As reported.

The addition of the Eastern Seaboard Portfolio in June 2017 increased AHIP’s seasonality during the first quarter of 2018 and is expected to increase seasonality during the fourth quarter of 2018.

## COMPETITION

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

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

The Board of Directors of AHIP's General Partner, upon recommendation of its Audit Committee, approved the contents of this MD&A for release on November 6, 2018.

## **PART III**

### **RECENT DEVELOPMENTS**

#### *a) \$1.0 million renovation at the Hilton Garden Inn White Marsh (Baltimore, MD)*

On July 31, 2018, AHIP announced the completion of a \$1.0 million renovation at the Hilton Garden Inn White Marsh hotel in Baltimore, Maryland. The renovations included renovations to the guestrooms, lobby, meeting space and pool areas.

#### *b) \$5.2 million renovation at the Embassy Suites DFW South (Irving, TX)*

On August 9, 2018, AHIP announced the completion of a \$5.2 million renovation at the Embassy Suites DFW South hotel in Irving, Texas. The renovations included a completely rebuilt atrium with a new bar and breakfast area, replacement of all guest elevators and exterior building enhancements.

#### *c) Appointment of John O'Neill as new CEO*

On September 12, 2018, AHIP announced the appointment of Mr. John O'Neill as Chief Executive Officer of AHIP, effective October 1, 2018. Mr. O'Neill is an accomplished hospitality professional with over 30 years of experience in hotel investment, development and management.

#### *d) Purchase of Units by new CEO and Compensation to be Paid in Units*

On October 2, 2018, AHIP announced that since his appointment as CEO, Mr. O'Neill has purchased an additional 154,400 units through open market purchases, increasing the number of AHIP units he owns or shares control over to 971,465 units, representing 1.24% of AHIP's outstanding Units. In addition, Mr. O'Neill has also requested to receive 100% of his compensation in the form of equity, to continue growing his ownership in AHIP and to strongly align his interests with other unitholders.

### **MARKET ENVIRONMENT**

During the third quarter of 2018, the U.S. economy grew at an annualized rate of 3.5%, down from 4.2% last quarter as tariff-related drop in exports were partially offset by strong consumer demand and solid government spending. Full year 2018 U.S. GDP growth rate is expected to be 3.1% fueled in part by U.S. federal tax cuts, increased government spending and growth in consumer spending supported by a tightening labor market, all of which bode well for the U.S. hotel industry.

According to STR, Inc. ("**STR**"), U.S. hotel RevPAR grew by 1.7% during the third quarter of 2018 with ADR improving by 2.1% and occupancy declining 0.4%. September 2018 marked the 102th consecutive month that RevPAR has increased in the current lodging cycle.

The following table summarizes Q3 2018 RevPAR growth in the U.S. hotel industry by chain scale (according to STR):

Chain Scale Segments	Representative Hotels	U.S. Hotels
Upper upscale	Embassy Suites	1.9%
Upscale	Courtyard, Hilton Garden Inn, Homewood Suites, Residence Inn, Springhill Suites, Staybridge Suites	0.8%
Upper Midscale	Fairfield Inn, Hampton Inn, Holiday Inn, Holiday Inn Express, TownePlace Suites	-0.5%
Midscale	Sleep Inn, Wingate by Wyndham	0.1%

## OUTLOOK

STR currently forecasts 2018 U.S. hotel demand to outpace supply growth, with demand growing by 2.6% and new supply growing by 2.0%. Along with continued strong occupancy levels, STR expects 2018 U.S. RevPAR to grow 3.2% led primarily by ADR growth rates of 2.6%. For 2019, STR currently forecasts U.S. hotel demand will grow 2.1%, slightly ahead of supply increases of 1.9%. They also expect ADR to increase 2.4%, alongside a 0.2% increase in occupancy, to drive RevPAR growth rates of 2.6%.

Several of AHIP's larger Embassy Suites hotels have completed or will complete significant renovations during 2018. As a result of the size and scale of these renovations, there was some significant guest displacement. Management expects these renovated properties will be better positioned within their respective markets relative to their regional competitors and are expected to deliver better operating performance in 2019. AHIP continues its strategy to complete targeted renovations during 2019, which may cause some disruption at certain hotels.

AHIP's Economy Lodging hotels occupancy is increasing partially benefiting from rising rail car volumes as well as the impact of the recently completed Wyndham branding initiative.

Record low unemployment rates, a tight labour market and rising minimum wage requirements across several U.S. states is creating upward pressure on labour costs and will cause some margin pressure in certain markets with significant new supply or low unemployment rates. In addition, higher trade tariffs are expected to increase the cost of certain hotel supplies and equipment. AHIP is working closely with its external hotel manager to mitigate the impacts of these market and tariff changes and drive margin expansion through operating efficiencies.

AHIP is poised for organic growth through the completion of renovation projects, absorption of new supply, and gaining operating efficiencies through its new external hotel manager. Our conservative capital structure – with no significant debt maturities until June 2022, a currency-aligned distribution, and an experienced management team, position AHIP well to deliver a stable and reliable U.S. dollar denominated income stream to unitholders.



### THIRD QUARTER HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

(US\$000s unless noted and except Units and per Unit amounts)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Number of rooms <sup>(1)</sup>	11,549	11,570	11,549	11,570
Number of properties <sup>(1)</sup>	113	113	113	113
Number of restaurants <sup>(1)</sup>	40	41	40	41
Occupancy rate	78.1%	77.9%	76.8%	75.4%
Average daily room rate	\$ 97.28	\$ 99.16	\$ 97.21	\$ 95.54
Revenue per available room	\$ 75.98	\$ 77.25	\$ 74.66	\$ 72.04
Revenues	\$ 88,029	\$ 90,311	\$ 259,006	\$ 221,488
Net operating income (excluding IFRIC 21)	\$ 30,848	\$ 32,230	\$ 89,665	\$ 78,356
Net income and comprehensive income	\$ 4,232	\$ 8,816	\$ 14,462	\$ 5,702
Diluted net income per Unit	\$ 0.05	\$ 0.11	\$ 0.18	\$ 0.09
EBITDA	\$ 26,131	\$ 28,311	\$ 74,498	\$ 67,078
EBITDA Margin %	29.7%	31.3%	28.8%	30.3%
Funds from operations (FFO)	\$ 16,355	\$ 19,306	\$ 45,782	\$ 45,429
Diluted FFO per Unit <sup>(2)</sup>	\$ 0.21	\$ 0.25	\$ 0.57	\$ 0.68
Adjusted funds from operations (AFFO)	\$ 14,954	\$ 17,512	\$ 41,739	\$ 40,744
Diluted AFFO per Unit <sup>(2)</sup>	\$ 0.19	\$ 0.22	\$ 0.52	\$ 0.61
Distributions declared	\$ 12,645	\$ 12,669	\$ 37,977	\$ 32,759
AFFO Payout Ratio	84.6%	72.3%	91.0%	80.4%
Debt-to-Gross Book Value <sup>(1)</sup>	53.4%	53.7%	53.4%	53.7%
Debt-to-EBITDA (trailing twelve month basis)	7.8x	9.4x	7.8x	9.4x
Interest Coverage Ratio	2.9x	3.3x	2.8x	3.3x
Weighted average Debt face interest rate <sup>(1)</sup>	4.64%	4.61%	4.64%	4.61%
Weighted average Debt term to maturity <sup>(1)</sup>	6.7 years	7.8 years	6.7 years	7.8 years
Number of Units outstanding <sup>(1)</sup>	78,062,194	78,033,606	78,062,194	78,033,606
Diluted weighted average number of Units outstanding – IFRS <sup>(3)</sup>	78,273,324	78,253,220	78,226,651	66,853,148
Same property Occupancy rate	76.5%	76.8%	75.6%	75.2%
Same property Average daily room rate	\$ 82.20	\$ 82.79	\$ 84.06	\$ 84.21
Same property RevPAR	\$ 62.88	\$ 63.58	\$ 63.55	\$ 63.33
Same property Revenues	\$ 49,953	\$ 50,478	\$ 149,097	\$ 148,586
Same property Net operating income <sup>(4)</sup>	\$ 17,650	\$ 17,438	\$ 53,269	\$ 52,756
Same property NOI Margin %	35.3%	34.5%	35.7%	35.5%

(1) At period end.

(2) The Debentures were dilutive for FFO and AFFO for the three and nine months ended September 30, 2018. Therefore, Debenture finance costs of \$788 and \$1,745 were added back to FFO and AFFO for the three and nine months ended September 30, 2018, respectively, and 5,283,783 Units issuable on conversion of the Debentures were added to the diluted weighted average number of Units outstanding for the same periods.

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

(4) Not adjusted for IFRIC 21 property taxes.

## OPERATIONAL AND FINANCIAL HIGHLIGHTS

The decrease in ADR, RevPAR, revenues and NOI for the three months ended September 30, 2018, compared to the same period last year, resulted primarily from the significant displacement caused by renovations at the Embassy Suites Cincinnati, Embassy Suites Columbus and Embassy Suites DFW South and lower year-over-year results in Florida as a result of Hurricane Irma last year. These decreases were partially offset by group and transient demand in New Jersey coupled with increased demand in North Carolina as a result of Hurricane Florence during the current quarter. The acquisition of two Economy Lodging hotels in late 2017 along with increased rail crew occupancies and ongoing positive contributions from the Wyndham rebranding also offset the declines.

During the current quarter, total revenues declined by 2.5% to \$88.0 million (2017 - \$90.3 million) with Premium Branded revenues declining by 4.5% to \$68.6 million (2017 - \$71.8 million) offset by Economy Lodging revenues increasing by 5.0% to \$19.5 million (2017 - \$18.5 million). Specifically, AHIP's total portfolio RevPAR decreased by 1.6% with Premium Branded RevPAR declining by 3.5% offset by Economy Lodging RevPAR increasing by 6.3%. The reduction in portfolio revenues were partially offset by cost reductions resulted in portfolio NOI decreasing by \$1.4 million to \$30.8 million (2017 - \$32.2 million) and NOI margin declining by 70 basis points to 35.0% (2017 - 35.7%). Net income for the quarter was \$4.2 million compared to \$8.8 million last year.

For the nine months ended September 30, 2018, AHIP's total portfolio RevPAR increased 3.6% compared to 2017, with Premium Branded RevPAR decreasing by 0.3% and Economy Lodging RevPAR growing by 4.5%. Total revenues increased by 16.9% to \$259.0 million (2017 - \$221.5 million) with Premium Branded revenues increasing by 20.6% to \$204.3 million (2017 - \$169.4 million) and Economy Lodging revenues increasing by 5.1% to \$54.7 million (2017 - \$52.1 million). Total NOI increased by 14.4% to \$89.7 million (2017 - \$78.4 million). The growth in revenues and NOI reflects the impact of the acquisition of the Premium Branded hotels in June 2017 and the two Economy Lodging Hotels in Fargo, ND and Whitefish, MT (collectively the **"2017 Acquisitions"**).

FFO for the three months ended September 30, 2018 decreased by 15.3% to \$16.4 million (2017 - \$19.3 million) as a result of the guest displacement from property renovations at three Embassy Suites hotels and weaker hurricane related results in Florida. Diluted FFO per Unit for the three months ended September 30, 2018 was \$0.21 (2017 - \$0.25). FFO for the nine months ended September 30, 2018 increased by 0.8% to \$45.8 million (2017 - \$45.4 million) as a result of the 2017 Acquisitions. Diluted FFO per Unit was \$0.57 (2017 - \$0.68) as a result of the reasons stated above, lower income during the first quarter of 2018 arising from weather related impacts, and weaker government demand, offset by the full period of performance from the 2017 Acquisitions.

AFFO for the three months ended September 30, 2018 was down 14.6% to \$15.0 million (2017 - \$17.5 million) and Diluted AFFO per Unit was down to \$0.19 (2017 - \$0.22) for the reasons stated above. The AFFO Payout Ratio increased to 84.6% during the current quarter compared to 72.3% in the same period last year. AFFO for the nine months ended September 30, 2018 increased 2.4% to \$41.7 million (2017 - \$40.7 million) and Diluted AFFO per Unit was \$0.52 (2017 - \$0.61) for the reasons stated above.

## RESULTS OF OPERATIONS

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

(US\$000s unless noted and except Units and per Unit amounts)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenues	\$ 88,029	\$ 90,311	\$ 259,006	\$ 221,488
Hotel expenses	57,412	56,293	167,502	140,884
Net operating income (including IFRIC 21)	30,617	34,018	91,504	80,604
Depreciation and amortization	11,613	12,003	33,676	29,242
Income from operating activities	19,004	22,015	57,828	51,362
Corporate and administrative	4,717	3,919	15,167	11,278
Loss (gain) on disposal of property, buildings and equipment	127	28	1,974	(4)
Impairment loss on hotel asset	-	-	-	7,349
Business acquisition costs	154	706	570	6,605
Income before undernoted	14,006	17,362	40,117	26,134
Finance income	(7)	(27)	(25)	(75)
Finance costs	9,170	8,845	26,210	21,130
Income before income taxes	4,843	8,544	13,932	5,079
Current income tax expense	223	108	223	464
Deferred income tax expense (recovery)	388	(380)	(753)	(1,087)
Net income and comprehensive income	\$ 4,232	\$ 8,816	\$ 14,462	\$ 5,702
Basic net income per Unit	\$ 0.05	\$ 0.11	\$ 0.19	\$ 0.09
Diluted net income per Unit	\$ 0.05	\$ 0.11	\$ 0.18	\$ 0.09
Basic weighted average number of Units outstanding	78,062,194	78,033,606	78,057,240	66,685,985
Diluted weighted average number of Units outstanding <sup>(1)</sup>	78,273,324	78,253,220	78,226,651	66,853,148

(1) Diluted weighted average number of Units includes the 211,130 unvested Restricted Stock Units as at September 30, 2018.

The decrease in revenues and income from operating activities for the three months ended September 30, 2018 compared to the same period last year relates to displacement arising from significant renovations at three Embassy Suites hotels and the non-recurring hurricane-related revenues realized in 2017. The increase in revenues, expenses, and income from operating activities for the nine months ended September 30, 2018 compared to the same period last year was primarily the result of the full inclusion of operating results from the 2017 Acquisitions. Hotel expenses consisted of hotel operating expenditures

including labour costs, sales and marketing, franchise fees, energy, property maintenance, property taxes, insurance, and ground lease expense.

Depreciation and amortization expenses consisted of depreciation charges on property, buildings and equipment, and amortization of intangible assets. Depreciation and amortization expenses for the three and nine months ended September 30, 2018 were \$11.6 million and \$33.7 million, respectively, compared to \$12.0 million and \$29.2 million, respectively, for the three and nine months ended September 30, 2017. The increase in depreciation and amortization expenses for the nine months ended September 30, 2018 is consistent with the increase in AHIP's asset base between reporting periods.

Corporate and administrative expenses consisted of hotel management fees paid to the external hotel manager and general administrative expenses such as salaries, directors' fees, securities-based compensation, professional fees, and general office expenses.

	Three months ended September 30, 2018		Three months ended September 30, 2017		Nine months ended September 30, 2018		Nine months ended September 30, 2017	
(US\$000s)								
Hotel management fees	\$	3,176	\$	3,233	\$	9,392	\$	8,257
General administrative expenses		1,541		686		5,775		3,021
Total corporate and administrative expenses	\$	4,717	\$	3,919	\$	15,167	\$	11,278

The changes in hotel management fees reflects changes to revenues between reporting periods. The increase in general administrative expenses for the three months and nine months ended September 30, 2018 reflects increased staffing expenses and higher professional fees and compliance costs. In addition, during the prior year, AHIP realized a non-recurring foreign exchange gain of approximately \$0.5 million.

Business acquisition costs are comprised of professional fees arising from the pursuit and acquisition of hotel properties. Under IFRS, all transactional costs related to business combinations are expensed in the period incurred irrespective of the outcome of the acquisition. The level of business acquisition costs in any given period reflect the specific transactional activity undertaken during that time and are therefore expected to fluctuate between periods.

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
(US\$000s)				
Interest expense on term loans and revolving credit facilities	\$ 8,327	\$ 7,898	\$ 24,938	\$ 19,485
Interest expense on Debentures	611	547	1,833	675
Amortization of finance costs	425	323	1,186	947
Accretion of Debenture liability	96	81	284	84
Amortization of Debenture transaction costs	82	70	240	100
Interest expense on finance lease liability	21	22	64	22
Amortization of deferred compensation	7	5	19	13
Dividends on preferred shares	4	4	12	12
Amortization of mark-to-market adjustments	(13)	(26)	(65)	(78)
Changes in fair values of swap contracts	(390)	(79)	(2,301)	(130)
Total finance costs	\$ 9,170	\$ 8,845	\$ 26,210	\$ 21,130

For the current quarter, total finance costs were \$9.2 million compared to \$8.8 million for the same quarter in the prior year. The increase was due to higher interest charges from new term loans and borrowings on revolving credit facilities offset by fluctuations in the fair value of interest rate swaps between the reporting periods. For the nine months ended September 30, 2018, total finance costs were \$26.2 million compared to \$21.1 million in prior year. The increase was attributable to higher interest costs incurred on the new term loans and Debentures outstanding for the full nine months in 2018, offset by changes in the fair values of the interest rate swaps in the respective periods.

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

## TOTAL PORTFOLIO OPERATING STATEMENTS

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
(US\$000s unless noted)				
Number of rooms <sup>(1)</sup>	11,549	11,570	11,549	11,570
Number of properties <sup>(1)</sup>	113	113	113	113
Number of restaurants <sup>(1)</sup>	40	41	40	41
Occupancy rate	78.1%	77.9%	76.8%	75.4%
Average daily rate <sup>(2)</sup>	\$ 97.28	\$ 99.16	\$ 97.21	\$ 95.54
Revenue per available room	\$ 75.98	\$ 77.25	\$ 74.66	\$ 72.04
REVENUES				
Rooms	\$ 80,891	\$ 82,252	\$ 237,152	\$ 199,769
Food and beverage	5,737	6,782	18,003	18,489
Other	1,401	1,277	3,851	3,230
TOTAL REVENUES	88,029	90,311	259,006	221,488
EXPENSES				
Operating expenses	44,731	44,871	132,160	111,404
Energy	4,026	4,002	11,222	9,334
Property maintenance	3,969	4,007	11,993	10,033
TOTAL EXPENSES	52,726	52,880	155,375	130,771
GROSS OPERATING PROFIT	35,303	37,431	103,631	90,717
GOP Margin %	40.1%	41.4%	40.0%	41.0%
Taxes, insurance and ground lease <sup>(3)</sup>	4,455	5,201	13,966	12,361
NET OPERATING INCOME	\$ 30,848	\$ 32,230	\$ 89,665	\$ 78,356
NOI Margin %	35.0%	35.7%	34.6%	35.4%

(1) At period end.

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

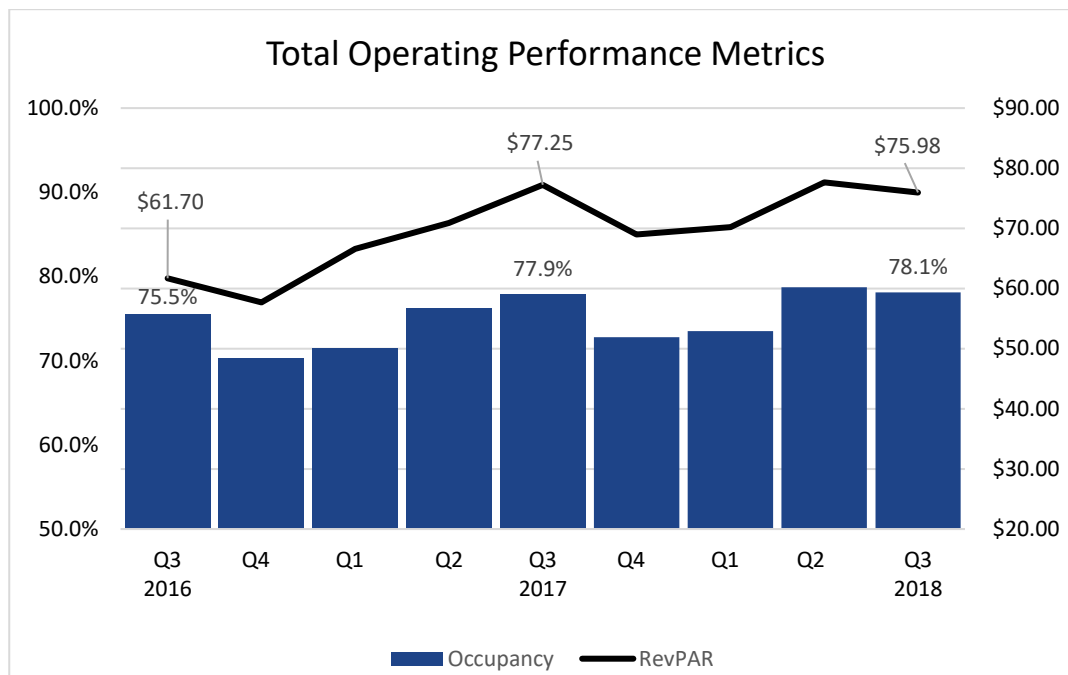
(3) Not adjusted for IFRIC 21 property taxes.

Total portfolio ADR, RevPAR, revenues and NOI for the three months ended September 30, 2018 were lower compared to the same period last year, driven primarily from the significant displacement caused by renovations at the Embassy Suites Cincinnati, Embassy Suites Columbus and Embassy Suites DFW South and weaker year-over-year results in Florida as a result of Hurricane Irma last year. These decreases were partially offset by positive demand in New Jersey coupled with increased demand in North Carolina as a result of Hurricane Florence during the current quarter. The acquisition of two Economy Lodging hotels in late 2017 along with increased rail crew occupancies and ongoing positive contributions from the Wyndham rebranding also partially offset the declines.

During the current quarter, total revenues declined by 2.5% to \$88.0 million (2017 - \$90.3 million) with Premium Branded revenues declining by 4.5% to \$68.6 million (2017 - \$71.8 million) offset by Economy



Lodging revenues increasing by 5.0% to \$19.5 million (2017 - \$18.5 million). Specifically, AHIP's total portfolio RevPAR decreased by 1.6% with Premium Branded RevPAR declining by 3.5% offset by Economy Lodging RevPAR increasing by 6.3%. The reduction in portfolio revenues were partially offset with cost reductions and resulted in portfolio NOI decreasing by \$1.4 million to \$30.8 million (2017 - \$32.2 million) and NOI margin declining by 70 basis points to 35.0% (2017 - 35.7%).



For the nine months ended September 30, 2018, AHIP's total portfolio RevPAR increased 3.6% compared to 2017, with Premium Branded RevPAR decreasing by 0.3% and Economy Lodging RevPAR growing by 4.5%. Total revenues increased by 16.9% to \$259.0 million (2017 - \$221.5 million) with Premium Branded revenues increasing by 20.6% to \$204.3 million (2017 - \$169.4 million) and Economy Lodging revenues increasing by 5.1% to \$54.7 million (2017 - \$52.1 million). Total NOI increased by 14.4% to \$89.7 million (2017 - \$78.4 million) with Premium Branded NOI increasing by \$10.5 million to \$72.1 million (2017 - \$61.6 million) and Economy Lodging NOI increasing by \$839,000 to \$17.6 million (2017 - \$16.7 million). The growth in revenues and NOI primarily reflect the impact of the 2017 Acquisitions.

## PREMIUM BRANDED HOTELS OPERATING STATEMENTS

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
(US\$000s unless noted)				
Number of rooms <sup>(1)</sup>	7,684	7,684	7,684	7,684
Number of properties <sup>(1)</sup>	67	67	67	67
Number of restaurants <sup>(1)</sup>	14	14	14	14
Occupancy rate	78.8%	81.2%	79.1%	79.7%
Average daily rate	\$ 116.38	\$ 117.01	\$ 115.43	\$ 114.90
Revenue per available room	\$ 91.71	\$ 95.01	\$ 91.31	\$ 91.58
REVENUES				
Rooms	\$ 64,797	\$ 67,126	\$ 191,494	\$ 156,868
Food and beverage	2,646	3,484	9,359	9,660
Other	1,111	1,158	3,405	2,872
TOTAL REVENUES	68,554	71,768	204,258	169,400
EXPENSES				
Operating expenses	34,806	35,478	103,357	84,508
Energy	2,972	3,025	8,208	6,586
Property maintenance	2,892	2,980	8,814	6,912
TOTAL EXPENSES	40,670	41,483	120,379	98,006
GROSS OPERATING PROFIT	27,884	30,285	83,879	71,394
GOP Margin %	40.7%	42.2%	41.1%	42.1%
Taxes, insurance and ground lease <sup>(2)</sup>	3,903	4,313	11,777	9,762
NET OPERATING INCOME	\$ 23,981	\$ 25,972	\$ 72,102	\$ 61,632
NOI Margin %	35.0%	36.2%	35.3%	36.4%

(1) At period end.

(2) Not adjusted for IFRIC 21 property taxes.

Total occupancy, ADR, RevPAR, revenues, GOP and NOI for the three months ended September 30, 2018 were lower for the Premium Branded hotels with RevPAR decreasing by 3.5% to \$91.71 (2017 - \$95.01); total revenues decreasing by 4.5% to \$68.6 million (2017 - \$71.8 million) and GOP decreasing by \$2.4 million to \$27.9 million (2017 - \$30.3 million), respectively. The decreases were in part caused by renovations at the larger Embassy Suites Cincinnati, Embassy Suites Columbus and Embassy Suites DFW, that impacted hotel operations and resulted in revenue declines of approximately \$2.2 million. Lower revenues were also experienced in Florida as a result of stronger operating performance last year due to the impacts of Hurricane Irma. This was partially offset by higher revenues in New Jersey as a result of greater group and transient demand and in North Carolina as a result of the impacts of Hurricane Florence. AHIP's North Carolina properties are located inland and demand was high from both work crews and transient guests.

From a RevPAR perspective, the three properties under renovation saw RevPAR declines of between 11.2% and 21.1% with the hotels discounting rates to maintain market share. Overall, Florida saw RevPAR declines of 7.7% with the Western Coast of Florida, in particular Fort Myers, Sarasota and Tampa, experiencing RevPAR declines of 18.8% while the rest of the state saw RevPAR declines of 1.3%. The eight Baltimore-area properties were impacted by new supply with RevPAR declining by 5.3%. The regions that had positive RevPAR growth included North Carolina, New Jersey and Amarillo, which saw RevPAR increases of 6.9%, 5.2% and 1.9%, respectively. The Cleveland property also saw RevPAR increasing by 6.1%. Oklahoma experienced overall RevPAR declines of 2.2% with oil and gas related properties increasing RevPAR by 11.1% as energy related demand continued to remain strong. This was offset by supply related impacts in the Oklahoma City properties where RevPAR declined by 10.6%. The Virginia properties also experienced supply related RevPAR declines of 6.1%. As a result of the revenue impacts stated along with rate discounting to maintain market share, this put downward pressure on GOP, NOI and overall margins.

For the nine-month period ended September 30, 2018, total revenues were up by 20.6% to \$204.3 million (2017 - \$169.4 million); and NOI was up by 17.0% to \$72.1 million (2017 - \$61.6 million) as a result of year-over-year portfolio changes. Specifically, RevPAR in Oklahoma grew by 9.0% as a result of increased oil and gas related activity. Other regions with RevPAR gains included Cleveland, New Jersey and North Carolina which experienced year-over-year RevPAR growth rates of 8.7%, 3.6% and 2.2%, respectively. This was offset by renovation related RevPAR declines in Cincinnati, Dallas and Columbus of 14.3%, 10.2% and 7.4%, respectively. In addition, supply related RevPAR declines also occurred in Virginia, Pittsburgh, Maryland and Amarillo with RevPAR declines of approximately 5.0%.

## ECONOMY LODGING HOTELS OPERATING STATEMENTS

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
(US\$000s unless noted)				
Number of rooms <sup>(1)</sup>	3,865	3,886	3,865	3,886
Number of properties <sup>(1)</sup>	46	46	46	46
Number of restaurants <sup>(1)</sup>	26	27	26	27
Occupancy rate	76.8%	71.6%	72.2%	68.4%
Average daily rate <sup>(2)</sup>	\$ 58.59	\$ 59.13	\$ 58.50	\$ 59.11
Revenue per available room	\$ 45.00	\$ 42.34	\$ 42.24	\$ 40.43
REVENUES				
Rooms	\$ 16,094	\$ 15,126	\$ 45,658	\$ 42,901
Food and beverage	3,091	3,298	8,644	8,829
Other	290	119	446	358
TOTAL REVENUES	19,475	18,543	54,748	52,088
EXPENSES				
Operating expenses	9,925	9,393	28,803	26,896
Energy	1,054	977	3,014	2,748
Property maintenance	1,077	1,027	3,179	3,121
TOTAL EXPENSES	12,056	11,397	34,996	32,765
GROSS OPERATING PROFIT	7,419	7,146	19,752	19,323
GOP Margin %	38.1%	38.5%	36.1%	37.1%
Taxes and insurance <sup>(3)</sup>	552	888	2,189	2,599
NET OPERATING INCOME	\$ 6,867	\$ 6,258	\$ 17,563	\$ 16,724
NOI Margin %	35.3%	33.7%	32.1%	32.1%

(1) At period end.

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

(3) Not adjusted for IFRIC 21 property taxes.

For the three months ended September 30, 2018, the Economy Lodging Portfolio experienced increased revenues and NOI as a result of the addition of two hotels in Fargo, ND and Whitefish, MT during the fourth quarter of 2018; increasing rail crew occupancies reflecting continued growth in rail car volumes as a result of the growing U.S. economy; partially offset by the sales of the Ravenna, NE property in May 2018 and the Livonia, LA hotel in August 2018. In addition, the Wyndham rebranding initiative continued to drive more non-rail crew customers. Specifically, occupancy increased by 520 basis points to 76.8% (2017 - 71.6%); RevPAR increased by 6.3% to \$45.00 (2017 - \$42.34); revenues increased by 5.0% to \$19.5 million (2017 - \$18.5 million); and NOI increased by 9.7% to \$6.9 million (2017 - \$6.3 million). GOP margins decreased by 40 basis points as a result of lower guaranteed revenues from higher rail crew room utilization and related costs associated with cleaning more occupied rooms. NOI margins increased by 160 basis points to 35.3% (2017 - 33.7%) as a result of lower property taxes and insurance premiums.

For the nine months ended September 30, 2018, occupancy, RevPAR, revenues and NOI improved compared to the prior year for the reasons stated above. The decline in ADR and margins resulted from a reduction in revenue guarantees at the Gillette, WY property in January 2018 coupled with the expiry of a rail crew contract at the Ravenna, NE hotel in October 2017. Lower unused room guarantee revenues results in lower margins due to increased costs associated with cleaning more occupied rooms. A reduction in property taxes and insurance premiums resulted in NOI margins remaining unchanged at 32.1%.

#### **SAME PROPERTY OPERATING METRICS**

A property must be owned and operated for the entire year in both reporting periods and be fully operational for inclusion in these tables. As such, properties acquired, sold, for sale, or under renovation during the comparable reporting period are not included in the same property tables.

#### **PREMIUM BRANDED HOTELS – SAME PROPERTY**

The following table presents same property Premium Branded Hotels operating metrics for the three and nine months ended September 30, 2018 and 2017, respectively.

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
<b>(US\$000s unless noted)</b>				
Occupancy rate	76.6%	79.0%	77.8%	78.8%
Average daily rate	\$ 103.00	\$ 102.35	\$ 105.21	\$ 104.42
Revenue per available room	\$ 78.90	\$ 80.86	\$ 81.85	\$ 82.28
<b>REVENUES</b>				
Rooms	\$ 30,364	\$ 31,118	\$ 93,532	\$ 94,024
Food and beverage	517	577	1,766	1,935
Other	455	469	1,450	1,463
<b>TOTAL REVENUES</b>	<b>31,336</b>	<b>32,164</b>	<b>96,748</b>	<b>97,422</b>
<b>EXPENSES</b>				
Operating expenses	16,113	16,448	48,052	48,235
Energy	1,384	1,427	3,923	3,877
Property maintenance	1,372	1,508	4,053	4,174
<b>TOTAL EXPENSES</b>	<b>18,869</b>	<b>19,383</b>	<b>56,028</b>	<b>56,286</b>
<b>GROSS OPERATING PROFIT</b>	<b>12,467</b>	<b>12,781</b>	<b>40,720</b>	<b>41,136</b>
<b>GOP Margin %</b>	<b>39.8%</b>	<b>39.7%</b>	<b>42.1%</b>	<b>42.2%</b>
Taxes and insurance <sup>(1)</sup>	1,455	1,581	4,495	4,875
<b>NET OPERATING INCOME</b>	<b>\$ 11,012</b>	<b>\$ 11,200</b>	<b>\$ 36,225</b>	<b>\$ 36,261</b>
<b>NOI Margin %</b>	<b>35.1%</b>	<b>34.8%</b>	<b>37.4%</b>	<b>37.2%</b>

(1) Not adjusted for IFRIC 21 property taxes.

For the three months ended September 30, 2018, RevPAR decreased by 2.4% to \$78.90 (2017 - \$80.86), revenues decreased by \$828,000 to \$31.3 million (2017 - \$32.2 million) and GOP decreased by \$314,000 to \$12.5 million (2017 - \$12.8 million). The hotel manager implemented various cost containment strategies resulting in GOP margins improving by 10 basis points to 39.8% (2017 - 39.7%). NOI margins also improved by 30 basis points to 35.1% (2017 - 34.8%) due to lower property taxes and insurance premiums.

Positive RevPAR growth was experienced in North Carolina with RevPAR increasing by 6.9% from strong demand from crews and transient guests as a result of Hurricane Florence. In addition, Amarillo saw RevPAR increase by 1.9% during the quarter. Oklahoma RevPAR decreased by 2.2% with the oil and gas related properties increasing RevPAR by 11.1%. This was offset by supply related RevPAR declines in Oklahoma City of 10.6%. The Florida region saw RevPAR decline by 7.7% due to strong demand in 2017 caused by Hurricane Irma. The west coast of Florida saw RevPAR declines of 18.8%, while the remainder of the state saw RevPAR decreasing by 1.3%. Virginia also saw RevPAR decline by 5.9% as a result of new supply.

For the nine months ended September 30, 2018, RevPAR declined by 0.5% to \$81.85 (2017 - \$82.28), revenues declined by 0.7% to \$96.7 million (2017 - \$97.4 million), NOI was unchanged at \$36.2 million and NOI margin improved by 20 basis points to 37.4% (2017 - 37.2%) as a result of lower operating expenses, property taxes and insurance premiums.



## ECONOMY LODGING HOTELS – SAME PROPERTY

The following table presents same property Economy Lodging Hotels operating metrics for the three and nine months ended September 30, 2018 and 2017.

(US\$000s unless noted)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Occupancy rate	76.4%	74.3%	73.2%	71.1%
Average daily rate <sup>(1)</sup>	\$ 58.64	\$ 59.30	\$ 58.64	\$ 58.89
Revenue per available room	\$ 44.80	\$ 44.06	\$ 42.92	\$ 41.87
REVENUES				
Rooms	\$ 15,257	\$ 15,007	\$ 43,374	\$ 42,315
Food and beverage	3,073	3,240	8,536	8,647
Other	287	67	439	202
TOTAL REVENUES	18,617	18,314	52,349	51,164
EXPENSES				
Operating expenses	9,433	9,253	27,404	26,458
Energy	1,019	962	2,888	2,694
Property maintenance	1,024	997	3,002	3,018
TOTAL EXPENSES	11,476	11,212	33,294	32,170
GROSS OPERATING PROFIT	7,141	7,102	19,055	18,994
GOP Margin %	38.4%	38.8%	36.4%	37.1%
Taxes and insurance <sup>(2)</sup>	503	864	2,011	2,499
NET OPERATING INCOME	\$ 6,638	\$ 6,238	\$ 17,044	\$ 16,495
NOI Margin %	35.7%	34.1%	32.6%	32.2%

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

(2) Not adjusted for IFRIC 21 property taxes.

For the three and nine months ended September 30, 2018, the Economy Lodging Portfolio saw increased revenues and NOI from increased rail crew and non-rail crew occupancies as a result of higher rail car volumes and traction from the Wyndham rebranding. Overall, GOP margins declined by 40 basis points as more rail crew rooms were occupied resulting in lower guaranteed room revenues and increased room cleaning costs. NOI margins improved by 160 basis points as a result of lower property taxes and insurance premiums.

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

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

(US\$000s unless noted and except Unit and per Unit amounts)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net income and comprehensive income	\$ 4,232	\$ 8,816	\$ 14,462	\$ 5,702
Add/(deduct):				
Depreciation and amortization	11,613	12,003	33,676	29,242
Impairment loss on hotel asset	-	-	-	7,349
Loss (gain) on disposal of assets	127	28	1,974	(4)
Business acquisition costs	154	706	563	6,605
IFRIC 21 property taxes	231	(1,788)	(1,839)	(2,248)
Fair value changes of interest rate swaps	(390)	(79)	(2,301)	(130)
Deferred income tax recovery (expense)	388	(380)	(753)	(1,087)
Funds from operations (“FFO”)	\$ 16,355	\$ 19,306	\$ 45,782	\$ 45,429
Add/(deduct):				
Securities-based compensation expense	309	194	626	482
Amortization of finance costs	419	372	1,140	966
Accretion of Debentures	-	81	-	100
Maintenance capital expenditures	(2,129)	(2,441)	(5,809)	(6,233)
Adjusted Funds from operations (“AFFO”)	\$ 14,954	\$ 17,512	\$ 41,739	\$ 40,744
Diluted weighted average number of Units outstanding <sup>(1)</sup>	78,273,324	78,253,220	78,226,651	66,853,148
Diluted FFO per Unit <sup>(2)</sup>	\$ 0.21	\$ 0.25	\$ 0.57	\$ 0.68
Diluted AFFO per Unit <sup>(2)</sup>	\$ 0.19	\$ 0.22	\$ 0.52	\$ 0.61

(1) Diluted weighted average number of Units included the 211,130 unvested Restricted Stock Units as at September 30, 2018.

(2) The Debentures were dilutive for FFO and AFFO for the three and nine months ended September 30, 2018. Therefore, Debenture finance costs of \$788 and \$1,745 were added back to FFO and AFFO for the three and nine months ended September 30, 2018, respectively, and 5,283,783 Units issuable on conversion of the Debentures were added to the diluted weighted average number of Units outstanding for the same periods.

For the three months ended September 30, 2018, FFO decreased by 15.3% to \$16.4 million (2017 - \$19.3 million) caused by lower net operating income from hotels under renovation and weaker comparative results from Florida and increased corporate and administrative expenses. Diluted FFO per Unit decreased to \$0.21 (2017 - \$0.25) as a result of lower income.

For the nine months ended September 30, 2018, FFO increased by 0.8% to \$45.8 million (2017 - \$45.4 million) due to the full year of incremental revenues and income from the 2017 Acquisitions. Diluted FFO per Unit decreased to \$0.57 (2017 - \$0.68) due to lower income resulting from weather-related impacts, new supply and reduced government related travel in the early part of 2018.

AFFO for the three months ended September 30, 2018 decreased by 14.6% to \$15.0 million (2017 - \$17.5 million). Diluted AFFO per Unit decreased by 13.6% to \$0.19 (2017 - \$0.22) as a result of lower FFO for the reasons stated above offset by lower maintenance capital expenditures during the current period.

AFFO for the nine months ended September 30, 2018 increased by 2.4% to \$41.7 million (2017 - \$40.7 million). Diluted AFFO per Unit declined to \$0.52 (2017 - \$0.61). Changes to AFFO and Diluted AFFO per Unit were caused by the reasons stated above.

#### RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO AFFO

In calculating AFFO, AHIP made certain adjustments to cash flow from operating activities as follows:

(US\$000s unless noted)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Cash flow from operating activities	\$ 17,358	\$ 15,708	\$ 47,226	\$ 48,160
Add/(deduct):				
Changes in non-cash working capital	55	5,308	2,560	(5,493)
Business acquisition costs	154	706	563	6,605
Securities-based compensation	37	-	113	25
IFRIC 21 property taxes	231	(1,788)	(1,839)	(2,248)
Amortization of other liabilities	38	-	124	-
Interest paid	8,351	8,490	26,172	20,122
Interest expense	(9,141)	(8,471)	(27,371)	(20,194)
Actual maintenance capital expenditures	(2,129)	(2,441)	(5,809)	(6,233)
AFFO	\$ 14,954	\$ 17,512	\$ 41,739	\$ 40,744
Distributions declared	\$ 12,645	\$ 12,669	\$ 37,977	\$ 32,759
AFFO Payout Ratio	84.6%	72.3%	91.0%	80.4%

For the three months ended September 30, 2018, AHIP's AFFO payout ratio increased to 84.6% (2017 - 72.3%) reflecting displacement at properties under renovation and higher interest charges. For the nine months ended September 30, 2018, the payout ratio increased to 91.0% (2017 - 80.4%) reflecting the weaker first quarter of 2018, which was impacted by weather, new supply, reduced government travel, partially offset by the full inclusion of income from the 2017 Acquisitions. Management expects the AFFO payout ratio to be close to 100% for 2018 on a full year basis.

## DISTRIBUTIONS DECLARED COMPARED TO CASH FLOWS FROM OPERATING ACTIVITIES

(US\$000s)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Cash flow from operating activities (including interest paid)	\$ 17,358	\$ 15,708	\$ 47,226	\$ 48,160
Distributions declared	(12,645)	(12,669)	(37,977)	(32,759)
Excess of cash flow to distributions	\$ 4,713	\$ 3,039	\$ 9,249	\$ 15,401

For the three and nine months ended September 30, 2018, there was more cash flow from operating activities than distributions declared. The excess resulted from higher cash flows generated by a larger and more diversified portfolio. The level of excess cash flow for the nine months ended September 30, 2018 was lower compared to the same period last year because of large working capital adjustments arising from the significant hotel acquisitions completed in 2017.

### DISTRIBUTION POLICY

AHIP's current policy is to declare and pay monthly cash distributions of \$0.054 per Unit (or \$0.648 per Unit on an annualized basis) using available cash and to maintain a conservative AFFO Payout Ratio. Distributions declared will be paid to unitholders of record at the close of business on the last business day of each month on or about the 15th day of the following month. The declaration of distributions is subject to the discretion of the Board of Directors of the General Partner and is evaluated periodically and may be revised.

### DISTRIBUTION SUMMARY

AHIP declared the following cash distributions to unitholders of record from January 1, 2018 to September 30, 2018 as follows:

Month	Record Date	Payment Date	Distribution per Unit	Amount (\$000s)
January 2018	January 31, 2018	February 15, 2018	\$ 0.054	\$ 4,215
February 2018	February 28, 2018	March 15, 2018	\$ 0.054	\$ 4,215
March 2018	March 29, 2018	April 13, 2018	\$ 0.054	\$ 4,235 <sup>(1)</sup>
April 2018	April 30, 2018	May 15, 2018	\$ 0.054	\$ 4,215
May 2018	May 31, 2018	June 15, 2018	\$ 0.054	\$ 4,215
June 2018	June 29, 2018	July 13, 2018	\$ 0.054	\$ 4,237 <sup>(1)</sup>
July 2018	July 31, 2018	August 15, 2018	\$ 0.054	\$ 4,215
August 2018	August 31, 2018	September 14, 2018	\$ 0.054	\$ 4,215
September 2018	September 28, 2018	October 15, 2018	\$ 0.054	\$ 4,215 <sup>(1)</sup>
Totals				\$ 37,977

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

Distributions totaling \$12.6 million were declared during the three months ended September 30, 2018 (2017 - \$12.7 million) and \$38.0 million were declared during the nine months ended September 30, 2018 (2017 - \$32.8 million). Of the distributions declared, \$4.2 million (2017 - \$4.2 million) was included in

accounts payable and accrued liabilities as at September 30, 2018 and subsequently paid on October 15, 2018.

Per Unit	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Annualized distribution	\$ 0.648	\$ 0.648	\$ 0.648	\$ 0.648	\$ 0.648	\$ 0.648	\$ 0.648	\$ 0.648
Period-end Cdn\$ TSX Closing price	\$ 9.17	\$ 8.32	\$ 7.91	\$ 9.34	\$ 9.50	\$ 9.96	\$ 10.72	\$ 10.46
Annualized distribution yield on Closing Price (%) <sup>(1)</sup>	9.2%	10.3%	10.6%	8.7%	8.5%	8.4%	8.1%	8.3%

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

## PART IV

### SUMMARY OF QUARTERLY RESULTS

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

(US\$000s except Units and per Unit amounts)								
	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Revenues	\$ 88,029	\$ 89,911	\$ 81,066	\$ 82,222	\$ 90,311	\$ 69,452	\$ 61,725	\$ 44,346
NOI – includes IFRIC 21	30,617	35,513	25,374	25,148	34,018	25,791	20,795	15,149
Net income (loss) and comprehensive income (loss)	4,232	8,854	1,376	(5,613)	8,816	(5,496)	2,382	3,398
FFO	\$ 16,355	\$ 18,074	\$ 11,353	\$ 13,150	\$ 19,306	\$ 14,513	\$ 11,597	\$ 8,864
AFFO	14,954	17,054	9,904	11,988	17,512	12,449	10,770	7,331
Distributions declared	12,645	12,667	12,665	12,732	12,669	10,608	9,482	7,927
Total assets	\$1,280,743	\$1,281,313	\$1,295,473	\$1,295,733	\$1,309,634	\$1,315,102	\$ 899,839	\$ 791,439
Total Debt (face value)	\$ 755,935	\$ 754,180	\$ 755,926	\$ 752,783	\$ 754,292	\$ 753,834	\$ 470,280	\$ 376,365
Basic weighted average number of Units outstanding (000s)	78,062	78,062	78,048	78,036	78,034	63,316	58,493	46,313
<b>Amounts on a per Unit Basis</b>								
Basic and diluted net income (loss) per Unit	\$ 0.05	\$ 0.11	\$ 0.02	\$ (0.07)	\$ 0.11	\$ (0.09)	\$ 0.04	\$ 0.07
Diluted FFO per Unit	\$ 0.21	\$ 0.23	\$ 0.15	\$ 0.17	\$ 0.25	\$ 0.23	\$ 0.20	\$ 0.19
Diluted AFFO per Unit	\$ 0.19	\$ 0.21	\$ 0.13	\$ 0.14	\$ 0.22	\$ 0.20	\$ 0.18	\$ 0.16

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

## LIQUIDITY

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

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

The following table provides an overview of AHIP's change in cash from operating, investing and financing activities for the three and nine months ended September 30, 2018 and 2017:

(US\$000s)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net change in cash related to:				
Operating activities	\$ 17,358	\$ 15,708	\$ 47,226	\$ 48,160
Investing activities	(1,710)	(7,099)	(9,592)	(569,815)
Financing activities	(10,869)	(14,174)	(35,542)	463,020
Change in cash	\$ 4,779	\$ (5,565)	\$ 2,092	\$ (58,635)

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

- Net cash provided from operating activities for the three months ended September 30, 2018 increased by \$1.7 million to \$17.4 million (2017 - \$15.7 million) due to the timing of changes in non-cash working capital. For the nine months ended September 30, 2018, net cash from operating activities decreased to \$47.2 million (2017 - \$48.2 million) due to changes in working capital offset by increases in cash flow arising from the full inclusion of income from the 2017 Acquisitions in the current year.
- The change in net cash used in investing activities for the three and nine months ended September 30, 2018 was \$1.7 million (2017 - \$7.1 million) and \$9.6 million (2017 - \$569.8 million), respectively. For the three months ended September 30, 2018, the variance was due to changes in restricted cash reserves in the current year compared to the prior year. For the nine months ended September 30, 2018, the change was impacted by the 2017 Acquisitions and;
- Net cash used in financing activities for the three months ended September 30, 2018 was \$10.9 million (2017 - \$14.2 million) and \$35.5 million for the nine months ended September 30, 2018 (2017 - cash generated of \$463.0 million). The changes reflect the issuance of units and convertible debentures

and new loans taken in the prior year to finance the 2017 Acquisitions compared to the payment of principal and interest on such financing in the current year.

## COMMITMENTS

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

(US\$000s)	TOTAL	2018	2019	2020	2021	2022	Thereafter
Term loans and revolving credit facilities	\$ 704,953	\$ 1,788	\$ 12,440	\$ 9,591	\$ 13,886	\$ 69,881	\$ 597,367
Debentures	48,875	-	-	-	-	-	48,875
Operating leases	5,782	160	759	570	479	385	3,429
Finance lease liability	1,857	-	1,857	-	-	-	-
Purchase Obligations	1,767	145	422	288	244	212	456
Deferred compensation	250	63	187	-	-	-	-
Total	\$ 763,484	\$ 2,156	\$ 15,665	\$ 10,449	\$ 14,609	\$ 70,478	\$ 650,127

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

## CAPITAL EXPENDITURES

When AHIP acquires a Premium Branded Hotel property, under the terms of the applicable franchise agreement, an AHIP subsidiary is required to complete various PIPs within 18 to 24 months of the acquisition date. The PIPs are intended to renovate the hotel property to the franchisor's current standards and optimize operating performance and ensure the hotels remain competitive within their respective market segments. AHIP's operating subsidiaries have entered into contracts or commitments with various suppliers to provide products and services in compliance with these PIPs. Payments for these items are held in escrow by AHIP's lenders as restricted cash and funds are disbursed in the ordinary course of business. In addition, on a regular basis, AHIP is required by its lenders to escrow FF&E Reserves over the term of the respective loans. As at September 30, 2018, AHIP's cash balance was \$14.0 million and AHIP had \$39.6 million available in revolving credit facilities of which \$8.7 million was outstanding as at September 30, 2018. AHIP's total restricted cash balance was \$44.5 million (December 31, 2017 - \$51.1 million) of which \$25.4 million (December 31, 2017 - \$35.6 million) was available to fund PIP renovations including investment of approximately \$20.0 million during 2018 to enhance the overall guest experience at recently acquired properties. This capital investment program will transform the grand atrium space at three Embassy Suites hotels and will also include guestroom and common area renovations at other hotels. In some cases, the renovations may impact hotel operations including some guest displacement which may materially affect quarterly results. AHIP is actively working with its external hotel manager to minimize potential disruptions.

The following hotel properties are scheduled to undergo PIP projects estimated to be more than \$500,000 during 2018:

Hotel Name and Guestrooms	Scheduled Renovation Dates			
	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Embassy Suites Cincinnati (KY) (227 guestrooms)	Ongoing	Ongoing	Completed	
Embassy Suites DFW South (TX) (305 guestrooms)	Ongoing	Ongoing	Completed	
Hilton Garden Inn White Marsh (MD) (155 guestrooms)		Completed		
Embassy Suites Columbus (OH) (284 guestrooms)		Ongoing	Ongoing	X
Staybridge Suites Tampa (FL) (100 guestrooms)				X
Residence Inn White Marsh (MD) (131 guestrooms)				X
Fairfield Inn & Suites Jacksonville (FL) (89 guestrooms)				X
Residence Inn Chattanooga (TN) (109 guestrooms)				X
Homewood Suites Dover Rockaway (NJ) (108 guestrooms)				X
Homewood Suites Allentown (PA) (108 guestrooms)				X
Homewood Suites Bethlehem (PA) (113 guestrooms)				X

#### GROUND AND AIR RIGHTS LEASES

Certain hotels are subject to non-cancellable leases as at September 30, 2018 as follows:

Hotel Properties	Lease Type	Lease Expiration Date
Embassy Suites, Covington, KY <sup>(1)</sup>	Air rights lease	June 30, 2040
Fairfield Inn, Baltimore, MD <sup>(2)</sup>	Ground lease	March 31, 2037
SpringHill Suites, Bellport, NY <sup>(3)</sup>	PILOT lease	November 30, 2021

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

(2) AHIP has exercised the option to acquire a fee simple interest in the property in April 2019 for a pre-determined purchase price of approximately \$1.9 million.

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

The ground lease expense recorded for the Embassy Suites Covington hotel for the three and nine months ended September 30, 2018 was \$50,000 (2017 - \$50,000) and \$150,000 (2017 - \$127,000), respectively. The Fairfield Inn hotel ground lease was recorded as a capital lease and the estimated present value of the remaining lease payments as at September 30, 2018 was approximately \$1.9 million (December 31, 2017 - \$2.0 million). In June 2018, AHIP provided notice to the lessor exercising its option to buy out the ground lease for approximately \$1.9 million. The transaction is expected to be completed in April 2019.

#### DEBT STRATEGY

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

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



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

As at September 30, 2018, AHIP's Debt-to-Gross Book Value was 53.4% (2017 - 53.7%) as follows:

<b>(US\$000s unless noted)</b>	<b>September 30, 2018</b>	<b>September 30, 2017</b>
Debt	\$ 755,935	\$ 754,292
Gross Book Value	\$ 1,415,009	\$ 1,404,908
Debt-to-Gross Book Value	53.4%	53.7%

The following table calculates AHIP's Interest Coverage Ratio for the three and nine months ended September 30, 2018 and 2017:

<b>(US\$000s unless noted)</b>	<b>Three months ended September 30, 2018</b>	<b>Three months ended September 30, 2017</b>	<b>Nine months ended September 30, 2018</b>	<b>Nine months ended September 30, 2017</b>
EBITDA	\$ 26,131	\$ 28,311	\$ 74,498	\$ 67,078
Interest expense <sup>(1)</sup>	\$ 8,959	\$ 8,467	\$ 26,835	\$ 20,182
Interest Coverage Ratio (times)	2.9x	3.3x	2.8x	3.3x

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

The decrease in the interest coverage ratio reflects lower hotel income arising from properties under renovation.

The following table calculates AHIP's Debt-to-EBITDA Ratio as at September 30, 2018 and 2017:

<b>(US\$000s unless noted)</b>	<b>September 30, 2018</b>	<b>September 30, 2017</b>
Debt	\$ 755,935	\$ 754,292
EBITDA (trailing twelve months)	\$ 97,181	\$ 80,169
Debt-to-EBITDA (times)	7.8x	9.4x

The improvement in this metric is due to the full inclusion of the income from the 2017 Acquisitions during the current quarter compared to a partial inclusion last year.

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

(US\$000s unless noted)	Principal Balance at September 30, 2018	Interest Rate	Initial Term (years)	Maturity Date
Secured Revolver	3,600	LIBOR + 2.75%	3	March 16, 2021
Nashville Hotel Term Loan	4,269	3.57% <sup>(1)</sup>	5	December 20, 2021
Debentures	48,875	5.00%	5	June 30, 2022
Eastern Seaboard Term Loan Pool #4	56,500	4.46%	5	July 6, 2022
Economy Lodging Hotel Loans	74,871	3.57% <sup>(2)</sup>	7	February 1, 2023
2016 Economy Lodging Term Loan	4,559	3.57% <sup>(3)</sup>	7	February 1, 2023
2018 Economy Lodging Term Loan	3,889	LIBOR + 2.80%	5	February 28, 2023
Pittsburgh Portfolio Term Loans	37,052	5.02%	10	December 6, 2023
NC/GA Portfolio Assumed Loan #2	7,230	5.28%	10	February 1, 2024
Virginia Portfolio Term Loan	24,361	4.97%	10	April 6, 2024
NC/GA Portfolio Term Loan	5,803	4.72%	10	July 6, 2024
Dallas Hotel Assumed Term Loan	19,000	5.25%	10	October 11, 2024
Texas Portfolio Term Loan	16,000	4.20%	10	November 6, 2024
Oklahoma Portfolio Term Loan	25,500	4.20%	10	November 6, 2024
NC/FL Portfolio Term Loan	26,110	4.27%	10	December 6, 2024
IML Term Loan	19,145	LIBOR + 2.80%	7	February 28, 2025
Midwestern Portfolio Term Loan	32,000	4.24%	10	July 6, 2025
Florida Portfolio Term Loan	19,000	4.21%	10	August 6, 2025
FL/TN Portfolio Term Loan	26,692	4.43%	10	November 6, 2026
Florida 6 Portfolio Term Loan	36,072	4.99%	10	December 6, 2026
Tempe Hotel Term Loan	13,500	5.14%	10	January 6, 2027
Midwestern 3 Portfolio Term Loan	65,000	4.72%	10	February 6, 2027
Eastern Seaboard Term Loan Pool #1	69,600	4.53%	10	July 6, 2027
Eastern Seaboard Term Loan Pool #2	57,700	4.48%	10	July 6, 2027
Eastern Seaboard Term Loan Pool #3	52,400	4.53%	10	July 6, 2027
<b>TOTAL</b>	<b>\$ 748,728</b>			

(1) Variable rate loan with interest rate swap contract that fixes the interest rate for the term of the loan at 4.80%.

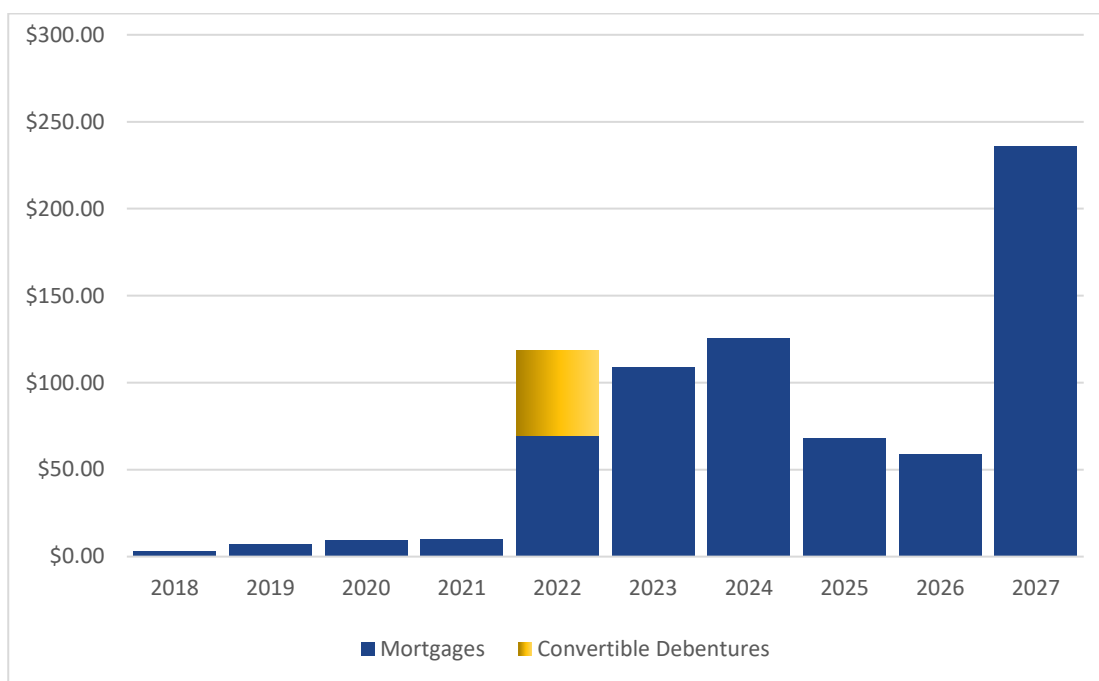
(2) Variable rate loans with an interest rate swap contract that fixes the interest rate for the term of the loans at 4.72%.

(3) Variable rate loan with an interest rate swap contract that fixes the interest rate for the term of the loan at 4.10%.

The weighted average stated interest rate on the term loans and Debentures as at September 30, 2018 was 4.64% (September 30, 2017 - 4.61%) and the weighted average debt term to maturity was 6.7 years (September 30, 2017 - 7.8 years). As at September 30, 2018, 96.9% of AHIP's mortgages were effectively fixed rate mortgages. Interest rate swaps are in place to fix the interest rates for approximately \$83.7 million of the outstanding principal of certain Economy Lodging Hotel loans with fixed interest rates of between 4.10% and 4.80%. For the three and nine months ended September 30, 2018, a net gain of \$390,000 and \$2.3 million, respectively, was recorded resulting from changes in the fair value of the interest rate swap contracts compared to gains of \$79,000 and \$130,000, respectively, for the same periods last year.

As at September 30, 2018, Debentures in the aggregate principal amount of approximately \$48.9 million remained outstanding and were traded on the TSX with a closing price of \$96.00 per Debenture.

## DEBT MATURITY LADDER (as at September 30, 2018) – US\$000s



### CAPITAL RESOURCES

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

### PARTNERS' CAPITAL

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

As at September 30, 2018, there were 78,062,194 Units issued and outstanding. On September 30, 2018, the Units were traded on the TSX with a closing price of Cdn\$9.17 per Unit under the ticker HOT.UN; a closing price of \$7.05 per Unit under the ticker HOT.U; and were traded on the OTCQX with a closing price of \$7.05 per Unit under the ticker AHOTF.

## PART V

### OFF-BALANCE SHEET ARRANGEMENTS

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

## TRANSACTIONS WITH RELATED PARTIES

AHIP entered into a master hotel management agreement with ONE Lodging and individual hotel management agreements, with various wholly owned subsidiaries of ONE Lodging, a company indirectly controlled by a director of the General Partner to manage and operate AHIP's hotel properties. On April 26, 2018, Aimbridge completed the assumption of hotel management responsibilities from ONE Lodging, with the terms of the hotel management agreements remaining unchanged.

AHIP's operating subsidiaries are responsible for reimbursing the master hotel manager, which was ONE Lodging until April 26, 2018, for any operating expenses and direct costs incurred with respect to the operations of the properties and their lodging businesses, such as salary and benefit costs of hotel staff and other operating expenses.

The master hotel management agreement, as amended on September 30, 2016, provides for the payment of the following amounts to the master hotel manager:

- (i) A base management fee equal to 3.0% of gross revenues;
- (ii) A capital expenditure fee of 5.0% of capital expenditures, including maintenance capital expenditures;
- (iii) An annual administration fee of \$25,000 for each existing property as at June 30, 2016 and for new properties acquired after July 1, 2016 with less than 100 guestrooms; and,
- (iv) An incentive management fee if certain profit thresholds are met.

The incentive fee may not exceed 50% of the aggregate base management fees for the year in which the incentive fee is earned. For the three and nine months ended September 30, 2018 and 2017, the master hotel manager did not qualify for any incentive fees and as a result no incentive fee amounts were recorded in the unaudited condensed consolidated interim financial statements.

AHIP recorded the following fees in corporate and administrative expenses for the three and nine months ended September 30, 2018 and 2017:

(US\$000s)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018 <sup>(1)</sup>	Nine months ended September 30, 2017
Management fees	\$ 2,634	\$ 2,696	\$ 7,762	\$ 6,640
Administration fees	542	537	1,629	1,617
Total fees paid to ONE Lodging <sup>(1)</sup>	\$ -	\$ 3,233	\$ 4,048	\$ 8,257
Total fees paid to Aimbridge	\$ 3,176	-	\$ 5,344	-
Total hotel management fees	\$ 3,176	\$ 3,233	\$ 9,392	\$ 8,257

(1) Hotel management fees were paid to the ONE Lodging for the 115-day period from January 1, 2018 to the transfer date of April 26, 2018.

In addition, capital management fees of approximately \$281,000 were paid to ONE Lodging for the period from January 1, 2018 to April 26, 2018, compared to \$722,000 for the nine months ended September 30, 2017, all of which was capitalized to property, buildings and equipment. There were no capital management fees paid to the ONE Lodging after April 26, 2018 or during the three months ended September 30, 2018 (three months ended September 30, 2017 - \$239,000).

For the period from January 1, 2018 to April 26, 2018, AHIP reimbursed ONE Lodging \$30.9 million (nine months ended September 30, 2017 - \$59.4 million) for expenses incurred on behalf of the hotel properties during the normal course of operations. The reimbursable expenses were comprised primarily of payroll costs and other general and administrative costs such as insurance, travel and office supplies. There were no reimbursable expenses paid to ONE Lodging after April 26, 2018.

## **SUBSEQUENT EVENTS**

### ***(a) October 2018 Distribution***

On October 15, 2018, a cash distribution of \$0.054 per unit was declared for the period from October 1, 2018 to October 31, 2018. The distribution is expected to be paid on November 15, 2018 to unitholders of record on October 31, 2018.

### ***(b) \$2.3 million renovation at the Embassy Suites Cincinnati (Covington, KY)***

On November 1, 2018, AHIP announced the completion of a \$2.3 million renovation at the Embassy Suites Cincinnati hotel located across downtown Cincinnati in Covington, Kentucky. The renovation included updates to all 227 guestrooms, a rebuilt atrium with a new bar and breakfast area, and new carpeting, lights and fixtures in all hotel corridors.

## **SIGNIFICANT ACCOUNTING POLICIES**

AHIP's significant accounting policies are described in Note 3 of its unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and 2017. On January 1, 2018, AHIP adopted IFRS 9 Financial Instruments ("IFRS 9") and IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). IFRS 9 did not have a significant impact on the consolidated financial statements and IFRS 15 had no impact on the measurement and recognition of revenue.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported results. For a detailed discussion of the critical accounting estimates, refer to Note 2 of AHIP's audited consolidated financial statements for the years ended December 31, 2017 and 2016.

## **ACCOUNTING STANDARDS**

For details on future accounting policy changes, please refer to Note 3 of the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and 2017 for details on future accounting policy changes.

## INTERNAL CONTROLS

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

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

As at September 30, 2018, AHIP's management, under the supervision of its CEO and CFO, has designed the DC&P and ICFR using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") in Internal Control – Integrated Framework (2013).

## FOREIGN EXCHANGE MANAGEMENT

All of AHIP's investments and substantially all its operations are conducted in U.S. dollars. Therefore, AHIP has minimal exposure to fluctuations in currency exchange rates with respect to its distributions. As at September 30, 2018, AHIP had not entered into any currency swap arrangements.

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

Period end Exchange Rate	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Cdn\$/US\$	\$ 1.2945	\$ 1.3168	\$ 1.2894	\$ 1.2545	\$ 1.2480
US\$/Cdn\$ <sup>(1)</sup>	\$ 0.7725	\$ 0.7594	\$ 0.7756	\$ 0.7971	\$ 0.8013

(1) Bank of Canada period end exchange rate.

## RISKS AND UNCERTAINTIES

Investing in AHIP's securities involves a high degree of risk. In addition to the risks identified in this section and elsewhere in this MD&A, investors should carefully consider all the risk factors noted in AHIP's AIF, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com), before purchasing Units, Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time to time. The

occurrence of any of such risks, or other risks not presently known to AHIP or that AHIP currently believes are immaterial, could materially and adversely affect AHIP's investments, prospects, cash flows, results of operations or financial condition, AHIP's ability to make cash distributions to unitholders and interest and principal payments to holders of Debentures. In that event, the value of the Units, the Debentures or any other securities of AHIP that may be offered or issued and outstanding from time to time, could decline and investors may lose all or part of their investment.

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

**PREMIUM BRANDED HOTELS PORTFOLIO AS AT NOVEMBER 6, 2018**

Hotel Address	Brand	Location	Number of Rooms	Restaurant	Acquisition Date
<b>FLORIDA/GEORGIA</b>					
3712 SW 38 <sup>th</sup> Avenue	Courtyard	Ocala, FL	169	Yes	Aug. 6, 2015
3427 Forum Boulevard	Holiday Inn Express	Fort Myers, FL	111	-	Nov. 29, 2016
5730 Gantt Road	Holiday Inn Express	Sarasota, FL	101	-	Nov. 29, 2016
3624 North Falkenburg Road	Staybridge Suites	Tampa, FL	100	-	Nov. 29, 2016
4735 Helen Hauser Blvd.	Fairfield Inn & Suites	Titusville, FL	96	-	Nov. 25, 2014
4101 SW 38 <sup>th</sup> Avenue	Fairfield Inn & Suites	Ocala, FL	96	-	Aug. 6, 2015
561 Chaffee Point Boulevard	Fairfield Inn & Suites	Jacksonville, FL	89	-	Oct. 27, 2016
538 Southwest Corporate Dr.	Fairfield Inn & Suites	Lake City, FL	89	-	Oct. 27, 2016
3610 SW 38 <sup>th</sup> Avenue	Residence Inn	Ocala, FL	87	-	Aug. 6, 2015
3751 East Fowler Avenue	Wingate	Tampa, FL	86	-	Nov. 29, 2016
4355 West New Haven Ave	Fairfield Inn & Suites	Melbourne, FL	83	-	Nov. 25, 2014
1319 East King Avenue	Fairfield Inn & Suites	Kingsland, GA	82	-	Jul. 3, 2014
13575 Cypress Glen Lane	Courtyard	Tampa, FL	81	Yes	Nov. 29, 2016
10971 West Colonial Drive	Fairfield Inn & Suites	Orlando/Ocoee, FL	80	-	Nov. 29, 2016
<b>TOTAL FLORIDA/GEORGIA</b>			<b>1,350</b>	<b>2</b>	
<b>MARYLAND</b>					
5015 Campbell Boulevard	Hilton Garden Inn	Baltimore, MD	155	Yes	June 22, 2017
4980 Mercantile Road	Residence Inn	Baltimore, MD	131	-	June 22, 2017
7035 Arundel Mill Circle	Residence Inn	Hanover, MD	131	-	June 22, 2017
7027 Arundel Mill Circle	Hampton Inn	Hanover, MD	130	-	June 22, 2017
7544 Teague Road	SpringHill Suites	Hanover, MD	128	-	June 22, 2017
8225 Town Center Drive	Hampton Inn	Baltimore, MD	127	-	June 22, 2017
8477 Cordon Way	Fairfield Inn & Suites	Baltimore, MD	116	-	June 22, 2017
7021 Arundel Mill Circle	TownePlace Suites	Hanover, MD	109	-	June 22, 2017
<b>TOTAL MARYLAND</b>			<b>1,027</b>	<b>1</b>	
<b>TEXAS/ARIZONA</b>					
4650 West Airport Freeway	Embassy Suites	Irving, TX	305	Yes	Jan. 6, 2017
4400 South Rural Road	Embassy Suites	Tempe, AZ	224	Yes	Jan. 6, 2017
6231 Amarillo Blvd. West	Holiday Inn	Amarillo, TX	151	Yes	Oct. 27, 2014
1740 Airport Boulevard	Fairfield Inn & Suites	Amarillo, TX	79	-	Oct. 27, 2014
6915 I-40 West	Sleep Inn & Suites	Amarillo, TX	63	-	Oct. 27, 2014
<b>TOTAL TEXAS/ARIZONA</b>			<b>822</b>	<b>3</b>	
<b>OHIO/KENTUCKY</b>					
5100 Upper Metro Place	Embassy Suites	Dublin, OH	284	Yes	Jan. 19, 2017
5800 Rockside Woods Blvd.	Embassy Suites	Independence, OH	271	Yes	Jan. 19, 2017
10 East Rivercentre Blvd.	Embassy Suites	Covington, KY	227	Yes	Jan. 19, 2017
<b>TOTAL OHIO/KENTUCKY</b>			<b>782</b>	<b>3</b>	



**PREMIUM BRANDED HOTELS PORTFOLIO AS AT NOVEMBER 6, 2018 CONTINUED**

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

**PREMIUM BRANDED HOTELS PORTFOLIO AS AT NOVEMBER 6, 2018 CONTINUED**

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

**ECONOMY LODGING HOTELS PORTFOLIO AS AT NOVEMBER 6, 2018**

Hotel Address	Brand	Location	Number of		Acquisition Date
			Rooms	Restaurant	
3475 Union Road	Baymont Inn & Suites	Buffalo, NY	56	-	Feb. 20, 2013
2300 Valley West Ct.	Baymont Inn & Suites	Clinton, IA	123	-	Feb. 20, 2013
1608 E. US Business 60	Baymont Inn & Suites	Dexter, MO	133	Yes	Feb. 20, 2013
95 Spruce Road	Baymont Inn & Suites	Elko, NV	119	-	Feb. 20, 2013
2700 N. Diers Parkway	Baymont Inn & Suites	Fremont, NE	100	Yes	Feb. 20, 2013
2006 North Merrill Avenue	Baymont Inn & Suites	Glendive, MT	74	Yes	Oct. 28, 2014
100 15 <sup>th</sup> Street SE	Baymont Inn & Suites	Glenwood, MN	56	Yes	Feb. 20, 2013
1051 North Market Street	Baymont Inn & Suites	Hearne, TX	140	Yes	Feb. 20, 2013
501 SW Boulevard	Baymont Inn & Suites	Kansas City, KS	107	-	Feb. 20, 2013
451 Halligan Drive	Baymont Inn & Suites	North Platte, NE	135	Yes	Feb. 20, 2013
2005 E. Daley Street	Baymont Inn & Suites	Rawlins, WY	62	Yes	Feb. 20, 2013
1130 E. 16 <sup>th</sup> Street	Baymont Inn & Suites	Wellington, KS	110	-	Feb. 25, 2015
6390 Hwy 93 South	Baymont Inn & Suites	Whitefish, MT	64	-	Nov. 7, 2017
35450 Yermo Road	Baymont Inn & Suites	Yermo, CA	65	Yes	Feb. 20, 2013
1731 S. Sunridge Drive	Baymont Inn & Suites	Yuma, AZ	119	Yes	Feb. 20, 2013
<b>TOTAL BAYMONT INN &amp; SUITES HOTELS</b>			<b>1,463</b>	<b>9</b>	
2407 East Holland Avenue	Travelodge	Alpine, TX	40	Yes	Feb. 20, 2013
2111 Camino Del Llano	Travelodge	Belen, NM	158	Yes	Sept. 16, 2015
3522 N. Highway 59	Travelodge	Bill, WY	112	Yes	Feb. 20, 2013
620 Souder Road	Travelodge	Brunswick, MD	25	Yes	Nov. 24, 2014
1625 Stillwater Avenue	Travelodge	Cheyenne, WY	60	Yes	Feb. 20, 2013
21233 Coal River Road	Travelodge	Comfort, WV	25	-	Feb. 20, 2013
4000 Siskiyau Avenue	Travelodge	Dunsmuir, CA	21	Yes	Feb. 20, 2013
100 North 6 <sup>th</sup> Avenue	Travelodge	Edgemont, SD	56	-	Sept. 16, 2015
2505 S. Main St.	Travelodge	Fort Scott, KS	70	-	Nov. 11, 2015
2307 Wyoming Avenue	Travelodge	Gillette, WY	156	-	Sept. 16, 2015
1170 W. Flaming Gorge Way	Travelodge	Green River, WY	191	Yes	Feb. 20, 2013
800 West Laramie Street	Travelodge	Guernsey, WY	96	-	Sept. 16, 2015
1110 SE 4 <sup>th</sup> Street	Travelodge	Hermiston, OR	86	-	Feb. 20, 2013
1710 Jefferson Street	Travelodge	Jefferson City, MO	77	-	Sept. 12, 2013
8233 Airline Highway	Travelodge	Livonia, LA	60	-	Feb. 20, 2013
123 Westvaco Road	Travelodge	Low Moor, VA	30	Yes	Feb. 20, 2013
1127 Pony Express Highway	Travelodge	Marysville, KS	139	Yes	Feb. 20, 2013
528 S. George Nigh Expressway	Travelodge	McAlester, OK	61	-	Feb. 20, 2013
777 W Center Street	Travelodge	Milford, UT	75	Yes	Feb. 20, 2013
128 S. Willow Rd.	Travelodge	Missouri Valley, IA	41	Yes	Feb. 20, 2013
707 E. Webster Street	Travelodge	Morrill, NE	97	Yes	Feb. 20, 2013
22 N. Frontage Street	Travelodge	Pecos, TX	61	-	Feb. 20, 2013
12 Kitty Hawk Road	Travelodge	Santa Teresa, NM	56	Yes	May 6, 2014
109 E. Commerce St.	Travelodge	Sharon Springs, KS	50	Yes	Feb. 20, 2013
U.S. 285 & 2 <sup>nd</sup> Street	Travelodge	Vaughn, NM	60	Yes	Feb. 20, 2013
1177 E. 16 <sup>th</sup> Street	Travelodge	Wellington, KS	80	Yes	Feb. 20, 2013
1706 N. Park Drive	Travelodge	Winslow, AZ	72	-	Feb. 20, 2013
98 Moffat Avenue	Travelodge	Yampa, CO	37	Yes	Feb. 20, 2013
<b>TOTAL TRAVELODGE HOTELS</b>			<b>2,092</b>	<b>17</b>	

**ECONOMY LODGING HOTELS PORTFOLIO AS AT NOVEMBER 6, 2018 CONTINUED**

Hotel Address	Brand	Location	Number of		Acquisition Date
			Rooms	Restaurant	
2545 Cornhusker Highway	Super 8	Lincoln, NE	133	-	Jan. 7, 2016
720 Royal Parkway	Super 8	Nashville, TN	103	-	Dec. 1, 2016
<b>TOTAL SUPER 8 HOTELS</b>			<b>236</b>	<b>-</b>	
3431 14 <sup>th</sup> Ave S	Days Inn	Fargo, ND	74	-	Oct. 13, 2017
<b>TOTAL DAYS INN HOTELS</b>			<b>74</b>	<b>-</b>	
<b>TOTAL ECONOMY LODGING HOTELS</b>		<b>46 properties</b>	<b>3,865</b>	<b>26</b>	
<b>GRAND TOTAL</b>		<b>113 properties</b>	<b>11,549</b>	<b>40</b>	