

*This prospectus is a short form base shelf prospectus. This short form base shelf prospectus has been filed under legislation in each of the provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “U.S. Securities Act”) or any state securities laws and may not be offered or sold in the United States except in compliance with exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. This short form base shelf prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States. See “Plan of Distribution”.*

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

## SHORT FORM BASE SHELF PROSPECTUS

New Issue

February 16, 2017



**US\$500,000,000**

**Units  
Warrants  
Debt Securities  
Subscription Receipts**

This short form base shelf prospectus (“**Prospectus**”) relates to the offering for sale by American Hotel Income Properties REIT LP (the “**REIT**”) from time to time, during the 25-month period that this Prospectus, including any amendments thereto, remains valid, of up to US\$500,000,000 (or its equivalent in Canadian dollars or any other currencies) in the aggregate of: (i) limited partnership units of the REIT (“**Units**”); (ii) warrants (“**Warrants**”) to purchase other Securities (as defined below) of the REIT; (iii) debt securities (“**Debt Securities**”), which may consist of bonds, debentures, notes or other evidences of indebtedness of any kind, nature or description and which may be issuable in series; and (iv) subscription receipts (“**Subscription Receipts**”) convertible into other Securities of the REIT. The Units, Warrants, Debt Securities and Subscription Receipts are collectively referred to herein as the “**Securities**”. The Securities may be offered for sale separately or in combination with one or more other Securities and may be sold from time to time in one or more transactions at a fixed price or prices (which may be changed) or at market prices prevailing at the time of sale, at prices determined by reference to such prevailing market prices or at negotiated prices.

The specific terms of any Securities offered will be described in one or more shelf prospectus supplements (collectively or individually, as the case may be, a “**Prospectus Supplement**”), including, where applicable: (i) in the case of Units, the number of Units offered, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution) and any other specific terms; (ii) in the case of Warrants, the number of Warrants being offered, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution), the designation, number and terms of the other Securities purchasable upon exercise of the Warrants, and any procedures that will result in the adjustment of those numbers, the exercise price, the dates and periods of exercise and any other specific terms; (iii) in the case of Debt Securities,

the specific designation of the Debt Securities, the aggregate principal amount of the Debt Securities, the maturity, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution), whether payment on the Debt Securities will be senior or subordinated to the REIT's other liabilities and obligations, whether the Debt Securities will bear interest, the interest rate or method of determining the interest rate, any interest payment date(s), covenants, events of default, any terms of redemption, any conversion or exchange rights and any other specific terms; and (iv) in the case of Subscription Receipts, the number of Subscription Receipts being offered, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution), the terms, conditions and procedures for the conversion of the Subscription Receipts into other Securities, the designation, number and terms of such other Securities, and any other specific terms. A Prospectus Supplement relating to a particular offering of Securities may include terms pertaining to the Securities being offered thereunder that are not within the terms and parameters described in this Prospectus. See "Description of Securities".

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

The REIT may offer and sell the Securities to or through underwriters or dealers purchasing as principals, and may also sell directly to one or more purchasers or through agents or pursuant to applicable statutory exemptions. See "Plan of Distribution". The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter, dealer or agent, as the case may be, engaged by the REIT in connection with the offering and sale of the Securities, and will set forth the terms of the offering of such Securities, including, to the extent applicable, any fees, discounts or any other compensation payable to underwriters, dealers or agents in connection with the offering, the details of any over-allotment options granted to underwriters, dealers or agents, the method of distribution of the Securities, the initial issue price (in the event that the offering is a fixed price distribution), the proceeds that the REIT will receive and any other material terms of the plan of distribution.

The Securities may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis, the Securities may be offered at market prices prevailing at the time of sale (including, without limitation, sales deemed to be "at-the-market distributions" as defined in National Instrument 44-102 – *Shelf Distributions*, including sales made directly on the Toronto Stock Exchange (the "Exchange") or other existing trading markets for the Securities), at prices determined by reference to the prevailing price of a specified security in a specified market or at prices to be negotiated with purchasers, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be decreased by the amount, if any, by which the aggregate price paid for the Securities by the purchasers is less than the gross proceeds paid by the underwriter, dealer or agent to the REIT. The price at which the Securities will be offered and sold may vary from purchaser to purchaser and during the period of distribution.

In connection with any offering of Securities, the underwriters, dealers or agents, as the case may be, may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the Securities at a level other than those which otherwise might prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time. See "Plan of Distribution".

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

The issued and outstanding Units of the REIT trade on the Exchange under the symbol HOT.UN. On February 15, 2017, the last trading day prior to the date of this Prospectus, the closing price of the issued and outstanding Units on the Exchange was Cdn\$10.69.

**Unless otherwise specified in the applicable Prospectus Supplement, each series or issue of Securities (other than Units) will be a new issue of Securities with no established trading market. Accordingly, there is currently no market through which the Securities (other than Units) may be sold and purchasers may not be**

**able to resell such Securities purchased under this Prospectus. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities and the extent of issuer regulation. See “Risk Factors”.**

Prospective investors should be aware that the purchase of Securities may have tax consequences that may not be fully described in this Prospectus or in any Prospectus Supplement, and should carefully review the tax discussion, if any, in the applicable Prospectus Supplement and in any event consult with a tax adviser.

**An investment in the Securities is subject to a number of risks. See “Risk Factors” for a more complete discussion of these risks.**

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

**No underwriter has been involved in the preparation of this Prospectus or performed any review of the contents hereof.**

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

Each of W. Michael Murphy and Richard Frank: (i) is a director of the General Partner; (ii) resides outside of Canada; and (iii) has appointed the REIT as its agent for service of process in Canada. Colliers International Valuation & Advisory Services, LLC: (i) is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction; and (ii) has appointed Colliers Macaulay Nicolls Inc. of 1140 Bay Street, Toronto, Ontario M5S 2B4 as its agent for service of process in Canada. Keiter: (i) is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction; and (ii) has appointed the REIT as its agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

## TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE.....	1	EARNINGS COVERAGE RATIO.....	28
EXCHANGE RATE INFORMATION .....	3	CONSOLIDATED CAPITALIZATION OF THE REIT .....	29
ABOUT THIS PROSPECTUS.....	3	PLAN OF DISTRIBUTION .....	29
MEANINGS OF CERTAIN REFERENCES .....	4	PRINCIPAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	30
THIRD PARTY INFORMATION .....	4	PRINCIPAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS.....	30
FORWARD-LOOKING STATEMENTS.....	4	RISK FACTORS.....	31
COMMONLY USED TERMS.....	6	AUDITORS, TRANSFER AGENT AND REGISTRAR.....	33
THE REIT AND ITS OPERATING SUBSIDIARIES .....	11	LEGAL PROCEEDINGS .....	33
BUSINESS OF THE REIT.....	14	LEGAL MATTERS .....	33
RECENT DEVELOPMENTS .....	15	EXPERTS .....	33
DESCRIPTION OF SECURITIES.....	22	PURCHASER'S STATUTORY RIGHTS.....	33
DISTRIBUTION HISTORY .....	25	PURCHASER'S CONTRACTUAL RIGHTS.....	34
PRIOR SALES .....	26	CERTIFICATE OF THE REIT .....	C-1
TRADING PRICE AND VOLUME .....	27		
USE OF PROCEEDS .....	27		

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of American Hotel Income Properties REIT LP, 1660 – 401 West Georgia Street, Vancouver, British Columbia V6B 5A1 or by accessing such documents under the REIT's profile on the System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at [www.sedar.com](http://www.sedar.com).

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

- (a) the annual information form of the REIT dated March 17, 2016 for the year ended December 31, 2015;
- (b) the audited annual consolidated financial statements of the REIT for the years ended December 31, 2015 and December 31, 2014, together with the auditors' report thereon and the notes thereto;
- (c) the management's discussion and analysis of the REIT for the year ended December 31, 2015;
- (d) the unaudited condensed consolidated interim financial statements of the REIT for the three-month and nine-month periods ended September 30, 2016;
- (e) the management's discussion and analysis of the REIT for the three-month and nine-month periods ended September 30, 2016;
- (f) the business acquisition report of the REIT dated January 31, 2017 with respect to the REIT's indirect acquisition of the Midwestern 3 Embassy Suites Portfolio;
- (g) the material change report of the REIT dated July 15, 2016 with respect to the REIT's agreement to acquire the Sunstone Embassy Suites Portfolio;

- (h) the material change report of the REIT dated July 26, 2016 with respect to the completion of the July 2016 Offering;
- (i) the material change report of the REIT dated October 11, 2016 with respect to the amendment to the Master Hotel Management Agreement;
- (j) the material change report of the REIT dated November 3, 2016 with respect to the indirect acquisition by the REIT of the Florida/Tennessee Portfolio;
- (k) the material change report of the REIT dated November 4, 2016 with respect to the REIT's agreement to indirectly acquire the Florida 6 Portfolio;
- (l) the material change report of the REIT dated December 16, 2016 with respect to the REIT's agreement to indirectly acquire the Midwestern 3 Embassy Suites Portfolio;
- (m) the material change report of the REIT dated December 22, 2016 with respect to the completion of the December 2016 Offering; and
- (n) the management information circular of the REIT dated April 8, 2016 issued in connection with the annual and special meeting of the Unitholders held on May 12, 2016.

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

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

Upon a new annual information form and related annual audited consolidated financial statements and management's discussion and analysis being filed by the REIT with, and where required, accepted by, the applicable securities regulatory authorities during the term of this Prospectus: (i) the previous annual information form, the previous annual audited consolidated financial statements and related management's discussion and analysis; (ii) all interim financial statements and related management's discussion and analysis, all material change reports and all business acquisition reports filed by the REIT prior to the commencement of the REIT's financial year in respect of which the new annual information form is filed; and (iii) any business acquisition report for acquisitions completed since the beginning of the financial year in respect of which the new annual information form is filed (unless such report is incorporated by reference into the current annual information form or less than nine months of the acquired business or related businesses operations are incorporated into the REIT's current annual audited consolidated financial statements) shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder.

Upon new interim financial statements and related management's discussion and analysis being filed by the REIT with the applicable securities regulatory authorities in Canada during the term of this Prospectus, all interim financial statements and related management's discussion and analysis filed prior to the new interim consolidated financial statements shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder.

Upon a new information circular relating to an annual meeting of Unitholders being filed by the REIT with applicable securities regulatory authorities in Canada subsequent to the date of this Prospectus and prior to the date on which this Prospectus ceases to be effective, the information circular for the preceding annual meeting of Unitholders and any other information circular filed by the REIT prior to the commencement of the REIT's financial year in respect of which the new annual information form is filed shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of offers and sales of Securities under this Prospectus.

A Prospectus Supplement containing the specific terms of any Securities offered thereunder will be delivered to purchasers of such Securities together with this Prospectus to the extent required under applicable securities laws and will be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement solely for the purposes of the Securities offered thereunder.

In addition, certain marketing materials (as that term is defined in applicable Canadian securities legislation) may be used in connection with a distribution of Securities under this Prospectus and the applicable Prospectus Supplement(s). Any "template version" of "marketing materials" (as those terms are defined in applicable Canadian securities legislation) pertaining to a distribution of Securities, and filed by the REIT after the date of the Prospectus Supplement for the distribution and before termination of the distribution of such Securities, will be deemed to be incorporated by reference in that Prospectus Supplement for the purposes of the distribution of Securities to which the Prospectus Supplement pertains.

## EXCHANGE RATE INFORMATION

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

	<b>Year Ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>(Cdn\$)</b>	<b>(Cdn\$)</b>	<b>(Cdn\$)</b>
Highest rate during the period	1.4589	1.3990	1.1643
Lowest rate during the period	1.2544	1.1728	1.0614
Average rate for the period	1.3248	1.2787	1.1045
Rate at the end of the period	1.3427	1.3840	1.1601

Where there is a conversion of U.S. dollars to Canadian dollars in this Prospectus, the conversion was based on a rate of exchange of US\$1.00 equals Cdn\$1.3294, unless otherwise noted. On February 15, 2017, the noon rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was US\$1.00 equals Cdn\$1.3084.

## ABOUT THIS PROSPECTUS

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



## MEANINGS OF CERTAIN REFERENCES

Certain terms used in this Prospectus are defined under “Commonly Used Terms”. Except as otherwise stated in this Prospectus, all dollar amounts in this Prospectus are stated in U.S. dollars.

The REIT’s investment and operating activities are limited because the REIT’s investment and operating activities are carried out by its direct and indirect Subsidiaries, including the U.S. REIT. For simplicity, the REIT uses terms in this Prospectus to refer to the investments and operations of the REIT and its direct and indirect Subsidiaries, including the U.S. REIT, as a whole. Accordingly, in this Prospectus, unless the context otherwise requires, the “REIT” is referring to the REIT and its direct and indirect Subsidiaries, including the U.S. REIT, as a whole. When the REIT uses expressions such as “the REIT’s operations”, the REIT is referring to the REIT’s indirect operations, as carried out by its direct and indirect Subsidiaries, including the U.S. REIT, as a whole. When the REIT uses expressions such as “the REIT’s portfolio” or “the REIT owns” in relation to the Properties, the REIT is referring to the REIT’s indirect ownership of and investment in the Properties through its investment in its direct and indirect Subsidiaries, including the U.S. REIT. When the REIT uses expressions such as “the REIT operates”, the REIT is referring to the REIT’s indirect operations, as carried out by its direct and indirect Subsidiaries, including the U.S. REIT.

References to “management” in this Prospectus mean the persons acting in the capacities of the REIT’s Chief Executive Officer, President, Chief Financial Officer, Chief Investment Officer and Vice President, Finance. Any statements in this Prospectus made by or on behalf of management are made in such persons’ capacities as officers of the General Partner or as officers of certain of the REIT’s Subsidiaries, as applicable, and not in their personal capacities.

## THIRD PARTY INFORMATION

This Prospectus, including documents incorporated by reference herein, includes market share information, industry data and forecasts obtained from independent industry publications, market research and analyst reports, surveys and other publicly available sources. Although the REIT 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 is not guaranteed. The REIT has not independently verified any of the data from third party sources referred to in this Prospectus, including documents incorporated by reference herein, nor ascertained the underlying assumptions relied upon by such sources.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking information. Statements other than statements of historical fact contained in this Prospectus may be forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intent”, “estimate”, “anticipate”, “believe”, “should”, “plans”, or “continue”, or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and the REIT’s objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the estimates or predictions of actions of customers, competitors or regulatory authorities, and statements regarding the REIT’s future economic performance. The REIT has based these forward-looking statements on the REIT’s current expectations about future events. Some of the specific forward-looking statements in this Prospectus include, but are not limited to, statements with respect to: the terms of the Securities and any offering made under this Prospectus; the filing of and matters to be set out in one or more Prospectus Supplements; the expected use of the proceeds from the sale of Securities under this Prospectus; estimated reserve requirements for modified capital reserve expenditures for each of the Sunstone Embassy Suites Portfolio; the REIT’s expectation that the excess cash on hand from the December 2016 Offering and the timing and amount of the deployment thereof will not impact the REIT’s ability to achieve its business objectives; the REIT’s intention to include adequate reserves in its cash flow to fund ongoing capital expenditure requirements for the Sunstone Embassy Suites Portfolio; management’s expectation that the REIT will complete a re-organization of the Purchased Entities, which indirectly own the Sunstone Embassy Suites Portfolio; expectations that the Rail Hotels and the Branded Hotels will continue to provide a platform on which to expand the REIT’s business and activities through a combination of organic growth, participation in strategic development

opportunities and accretive acquisitions; the REIT's intention to continuously monitor future guidance from the IRS and/or CRA and comply with any future changes in guidance as they relate to the REIT; the REIT's intention to provide stable, sustainable and growing cash distributions through operation of the Properties and the REIT's other stated objectives; the REIT's intention that all investments and acquisitions will be accretive to the REIT's AFFO per Unit; the REIT's intention to make regular monthly cash distributions; the expected timing of the record and payment dates for monthly distributions; the REIT's business and growth strategies and its ability to execute such strategies, including by, among other things, expanding existing Oak Tree Inns and making additional acquisitions of properties in the REIT's target markets; the manner in which future acquisitions of the REIT will be undertaken; statements related to PIPs; future maturities and amortization periods on long term debt and estimated useful lives of the REITs assets; the expected tax treatment of the REIT's distributions to Unitholders; the REIT's access to available sources of debt and equity financing; expectations for Units to be considered "regularly traded" on an established securities market; expectations, including anticipated trends and challenges, in respect of the hotel sector in the REIT's target markets; the REIT's intention to consent where necessary to the filing of "consent dividend" elections under section 565 of the Code in respect of shares of the U.S. REIT; and the REIT's expectations with respect to the Existing Portfolio.

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

Although the REIT believes that the expectations and assumptions reflected in such forward-looking information are reasonable, the REIT can give no assurance that these expectations and assumptions 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 expectations and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this Prospectus as well as the following: the satisfactory timing and receipt of regulatory approval with respect to the offering of Securities under Prospectus Supplements; the ability to secure CMBS and mortgage for future acquisitions; capital markets will provide the REIT with readily available access to equity and/or debt financing on terms acceptable to the REIT; the REIT's future level of indebtedness and the REIT's future growth potential will remain consistent with the REIT's current expectations; there will be no changes to tax laws adversely affecting the REIT's financing capability, operations, activities, structure or distributions; the REIT will retain and continue to attract qualified and knowledgeable personnel as the REIT expands the REIT's portfolio and business; the impact of the current economic climate and the current global financial conditions on the REIT's operations, including the REIT's financing capability and asset value, will remain consistent with the REIT's current expectations; there will be no material changes to government and environmental regulations adversely affecting the REIT's operations; conditions in the international and, in particular, the U.S. hotel and lodging industry, including competition for acquisitions, will be consistent with the economic climate; the U.S. REIT will continue to qualify as a real estate investment trust under the Code; and the SIFT Measures in the Tax Act will continue to not apply to the REIT.

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

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

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



## COMMONLY USED TERMS

In this Prospectus the following words and phrases have the following meanings unless the context otherwise requires:

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

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

“**AHIP Enterprises**” means AHIP Enterprises LLC, a limited liability company formed in Delaware;

“**AHIP Properties**” means AHIP Properties LLC, a limited liability company formed in Delaware;

“**AIF**” means the current annual information form of the REIT, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com);

“**AML**” means AHIP Management Ltd., a company incorporated under the *Business Corporations Act* (British Columbia);

“**Board**” means the board of directors of the General Partner;

“**Branded Hotels**” means, collectively, hotels owned by the REIT, which have franchise lodging agreements with leading hotel franchisors;

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

“**CMBS**” means commercial mortgage-backed securities debt;

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

“**Colliers**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Sunstone Embassy Suites Portfolio – Independent Appraisal of the Sunstone Embassy Suites Portfolio”;

“**Consideration Units**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Sunstone Embassy Suites Portfolio – Overview”;

“**Contract Renewal**” has the meaning ascribed to it under “Recent Developments – Contract Renewal”;

“**CRA**” means Canada Revenue Agency;

“**Dallas Loan**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Sunstone Embassy Suites Portfolio – Overview”;

“**Dallas Property**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Sunstone Embassy Suites Portfolio – Overview”;

“**Debt Securities**” has the meaning ascribed to it on the cover page to this Prospectus;

“**December 2016 Offering**” has the meaning ascribed to it under “Prior Sales”;

“**December 2016 Prospectus**” means the final short form prospectus of the REIT dated December 16, 2016, a copy of which has been filed on SEDAR and is available at [www.sedar.com](http://www.sedar.com);

“**Developer**” means SunOne Developments Inc.;

“**Exchange**” means the Toronto Stock Exchange;

“**Existing Portfolio**” means the portfolio of 96 hotel properties located in 30 states in the U.S. and currently indirectly owned by the REIT;

“**FF&E**” means furniture, fixtures and equipment;

“**Florida 6 Loan**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Florida 6 Portfolio”;

“**Florida 6 Portfolio**” means the portfolio of six hotel properties located in Florida indirectly acquired by the REIT on November 29, 2016;

“**Florida Portfolio**” means the portfolio of three hotel properties located in Ocala, Florida indirectly acquired by the REIT on August 6, 2015;

“**Florida/Tennessee Loan**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Florida/Tennessee Portfolio”;

“**Florida/Tennessee Portfolio**” means the portfolio of four hotel properties located in Florida and Tennessee indirectly acquired by the REIT on October 28, 2016;

“**General Partner**” means American Hotel Income Properties REIT (GP) Inc., a corporation incorporated under the CBCA;

“**HVS**” means MM&R Valuation Services, Inc. d/b/a HVS;

“**IML Enterprises**” means IML Enterprises, LLC, a limited liability company formed in Delaware;

“**IML Properties**” means IML Properties LLC, a limited liability company formed in Delaware;

“**IRS**” means the Internal Revenue Service of the United States;

“**July 2016 Offering**” has the meaning ascribed to it under “Prior Sales”;

“**KPMG**” means KPMG LLP;

“**Lodging Enterprises**” means Lodging Enterprises, LLC, a limited liability company formed in Delaware;

“**Lodging Properties**” means Lodging Properties LLC, a limited liability company formed in Delaware;

“**LP Agreement**” means the limited partnership agreement of the REIT dated as of October 12, 2012, and subsequently amended and restated as of February 20, 2013 and further amended as of June 9, 2015;

“**Master HMA Amendment**” has the meaning ascribed to it under “Recent Developments – Amendment to Master Hotel Management Agreement”;

“**Master Hotel Management Agreement**” means the master hotel management agreement between the REIT and the Master Hotel Manager dated February 20, 2013, as amended on September 30, 2016, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com);

“**Master Hotel Manager**” has the meaning ascribed to it under “Business of the REIT – Management”;

“**Midwestern 3 Appraisal**” means the combined independent appraisal report of HVS dated December 14, 2016, which reports the combined fair market value of the Midwestern 3 Embassy Suites Portfolio as of November 11, 2016;

“**Midwestern 3 Embassy Suites Portfolio**” means the portfolio of three Embassy Suites by Hilton hotel properties located in proximity to Columbus, Cleveland and Cincinnati, Ohio indirectly acquired by the REIT on January 19, 2017;

“**Midwestern 3 Loan**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Midwestern 3 Embassy Suites Portfolio”;

“**Midwestern 3 PSA**” means the Agreement of Purchase and Sale dated December 8, 2016 among the U.S. REIT and the Midwestern 3 Sellers, pursuant to which the REIT intends to indirectly acquire the Midwestern 3 Embassy Suites Portfolio, as such agreement is amended, restated and/or supplemented from time to time;

“**Midwestern 3 Sellers**” means, collectively, AP/AIM Rivercenter Suites, LLC, AP/AIM Dublin Suites, LLC and AP/AIM Independence Suites, LLC;

“**Midwestern Portfolio**” means the portfolio of nine hotel properties located in Illinois, Iowa, Kansas, Missouri and Oklahoma indirectly acquired by the REIT on June 18, 2015;

“**Nashville Loan**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Nashville Property”;

“**Nashville Property**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Nashville Property”;

“**NC/FL Portfolio**” means the portfolio of four hotel properties located in North Carolina and Florida indirectly acquired by the REIT on November 25, 2014;

“**NC/GA Portfolio**” means a portfolio of four hotel properties located in North Carolina and Georgia, three of which properties were indirectly acquired by the REIT on July 3, 2014, with the fourth hotel property indirectly acquired by the REIT on July 11, 2014;

“**NI 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

“**Oak Tree Inn Hotels**” means, collectively, hotels owned by the REIT that have rail crew lodging agreements and are operated under the “Oak Tree Inn” brand;

“**Offering**” means the offering of Securities issued and sold by the REIT pursuant to this Prospectus;

“**Oklahoma Portfolio**” means the portfolio of four hotel properties located in Oklahoma indirectly acquired by the REIT on November 3, 2014;

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

“**Phase II ESA Report**” means a Phase II environmental site assessment report;

“**PIPs**” means brand-mandated property improvement plans;

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

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

“**Prospectus**” means this short form base shelf prospectus, including any amendments hereto;

“**Prospectus Supplement**” has the meaning ascribed to it on the cover page to this Prospectus;

“**Purchased Entities**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Sunstone Embassy Suites Portfolio – Overview”;

“**Rail Hotels**” means, collectively, hotels owned by the REIT that have rail crew lodging agreements;

“**Rail Portfolio**” means the portfolio of five rail crew lodging facilities indirectly acquired by the REIT on September 16, 2015 that were subsequently converted into Oak Tree Inn Hotels;

“**REC**” means recognized environmental condition;

“**REIT**” means American Hotel Income Properties REIT LP, an Ontario limited partnership;

“**Securities**” has the meaning ascribed to it on the cover page to this Prospectus;

“**SIFT Measures**” means the rules in the Tax Act regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors;

“**Subscription Receipts**” has the meaning ascribed to it on the cover page to this Prospectus;

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

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

“**Sunstone Embassy Suites Appraisal**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Sunstone Embassy Suites Portfolio – Independent Appraisal of the Sunstone Embassy Suites Portfolio”;

“**Sunstone Embassy Suites Portfolio**” means the portfolio of two Embassy Suites by Hilton hotel properties located in Tempe, Arizona and Dallas, Texas indirectly acquired by the REIT on January 6, 2017;

“**Sunstone Embassy Suites PSA**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Sunstone Embassy Suites Portfolio – Overview”;

“**Sunstone Embassy Suites Sellers**” means, collectively, Sunstone (No. 3) Limited Partnership, Sunstone U.S. Hotel (No. 3) Inc., EST 2011 Operations LLC, Sunstone U.S. No. 3H (GP) Limited Partnership, Sunstone Advisors (Delaware) No. 3H Inc., EST 2011 GP, LLC, Sunstone (No. 4) Limited Partnership, Sunstone U.S. Hotel (No. 4) Inc., ESD DFW South 2011 Operations LLC, Sunstone U.S. No. 4H (GP) Limited Partnership, Sunstone Advisors (Delaware) No. 4H Inc. and ESD DFW South 2011 GP, LLC;

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

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

“**Tempe Bridge Loan**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Sunstone Embassy Suites Portfolio – Overview”;

“**Tempe Loan**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Sunstone Embassy Suites Portfolio – Overview”;

“**Tempe Property**” has the meaning ascribed to it under “Recent Developments – Acquisition of the Sunstone Embassy Suites Portfolio – Overview”;

“**Texas Portfolio**” means the portfolio of three hotel properties located in Texas indirectly acquired by the REIT on October 27, 2014;

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

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

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

“**U.S. Securities Act**” has the meaning ascribed to it on the cover page to this Prospectus;

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

“**Warrants**” has the meaning ascribed to it on the cover page to this Prospectus; and

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



## **THE REIT AND ITS OPERATING SUBSIDIARIES**

### **American Hotel Income Properties REIT LP**

The REIT is a limited partnership formed under the *Limited Partnerships Act* (Ontario) on October 12, 2012 and is governed by the LP Agreement. The REIT's head office is located at 1660 – 401 West Georgia Street, Vancouver, British Columbia V6B 5A1 and its registered office is located at 25<sup>th</sup> Floor – 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3.

### **American Hotel Income Properties REIT (GP) Inc.**

The General Partner is a corporation incorporated on September 6, 2012 under the CBCA. The General Partner's head office is located at 1660 – 401 West Georgia Street, Vancouver, British Columbia V6B 5A1 and its registered office is located at 25<sup>th</sup> Floor – 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3. The General Partner is the general partner of the REIT.

### **American Hotel Income Properties REIT Inc.**

U.S. REIT is a corporation incorporated in Maryland on February 15, 2013. The head office of the U.S. REIT is located at 8080 East Central, Suite 180, Wichita, Kansas 67206. The U.S. REIT's registered office is located at c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201. The U.S. REIT elected to be a real estate investment trust pursuant to the Code commencing with its first taxable year ended December 31, 2013 and it intends to maintain such election in the current and future years.

In order to accommodate the requirements of lenders, to segregate risks of ownership of the Existing Portfolio, and to comply with qualification requirements as a real estate investment trust under the Code, the U.S. REIT owns the Existing Portfolio through wholly-owned direct and indirect Subsidiaries of the U.S. REIT (including Lodging Properties, IML Properties and direct Subsidiaries of AHIP Properties), which in turn lease the Existing Portfolio to other wholly-owned direct and indirect Subsidiaries of the U.S. REIT (including Lodging Enterprises, IML Enterprises and direct Subsidiaries of AHIP Enterprises, respectively). Lodging Enterprises, IML Enterprises and direct Subsidiaries of AHIP Enterprises continue to operate the Existing Portfolio through arrangements with direct Subsidiaries of the Master Hotel Manager.

Any additional acquisitions of properties by the U.S. REIT are expected to be undertaken through one or more wholly-owned Subsidiaries of the U.S. REIT in a similar manner to acquisitions previously completed by the REIT. See "Business of the REIT".

### **AHIP Management Ltd.**

AML is a corporation incorporated on November 13, 2015 under the *Business Corporations Act* (British Columbia). AML's head office is located at 1660 – 401 West Georgia Street, Vancouver, British Columbia V6B 5A1 and its registered office is at 25<sup>th</sup> Floor, 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3. AML is a wholly-owned Subsidiary of the U.S. REIT and effective as of January 1, 2016, is the employer of certain key executive officers of the REIT and various other support staff. AML provides the services of such persons to the REIT and its Subsidiaries through: (i) a services agreement between AML and the REIT; (ii) a services agreement between AML and the U.S. REIT; and (iii) a secondment agreement between AML and the U.S. REIT.

### **Lodging Properties LLC**

Lodging Properties was formed in Delaware on November 1, 2012 and is a wholly-owned Subsidiary of the U.S. REIT. Lodging Properties owns the real estate underlying the Oak Tree Inn Hotels (other than those forming part of the Rail Portfolio) and leases it to Lodging Enterprises. Lodging Properties is domiciled in the U.S. and its head office is located at 8080 East Central, Suite 180, Wichita, Kansas 67206 and its registered office is located at c/o RL&F Service Corp., 920 North King Street, 2nd Floor, Wilmington, New Castle County, Delaware 19801.

### **Lodging Enterprises, LLC**

Lodging Enterprises was formed in Delaware on April 18, 2008 and is a wholly-owned Subsidiary of the U.S. REIT. It leases real estate from Lodging Properties to operate the Oak Tree Inn Hotels (other than those forming part of the Rail Portfolio). Lodging Enterprises is domiciled in the U.S. and its head office is located at

8080 East Central, Suite 180, Wichita, Kansas 67206 and its registered office is located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

#### **IML Properties LLC**

IML Properties was formed in Delaware on June 10, 2015 and is a wholly-owned Subsidiary of the U.S. REIT. It owns the real estate underlying the Rail Portfolio and leases it to IML Enterprises. IML Properties is domiciled in the U.S. and its head office is located at 8080 East Central, Suite 180, Wichita, Kansas 67206 and its registered office is located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

#### **IML Enterprises LLC**

IML Enterprises was formed in Delaware on June 10, 2015 and is a wholly-owned Subsidiary of the U.S. REIT. It leases real estate from IML Properties to operate the Rail Portfolio. IML Enterprises is domiciled in the U.S. and its head office is located at 8080 East Central, Suite 180, Wichita, Kansas 67206 and its registered office is located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

#### **AHIP Properties LLC**

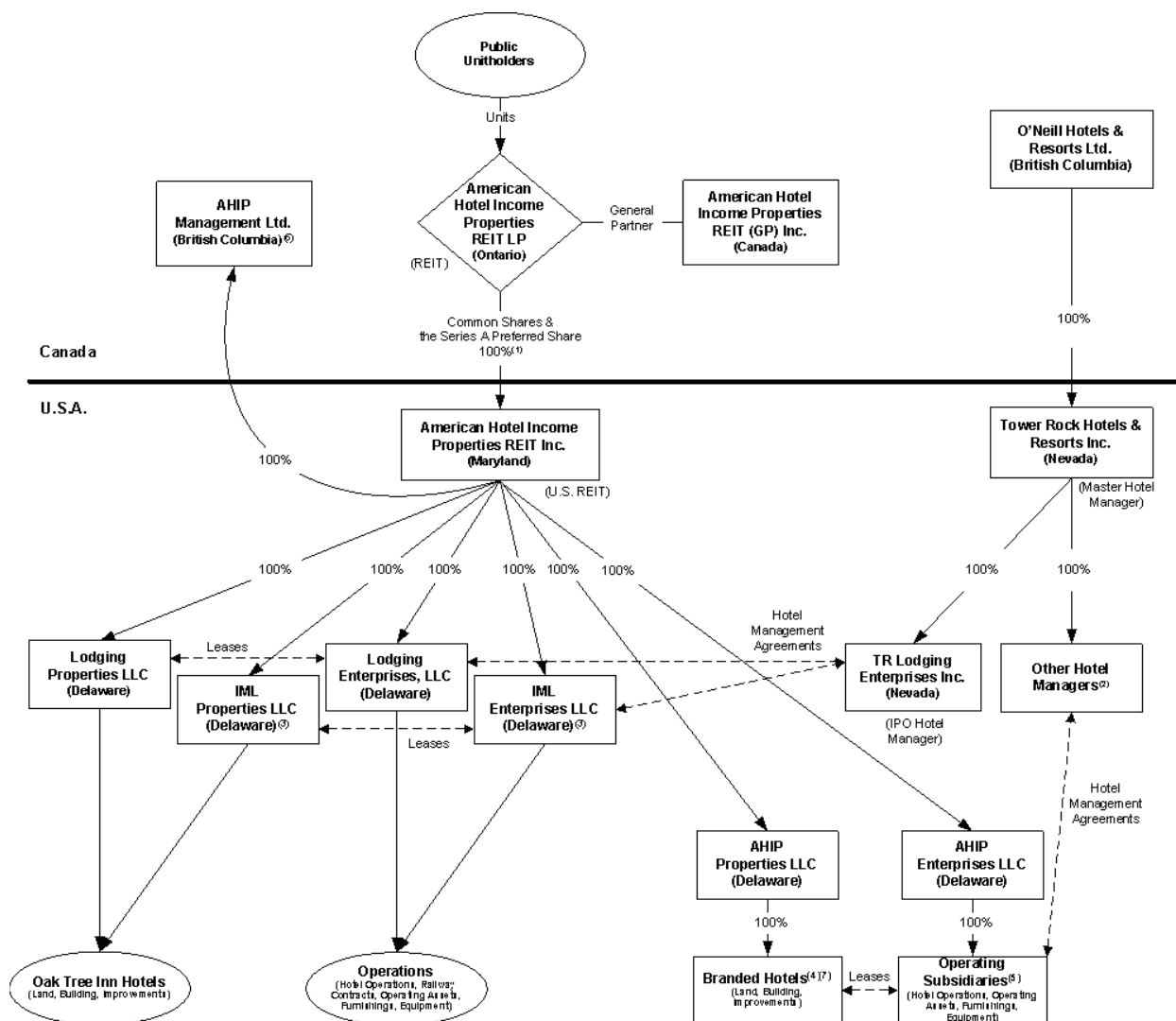
AHIP Properties was formed in Delaware on August 27, 2013 and is a wholly-owned Subsidiary of the U.S. REIT. It owns the real estate underlying the Branded Hotels (other than the Dallas Property and the Tempe Property) through its direct and indirect Subsidiaries and leases it to various Subsidiaries of AHIP Enterprises. AHIP Properties is domiciled in the U.S. and its registered office is located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

#### **AHIP Enterprises LLC**

AHIP Enterprises was formed in Delaware on August 27, 2013 and is a wholly-owned Subsidiary of the U.S. REIT. In the case of the Branded Hotels (other than the Dallas Property and the Tempe Property), a Subsidiary of AHIP Enterprises leases the applicable real estate from a Subsidiary of AHIP Properties to operate the hotel. AHIP Enterprises is domiciled in the U.S. and its registered office is located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

## Organizational Structure

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



- (1) The U.S. REIT also has 125 shares of Series B cumulative non-voting, non-participating preferred stock issued and outstanding, each with a par value of US\$1,000 and bearing a cumulative dividend rate of 12.5% per annum.
- (2) Each of the Branded Hotels is managed by a separate, wholly-owned Subsidiary of the Master Hotel Manager through an individual hotel management agreement entered into with a wholly-owned Subsidiary of AHIP Enterprises.
- (3) IML Properties owns the hotels comprising the Rail Portfolio and leases these properties to IML Enterprises.
- (4) Each of the Branded Hotels (except the Dallas Property and the Tempe Property) is owned by a separate, wholly-owned Subsidiary of AHIP Properties. The Branded Hotels currently consist of the hotels comprising the Pittsburgh Portfolio, the Virginia Portfolio, the NC/GA Portfolio, the Texas Portfolio, the Oklahoma Portfolio, the NC/FL Portfolio, the Midwestern Portfolio, the Florida Portfolio, the Florida/Tennessee Portfolio, the Florida 6 Portfolio, the Sunstone Embassy Suites Portfolio and the Midwestern 3 Embassy Suites Portfolio.
- (5) Each of the Branded Hotels (except the Dallas Property and the Tempe Property) is leased by a separate, wholly-owned Subsidiary of AHIP Enterprises from a separate, wholly-owned Subsidiary of AHIP Properties.
- (6) AML is a wholly-owned Subsidiary of the U.S. REIT and effective as of January 1, 2016, is the employer of certain key executive officers of the REIT and various other support staff.
- (7) The REIT's recent acquisition of the Sunstone Embassy Suites Portfolio is not reflected in the above diagram because the REIT expects to complete a re-organization of the Purchased Entities, which indirectly own the Sunstone Embassy Suites Portfolio. The Sunstone Embassy Suites Portfolio is currently owned indirectly by the REIT through the Purchased Entities and not through the US REIT like its other Properties.

## **BUSINESS OF THE REIT**

The REIT currently owns 96 hotel properties located in 30 states across the U.S., representing an aggregate of 9,467 guestrooms. The REIT's growth strategy is to focus on transportation-oriented hotels located in secondary markets in the U.S. in close proximity to airports, highway interchanges, transportation hubs, railroads and other major demand generators providing select and limited-service lodging to corporate and transient travelers, crew and contractual customers.

The REIT structures its operations in two operating and reportable segments: (i) the Branded Hotels, which have franchise agreements with certain of the world's leading hotel brands; and (ii) the Rail Hotels, which have rail crew lodging agreements with large U.S. railroad companies.

### **Branded Hotels**

The REIT's portfolio of Branded Hotels is currently comprised of 50 hotel properties representing a total of 5,574 guestrooms. The Branded Hotels are geographically diversified among 14 states in the U.S. The average age of the Branded Hotels is approximately 16 years (including major renovations).

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

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

### **Rail Hotels**

The REIT's portfolio of Rail Hotels is currently comprised of 46 properties representing a total of 3,893 guestrooms. The Rail Hotels are geographically diversified among 23 states in the U.S. and each of the properties has been built to a high standard of quality, is well maintained, and has been acquired for less than management's estimate of its replacement cost at the time of acquisition. Management believes that the Rail Hotels comprise the largest and highest-quality chain of crew lodging facilities presently serving the U.S. freight railroad industry. The average age of the Rail Hotels is approximately 17 years (including major renovations).

The Rail Hotels are located near high volume railroad hubs and switching terminals across the U.S. Strategic relationships with several of the largest U.S. railroad operators (Union Pacific, BNSF and CSX) and CP, to provide lodging accommodations for railroad employees under contracts stipulating guaranteed minimum revenues, give the Rail Hotels a recurring and stable revenue stream. All of the properties are currently operated under the REIT's own "Oak Tree Inn" brand and were specifically designed or converted to fulfill the operating needs of railroad operators, including compliance with federal regulations relating to rest time, safety and hours of service, and satisfaction of labour union specifications. Most of the properties were purpose-built and feature a standard design, including a two or three storey wood framed building with stucco or vinyl siding exteriors. Management estimates that approximately 75% of room revenues in the Rail Hotels are currently covered under contracts containing minimum revenue guarantees.

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

### **Management**

The REIT is internally managed by an experienced senior management team. Each of the Rail Hotels and the Branded Hotels is externally operated by a wholly-owned Subsidiary of Tower Rock Hotels & Resorts Inc. (the "**Master Hotel Manager**"). The Master Hotel Manager is a wholly-owned Subsidiary of O'Neill Hotels & Resorts Ltd.

## Hotel Development

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

For a more detailed description of the business of the REIT, investors should refer to the disclosure under the heading "Business of AHIP" in the AIF which is incorporated by reference herein and available on SEDAR at [www.sedar.com](http://www.sedar.com).

## RECENT DEVELOPMENTS

The following is a summary of recent developments involving the REIT since September 30, 2016, being the last day of the most recent quarter in respect of which the REIT has filed interim financial statements and management's discussion and analysis.

### Acquisition of the Midwestern 3 Embassy Suites Portfolio

On January 19, 2017, the REIT completed the acquisition of the Midwestern 3 Embassy Suites Portfolio for an aggregate purchase price of approximately US\$124.0 million, including the expected cost of capital work on acquisition and PIPs. The REIT funded payment of the purchase price for the Midwestern 3 Embassy Suites Portfolio and the financing of the PIPs using a combination of a portion of the net proceeds of the December 2016 Offering and a new US\$65.0 million CMBS loan secured against the Midwestern 3 Embassy Suites Portfolio (the "**Midwestern 3 Loan**"). The Midwestern 3 Loan has a 10-year term and has a fixed interest rate of 4.72%. The Midwestern 3 Loan is interest-only for the first three years and will then be amortized over a 30-year term. The lender has provided an FF&E reserve waiver for the first two years.

The Midwestern 3 Embassy Suites Portfolio comprises 782 total guestrooms and consists of: the 284-room Embassy Suites by Hilton Columbus Dublin hotel located in Dublin, Ohio in proximity to Ohio State University; the 271-room Embassy Suites by Hilton Cleveland Rockside hotel located in Independence, Ohio in proximity to numerous health care and professional sports demand generators; and the 227-room Embassy Suites by Hilton Cincinnati Rivercenter hotel located in Covington, Kentucky on the banks of the Ohio River overlooking downtown Cincinnati and near a number of Fortune 500 companies and professional sports demand generators. The Embassy Suites by Hilton Cincinnati Rivercenter hotel is situated on land leased from the city of Covington, with the next renewal of the lease due in 2040.

The REIT completed the acquisition of the Midwestern 3 Embassy Suites Portfolio pursuant to the terms of the Midwestern 3 PSA, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The REIT filed a form 51-102F4 (a Business Acquisition Report) on January 31, 2017, on SEDAR at [www.sedar.com](http://www.sedar.com) in respect of its acquisition of the Midwestern 3 Embassy Suites Portfolio.

### Acquisition of the Sunstone Embassy Suites Portfolio

#### *Overview*

On January 6, 2017, the REIT acquired the Sunstone Embassy Suites Portfolio for an aggregate purchase price of approximately US\$57.6 million, excluding approximately US\$5.7 million in PIPs and customary closing and post-closing adjustments. Specifically, the REIT entered into a purchase and sale agreement dated May 31, 2016, as amended by a first amendment dated July 12, 2016, a second amendment dated September 23, 2016, and a third amendment dated October 24, 2016 (as so amended, the "**Sunstone Embassy Suites PSA**"), with the Sunstone Embassy Suites Sellers, which are Affiliates of Sunstone, to acquire from the Sunstone Embassy Suites Sellers: (i) the direct and indirect Subsidiaries of the Sunstone Embassy Suites Sellers (collectively, the "**Purchased Entities**") which owned the Sunstone Embassy Suites Portfolio prior to closing; and (ii) the tangible and intangible personal property used in the operation of the hotels comprising the Sunstone Embassy Suites Portfolio. See "–Sunstone Embassy Suites PSA" below.

On October 24, 2016, the REIT and the Sunstone Embassy Suites Sellers agreed, pursuant to the third amendment to the Sunstone Embassy Suites PSA, to extend the completion date for the acquisition of the Sunstone



Embassy Suites Portfolio to the later of January 4, 2017 and five business days following the completion of new franchise agreements and the arrangement of financing for the Sunstone Embassy Suites Portfolio, in each case, satisfactory to the REIT. The third amendment followed, and superseded, the second amendment to the Sunstone Embassy Suites PSA, which had extended the completion date for the acquisition of the Sunstone Embassy Suites Portfolio to October 10, 2016. Copies of the second amendment and third amendment to the Sunstone Embassy Suites PSA have been filed on SEDAR and are available at [www.sedar.com](http://www.sedar.com).

The REIT determined the purchase price of the Sunstone Embassy Suites Portfolio based primarily on the estimated fair value using the direct capitalization income method, which involves applying a capitalization rate to trailing net operating income subject to certain adjustments. It acquired the Sunstone Embassy Suites Portfolio at a weighted average capitalization rate of approximately 8.2% on trailing twelve months net operating income (after including all hotel management fees and a reserve for FF&E, and accounting for PIPs) and at a price below management's estimate of replacement cost.

The REIT funded the purchase price for the Sunstone Embassy Suites Portfolio, including the PIPs, using a combination of cash on hand from the July 2016 Offering and the December 2016 Offering, the issuance to the Sunstone Embassy Suites Sellers of approximately US\$17.4 million in Units (being 2,242,761 Units, the "**Consideration Units**"), the assumption of the existing US\$19.0 million CMBS loan (the "**Dallas Loan**") and a new US\$13.5 million CMBS loan (the "**Tempe Loan**"). The Consideration Units were issued from treasury at a price of Cdn\$10.3099 per Unit, which price was based on the 10-day volume-weighted average trading price of the Units on the Exchange prior to the closing date of the acquisition of the Sunstone Embassy Suites Portfolio. The Consideration Units are subject to a four-month hold period. The issuance of the Consideration Units was approved by the Exchange.

The Dallas Loan matures in October 2024 and is interest-only until November 2019 and will then be amortized over a 30-year period for the remaining term. The Dallas Loan has a fixed interest rate of 5.25% per annum. The Tempe Loan is for a 10-year term, interest-only for the first three years and then amortized over a 30-year period for the remaining seven years. The Tempe Loan has a fixed interest rate of 5.14% per annum for the entire term. In addition, the lender of the Tempe Loan has provided an FF&E reserve waiver for the first two years.

In connection with the transaction, on August 5, 2016, the REIT advanced an approximately US\$10.2 million bridge loan (the "**Tempe Bridge Loan**") to an indirect Subsidiary of the Sunstone Embassy Suites Sellers to pay off the expiring mortgage on the Tempe Property (as defined below). The Tempe Bridge Loan was interest-only with a fixed interest rate of 8.00% per annum. It was fully secured by a first charge on the Tempe Property with an initial term of 60 days with an option to extend for a further term of up to 90 days. On September 23, 2016, the Sunstone Embassy Suites Sellers exercised their option to extend the maturity date of the Tempe Bridge Loan to January 5, 2017. Outstanding amounts under the Tempe Bridge Loan were repaid at closing of the acquisition of the Sunstone Embassy Suites Portfolio.

The Sunstone Embassy Suites Portfolio consists of the 305 guestroom Embassy Suites by Hilton Dallas DFW Airport South hotel (the "**Dallas Property**") and 224 guestroom Embassy Suites by Hilton Phoenix – Tempe hotel (the "**Tempe Property**"). The Dallas Property is located in Irving, Texas (a suburb of Dallas) which is two miles from Dallas/Fort Worth International Airport, the tenth busiest airport in the world by total passenger traffic. The Tempe Property is located in Tempe, Arizona which is located minutes from Arizona State University, the largest public university by enrollment in the U.S., and Phoenix Sky Harbor International Airport, the 11th largest airport in the U.S. by total passenger traffic.

Mr. Stephen Evans and Mr. Robert O'Neill, both directors of the General Partner, informed the Board of their respective indirect interests in this transaction prior to the Board's approval thereof, and abstained from voting. For further details, see the material change report of the REIT dated July 15, 2016, which is incorporated by reference into this Prospectus and a copy of which has been filed on SEDAR and is available at [www.sedar.com](http://www.sedar.com).

### ***Sunstone Embassy Suites Portfolio Financial Statements***

Securities regulation in Canada requires that a public entity that files a prospectus and that has recently closed a significant acquisition include financial statements or other information about this acquisition in the prospectus, if the inclusion of the financial statements is necessary for the prospectus to contain full, true and plain disclosure of all the material facts relating to the securities being distributed. If such financial statements or other information are required, such requirement must be satisfied by including either: (i) the financial statements or other

information that will be required to be included in, or incorporated by reference into, a business acquisition report filed under Part 8 of NI 51-102; or (ii) satisfactory alternative financial statements or other information.

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

The REIT believes that the inclusion of financial statements that would be required to be included in, or incorporated by reference into, a business acquisition report in respect of the acquisition of the Sunstone Embassy Suites Portfolio is not necessary in order for this Prospectus to contain full, true and plain disclosure of all material facts relating to the Offered Units since: (i) this Prospectus contains disclosure about the acquisition of the Sunstone Embassy Suites Portfolio; (ii) as a commercial, business, practical or financial matter, the acquisition of the Sunstone Embassy Suites Portfolio is not significant to the REIT; and (iii) a copy of the Sunstone Embassy Suites Appraisal (as defined below) has been filed on SEDAR and is available at [www.sedar.com](http://www.sedar.com).

In accordance with the above position, the REIT has applied for an exemption from the requirement to prepare a business acquisition report with respect to the acquisition of the Sunstone Embassy Suites Portfolio.

#### ***Independent Appraisal of the Sunstone Embassy Suites Portfolio***

The REIT retained Colliers International Valuation & Advisory Services, LLC (“Colliers”) to provide an independent appraisal of the combined fair market value of the two hotel properties comprising the Sunstone Embassy Suites Portfolio (the “**Sunstone Embassy Suites Appraisal**”). Colliers reported that the aggregate as-is appraised value of the Sunstone Embassy Suites Portfolio as of June 1, 2016 was US\$62.7 million. The aggregate as-is appraised value of US\$62.7 million gives no consideration to a portfolio discount or premium for the Sunstone Embassy Suites Portfolio. The as-is appraised value is subject to the assumptions and limiting conditions as described in the Sunstone Embassy Suites Appraisal.

Colliers confirmed that the Sunstone Embassy Suites Appraisal was prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation (United States). The Dictionary of Real Estate Appraisal, 6th ed., published by the Appraisal Institute, cites market value as “the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus”. Implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their own best interests; (iii) a reasonable time is allowed for exposure of each individual property in the open market; (iv) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. None of Colliers or its Affiliates were given any limiting instructions.

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

purchasers. These valuation methods are methods traditionally used by investors when acquiring properties of this nature.

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

In appraising the Sunstone Embassy Suites Portfolio, Colliers assumed, among other things, that title to each of the Dallas Property and Tempe Property is good and marketable and did not take into account engineering, environmental, zoning, planning or related issues.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value as of a specified date based upon assumptions and limiting conditions and any extraordinary assumptions specific to the Sunstone Embassy Suites Appraisal. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Sunstone Embassy Suites Appraisal is based on various assumptions of future expectations and while Colliers' internal forecasts of net operating income for the Dallas Property and Tempe Property is considered by Colliers to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. See "Risk Factors".

A publicly traded real estate limited partnership will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Sunstone Embassy Suites Appraisal. See "Risk Factors".

A copy of the Sunstone Embassy Suites Appraisal has been filed on SEDAR and is available at [www.sedar.com](http://www.sedar.com).

### ***Environmental Site Assessment of the Sunstone Embassy Suites Portfolio***

Each of the hotel properties comprising the Sunstone Embassy Suites Portfolio have been the subject of a Phase I ESA Report conducted by independent environmental consultants. The Phase I ESA Reports were completed for the Sunstone Embassy Suites Portfolio in June 2016. The Phase I ESA Reports were prepared in general accordance with standard practices for environmental site assessments.

The purpose of the Phase I ESA Reports was to identify any RECs at the Dallas Property and the Tempe Property, which means the presence or likely presence of any hazardous substances or petroleum products on such properties under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on such properties or into the ground, groundwater or surface water of such properties. RECs include hazardous substances or petroleum products even under conditions in compliance with laws. RECs are not intended to include *de minimis* conditions that generally do not present a threat to human health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate government agencies. Intrusive sampling and analysis were not part of these Phase I ESA Reports.

Based on the Phase I ESA Reports, the independent environmental consultants did not identify any RECs at the hotel properties comprising the Sunstone Embassy Suites Portfolio that warranted further environmental assessment investigation. Notwithstanding the foregoing, the independent environmental consultant did identify two matters for follow up at the Dallas Property, neither of which warranted the completion of a Phase II ESA Report or resulted in a REC.

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

#### ***Property Condition Assessments for the Sunstone Embassy Suites Portfolio***

Property condition assessments were prepared for each of the hotel properties comprising the Sunstone Embassy Suites Portfolio to determine and document the existing condition of each building. The assessments included the major building operating components and systems of the subject properties and also identified and quantified any major defects in materials or systems which would likely affect significantly the value of any of the subject properties or the continued operation thereof. The reports on the Dallas Property and the Tempe Property were completed in June 2016.

The reports estimated aggregate requirements for modified capital reserve expenditures in the amount of approximately US\$1.5 million to be completed in the short term (i.e. within 180 days of the assessment) and approximately US\$7.2 million over the next 12 years, excluding any costs associated with any brand-mandated PIPs. Categories for modified capital reserve expenditures included, without limitation, the site, exteriors, roofing, interiors, plumbing systems, heating, ventilation and air conditioning, fire protection and elevators.

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

#### ***Sunstone Embassy Suites PSA***

**The following is a summary of the material attributes and characteristics of the Sunstone Embassy Suites PSA. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Sunstone Embassy Suites PSA, which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com).**

##### Purchase Price

The Sunstone Embassy Suites PSA was amended by a first amendment dated July 12, 2016 to, among other things, reduce the purchase price for the Sunstone Embassy Suites Portfolio from approximately US\$58.0 million to approximately US\$57.6 million (excluding, in each case, approximately US\$5.7 million in PIPs and customary closing and post-closing adjustments). As noted above, the Consideration Units were issued from treasury based on the 10-day volume-weighted average trading price prior to the closing date of the Sunstone Embassy Suites Portfolio and are subject to a four-month hold period. The total purchase price was subject to customary closing and post-closing adjustments for rents, real estate taxes and other items of income and expenses with respect to the Sunstone Embassy Suites Portfolio as set forth in the Sunstone Embassy Suites PSA.

##### Representations, Warranties and Covenants

The Sunstone Embassy Suites PSA contained representations, warranties and covenants typical of those contained in acquisition agreements negotiated between parties dealing at arm's length and which are customary for purchase agreements in respect of transactions of this nature. The representations and warranties relating to the Sunstone Embassy Suites Sellers, the Sunstone Embassy Suites Portfolio and the Purchased Entities were provided by the Sunstone Embassy Suites Sellers in favour of the REIT and include, among other things, representations and warranties as to: organization and status; power and authorization; non-contravention; solvency; contracts; permits; capitalization; ownership and possession of the hotel properties comprising the Sunstone Embassy Suites Portfolio; compliance with laws; environmental matters; litigation; financial records; tax matters; employee matters; encumbrances; personal property; insurance policies and absence of certain changes. Covenants of the Sunstone Embassy Suites Sellers included, without limitation, various covenants with respect to maintaining the condition of the Sunstone Embassy Suites Portfolio and conducting business thereat in the ordinary course of business during the interim period prior to completion of the acquisition of the Sunstone Embassy Suites Portfolio by the REIT. The representations and warranties related to the REIT were from the REIT in favour of the Sunstone Embassy Suites



Sellers and included, among other things, representations and warranties as to: organization and status, power and authorisation and consents. Covenants of the REIT included, without limitation, to negotiate and pursue in good faith new franchise agreements for each of the hotels comprising the Sunstone Embassy Suites Portfolio and to change the names of the Purchased Entities post closing.

#### Conditions

The obligation of the REIT to complete the transactions contemplated by the Sunstone Embassy Suites PSA was subject to various conditions for the exclusive benefit of the REIT to be fulfilled or performed at or prior to the closing date of the acquisition, including, among other things, conditions relating to: the truth and accuracy of the Sunstone Embassy Suites Sellers' representations and warranties; the Sunstone Embassy Suites Sellers' compliance with, or performance of, all of the covenants and obligations required of the Sunstone Embassy Suites Sellers by the Sunstone Embassy Suites PSA including the delivery of all closing documents; no material legal or regulatory action shall be pending or threatened to obtain damages in respect of the Sunstone Embassy Suites PSA or restrain or prohibit the completion of the transactions contemplated thereunder; the hotel properties comprising the Sunstone Embassy Suites Portfolio shall be in the same condition at closing as on the date of the Sunstone Embassy Suites PSA, other than changes as a result of ordinary wear and tear; no force majeure event shall have occurred; certain pre-closing reorganizations of the Sunstone Embassy Suites Sellers shall have completed; successful assumption of the Dallas Loan; the REIT's insurer having irrevocably committed to issue applicable title insurance policies for the hotel properties comprising the Sunstone Embassy Suites Portfolio; execution and delivery of a new franchise agreement for the Dallas Property and the Tempe Property; termination of the existing management agreements by the Sunstone Embassy Suites Sellers; all approvals required with respect to the issuance of the Consideration Units having been obtained; and there being no impediment to the simultaneous completion of all purchase transactions under the Sunstone Embassy Suites PSA.

The obligation of the Sunstone Embassy Suites Sellers to complete the transactions contemplated by the Sunstone Embassy Suites PSA was subject to various conditions for the exclusive benefit of the Sunstone Embassy Suites Sellers to be fulfilled or performed at or prior to the closing date of the acquisition, including, among other things, conditions relating to: the truth and accuracy of the REIT's representations and warranties; the REIT's compliance with, or performance of, all of the covenants and obligations required of the REIT by the Sunstone Embassy Suites PSA including the delivery of all closing documents; execution and delivery of a new franchise agreement for the Dallas Property and the Tempe Property; termination of the existing management agreements by the Sunstone Embassy Suites Sellers; and all approvals required with respect to the issuance of the Consideration Units having been obtained.

#### Indemnities

Subject to the limitations described below, the Sunstone Embassy Suites Sellers have agreed to indemnify the REIT on customary terms for losses arising or resulting from, among other things: any breach of any representation or warranty of the Sunstone Embassy Suites Sellers in the Sunstone Embassy Suites PSA or any other document delivered pursuant thereto; breach or noncompliance by the Sunstone Embassy Suites Sellers of any covenant or agreement of the Sunstone Embassy Suites Sellers in the Sunstone Embassy Suites PSA or any other document delivered pursuant thereto; any claims brought by any third party to the extent arising from acts, omissions or occurrences that occur or accrue in connection with the Sunstone Embassy Suites Portfolio prior to the closing date for the acquisition thereof; any breach of any tax representation or warranty of the Sunstone Embassy Suites Sellers; and any non-compliance of any applicable law relating to fraudulent conveyance or transfer in respect of the transactions contemplated under the Sunstone Embassy Suites PSA.

The indemnification obligations of the Sunstone Embassy Suites Sellers to the REIT under the Sunstone Embassy Suites PSA are subject to a number of limitations, including a minimum aggregate claim threshold of US\$50,000 and an overall liability cap of 5% of the aggregate purchase price for the Sunstone Embassy Suites Portfolio (subject to certain specified exceptions). The obligations of the Sunstone Embassy Suites Sellers in relation to these indemnities are subject to a specified survival period of 12 months following the closing date of the acquisition (subject to certain specified exceptions). The indemnification provisions constitute the REIT's sole and exclusive remedies against the Sunstone Embassy Suites Sellers under the Sunstone Embassy Suites PSA (subject to certain specified exceptions).

There can be no assurance of recovery by the REIT from the Sunstone Embassy Suites Sellers directly or through the indemnity provided under the Sunstone Embassy Suites PSA. There can be no assurance that the assets



of the Sunstone Embassy Suites Sellers will be sufficient to satisfy any claims against them. Only the REIT will be entitled to bring a claim or action for misrepresentation or breach of contract under the Sunstone Embassy Suites PSA and purchasers of the Offered Units under this Prospectus will not have any contractual rights or remedies under the Sunstone Embassy Suites PSA. See “Risk Factors”. Purchasers of Offered Units will, however, have certain statutory rights against the REIT under applicable securities laws. See “Purchaser’s Statutory Rights” and “Purchaser’s Contractual Rights”.

### **Contract Renewal**

On December 5, 2016, the REIT announced the renewal of six rail crew lodging contracts (the “**Contract Renewal**”) with its largest railway customer for a term of six years, effective December 1, 2016. The Contract Renewal encompassed three contracts maturing in 2016, two contracts maturing 2017 and one contract maturing in early 2018, which contracts cover six Oak Tree Inn hotels with a total of 432 guestrooms, or approximately 11.1% of the REIT’s total rail crew guestrooms. The term of the renewed contracts commenced on December 1, 2016 and expires on November 30, 2022. The Contract Renewal increased the weighted average remaining term of the REIT’s rail crew lodging contracts by 18% from approximately 3.9 years to approximately 4.6 years.

### **Acquisition of the Nashville Property**

On December 1, 2016, the REIT completed its previously announced acquisition of a 104-room rail crew hotel located in Nashville, Tennessee (the “**Nashville Property**”) for an aggregate purchase price of approximately US\$8.7 million, including approximately US\$950,000 of planned capital expenditures to convert the property into an Oak Tree Inn hotel, and excluding closing and post-acquisition adjustments. The Nashville Property features a multi-year, rail crew lodging contract with an existing railway customer that guarantees 58 guestrooms per night. The acquisition was funded with cash-on hand from the July 2016 Offering and with the REIT’s revolving line of credit. The REIT obtained mortgage financing on the Nashville Property on December 20, 2016 in the amount of US\$4.5 million (the “**Nashville Loan**”), pursuant to an eighth amendment dated December 20, 2016 to the Seventh Amended and Restated Credit Agreement among a U.S. chartered bank and Lodging Properties and Lodging Enterprises dated February 20, 2013, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Acquisition of the Florida 6 Portfolio**

On November 29, 2016, the REIT completed the acquisition the Florida 6 Portfolio for an aggregate purchase price of US\$61.0 million, excluding closing and post-acquisition adjustments. The purchase price did not include approximately US\$10.6 million for the completion of PIPs. The REIT funded the purchase price for the Florida 6 Portfolio and the PIPs using a combination of cash on hand from the July 2016 Offering and a new US\$37.0 million CMBS loan (the “**Florida 6 Loan**”). The Florida 6 Loan is secured by five of the hotel properties in the Florida 6 Portfolio, has a 10-year term, and has a fixed interest rate of 4.99%. In addition, the lender has agreed to provide an FF&E reserve waiver for the first two years.

The Florida 6 Portfolio consists of six hotels containing 559 total guestrooms that were acquired below management’s estimate of replacement cost. The hotels comprising the Florida 6 Portfolio have an average age of approximately 14 years and include the following hotels: a 111-room Holiday Inn Express & Suites hotel located in Fort Myers; a 101-room Holiday Inn Express & Suites hotel located in Sarasota; a 100-room Staybridge Suites hotel located in Tampa; an 86-room Wingate by Wyndham hotel located in Tampa; an 81-room Courtyard by Marriott hotel located in Tampa; and an 80-room Fairfield Inn & Suites hotel located in Ocoee, a suburb of Orlando. The six hotels are strategically located in larger population centres on Florida’s west coast and in central Florida, near major transportation corridors and a variety of commercial, manufacturing, military, information-technology, medical, education, sports and leisure demand generators.

### **Acquisition of the Florida/Tennessee Portfolio**

On October 27, 2016, the REIT completed the acquisition of the Florida/Tennessee Portfolio for an aggregate purchase price of approximately US\$47.0 million excluding approximately US\$2.8 million for PIPs and before customary closing and post-acquisition adjustments. The REIT funded the purchase price and the PIPs at closing with cash on hand from the July 2016 Offering. Subsequent to the closing of the REIT’s acquisition of the Florida/Tennessee Portfolio, the REIT obtained a new US\$27.5 million CMBS loan for the Florida/Tennessee Portfolio, which is secured by three of the properties in the Florida/Tennessee Portfolio (the “**Florida/Tennessee Loan**”). The Florida/Tennessee Loan has a 10-year term and has a fixed interest rate of 4.43%. In addition, the lender has agreed to provide an FF&E reserve waiver for the first two years.

The hotel properties comprising the Florida/Tennessee Portfolio are located in Jacksonville and Lake City, Florida and Chattanooga, Tennessee (two hotels) with a total of 374 guestrooms that were acquired below management's estimate of replacement cost. The Florida/Tennessee Portfolio includes a 109-room Residence Inn hotel located in Chattanooga, two 89-room Fairfield Inn & Suites hotels located in Jacksonville and Lake City, and an 87-room TownePlace Suites hotel located in Chattanooga. The four hotels are franchised by Marriott International and are strategically located near major transportation corridors and a variety of commercial, manufacturing and distribution demand generators. The average age of the hotel properties comprising the Florida/Tennessee Portfolio is approximately seven years.

#### **Amendment to Master Hotel Management Agreement**

On October 11, 2016, the REIT announced it had entered into an amendment agreement (the “**Master HMA Amendment**”) dated September 30, 2016 with the Master Hotel Manager to amend certain terms of the Master Hotel Management Agreement between the parties. The Master HMA Amendment is effective as and from July 1, 2016, and included, among other amendments, a reduction in the base hotel management fees paid by the REIT to the Master Hotel Manager for all hotels in the REIT's portfolio from 3.5% to 3.0% of gross revenues of the REIT's portfolio for the period from and after July 1, 2016. Further details with respect to the Master HMA Amendment including a summary of its material terms and the process leading to its unanimous approval by the independent members of the Board are set out in the REIT's material change report dated October 11, 2016, which is incorporated by reference into this Prospectus. A copy of the Master HMA Amendment has been filed on SEDAR and is available at [www.sedar.com](http://www.sedar.com).

### **DESCRIPTION OF SECURITIES**

The following is a brief summary of certain general terms and provisions of the Securities as at the date of this Prospectus. The summary does not purport to be complete and is indicative only. The specific terms of any Securities to be offered under this Prospectus, and the extent to which the general terms described in this Prospectus apply to such Securities, will be set forth in the applicable Prospectus Supplement. Moreover, a Prospectus Supplement relating to a particular offering of Securities may include terms pertaining to the Securities being offered thereunder that are not within the terms and parameters described in this Prospectus.

#### **Units**

The following is a brief summary of all material attributes and characteristics of the Units. The following does not purport to be complete. For a more detailed description of the Units, investors should refer to the disclosure under the headings “Capital Structure”, “LP Agreement” and “Voting Trust Agreement” of the AIF which is incorporated by reference herein and available on SEDAR at [www.sedar.com](http://www.sedar.com).

The REIT is authorized to issue an unlimited number of Units. As at February 16, 2017, there were 58,616,803 Units issued and outstanding. Each Unit entitles the Unitholder to the same rights and obligations as any other Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholders. Units may be offered separately or together with other Securities, as the case may be.

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

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

#### **Warrants**

The following is a brief summary of certain general terms and provisions of the Warrants that may be offered pursuant to this Prospectus. This summary does not purport to be complete. The particular terms and provisions of the Warrants as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Warrants, and the extent to which the general terms and provisions described below may apply to such Warrants will be described in the applicable Prospectus Supplement.

Warrants may be offered separately or together with other Securities, as the case may be. Each series of Warrants may be issued under a separate warrant indenture or warrant agency agreement to be entered into between the REIT and one or more banks or trust companies acting as Warrant agent or may be issued as stand-alone contracts. The applicable Prospectus Supplement will include details of the Warrant agreements, if any, governing the Warrants being offered. The Warrant agent, if any, will be expected to act solely as the agent of the REIT and will not assume a relationship of agency with any holders of Warrant certificates or beneficial owners of Warrants. The following sets forth certain general terms and provisions of the Warrants offered under this Prospectus. The specific terms of the Warrants, and the extent to which the general terms described in this section apply to those Warrants, will be set forth in the applicable Prospectus Supplement.

A copy of any warrant indenture or any warrant agency agreement relating to an offering of Warrants will be filed by the REIT with the relevant securities regulatory authorities in Canada after it has been entered into by the REIT.

Each applicable Prospectus Supplement will set forth the terms and other information with respect to the Warrants being offered thereby, which may include, without limitation, the following (where applicable):

- the designation of the Warrants;
- the aggregate number of Warrants offered and the offering price;
- the designation, number and terms of the other Securities purchasable upon exercise of the Warrants, and procedures that will result in the adjustment of those numbers;
- the exercise price of the Warrants;
- the dates or periods during which the Warrants are exercisable;
- the designation and terms of any securities with which the Warrants are issued;
- if the Warrants are issued as a unit with another Security, the date on and after which the Warrants and the other Security will be separately transferable;
- any minimum or maximum amount of Warrants that may be exercised at any one time;
- whether such Warrants will be listed on any securities exchange;
- any terms, procedures and limitations relating to the transferability, exchange or exercise of the Warrants;
- certain material Canadian tax consequences of owning the Warrants; and
- any other material terms and conditions of the Warrants.

### **Debt Securities**

The following is a brief summary of certain general terms and provisions of the Debt Securities that may be offered pursuant to this Prospectus. This summary does not purport to be complete. The particular terms and provisions of the Debt Securities as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Debt Securities, and the extent to which the general terms and provisions described below may apply to such Debt Securities will be described in the applicable Prospectus Supplement.

Debt Securities may be offered separately or in combination with one or more other Securities. The REIT may, from time to time, issue debt securities and incur additional indebtedness other than through the issuance of Debt Securities pursuant to this Prospectus.

The Debt Securities may be governed by one or more indentures, in each case, between the REIT and a financial institution authorized to carry on business as a trustee.

Each applicable Prospectus Supplement will set forth the terms and other information with respect to the Debt Securities being offered thereby, which may include, without limitation, the following (where applicable):

- the designation, aggregate principal amount and authorized denominations of such Debt Securities;
- the percentage of the principal amount or the price at which such Debt Securities will be issued or whether such Debt Securities will be issued on a non-fixed price basis;
- the date or dates on which such Debt Securities will mature;
- the rate or rates per annum at which such Debt Securities will bear interest (if any), or the method of determination of such rates (if any);
- the dates on which such interest will be payable and the record dates for such payments;
- the credit rating assigned to the Debt Securities by rating agencies (if any);
- the general terms or provisions pursuant to which the Debt Securities are to be issued;
- any redemption, retraction or call terms or terms under which such Debt Securities may be defeased;
- whether such Debt Securities are to be issued in registered form, “book-entry only” form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any exchange or conversion terms;
- the general terms or provisions, if any, pursuant to which such Debt Securities are to be guaranteed or secured;
- whether such Debt Securities will be senior or subordinated to other liabilities and obligations of the REIT;
- any material covenants included for the benefit of holders of Debt Securities;
- certain material Canadian tax consequences of owning the Debt Securities; and
- any other material terms and conditions of the Debt Securities, including events of default and amendment provisions.

Neither the aggregate principal amount of Debt Securities that will be issued and sold nor the issue price to the public of the Debt Securities has been established, as the Debt Securities will be issued at such times, in such amounts and at such prices as the REIT determines from time to time.

### **Subscription Receipts**

The following is a brief summary of certain general terms and provisions of the Subscription Receipts that may be offered pursuant to this Prospectus. This summary does not purport to be complete. The particular terms and provisions of the Subscription Receipts as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Subscription Receipts, and the extent to which the general terms and provisions described below may apply to such Subscription Receipts will be described in the applicable Prospectus Supplement.

Subscription Receipts may be offered separately or together with other Securities, as the case may be. The Subscription Receipts may be issued under a subscription receipt agreement.

The applicable Prospectus Supplement will include details of any subscription receipt agreement covering the Subscription Receipts being offered. A copy of any subscription receipt agreement relating to an offering of Subscription Receipts will be filed by the REIT with the relevant securities regulatory authorities in Canada after the REIT has entered into it. The specific terms of the Subscription Receipts, and the extent to which the general terms

described in this section apply to those Subscription Receipts, will be set forth in the applicable Prospectus Supplement. This description may include, without limitation, the following (where applicable):

- the number of Subscription Receipts;
- the price at which the Subscription Receipts will be offered;
- the terms, conditions and procedures for the conversion of the Subscription Receipts into other Securities;
- the designation, number and terms of the other Securities that may be exchanged upon conversion of each Subscription Receipt;
- the designation, number and terms of any other Securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each Security;
- terms applicable to the gross or net proceeds from the sale of the Subscription Receipts plus any interest earned thereon;
- certain material Canadian tax consequences of owning the Subscription Receipts; and
- any other material terms and conditions of the Subscription Receipts.

## **DISTRIBUTION HISTORY**

### **Distribution Policy**

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

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

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

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



## Previous Distributions

The REIT declared and paid the following cash distributions to Unitholders from February 1, 2016 to January 31, 2017 as per the following table:

Period	Record Date	Payment Date	Distribution Per Unit	Amount (000s)
February 2016	February 29, 2016	March 15, 2016	Cdn\$0.075	Cdn\$2,618
March 2016	March 31, 2016	April 15, 2016	Cdn\$0.075	Cdn\$2,628
April 2016 <sup>(1)</sup>	April 29, 2016	May 13, 2016	US\$0.054	US\$1,888
May 2016	May 31, 2016	June 15, 2016	US\$0.054	US\$1,888
June 2016	June 30, 2016	July 15, 2016	US\$0.054	US\$1,917
July 2016	July 29, 2016	August 12, 2016	US\$0.054	US\$2,435
August 2016	August 31, 2016	September 15, 2016	US\$0.054	US\$2,435
September 2016	September 30, 2016	October 14, 2016	US\$0.054	US\$2,453
October 2016	October 31, 2016	November 15, 2016	US\$0.054	US\$2,435
November 2016	November 30, 2016	December 15, 2016	US\$0.054	US\$2,435
December 2016	December 30, 2016	January 13, 2017	US\$0.054	US\$3,060
January 2017	January 31, 2017	February 15, 2017	US\$0.054	US\$3,165

- (1) Commencing with this distribution, the REIT paid its monthly distribution in U.S. dollars at a rate of US\$0.054 per Unit. Prior to that date, the REIT paid monthly distributions in Canadian dollars at a rate of Cdn\$0.075 per Unit.

Commencing in April 2016, the REIT paid monthly cash distributions of US\$0.054 per Unit to Unitholders rather than the previous Cdn\$0.075 per Unit. The REIT intends to continue to make monthly distributions to Unitholders of record on the last business day of each month. Distributions will typically be paid within 15 days following the end of each month. The REIT may also make additional distributions in excess of monthly distributions during the year, as the General Partner may determine.

**Cash distributions are not guaranteed and the anticipated return on investment is based upon many performance assumptions. Although the REIT intends to distribute its available cash to Unitholders, such cash distributions are not guaranteed and may be reduced or suspended in the future. See “Risk Factors”.**

## PRIOR SALES

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

On March 31, 2016, the REIT issued a total of 3,895 Units with a grant date fair value of Cdn\$10.75 per Unit to certain officers of the General Partner and employees of AML upon the vesting of awards previously granted pursuant to the REIT’s securities-based compensation plan. These awards were originally granted to such persons on May 6, 2015 and became fully vested on March 31, 2016. The grant date fair value of Cdn\$10.75 per Unit was calculated using the weighted average price at which the Units traded on the Exchange during the period of the five most recent trading days ending on the trading day immediately prior to the grant date.

On March 31, 2016, the REIT granted a total of 95,748 Units of restricted stock with a grant date fair value of Cdn\$10.43 per Unit of restricted stock to certain executive officers of the General Partner and employees of AML. The Units of restricted stock were issued as awards under the REIT’s securities-based compensation plan. The grant date fair value of Cdn\$10.43 per Unit of restricted stock was calculated using the volume weighted average price at which the Units had traded on the Exchange during the five most recent trading days ending on the trading day immediately prior to the grant date.

On April 1, 2016, the REIT issued 59,088 Units at a price of Cdn\$10.44 per Unit in connection with the closing of the REIT’s indirect acquisition from the Developer of the 24-room expansion at the Oak Tree Inn Hotel located in Hearne, Texas.

On June 2, 2016, the REIT issued 114,511 Units at a price of Cdn\$10.27 per Unit in connection with the closing of the REIT’s indirect acquisition from the Developer of the 24-room expansion at the Oak Tree Inn Hotel located in Hermiston, Oregon.

On July 26, 2016, the REIT completed a bought deal offering of Units issuing a total of 10,000,400 Units (the “**July 2016 Offering**”), including 1,304,400 Units from a full exercise of the over-allotment option, at a price of Cdn\$10.35 per Unit for gross proceeds of approximately Cdn\$103.5 million.

On December 22, 2016, the REIT completed a bought deal offering of Units issuing a total of 11,281,500 Units (the “**December 2016 Offering**”), including 1,471,500 Units from a full exercise of the over-allotment option, at a price of Cdn\$10.20 per Unit for gross proceeds of approximately Cdn\$115.1 million.

On December 23, 2016, the REIT issued a total of 2,330 Units with a grant date fair value of Cdn\$10.75 per Unit to certain officers of the General Partner upon the vesting of awards previously granted pursuant to the REIT’s securities-based compensation plan. These awards were originally granted to such persons on May 6, 2015 and became fully vested on March 31, 2016. The grant date fair value of Cdn\$10.75 per Unit was calculated using the weighted average price at which the Units traded on the Exchange during the period of the five most recent trading days ending on the trading day immediately prior to the grant date.

On December 23, 2016, the REIT issued a total of 4,053 Units with a grant date fair value of Cdn\$10.43 per Unit to certain officers of the General Partner on the vesting of awards previously granted pursuant to the REIT’s securities-based compensation plan. These awards were originally granted to such persons on March 30, 2016 and became fully vested on December 23, 2016. The grant date fair value of Cdn\$10.43 per Unit was calculated using the weighted average price at which the Units traded on the Exchange during the period of the five most recent trading days ending on the trading day immediately prior to the grant date.

On January 6, 2017, the REIT issued the Consideration Units at a price of Cdn\$10.3099 per Unit in connection with the closing of the REIT’s indirect acquisition of the Sunstone Embassy Suites Portfolio. For further details, see “Recent Developments – Acquisition of the Sunstone Embassy Suites Portfolio”.

## TRADING PRICE AND VOLUME

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

Month	Price Range		Total Volume
	High (Cdn\$)	Low (Cdn\$)	
February 2016	10.44	9.90	922,441
March 2016	10.65	10.06	1,581,454
April 2016	10.55	10.05	1,246,581
May 2016	10.45	10.00	1,793,405
June 2016	10.58	10.20	1,261,997
July 2016	10.78	10.27	3,591,100
August 2016	11.12	10.30	4,357,370
September 2016	11.25	10.79	2,544,198
October 2016	11.14	10.45	1,841,703
November 2016	10.77	10.15	2,203,501
December 2016	10.60	10.12	4,811,012
January 2017	10.53	10.32	2,627,422
February 1 - 15, 2017	10.84	10.38	1,231,265

## USE OF PROCEEDS

The use of proceeds from the sale of Securities will be described in the applicable Prospectus Supplement relating to a specific offering and sale of Securities. Among other potential uses, the REIT may use the net proceeds from the sale of Securities: (i) for future acquisitions; (ii) to fund working capital and for general corporate purposes (which includes, among other things, funding of capital expenditures, providing mezzanine financing for new development projects and payment of deposits for potential acquisitions); and (iii) to repay any indebtedness of the REIT or its Subsidiaries that may be outstanding from time to time.

Management of the REIT will retain broad discretion in allocating (based on sound business principles) the net proceeds of any offering of Securities under this Prospectus and any applicable Prospectus Supplement and the REIT’s actual use of the net proceeds will vary depending on the availability and suitability of acquisition and

investment opportunities and its operating and capital needs from time to time and may be used, without limitation, to further the REIT's business objectives.

The REIT may, from time to time, issue securities (including Securities) other than pursuant to this Prospectus or any Prospectus Supplement.

### Use of Proceeds from the December 2016 Offering

In the December 2016 Prospectus, the REIT disclosed that the total net proceeds from the sale of the Units offered under the December 2016 Offering was estimated to be approximately Cdn\$109.6 million (inclusive of the estimated net proceeds from the exercise in full of the over-allotment option for the December 2016 Offering) after deducting the underwriters' fees for that offering of approximately Cdn\$4.6 million and deducting the estimated expenses of the December 2016 Offering of Cdn\$875,000. In the December 2016 Prospectus, the REIT estimated the net proceeds would be used: (i) as to approximately Cdn\$78.0 million, to partially fund the acquisition of the Midwestern 3 Embassy Suites Portfolio; and (ii) as to the balance, if any, to fund working capital, potential future acquisitions, and for general corporate purposes.

The table below compares the estimated and actual use of proceeds in connection with the December 2016 Offering for the specific identified uses as at the date of this short form prospectus:

Item	Estimated Use of Proceeds (Cdn\$) (unaudited)	Actual Use of Proceeds (Cdn\$) (unaudited)	Variance (Cdn\$) (unaudited)
Expenses of December 2016 Offering and related overallotment (including underwriters' fees)	\$ 5,477,852	\$ 5,299,875	\$ 177,977
Equity proceeds used for purchase of the Midwestern 3 Embassy Suites Portfolio	78,000,000	80,310,072 <sup>(1)</sup>	(2,310,072)
Equity proceeds used for purchase of the Sunstone Embassy Suites Portfolio	—	5,480,064 <sup>(2)(3)</sup>	(5,480,064)
Equity proceeds to fund working capital and for general corporate purposes	31,593,448	23,981,289	7,612,159 <sup>(4)</sup>
<b>TOTAL</b>	<b>\$ 115,071,300</b>	<b>\$ 115,071,300</b>	<b>\$ —</b>

- (1) The Canadian dollar equivalent was valued using the closing exchange rate as at January 19, 2017 of US1.00 equals Cdn\$1.3314 published by the Bank of Canada.
- (2) The Canadian dollar equivalent was valued using the closing exchange rate as at January 6, 2017 of US1.00 equals Cdn\$1.3232 published by the Bank of Canada.
- (3) Following the completion of the July 2016 Offering, the closing date for the acquisition of the Sunstone Embassy Suites Portfolio was extended to January 2017. In the intervening period, the REIT redeployed a portion of the net proceeds from the July 2016 Offering that was originally allocated for purposes of the REIT's acquisition of the Sunstone Embassy Suites Portfolio. As a result, the REIT used a portion of the net proceeds from the December 2016 Offering to complete the purchase of the Sunstone Embassy Suites Portfolio.
- (4) The excess cash on hand from the December 2016 Offering and the timing and amount of the deployment thereof is not expected to impact the REIT's ability to achieve its business objectives.

### EARNINGS COVERAGE RATIO

Earnings coverage ratios will be provided as required in the applicable Prospectus Supplement(s) with respect to the issuance of Debt Securities pursuant to this Prospectus.

## CONSOLIDATED CAPITALIZATION OF THE REIT

The following table sets out the consolidated capitalization of the REIT as at September 30, 2016, and the *pro forma* consolidated capitalization of the REIT as at September 30, 2016 after giving effect to the completion of the acquisition of the Florida/Tennessee Portfolio, Florida 6 Portfolio, Nashville Property, Sunstone Embassy Suites Portfolio and the Midwestern 3 Embassy Suites Portfolio and after giving effect to the December 2016 Offering.

	Outstanding as At September 30, 2016 (US\$000s)	
	Actual (unaudited)	As adjusted for the December 2016 Offering and the acquisitions of the Florida/Tennessee Portfolio, Florida 6 Portfolio, Nashville Property, Sunstone Embassy Suites Portfolio and the Midwestern 3 Embassy Suites Portfolio (unaudited)
<b>Indebtedness</b>		
Term loans (gross) .....	\$307,888	\$307,888
Florida/Tennessee Loan	—	27,500
Florida 6 Loan	—	37,000
Nashville Loan	—	4,500
Dallas Loan	—	19,000
Tempe Loan	—	13,500
Midwestern 3 Loan	—	65,000
<b>Partners' Capital</b>		
Units .....	322,990	426,924 <sup>(1)(2)(3)(4)</sup>
<b>Total capitalization .....</b>	<b>\$630,878</b>	<b>\$901,312</b>

- (1) This amount includes US\$86,558,824 attributed to the 11,281,500 Units issued under the December 2016 Offering (based on a rate of exchange of US\$1.00 equals Cdn\$1.3294).
- (2) This amount does not include a deduction for costs related to the December 2016 Offering, including the underwriters' fee for the December 2016 Offering, which costs are charged directly to Partners' Capital.
- (3) This amount includes the US\$17,375,000 paid by the REIT to the Sunstone Embassy Suites Sellers through the issuance of the Consideration Units as partial payment of the purchase price for the Sunstone Embassy Suites Portfolio.
- (4) The number of Units issued and outstanding as at September 30, 2016 was 45,086,159 and the number of Units issued and outstanding after giving effect to the 11,281,500 Units issued under the December 2016 Offering and the issuance of the 2,242,761 Consideration Units (but excluding the 6,383 Units issued on December 23, 2016 upon the vesting of awards previously granted pursuant to the REIT's securities-based compensation plan) is 58,610,420.

## PLAN OF DISTRIBUTION

The REIT may from time to time during the 25-month period that this Prospectus, including any amendments hereto, remains valid, offer for sale and issue up to an aggregate of US\$500,000,000 (or its equivalent in Canadian dollars or any other currencies) in Securities hereunder.

The REIT may offer and sell the Securities to or through underwriters or dealers purchasing as principals, and may also sell directly to one or more purchasers or through agents or pursuant to applicable statutory exemptions. The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter, dealer or agent, as the case may be, engaged by the REIT in connection with the offering and sale of the Securities, and will set forth the terms of the offering of such Securities, including, to the extent applicable, any fees, discounts or any other compensation payable to underwriters, dealers or agents in connection with the offering, the details of any over-allotment option granted to underwriters, dealers or agents, the method of distribution of the Securities, the initial issue price (in the event that the offering is a fixed price distribution), the proceeds that the REIT will receive and any other material terms of the plan of distribution. Any initial offering price and discounts, concessions or commissions allowed or reallocated or paid to dealers may be changed from time to time.

The Securities may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis, the Securities may be offered at market prices prevailing at the time of sale (including, without limitation, sales deemed to be "at-the-market distributions" as defined in

National Instrument 44-102 – *Shelf Distributions*, including sales made directly on the Exchange or other existing trading markets for the Securities), at prices determined by reference to the prevailing price of a specified security in a specified market or at prices to be negotiated with purchasers, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be decreased by the amount, if any, by which the aggregate price paid for the Securities by the purchasers is less than the gross proceeds paid by the underwriter, dealer or agent to the REIT. The price at which the Securities will be offered and sold may vary from purchaser to purchaser and during the period of distribution.

In connection with the sale of the Securities, underwriters, dealers or agents may receive compensation from the REIT or from other parties, including in the form of underwriters', dealers' or agents' fees, commissions or concessions. Underwriters, dealers and agents that participate in the distribution of the Securities may be deemed to be underwriters for the purposes of applicable Canadian securities legislation and any such compensation received by them from the REIT and any profit on the resale of the Securities by them may be deemed to be underwriting commissions.

In connection with any offering of Securities, the underwriters, dealers or agents, as the case may be, may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the Securities at a level other than those which otherwise might prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time.

Underwriters, dealers or agents who participate in the distribution of the Securities may be entitled, under agreements to be entered into with the REIT, to indemnification by the REIT against certain liabilities, including liabilities under Canadian securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. Such underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, the REIT in the ordinary course of business.

The issued and outstanding Units of the REIT trade on the Exchange under the symbol "HOT.UN". On February 15, 2017, the last trading day prior to the date of this Prospectus, the closing price of the issued and outstanding Units was Cdn\$10.69.

Unless otherwise specified in the applicable Prospectus Supplement, each series or issue of Securities (other than Units) will be a new issue of Securities with no established trading market. Accordingly, there is currently no market through which the Securities (other than Units) may be sold and purchasers may not be able to resell such Securities purchased under this Prospectus. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities and the extent of issuer regulation. See "Risk Factors".

This Prospectus constitutes a public offering of these Securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such Securities. Unless otherwise specified in the applicable Prospectus Supplement, the Securities have not been and will not be registered under the U.S. Securities Act or any state securities laws. Unless otherwise specified in the applicable Prospectus Supplement, the Securities may not be offered or sold in the U.S. or to, or for the account or benefit of, U.S. persons, unless the Securities are registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available. Each underwriter, dealer and agent who participates in the distribution will agree not to sell or offer to sell or to solicit any offer to buy any Securities within the U.S. or to, or for the account or benefit of, a U.S. person, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these Securities in the U.S.

#### **PRINCIPAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The applicable Prospectus Supplement will include a general summary of certain material Canadian federal income tax consequences which may be applicable to a purchaser of the Securities offered thereunder.

#### **PRINCIPAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The applicable Prospectus Supplement will include a general summary of certain material United States federal income tax consequences which may be applicable to a purchaser of the Securities offered thereunder.



## **RISK FACTORS**

**Before deciding to invest in any Securities, prospective purchasers of the Securities should consider carefully the risk factors and the other information contained and incorporated by reference in this Prospectus and the applicable Prospectus Supplement relating to a specific offering of Securities before purchasing the Securities. An investment in the Securities offered hereunder is speculative and involves a high degree of risk. Information regarding the risks affecting the REIT and its business is provided in the documents incorporated by reference in this Prospectus, including in the REIT's AIF under the heading "Risk Factors". See "Documents Incorporated by Reference".**

### **No Assurance of Active or Liquid Market**

No assurance can be given that an active or liquid trading market for the Units will be sustained. If an active or liquid market for the Units fails to be sustained, the prices at which the Units trade may be adversely affected. Whether or not the Units will trade at lower prices depends on many factors, including the liquidity of the Units, prevailing interest rates and the markets for similar securities, general economic conditions and the REIT's financial condition, historic financial performance and future prospects.

There is currently no market through which the Securities (other than the Units) may be sold and purchasers may not be able to resell such Securities. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities, and the extent of issuer regulation.

### **Public Markets and Prices for Securities**

The market price of the Units and any other Securities offered hereunder that become listed and posted for trading on the Exchange or any other stock exchange could be subject to significant fluctuations in response to variations in the REIT's operating results or other factors. In addition, fluctuations in the stock market may adversely affect the market price of the Units and any other Securities offered hereunder that become listed and posted for trading on the Exchange or any other stock exchange regardless of the operating performance of the REIT. Securities markets have also experienced significant price and volume fluctuations from time to time. In some instances, these fluctuations have been unrelated or disproportionate to the operating performance of issuers. Market fluctuations may adversely impact the market price of the Units and any other Securities offered hereunder that become listed and posted for trading on the Exchange or any other stock exchange. There can be no assurance of the price at which the Units and any other Securities offered hereunder that become listed and posted for trading on the Exchange or any other stock exchange will trade.

### **Additional Issuances and Dilution**

The REIT may issue and sell additional securities of the REIT to finance its operations or future acquisitions. The REIT cannot predict the size of future issuances of securities of the REIT or the effect, if any, that future issuances and sales of securities will have on the market price of any Securities of the REIT issued and outstanding from time to time. Sales or issuances of substantial amounts of securities of the REIT, or the perception that such sales could occur, may adversely affect prevailing market prices for securities of the REIT issued and outstanding from time to time. With any additional sale or issuance of securities of the REIT, holders will suffer dilution with respect to voting power and may experience dilution in the REIT's earnings per share. Moreover, this Prospectus may create a perceived risk of dilution resulting in downward pressure on the price of the REIT's issued and outstanding Units, which could contribute to progressive declines in the prices of such securities.

### **The REIT has Broad Discretion in the Use of the Net Proceeds from any Offering**

Management of the REIT will have broad discretion with respect to the application of net proceeds received by the REIT from the sale of Securities under this Prospectus or a future Prospectus Supplement and may spend such proceeds in ways that do not improve the REIT's results of operations or enhance the value of the Units or its other securities issued and outstanding from time to time. Any failure by management to apply these funds effectively could result in financial losses that could have a material adverse effect on the REIT's business or cause the price of the securities of the REIT issued and outstanding from time to time to decline.



## **Historical financial information and pro forma financial information**

The historical financial information relating to the Midwestern 3 Embassy Suites Portfolio incorporated by reference into this Prospectus has been derived from third parties' historical accounting records. The REIT believes that the assumptions underlying the unaudited pro forma consolidated financial statements are reasonable.

The unaudited pro forma consolidated financial statements and related pro forma financial information incorporated by reference into this Prospectus, however, may not reflect what the REIT's financial position, results of operations or cash flows would have been had the REIT been a standalone entity owning the Midwestern 3 Embassy Suites Portfolio during the historical periods presented or what the REIT's financial position, results of operations or cash flows will be in the future.

In preparing the pro forma financial information incorporated by reference into this Prospectus, the REIT gave effect to, among other items, the December 2016 Offering and the completion of the acquisition of the Midwestern 3 Embassy Suites Portfolio prior to their completion. The estimates used in the pro forma financial information may not be similar to the REIT's actual performance going forward, and any differences may be material.

## **Use of Property Appraisals**

Caution should be exercised in the evaluation and use of the Sunstone Embassy Suites Appraisal and the Midwestern 3 Appraisal prepared by Colliers and HVS, respectively. A valuation is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Sunstone Embassy Suites Appraisal and the Midwestern 3 Appraisal are each based on various assumptions of future expectations. Some of these assumptions may not materialize or may differ materially from actual experience in the future.

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

## **Tax Consequences**

Tax filings made or to be made by the REIT, including those related to income and expenses as well as those arising out of acquisition or disposition transactions, involve interpretations of the Tax Act and Code which, if interpreted differently or challenged by taxing authorities, could result in tax liabilities to the REIT or the Unitholders. Further, the acquisition and disposition of businesses and assets by the REIT often involve various structuring events to complete the transactions in a tax efficient manner and, consequently, involve interpretations of the Tax Act and Code which, if interpreted differently or challenged by taxing authorities, could result in tax liabilities to the REIT or Unitholders.

There may be an enactment, promulgation or public announcement of a change or proposed change in tax law (including a specific proposal to amend the Tax Act or Code publicly announced by the Department of Finance (Canada) or the Minister of Finance of Canada or the IRS, respectively) or applicable case law or written and published interpretative guidance or policy of the CRA or the IRS or provincial or state equivalent that could result in a material impairment of, or materially adversely affect, the operations or financial or tax position of the REIT or its Subsidiaries.

## **Other Tax Matters**

This Prospectus contains no representation or warranty with respect to income tax considerations in Canada, the U.S. or other jurisdictions, which may be relevant to a decision to invest in the Units nor should any of the information set out herein be construed to be tax advice to any prospective purchaser of the Offered Units. Prospective purchasers of the Offered Units should consult their own tax advisors with respect to the tax consequences of an investment in the Offered Units in their particular circumstances.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

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

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

## **LEGAL PROCEEDINGS**

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

## **LEGAL MATTERS**

Unless otherwise specified in a Prospectus Supplement relating to any Securities offered, certain legal matters in connection with the offering of Securities will be passed upon on behalf of the REIT by Farris, Vaughan, Wills & Murphy LLP. In addition, certain legal matters in connection with any offering of Securities will be passed upon for any underwriters, dealers or agents by counsel to be designated at the time of the offering by such underwriters, dealers or agents, as the case may be.

## **EXPERTS**

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

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

Colliers is named as having prepared the Sunstone Embassy Suites Appraisal. See “Recent Developments – Acquisition of the Sunstone Embassy Suites Portfolio – Independent Appraisal of the Sunstone Embassy Suites Portfolio”. As at the date of such reports and this Prospectus, the partners and associates of Colliers beneficially owned, directly and indirectly, less than 1% of the outstanding securities of the REIT and its Affiliates.

HVS is named in the business acquisition report of the REIT dated January 31, 2017, which is incorporated by reference into this Prospectus, as having prepared an aggregate appraisal report in respect of the Midwestern 3 Portfolio. As at the date of such appraisal and this Prospectus, the partners and associates of HVS beneficially owned, directly and indirectly, less than 1% of the outstanding securities of the REIT and its Affiliates.

Keiter is named in the business acquisition report of the REIT dated January 31, 2017, which is incorporated by reference into this Prospectus, as having prepared an auditors’ report with respect to the combined financial statements of the Midwestern 3 Embassy Suites Portfolio. As at the date of auditors’ report and this Prospectus, the partners and associates of Keiter beneficially owned, directly and indirectly, less than 1% of the outstanding securities of the REIT and its affiliates.

## **PURCHASER’S STATUTORY RIGHTS**

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

In an offering of Securities that are convertible, exchangeable or exercisable into other securities of the REIT, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which such Securities are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon the conversion, exchange or exercise of the Security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

#### **PURCHASER'S CONTRACTUAL RIGHTS**

Original purchasers of: (i) Subscription Receipts; (ii) Debt Securities that are convertible, exchangeable or exercisable into other Securities of the REIT; or (iii) Warrants offered separately without other Securities, will have a contractual right of rescission against the REIT in respect of the conversion, exchange or exercise of such a Subscription Receipt, Debt Security or Warrant. The contractual right of rescission will entitle such original purchasers to receive the amount paid upon conversion, exchange or exercise, upon surrender of the underlying Securities gained thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that both: (i) the conversion, exchange or exercise; and (ii) the exercise of the contractual right of rescission take place within 180 days of the date of the purchase of the aforementioned Subscription Receipts, Debt Securities or Warrants under this Prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 131 of the *Securities Act* (British Columbia), and is in addition to any other right or remedy available to original purchasers under section 131 the *Securities Act* (British Columbia) or otherwise at law.

**CERTIFICATE OF THE REIT**

February 16, 2017

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

**AMERICAN HOTEL INCOME PROPERTIES REIT LP**

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

(Signed) AZIM LALANI  
Chief Financial Officer of the General Partner

**AMERICAN HOTEL INCOME PROPERTIES REIT (GP) INC.  
(as General Partner)**

(Signed) ROBERT O'NEILL  
Chief Executive Officer

(Signed) AZIM LALANI  
Chief Financial Officer

(Signed) STEPHEN J. EVANS  
Director

(Signed) CHARLES VAN DER LEE  
Director