Condensed Consolidated Interim Financial Statements
(Expressed in thousands of U.S. dollars)

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Three and six months ended June 30, 2017 and 2016
(Unaudited)

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in thousands of U.S. dollars)

	Notes	June 30, 2017	December 31, 2016
Assets			
Current assets:			
Cash and cash equivalents		$ 28,057	$ 81,127
Current portion of restricted cash	4	26,020	10,087
Trade and other receivables		10,899	5,563
Prepaid and other assets		7,327	13,896
Loan receivable	6(a)	-	10,199
		72,303	120,872
Restricted cash	4	24,653	8,355
Property, buildings and equipment	5	1,197,186	645,022
Intangible assets	7	12,851	10,775
Deferred income tax assets	8	8,109	6,415
		$ 1,315,102	$ 791,439
Liabilities and Partners' Capital			
Current liabilities:			
Accounts payable and accrued liabilities		$ 30,138	$ 19,353
Current portion of lease liability	9	161	-
Current portion of term loans	10	6,096	6,040
Deferred compensation payable		250	250
		36,645	25,643
Term loans	10	688,609	362,050
Convertible debentures	11	45,008	-
Lease liability	9	1,789	-
Deferred compensation payable		249	366
Fair value of interest rate swap contracts		168	219
Deferred income tax liabilities	8	2,999	2,012
Preferred shares		125	125
		775,592	390,415
Partners' capital	12	539,510	401,024
		$ 1,315,102	$ 791,439

Commitments and contingencies	15
Subsequent events	21

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(Unaudited)
(Expressed in thousands of U.S. dollars, except unit and per unit amounts)

		Three months ended		Six months ended	
	Note	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue:					
Rooms		$ 62,015	$ 40,480	$ 117,517	$ 76,892
Food and beverage		6,351	3,609	11,707	6,876
Rental and other		1,086	438	1,953	893
		69,452	44,527	131,177	84,661
Hotel expenses:					
Operating expenses		35,226	21,187	66,533	40,970
Energy		2,735	1,728	5,332	3,684
Property maintenance		3,191	2,049	6,026	4,065
Property taxes and insurance		2,509	1,454	6,700	3,849
Depreciation and amortization		9,037	5,944	17,239	11,774
		52,698	32,362	101,830	64,342
Income from operating activities		16,754	12,165	29,347	20,319
Corporate and administrative		3,444	2,978	7,359	6,270
Loss (gain) on disposal of property and equipment		1	15	(32)	35
Impairment loss on hotel asset	5	7,349	-	7,349	-
Business acquisition costs		4,518	537	5,899	1,243
Income before undernoted		1,442	8,635	8,772	12,771
Finance income		(34)	(11)	(48)	(16)
Finance costs	14	6,732	4,880	12,285	11,157
Income (loss) before income taxes		(5,256)	3,766	(3,465)	1,630
Current tax expense		97	143	356	251
Deferred tax expense (recovery)		143	130	(707)	(623)
Net income (loss) and comprehensive income (loss)		$ (5,496)	$ 3,493	$ (3,114)	$ 2,002
Basic and diluted net income (loss) per unit		$ (0.09)	$ 0.10	$ (0.05)	$ 0.06
Basic weighted average number of units outstanding		63,316,133	35,005,833	60,918,134	34,957,049
Diluted weighted average number of units outstanding		63,535,747	35,120,667	61,073,711	35,071,883

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Condensed Consolidated Interim Statements of Partners' Capital
(Unaudited)
(Expressed in thousands of U.S. dollars, except units outstanding)

Six months ended June 30, 2017 and 2016

	Notes	Units outstanding	Partners Contributions[1]	Contributed surplus	Cumulative (deficit)	Total
Balance, January 1, 2017		56,374,042	$ 456,101	$ 360	$ (55,437)	$ 401,024
Securities-based compensation	13	-	-	288	-	288
Issuance of units under securities-based compensation plan		6,803	57	(82)	-	(25)
Issuance of units for hotel acquisitions, net of expenses	12(b)	2,242,761	17,329	-	-	17,329
Issuance of units on public offering, net of expenses	12(b)	19,410,000	142,094	-	-	142,094
Issuance of convertible debentures, equity portion net of expenses	11	-	2,004	-	-	2,004
Net loss and comprehensive loss	-	-	-	-	(3,114)	(3,114)
Distributions	12(c)	-	-	-	(20,090)	(20,090)
Balance, June 30, 2017		78,033,606	$ 617,585	$ 566	$ (78,641)	$ 539,510
Balance, January 1, 2016		34,908,265	$ 297,604	$ 129	$ (38,066)	$ 259,667
Securities-based compensation	13	-	-	170	-	170
Issuance of units under securities-based compensation plan		3,895	35	(35)	-	-
Issuance of units for hotel acquisitions, net of expenses		173,599	1,361	-	-	1,361
Net income and comprehensive income		-	-	-	2,002	2,002
Distributions	12(c)	-	-	-	(11,401)	(11,401)
Balance, June 30, 2016		35,085,759	$ 299,000	$ 264	$ (47,465)	$ 251,799

[1] *Includes of $0.1 of General Partner Units.*

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in thousands of U.S. dollars)

	Notes	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Cash provided by (used in):					
Operating activities:					
Net income (loss) and comprehensive income (loss)		$ (5,496)	$ 3,493	$ (3,114)	$ 2,002
Interest paid		(5,980)	(3,566)	(11,626)	(6,724)
Securities based compensation units paid in cash		-	-	(25)	-
Items not affecting cash:					
Loss (gain) on disposal of property and equipment		1	15	(32)	35
Depreciation and amortization		9,037	5,944	17,239	11,774
Impairment loss on hotel asset	5	7,349	-	7,349	-
Securities-based compensation expense	13	186	124	288	170
Deferred income tax expense (recovery)		143	130	(707)	(623)
Finance costs	14	6,732	4,880	12,285	11,157
		11,972	11,020	21,657	17,791
Changes in non-cash operating working capital	19	1,918	(305)	10,799	568
		13,890	10,715	32,456	18,359
Investing activities:					
Changes to restricted cash reserves		(16,862)	163	(32,231)	(61)
Purchase of property, buildings and equipment		(5,354)	(3,976)	(10,996)	(5,697)
Franchise application fees paid		(2,778)	-	(2,778)	-
Acquisition of Branded Hotels, net of cash acquired		(394,407)	-	(521,068)	-
Acquisition of properties under development		-	(3,273)	-	(6,023)
Proceeds on disposal		-	-	4,353	8
		(419,401)	(7,086)	(562,720)	(11,773)
Financing activities:					
Units issued for cash on public offerings, net of expenses		142,094	-	142,094	-
Issuance of convertible debentures		48,875	-	48,875	-
Distributions paid		(9,497)	(5,792)	(18,872)	(11,357)
Proceeds from term loans		236,200	5,000	314,700	7,000
Payments on term loans		(1,461)	(789)	(4,979)	(1,096)
Payments on promissory note		-	(2,600)	-	(5,900)
Payments on deferred compensation		(63)	(38)	(126)	(38)
Issuance costs related to acquisitions		-	-	(46)	-
Financing costs paid		(3,251)	(125)	(4,452)	(224)
		412,897	(4,344)	477,194	(11,615)
Increase (decrease) in cash and cash equivalents		7,386	(715)	(53,070)	(5,029)
Cash and cash equivalents, beginning of period		20,671	8,908	81,127	13,222
Cash and cash equivalents, end of period		$ 28,057	$ 8,193	$ 28,057	$ 8,193

See accompanying notes to condensed consolidated interim financial statements.

1. Reporting entity:

American Hotel Income Properties REIT LP ("AHIP") is a limited partnership formed under the *Limited Partnerships Act* (Ontario) to invest in hotel real estate properties in the United States. AHIP was established pursuant to the terms of AHIP's Limited Partnership Agreement dated October 12, 2012 and amended on February 20, 2013 and June 9, 2015 ("Limited Partnership Agreement"). AHIP's head office and address for service is 1660 - 401 West Georgia Street, Vancouver, British Columbia, Canada, V6B 5A1.

AHIP has two operating segments: (i) Branded Hotels that have franchise agreements with international hotel brands and (ii) Rail Hotels that have rail crew lodging facility agreements with large railway companies.

AHIP's units ("Units") are listed on the Toronto Stock Exchange (the "TSX") under the symbol HOT.UN and also in the United States on the OTCQX International marketplace under the symbol AHOTF. AHIP's convertible debentures are listed on the TSX under the symbol HOT.DB.U.

2. Basis of presentation and statement of compliance:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Statements*. Selected explanatory notes are included to explain significant events and transactions that have occurred since December 31, 2016. These condensed consolidated interim financial statements do not contain all of the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual reporting purposes and should be read in conjunction with AHIP's annual audited consolidated financial statements as at and for the year ended December 31, 2016.

These condensed consolidated interim financial statements were approved and authorized for issue by the Directors of the General Partner on August 8, 2017.

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on a historical cost basis with the exception of interest rate swap contracts which are recorded at fair value.

2. Basis of presentation and statement of compliance (continued):

(c) Functional and presentation currency:

The functional and presentation currency of AHIP and its subsidiaries is United States ("U.S.") dollars.

Transactions denominated in Canadian ("Cdn") dollars are translated to U.S. dollars as follows:

(*i*) Monetary assets and liabilities are translated at current rates of exchange and non-monetary assets and liabilities are translated at historical rates of exchange;

(*ii*) Revenues and expenses are translated at average rates of exchange for the period; and

(*iii*) All exchange gains and losses are recognized in the condensed consolidated interim statements of comprehensive income (loss).

(d) Measurement uncertainty (use of estimates):

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Actual results may differ from these estimates.

The significant areas of estimates that are critical to the determination of the amounts reported are disclosed in AHIP's annual audited consolidated financial statements as at and for the year ended December 31, 2016.

There have been no changes to the amounts of the business combinations and the allocation of the purchase price as previously disclosed in the annual audited financial statements as at and for the year ended December 31, 2016.

3. Significant accounting policies:

(a) Significant accounting policies:

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements as at and for the year ended December 31, 2016, except as noted below.

(*i*) Compound financial instruments:

Compound financial instruments issued by AHIP comprise convertible debentures denominated in USD that can be converted at the option of the holder into Units at any time prior to maturity at a specified conversion price.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the debt and equity components of the convertible debentures in proportion to the initial allocation of proceeds. Transaction costs related to the conversion feature are deducted from partners' capital. Transaction costs related to the debt component are amortized using the effective interest method.

Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of the compound financial instrument is recorded in the consolidated statement of partners' capital and is not subsequently remeasured.

(*ii*) Leases:

Leases of property and equipment that transfer to the lessee substantially all of the risks and rewards of ownership are classified as finance leases. Leased assets acquired in a business combination are recorded at fair value at the acquisition date. All other leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognized on the statement of financial position.

Finance lease obligations are measured on inception of the lease at the present value of the minimum lease payments. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term using the effective interest method.

3. Significant accounting policies (continued):

(b) Comparative information:

Certain comparative information in the prior period has been reclassified to conform to the current period presentation.

(c) New standards and interpretations issued but not yet adopted:

(*i*) IFRS 9 - *Financial Instruments:*

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39) standard ("IFRS 9"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. AHIP intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2018. Management does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

(*ii*) IFRS 15 - *Revenue from Contract with Customers*:

In May 2014, the IASB issued IFRS 15, *Revenue from Contract with Customers* ("IFRS 15"), which establishes a new five-step model that applies to revenue arising from contracts with customers. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue allowing greater comparability of revenues across industries. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. AHIP intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. Management does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

3. Significant accounting policies (continued):

(c) New standards and interpretations issued but not yet adopted (continued):

(*iii*) IFRS 16 - *Leases:*

IFRS 16, *Lease* ("IFRS 16") was issued in January 2016 and sets out a new model for lease accounting, replacing IAS 17. IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided AHIP has adopted IFRS 15. AHIP intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. Management is currently assessing the impact of the adoption of this standard. The most significant effect of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including those for most leases that would be currently accounted for as operating leases. Both leases with durations of 12 months or less and leases for low-value assets may be exempted.

4. Restricted cash:

	June 30, 2017	December 31, 2016
Property improvement plans ("PIPs") reserve	$ 36,075	$ 13,221
Furniture, fixture and equipment ("FF&E") reserve	3,859	2,345
Property tax reserve	7,154	2,144
Insurance and other reserves	3,585	732
	50,673	18,442
Current portion of restricted cash	(26,020)	(10,087)
	$ 24,653	$ 8,355

5. Property, buildings and equipment:

	Land	Buildings	Equipment	Construction in-progress	Total
Cost:					
Balance, January 1, 2016	$ 51,106	$ 463,970	$ 38,810	$ 714	$ 554,600
Acquisition of Branded Hotels	15,453	90,332	2,680	-	108,465
Acquisition of Rail Hotels	3,272	6,289	938	-	10,499
Additions	-	1,560	4,267	18,736	24,563
Transfers	-	14,404	3,798	(18,202)	-
Disposals	(14)	(50)	(301)	-	(365)
Balance, December 31, 2016	69,817	576,505	50,192	1,248	697,762
Acquisition of Branded Hotels	79,665	457,660	31,187	-	568,512
Additions	-	1,100	4,105	5,791	10,996
Sale of hotel	(700)	(3,557)	(150)	-	(4,407)
Transfers	-	1,861	2,376	(4,237)	-
Disposals	-	-	(66)	-	(66)
Balance, June 30, 2017	$ 148,782	$ 1,033,569	$ 87,644	$ 2,802	$ 1,272,797

	Land	Buildings	Equipment	Construction in-progress	Total
Accumulated depreciation and impairment losses:					
Balance, January 1, 2016	$ -	$ 20,186	$ 11,319	$ -	$ 31,505
Depreciation	-	13,893	7,616	-	21,509
Disposals	-	(6)	(268)	-	(274)
Balance at December 31, 2016	-	34,073	18,667	-	52,740
Depreciation	-	10,082	5,676	-	15,758
Impairment Loss	-	7,349	-	-	7,349
Disposals	-	(139)	(97)	-	(236)
Balance at June 30, 2017	$ -	$ 51,365	$ 24,246	$ -	$ 75,611
Net book value, June 30, 2017	$ 148,782	$ 982,204	$ 63,398	$ 2,802	$ 1,197,186
Net book value, December 31, 2016	$ 69,817	$ 542,432	$ 31,525	$ 1,248	$ 645,022

During the three months ended June 30, 2017, AHIP was notified that a lodging facility agreement at one of its Rail hotels that matures in October 2017 will not be renewed. The railway customer has relocated its rail crew to another hotel property also under a lodging facility agreement with AHIP. Accordingly, AHIP estimated the recoverable amount of this hotel property and recognized an impairment loss of $7,349 with respect to buildings. The recoverable amount was based on fair values less costs of disposal. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

6. Business combinations:

The table below summarizes the fair values of the assets acquired and liabilities assumed for acquisitions in 2017:

	Sunstone Embassy Suites Portfolio	Midwestern 3 Embassy Suites Portfolio	Eastern Seaboard Portfolio	Total
Fair value of consideration:				
Cash	$ 9,938	$ 116,763	$ 395,942	$ 522,643
Bridge Loan	10,199	-	-	10,199
Units (note 12(b))	17,375	-	-	17,375
Receivable from escrow	-	-	(441)	(441)
	$ 37,512	$ 116,763	$ 395,501	$ 549,776
Property, buildings and equipment	$ 56,266	$ 116,289	$ 395,957	$ 568,512
Cash provided by seller	19	-	1,094	1,113
Assumed loan, net of deferred financing costs (note 10(a))	(18,878)	-	-	(18,878)
Lease liability	-	-	(1,950)	(1,950)
Non-cash net working capital	105	474	400	979
Fair value of net identifiable assets acquired and liabilities assumed	$ 37,512	$ 116,763	$ 395,501	$ 549,776

(a) Sunstone Embassy Suites Portfolio:

On January 6, 2017, AHIP completed the acquisition of two Embassy Suites by Hilton hotels located in Dallas, Texas and Tempe, Arizona (together, the “Sunstone Embassy Suites Portfolio”) for an aggregate purchase price of $37,512. In connection with the transaction, a $10,199 bridge loan previously lent to the seller was repaid on the transaction completion date.

For the 176-day period from the acquisition date of the Sunstone Embassy Suites Portfolio to June 30, 2017, AHIP recognized revenues of $12,419 and income from operating activities of $3,209. If the Sunstone Embassy Suites Portfolio had been acquired on January 1, 2017, the proforma revenues and the proforma income from operating activities for the six months ended June 30, 2017 would have been $12,548 and $3,261, respectively.

In connection with the acquisition of the Sunstone Embassy Suites Portfolio, AHIP issued 2,242,761 Units and assumed an $18,878 term loan from the seller, inclusive of a $151 mark-to-market adjustment less deferred financing costs.

6. Business combinations (continued):

(b) Midwestern 3 Embassy Suites Portfolio:

On January 19, 2017, AHIP completed the acquisition of three Embassy Suites by Hilton hotels located in proximity to Columbus, Cleveland and Cincinnati, Ohio (together, the "Midwestern 3 Embassy Suites Portfolio") for an aggregate purchase price of $116,763.

For the 163-day period from the acquisition date of the Midwestern 3 Embassy Suites Portfolio to June 30, 2017, AHIP recognized revenues of $17,142 and income from operating activities of $5,180. If the Midwestern 3 Embassy Suites Portfolio had been acquired on January 1, 2017, the proforma revenues and the proforma income from operating activities for the six months ended June 30, 2017 would have been $18,261 and $4,729, respectively.

(c) Eastern Seaboard Portfolio:

On June 22, 2017, AHIP completed the acquisition of the Eastern Seaboard Portfolio consisting of 18 premium branded Marriott and Hilton hotels located in Maryland, New Jersey, New York, Connecticut and Pennsylvania for an aggregate purchase price of $395,501.

For the 8-day period from the acquisition date of the Eastern Seaboard Portfolio to June 30, 2017, AHIP recognized revenues of $2,525 and income from operating activities of $896. If the Eastern Seaboard Portfolio had been acquired on January 1, 2017, the proforma revenues and the proforma income from operating activities for the six months ended June 30, 2017 would have been $42,124 and $9,633, respectively.

7. Intangible assets:

	Railway Agreements	Contract Signing Fees	Franchise Agreements	Total
Cost:				
Balance, January 1, 2016	$ 14,855	$ 460	$ 3,160	$ 18,475
Branded Hotels	-	-	915	915
Balance, December 31, 2016	14,855	460	4,075	19,390
Branded Hotels	-	-	3	3
Sunstone Embassy Suites Portfolio	-	-	300	300
Midwestern 3 Embassy Suites Portfolio	-	-	525	525
Eastern Seaboard Portfolio	-	-	2,775	2,775
Disposals	-	-	(50)	(50)
Balance, June 30, 2017	$ 14,855	$ 460	$ 7,628	$ 22,943
Accumulated amortization:				
Balance, January 1, 2016	$ 5,376	$ 92	$ 305	$ 5,773
Amortization	2,527	46	269	2,842
Balance, December 31, 2016	7,903	138	574	8,615
Amortization	1,264	24	193	1,481
Disposals	-	-	(4)	(4)
Balance, June 30, 2017	$ 9,167	$ 162	$ 763	$ 10,092
Net book value, June 30, 2017	$ 5,688	$ 298	$ 6,865	$ 12,851
Net book value, December 31, 2016	$ 6,952	$ 322	$ 3,501	$ 10,775

8. Deferred income taxes:

The analysis of deferred tax assets and deferred tax liabilities as at June 30, 2017 and December 31, 2016 is as follows:

	June 30, 2017	December 31, 2016
Deferred tax assets:		
Non-capital losses carried forward	$ 5,166	$ 3,912
Intangible assets	2,825	2,400
Other	118	103
	$ 8,109	$ 6,415
Deferred tax liabilities:		
Deferred compensation payable	$ 47	$ 51
Property, buildings and equipment	2,952	1,956
Other	-	5
	$ 2,999	$ 2,012

As at June 30, 2017, AHIP had net operating losses for tax purposes totaling $13,847 (December 31, 2016 - $10,358) which may be carried forward for up to 20 years from the date of origination and applied against future taxable income.

9. Finance lease liability

	Future minimum Lease payments		Interest		Present value of minimum Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Less than one	$ 165	$ -	$ 4	$ -	$ 161	$ -
Between one and five years	1,899	-	110	-	1,789	-
More than five years	-	-	-	-	-	-
	$ 2,064	$ -	$ 114	$ -	$ 1,950	$ -

Two of the hotels within the Eastern Seaboard Portfolio have ground leases which have been classified as finance leases. The leased assets and corresponding lease liability have been recognized on the statement of financial position.

10. Term loans:

	Note	June 30, 2017	December 31, 2016
Branded Hotel loans	(a)	$ 596,966	$ 266,175
Oak Tree Inn Hotel loans		88,040	89,703
Railway Portfolio term loan		19,390	19,799
		704,396	375,677
Unamortized portion of mark-to-market adjustment		403	305
Unamortized portion of deferred financing costs		(10,094)	(7,892)
		694,705	368,090
Current portion of term loans		(6,096)	(6,040)
		$ 688,609	$ 362,050

As at June 30, 2017, the term loans had a weighted average interest rate of 4.60% (December 31, 2016 - 4.59%) and are secured by AHIP's hotel properties.

During the six months ended June 30, 2017, the following transactions occurred:

(a) Branded Hotel Loans:

On January 6, 2017, in connection with the acquisition of the Sunstone Embassy Suites Portfolio, AHIP assumed a $19,000 term loan, which had a fair value of $18,878 on the date of assumption, secured by the hotel property located in Dallas, Texas. The assumption of the loan resulted in a mark-to-market adjustment which will be amortized using the effective interest method and recorded as a reduction in finance costs. The loan matures on October 24, 2024 and has a fixed interest rate of 5.25%. The loan is interest-only until November 2019 and will then be amortized over a 30-year term. As at June 30, 2017, the principal balance on this term loan was $19,000 (December 31, 2016 - nil).

AHIP also obtained a $13,500 term loan secured by the hotel property located in Tempe, Arizona. The loan has a term of 10 years, maturing on January 6, 2027 with a fixed interest rate of 5.14%. The loan is interest-only for three years with principal payments beginning in January 2020 and will then be amortized over a 30-year term. As at June 30, 2017, the principal balance on this term loan was $13,500 (December 31, 2016 - nil).

On January 19, 2017, in connection with the acquisition of the Midwestern 3 Embassy Suites Portfolio, AHIP obtained a $65,000 term loan secured by the three hotel properties. The loan has a term of 10 years, maturing on February 6, 2027 with a fixed interest rate of 4.72%. The loan is interest-only for three years with principal payments beginning in February 2020 and will then be amortized over a 30-year term. As at June 30, 2017, the principal balance on this term loan was $65,000 (December 31, 2016 - nil).

10. Term loans (continued):

(a) Branded Hotel Loans (continued):

On June 22, 2017, in connection with the acquisition of the Eastern Seaboard Portfolio, AHIP obtained four commercial mortgage backed securities loans in the aggregate amount of $236,200 (collectively, the "Eastern Seaboard Loans"). The Eastern Seaboard Loans consist of four separate loan pools in the amounts of $69,600, $57,700, $52,400 (together the "10-year Loans") and $56,500 (the "5-year Loan"). The 10-year Loans have fixed interest rates between 4.48% and 4.53% and are interest only for the first five years and will then be amortized over 30 years. The 5-year Loan has a fixed interest rate of 4.46% and is interest only for the first two and a half years and will then be amortized over 30 years. The principal balance on the Eastern Seaboard Loans was $236,200 (December 31, 2016 - nil).

(b) Principal payments:

Future principal payments, excluding amortization of mark-to-market adjustments and deferred financing costs, payable within the next five fiscal years and thereafter on the outstanding term loans are as follows:

2017	$ 2,895
2018	11,620
2019	6,884
2020	9,172
2021	9,910
Thereafter	663,915
	$ 704,396

Under the terms of the various loans, AHIP is required to maintain quarterly and annual debt covenants. As at June 30, 2017, AHIP was in compliance with all of its lending agreements.

11. Convertible debentures:

On June 9, 2017, AHIP issued an aggregate principal amount $48,875 of convertible unsecured subordinated debentures due on June 30, 2022 (the "Debentures"), which includes the full exercise of the Debenture over-allotment option of an additional $6,375 aggregate principal amount of Debentures.

The Debentures pay interest of 5.0% per annum, which will be payable semi-annually in arrears each year on June 30 and December 31, commencing on December 31, 2017. The Debentures are convertible at the option of the holder into Units at any time prior to maturity at a conversion price equal to $9.25 per Unit ("Conversion Price") which represents a conversion rate of approximately 108.1081 Units for each $1,000 principal amount of Debentures. There will be no fractional Units issued on any conversion but in lieu thereof, AHIP will satisfy fractional interests by a cash payment equal to the current market price on the relevant date of any fractional interest. AHIP has the option to call the debentures with restrictions beginning on or after June 30, 2020 as follows:

- On or after June 30, 2020, but prior to June 30, 2021, the Debentures are redeemable, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest, at AHIP's option, provided that the weighted average trading price of the Units is not less than 125% of the Conversion Price.
- On and after June 30, 2021, the Debentures are redeemable at AHIP's option, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest.

At June 30, 2017, $48,875 of the face value of the Debentures was outstanding. The following table summarizes the values of the Debentures at June 30, 2017:

	Liability carrying value	Equity carrying value	Total face value
Balance as at January 1, 2017	$ -	$ -	$ -
Issuance of Debentures	46,790	2,085	48,875
Debenture transaction costs	(1,817)	(81)	(1,898)
Amortization of transaction costs	16	-	16
Accretion of liability component	19	-	19
Balance, June 30, 2017	$ 45,008	$ 2,004	$ 47,012

12. Partner's capital:

(a) Authorized:

The capital of AHIP consists of an unlimited number of limited partner units ("Units") and the equity interest held by the General Partner.

(b) Issued:

On January 6, 2017, $17,375 equivalent to 2,242,761 Units were issued as partial consideration for the purchase of the Sunstone Embassy Suites Portfolio (note 6) at a price of $7.7471 (Cdn$10.3099) per Unit, which was based on the 10-day volume-weighted average trading price of the Units on the TSX prior to the completion date of the acquisition. The Consideration Units were subject to a four-month hold period which expired on May 7, 2017.

On March 15, 2017, AHIP issued 6,803 Units to senior management on the vesting of Restricted Stock Units.

On June 9, 2017, AHIP completed a bought-deal public offering of 19,410,000 Units, including 1,050,000 Units related to the partial exercise of the over-allotment option, at a price of Cdn$10.35 ($7.6935) per Unit, for total gross proceeds of Cdn$200,894 ($149,330).

As at June 30, 2017 and December 31, 2016, total offering costs since inception of $37,370 and $30,087, respectively, have been deducted from partners' capital.

(c) Distribution policy:

AHIP intends to declare monthly distributions to Unitholders of record on the last business day of each month. Distributions will be paid on or about the 15th day following the end of each month. AHIP may also make additional distributions in excess of monthly distributions during the year, as the General Partner may determine.

Commencing with the April 2016 distribution payable on May 13, 2016, AHIP has been paying monthly cash distributions of $0.054 per Unit to Unitholders, which is equivalent to $0.648 per Unit on an annualized basis. Prior to April 1, 2016, AHIP was paying monthly cash distributions of Cdn$0.075 per Unit to Unitholders, which was equivalent to Cdn$0.90 per Unit on an annualized basis.

For the three months ended June 30, 2017, AHIP declared distributions to be paid to Unitholders of $0.162 per Unit (June 30, 2016 - $0.162 per Unit) totaling $10,608 (June 30, 2016 - $5,693), and $0.324 per Unit (June 30, 2016 - $0.325 per Unit) for the six months ended June 30, 2017, totaling $20,090 (June 30, 2016 - $11,401). Of this amount, $4,214 was included in accounts payable and accrued liabilities (December 31, 2016 - $3,131).

12. Partner's capital (continued):

(d) Filing of Final Form Shelf Prospectus:

On February 16, 2017, AHIP filed, and received receipt for, a final short form base shelf prospectus (the "Prospectus"). The Prospectus was filed with the securities regulatory authorities in each of the Provinces of Canada. The Prospectus is valid for a 25-month period during which time AHIP may, from time to time, issue limited partnership units, warrants, debt securities or subscription receipts (collectively, the "Securities"), or any combination thereof, having an aggregate offering price up to $500 million (or the equivalent in Canadian dollars or any other currencies). AHIP intends to use the net proceeds of any sales of Securities for, among other things, the direct or indirect financing of future growth opportunities, including acquisitions and capital expenditures and/or repayment of indebtedness. As at June 30, 2017, 19,410,000 Units and $48,875 of convertible unsecured subordinated debentures have been issued under the Prospectus with an aggregate offering price of Cdn$65,752.

13. Compensation plan:

On March 16, 2017, as part of the 2017 Unit Grant under the Securities-based Compensation Plan, AHIP granted a total of 109,936 Units to certain employees with the following vesting dates:

Vesting dates	Number of units	Total fair value of units at grant date
December 15, 2017	14,505	$ 116
March 15, 2018	8,853	71
December 14, 2018	14,505	116
March 15, 2019	8,853	71
December 13, 2019	23,369	187
March 13, 2020	39,851	291
Total Units granted	109,936	$ 852

13. Compensation plan (continued):

A summary of the details of the Units granted is as follows:

	Number of units	Weighted average grant date fair value
Unvested, January 1, 2016	46,516	$ 8.57
Granted	72,585	7.93
Vested	(10,278)	(8.53)
Cash-settled	(11,592)	(8.43)
Unvested, December 31, 2016	97,231	8.11
Granted	109,936	8.00
Vested	(6,803)	(8.41)
Cash-settled	(2,999)	(8.42)
Unvested, June 30, 2017	197,365	$ 7.90

For the three and six months ended June 30, 2017, a total of $186 and $288 in securities-based compensation expense was included in corporate and administrative expense ($124 and $170 for the three and six months ended June 30, 2016, respectively).

14. Finance costs:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Interest expense on term loans	$ 5,964	$ 3,545	$ 11,587	$ 6,981
Interest expense on convertible debentures	128	-	128	-
Amortization of convertible debenture deferred financing costs	19	-	19	-
Accretion of convertible debenture liability	15	-	15	-
Amortization of deferred financing costs	289	218	625	425
Dividends on preferred shares	4	4	8	8
Amortization of deferred compensation	4	2	8	4
Change in fair value of interest rate swap contracts	344	1,129	(51)	3,777
Amortization of mark-to market adjustments	(35)	(18)	(54)	(38)
	$ 6,732	$ 4,880	$ 12,285	$ 11,157

15. Commitments and contingencies:

(a) Operating leases:

AHIP and/or its subsidiaries entered into operating leases for certain hotel ground and air rights, office space, office equipment, and automobiles. AHIP's head office is subleased from a related party. AHIP reimburses the related party for rental payments on a monthly basis. An agreement to lease a new office space has been entered into effective July 1, 2017. The office lease has a term of five years with a renewal option of an additional five years and has been accounted for as an operating lease. The minimum lease payments have been included in the commitments schedule below.

One of the hotels within the Midwestern 3 Embassy Suites Portfolio has an air rights lease on which the hotel is located. The lease commenced in 1988 with an initial term of 25 years and five automatic renewal terms of 25 years each. The initial term matured in 2015 and the first renewal term will mature in 2040. This lease has been classified as an operating lease.

Future minimum lease payments under non-cancelable operating leases as of June 30, 2017 are as follows:

2017	$	574
2018		781
2019		555
2020		367
2021		330
Thereafter		3,676
	$	6,283

(b) Lodging facility agreements:

The Rail Hotels have lodging facility agreements with several railway companies. Under these agreements, AHIP typically agrees to operate and maintain lodging and restaurant properties for the use of authorized railway employees. The agreements provide for a minimum number of rooms to be available, and they also specify certain quality, service, transportation, and insurance requirements to be provided by AHIP in exchange for a fixed rate per rented room. AHIP may rent the remaining rooms to the general public. These agreements have terms ranging from annual renewals to expirations in 2031.

(c) Property Improvement Plans:

Under the terms of AHIP's franchise agreements for its Branded Hotels, AHIP is required to complete brand mandated property improvement plans. AHIP's operating subsidiaries have entered into contracts or commitments with various suppliers to supply products and services in compliance with these renovation plans. Payments for these items are held as restricted cash (as described in note 4) and funds are disbursed in the ordinary course of business.

16. Related party transactions:

(a) Hotel Manager:

Certain AHIP subsidiaries have entered into hotel management agreements, as amended on September 30, 2016, with various wholly owned subsidiaries of ONE Lodging Management Inc. (the "Hotel Manager"), a company indirectly controlled by a director of the General Partner, to manage and operate the hotel properties.

AHIP's operating subsidiaries are responsible for reimbursing the Hotel Manager 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 amended master hotel management agreement provides for the payment of the following amounts to the Hotel Manager: a base management fee, a capital expenditure fee, an annual administration fee and an incentive fee, if certain profit thresholds are met.

AHIP recorded the following fees charged by the Hotel Manager in corporate and administrative expenses:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Management fees	$ 2,092	$ 1,561	$ 3,944	$ 2,963
Administration fees	541	500	1,080	978
Total fees expensed	$ 2,633	$ 2,061	$ 5,024	$ 3,941

16. Related party transactions (continued):

(a) Hotel Manager (continued):

Capital management fees of $233 and $483 for the three months and six months ended June 30, 2017, respectively, ($192 and $271 for the three months and six months ended June 30, 2016, respectively) were capitalized to property, buildings and equipment. For the three and six months ended June 30, 2017 and 2016, the Hotel Manager did not qualify for any incentive fees and as a result no incentive fee amounts were recorded in these condensed consolidated interim financial statements.

In addition, during the three and six months ended June 30, 2017, the Hotel Manager was reimbursed $18,584 and $35,964, respectively, from the hotel properties comprised primarily of payroll costs and other general and administrative costs such as insurance, travel, and office supplies ($12,089 and $23,685 for the three and six months ended June 30, 2016, respectively).

As at June 30, 2017, a total of $1,445 was due to the Hotel Manager and is included in accounts payable and accrued liabilities (December 31, 2016 - $698).

(b) Compensation:

Key management includes those persons having authority and responsibility for planning, directing, and controlling the activities of AHIP, directly or indirectly. Total compensation awarded to key management for the three and six months ended June 30, 2017 was $1,489 and $2,446, respectively, ($431 and $827 for the three and six months ended June 30, 2016, respectively), which included securities-based compensation expense of $186 for the three months ended June 30, 2017 (three months ended June 30, 2016 - $124) and $288 for the six months ended June 30, 2017 (six months ended June 30, 2016 - $170) and $889 in success fees for the Eastern Seaboard portfolio acquired.

17. Financial instruments:

The carrying values of AHIP's cash and cash equivalents, restricted cash, loan receivable, trade and other receivables, other assets, accounts payables and accrued liabilities, deferred compensation payable approximates their fair values due to the short-term nature of these financial assets and liabilities.

The fair value of AHIP's term loans was determined using present value calculations based on market-observable interest rates for loans with similar terms and conditions and are considered Level 2 financial instruments. The fair value of AHIP's term loans at June 30, 2017 was $699,883 (December 31, 2016 - $367,780).

AHIP uses interest rate swap contracts to effectively fix the interest rate on certain loans. As hedge accounting is not applied; the contracts are carried at fair value and reported as assets (positive) or liabilities (negative) depending on the fair value on the reporting date and the change in fair value is recognized in net income or loss for the period. The fair value of the interest rate swap contracts is calculated through discounting future expected cash flows using the appropriate LIBOR rate swap curve adjusted for credit risk. Since the LIBOR rate swap curve is an observable input, these financial instruments are considered Level 2.

The fair value of the liability portion of AHIP's convertible debentures was determined using present value calculations based on market-observable interest rates for unsecured subordinated debentures without conversion features of similar size and are considered Level 2 financial instruments. The carrying value of the liability portion of AHIP's convertible debentures approximates their fair values at June 30, 2017.

There have been no transfers between levels during the year.

18. Capital management:

	June 30, 2017	December 31, 2016
Term loans	$ 694,705	$ 368,090
Convertible debentures, liability portion	45,008	-
Partners' capital	539,510	401,024
Total capital	$1,279,223	$ 769,114

AHIP defines capital as the aggregate of its term loans, convertible debentures and partners' capital, net of related financing costs. AHIP's objectives in managing capital are to maintain a level of capital that: complies with investment and debt restrictions as prescribed in the Limited Partnership Agreement; complies with existing debt covenants; funds its business strategies; and builds long-term value. AHIP's capital structure is periodically reviewed by the Board of Directors of the General Partner.

19. Supplemental cash flow disclosure:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Changes in non-cash operating working capital:				
Accounts payable and accrued liabilities	$ 4,119	$ (356)	$ 9,006	$ 1,923
Prepaid and other assets	592	26	7,129	(1,062)
Trade and other receivables	(2,793)	25	(5,336)	(293)
	$ 1,918	$ (305)	$ 10,799	$ 568

20. Segment reporting:

AHIP's operations consist of hotel properties in the U.S. only. AHIP structures its operations in two operating and reportable segments based on the way that AHIP organizes its operations for making operating decisions and assessing performance. AHIP's corporate costs are not allocated to the segments.

The following provides segmented information as at June 30, 2017 and December 31, 2016 and for the three and six months ended June 30, 2017 and June 30, 2016:

June 30, 2017	Branded Hotels	Rail Hotels	Corporate	Total
Total assets	$ 1,081,220	$ 216,393	$ 17,489	$ 1,315,102
Total liabilities	612,287	110,226	53,079	775,592

December 31, 2016	Branded Hotels	Rail Rail Hotels	Corporate	Total
Total assets	$ 481,139	$ 224,342	$ 85,958	$ 791,439
Total liabilities	271,912	112,775	5,728	390,415

20. Segment reporting (continued):

Income (loss) from operating activities for the three months ended June 30, 2017:

	Branded Hotels	Rail Hotels	Corporate	Total
Revenue	$ 52,112	$ 17,340	$ -	$ 69,452
Hotel expenses	38,090	14,594	14	52,698
Income (loss) from operating activities	$ 14,022	$ 2,746	$ (14)	$ 16,754

Income (loss) from operating activities for the three months ended June 30, 2016:

	Branded Hotels	Rail Hotels	Corporate	Total
Revenue	$ 26,239	$ 18,288	$ -	$ 44,527
Hotel expenses	18,488	13,869	5	32,362
Income (loss) from operating activities	$ 7,751	$ 4,419	$ (5)	$ 12,165

Income (loss) from operating activities for the six months ended June 30, 2017:

	Branded Hotels	Rail Hotels	Corporate	Total
Revenue	$ 97,632	$ 33,545	$ -	$ 131,177
Hotel expenses	72,911	28,896	23	101,830
Income (loss) from operating activities	$ 24,721	$ 4,649	$ (23)	$ 29,347

Income from operating activities for the six months ended June 30, 2016:

	Branded Hotels	Rail Hotels	Corporate	Total
Revenue	$ 49,369	$ 35,292	$ -	$ 84,661
Hotel expenses	36,683	27,668	(9)	64,342
Income from operating activities	$ 12,686	$ 7,624	$ 9	$ 20,319

21. Subsequent events:

Distribution:

On July 17, 2017, AHIP announced a cash distribution of $0.054 per Unit for the period of July 1, 2017 to July 31, 2017, which is equivalent to $0.648 per Unit on an annualized basis. The distribution will be paid on August 15, 2017 to unitholders of record at the close of business on July 31, 2017.