

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

**AMERICAN HOTEL INCOME
PROPERTIES REIT LP**

And Independent Auditors' Report thereon

Years ended December 31, 2022 and 2021



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of American Hotel Income Properties REIT LP

Opinion

We have audited the consolidated financial statements of American Hotel Income Properties REIT LP (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of partners' capital for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of impairment of cash-generating units

Description of the matter

We draw attention to Notes 2(e)(iv), 3(f) and 5(a) to the financial statements. The hotel properties are measured at cost less accumulated depreciation and accumulated impairment losses. The Entity defines each hotel property as a separate cash-generating unit for purposes of evaluating impairment. Accordingly, each cash-generating unit is comprised of property, buildings and equipment, and the related intangible asset, which in aggregate, were recorded at carrying amounts of \$953,329 thousand and \$4,837 thousand, respectively. At each reporting date, the Entity performs an assessment for internal and external indicators of impairment for each cash-generating unit. If indicators are identified, the Entity then estimates the recoverable amount. During the current year, the Entity identified an indicator of impairment for a subset of cash-generating units, for which the Entity then estimated the recoverable amount.

The recoverable amount of each cash-generating unit is the greater of its value in use and its fair value less costs of disposal. When the carrying amount of the cash-generating unit exceeds its recoverable amount, an impairment loss is recognized in an amount equal to the excess. In determining the recoverable amount of cash-generating units, estimates include forecast cash flows from operations, revenue growth rates, discount rates and terminal capitalization rates.

Why the matter is a key audit matter

We identified the evaluation of impairment of cash-generating units as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of hotel properties and the high degree of estimation uncertainty in determining the recoverable amount of cash-generating units. In addition, specialized skills and knowledge and significant auditor judgment were required to evaluate the results of our audit procedures due to the sensitivity of the Entity's determination of the recoverable amount of cash-generating units to minor changes to significant assumptions.



How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For each cash-generating unit where the Entity identified an indicator of impairment and used the discounted cash flow method to determine the recoverable amount:

- We assessed the forecasted cash flows used in determining the recoverable amount by comparing baseline forecasted cash flows to historical cash flows and annual operating budgets, as well as evaluating the consistency of assumptions with evidence obtained in other areas of the audit.
- We evaluated the estimated revenue growth rates by comparing them against hotel market outlook reports indicating occupancy and pricing trends. When performing this assessment, we considered changes in conditions and events affecting the performance of cash-generating units in order to assess the adjustment, or lack of adjustments, made by the Entity.
- We involved valuations professionals with specialized skills and knowledge to assist in evaluating the appropriateness of discount rates and terminal capitalization rates used in determining the recoverable amount of cash-generating units. To perform this evaluation, our valuations professionals compared the discount and terminal capitalization rates to published reports of real estate industry commentators and considered features and risks specific to the cash-generating unit.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

The engagement partner on the audit resulting in this auditor's report is Lorna Nimmons.

Vancouver, Canada
February 28, 2023

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

As at December 31, 2022 and 2021

| | Notes | December 31, 2022 | December 31, 2021 |
|------------------------------------|-------|----------------------|----------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | | \$ 12,945 | \$ 14,700 |
| Current portion of restricted cash | 4 | 31,596 | 27,917 |
| Trade and other receivables | | 9,214 | 9,082 |
| Prepays and other assets | | 8,938 | 9,438 |
| Interest rate swap asset | 8(a) | 4,078 | - |
| Assets held for sale | 20 | - | 8,089 |
| | | 66,771 | 69,226 |
| Other receivables | | 7,000 | 9,792 |
| Restricted cash | 4 | 8,385 | 10,529 |
| Property, buildings and equipment | 5 | 953,329 | 1,044,997 |
| Intangible assets | 6 | 4,837 | 5,692 |
| Deferred income tax assets | 7 | 12,473 | 12,152 |
| | | \$ 1,052,795 | \$ 1,152,388 |

Liabilities and Partners' Capital

| | | | |
|---|-------|--------------|--------------|
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | | \$ 35,534 | \$ 27,728 |
| Current portion of term loans and revolving credit facility | 8 | 23,963 | 69,393 |
| Current portion of lease and other liabilities | 9 | 160 | 519 |
| Warrants liability | 11(b) | 3,225 | 5,805 |
| | | 62,882 | 103,445 |
| Term loans and revolving credit facility | 8 | 619,966 | 626,403 |
| Convertible debentures | 10 | 43,487 | 42,324 |
| Lease and other liabilities | 9 | 862 | 212 |
| Interest rate swap liability | 8(a) | - | 1,652 |
| Deferred income tax liabilities | 7 | 3,492 | 3,748 |
| | | 730,689 | 777,784 |
| Partners' capital attributable to Unitholders | | 278,536 | 331,034 |
| Non-controlling interest | 11(a) | 43,570 | 43,570 |
| | | \$ 1,052,795 | \$ 1,152,388 |

Subsequent events (note 21)

Commitments and contingencies (note 16)

See accompanying notes to consolidated financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Consolidated Statements of Comprehensive Loss
(Expressed in thousands of U.S. dollars)

Years ended December 31, 2022 and 2021

| | | Twelve months ended | |
|--|-------|----------------------|----------------------|
| | Notes | December 31, 2022 | December 31, 2021 |
| Revenue: | | | |
| Rooms | | \$ 266,422 | \$ 232,150 |
| Food, beverage and other | | 14,945 | 9,157 |
| | | 281,367 | 241,307 |
| Hotel expenses: | | | |
| Operating expenses | | 146,720 | 113,497 |
| Energy | | 12,634 | 11,407 |
| Property maintenance | | 14,305 | 9,917 |
| Property taxes, insurance and ground lease | | 18,554 | 17,569 |
| Depreciation and amortization | | 37,952 | 43,087 |
| | | 230,165 | 195,477 |
| Income from operating activities | | 51,202 | 45,830 |
| Corporate and administrative | | 17,861 | 18,114 |
| Other income | | (2,192) | (14,658) |
| Gain on redemption of convertible debt | | - | (417) |
| Warrant issuance costs | 11(b) | - | 325 |
| Impairment of cash-generating units | 5(a) | 44,081 | 12,403 |
| Gain on sale of properties | 5(b) | (1,154) | - |
| Loss on property, buildings and equipment | 5 | 4,919 | 1,293 |
| Insurance loss/(gain) on property and equipment | | 99 | (1,474) |
| (Loss)/income from continuing operations before undernoted | | (12,412) | 30,244 |
| Finance income | | (110) | (113) |
| Change in fair value of warrants | 11(b) | (2,580) | 3,905 |
| Change in fair value of interest rate swap contracts | 8(a) | (5,730) | (3,271) |
| Finance costs | 14 | 31,615 | 40,452 |
| Loss from continuing operations before income taxes | | (35,607) | (10,729) |
| Current income tax expense/(recovery) | | 83 | (74) |
| Deferred income tax (recovery)/expense | | (577) | 1,193 |
| Loss and comprehensive loss from continuing operations | | \$ (35,113) | \$ (11,848) |
| Loss on disposal of discontinued operations | | (469) | (18) |
| Loss and comprehensive loss | | \$ (35,582) | \$ (11,866) |
| Loss attributable to: | | | |
| Unitholders | | \$ (39,637) | \$ (15,610) |
| Non-controlling interest | 11(a) | 4,055 | 3,744 |
| | | \$ (35,582) | \$ (11,866) |
| Basic loss per unit: | | | |
| Continuing operations | | \$ (0.45) | \$ (0.15) |
| Discontinued operations | | (0.01) | - |
| Loss per Unit | | \$ (0.46) | \$ (0.15) |
| Diluted loss per unit: | | | |
| Continuing operations | | \$ (0.45) | \$ (0.15) |
| Discontinued operations | | (0.01) | - |
| Diluted loss per Unit | | \$ (0.46) | \$ (0.15) |
| Basic weighted average number of Units outstanding | | 78,754,918 | 78,589,920 |
| Diluted weighted average number of Units outstanding | | 79,198,355 | 78,918,912 |

See accompanying notes to consolidated financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Consolidated Statements of Partners' Capital

(Expressed in thousands of U.S. dollars, except Units outstanding)

Years ended December 31, 2022 and 2021

| | Notes | Units outstanding | Partners' contributions ¹ | Contributed surplus | Cumulative deficit | Total | Non-controlling interest |
|---|-------|----------------------|---|------------------------|-----------------------|------------|-----------------------------|
| Balance, January 1, 2022 | | 78,722,529 | \$ 624,104 | \$ 1,054 | \$ (294,124) | \$ 331,034 | \$ 43,570 |
| Securities-based compensation | 13 | - | - | 339 | - | 339 | - |
| Issuance of Units under securities-based compensation plan | 12,13 | 72,915 | 191 | (395) | - | (204) | - |
| Loss and comprehensive loss | | - | - | - | (39,637) | (39,637) | 4,055 |
| Distributions to non-controlling interest | 11(a) | - | - | - | - | - | (4,055) |
| Distributions | 12(d) | - | - | - | (12,996) | (12,996) | - |
| Balance, December 31, 2022 | | 78,795,444 | \$ 624,295 | \$ 998 | \$ (346,757) | \$ 278,536 | \$ 43,570 |
| Balance, January 1, 2021 | | 78,484,068 | \$ 619,023 | \$ 1,205 | \$ (278,514) | \$ 341,714 | \$ - |
| Securities-based compensation | 13 | - | - | 1,296 | - | 1,296 | - |
| Issuance of Units under securities-based compensation plan | 12,13 | 238,461 | 822 | (1,447) | - | (625) | - |
| Investment from non-controlling interest | 11(a) | - | - | - | - | - | 43,570 |
| Loss and comprehensive loss | | - | - | - | (15,610) | (15,610) | 3,744 |
| Distributions to non-controlling interest | 11(a) | - | - | - | - | - | (3,744) |
| Redemption of convertible debentures | 10 | | (871) | | | (871) | |
| Issuance of convertible debenture | 10 | | 5,130 | | | 5,130 | |
| Balance, December 31, 2021 | | 78,722,529 | \$ 624,104 | \$ 1,054 | \$ (294,124) | \$ 331,034 | \$ 43,570 |

⁽¹⁾ Includes \$0.1 of General Partner Units.

See accompanying notes to consolidated financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

Years ended December 31, 2022 and 2021

| | | Twelve months ended | |
|--|-------|----------------------|----------------------|
| | Notes | December 31, 2022 | December 31, 2021 |
| Cash provided by (used in): | | | |
| Operating activities: | | | |
| Loss and comprehensive loss from continuing operations | | \$ (35,113) | \$ (11,848) |
| Interest paid | | (34,147) | (37,648) |
| Securities-based compensation paid in cash | | (25) | (201) |
| Items not affecting cash: | | | |
| Other income | 9 | (267) | (14,658) |
| Depreciation and amortization | | 37,952 | 43,087 |
| Amortization of other liabilities | | (5) | (27) |
| Impairment of cash-generating units | | 44,081 | 12,403 |
| Gain on redemption of convertible debt | | - | (417) |
| Loss on property, buildings and equipment | | 4,919 | 1,293 |
| Gain on sale of properties | | (1,154) | - |
| Insurance loss on property and equipment | | 99 | - |
| Securities-based compensation expense | | 364 | 1,502 |
| Deferred income tax (recovery)/expense | | (577) | 1,193 |
| Change in fair value of warrants | | (2,580) | 3,905 |
| Change in fair value of interest rate swap contracts | | (5,730) | (3,271) |
| Finance costs | | 31,615 | 40,452 |
| | | 39,432 | 35,765 |
| Change in non-cash working capital: | 19 | 5,478 | (17,811) |
| | | 44,910 | 17,954 |
| Investing activities: | | | |
| Additions to property, buildings and equipment | | (28,250) | (6,209) |
| Proceeds from sale of hotel | | 47,542 | - |
| Interest accrual on other receivables | | (55) | (106) |
| Net change in restricted cash | | (3,941) | (12,317) |
| | | 15,296 | (18,632) |
| Financing activities: | | | |
| Payments on term loans | | (95,325) | (4,724) |
| Proceeds from term loans | | 50,000 | - |
| Distributions paid | | (11,814) | (2,969) |
| Distributions to non-controlling interest | | (4,055) | (3,744) |
| Proceeds from (repayment of) other loans | 9 | (78) | 5,198 |
| Payments on lease liabilities | | (271) | (256) |
| Financing costs paid | | (418) | (648) |
| Net investment from non-controlling interest, net of transaction costs | | - | 43,570 |
| Proceeds from warrants | | - | 1,900 |
| Payments on revolving credit facility | | - | (25,000) |
| Deferred payment on acquisition of hotels | | - | (16,136) |
| Redemption of convertible debentures | 10 | - | (48,875) |
| Net proceeds from convertible debentures issuance | 10 | - | 47,344 |
| | | (61,961) | (4,340) |
| Decrease in cash and cash equivalents from continuing operations | | (1,755) | (5,018) |
| Decrease in operating cash and cash equivalents from discontinued operations | | - | (429) |
| Cash and cash equivalents, beginning of year | | 14,700 | 20,147 |
| Cash and cash equivalents, end of year | | \$ 12,945 | \$ 14,700 |

See accompanying notes to consolidated financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

1. Reporting entity:

American Hotel Income Properties REIT LP (“AHIP”) is a limited partnership formed under the Limited Partnerships Act (Ontario) to invest in hotel real estate properties in the United States and was established pursuant to the terms of AHIP’s Limited Partnership Agreement dated October 12, 2012, which was most recently amended and restated on June 17, 2021. AHIP’s general partner is American Hotel Income Properties REIT (GP) Inc. (“General Partner”). AHIP’s head office and address for service is 800 – 925 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3L2.

AHIP’s primary business is owning Premium Branded hotels, which have franchise agreements with international hotel brands including Marriott, Hilton and IHG.

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

2. Basis of presentation and statement of compliance:

(a) Statement of compliance:

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) incorporating interpretations issued by the Interpretations Committee (“IFRIC”). AHIP has consistently applied the accounting policies in all years presented.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the General Partner (the “Board”) on February 28, 2023.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

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

(b) Basis of measurement:

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

The consolidated statement of financial position for the year ended 31 December 2021 has been restated to correctly present trade and other receivables and accounts payable and accrued liabilities on a gross basis. This has resulted in an increase to trade and other receivables of \$1,898 (from \$7,184 to \$9,082) and an increase to accounts payable and accrued liabilities of \$1,898 (from \$25,830 to \$27,728).

(c) Functional and presentation currency:

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

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

- (i) Monetary assets and liabilities are translated at current rates of exchange and non-monetary assets and liabilities are translated at historical rates of exchange;
- (ii) Revenues and expenses are translated at average rates of exchange for the year; and
- (iii) All exchange gains and losses are recognized in the consolidated statements of comprehensive loss.

(d) Use of estimates, assumptions and judgments:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

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

(e) Use of estimates, assumptions and judgments (continued):

Significant areas of estimates and assumptions include the following:

(i) Financial statement classification of preferred shares and warrants:

Management used judgement in assessing, in accordance with IAS 32 *Financial Instruments: Presentation*, whether the preferred shares and warrants issued should be classified as a liability or an equity instrument. In making this judgement, management evaluated the criteria of whether a financial instrument is an equity instrument rather than a financial liability and determined that the preferred shares are an equity instrument, and the warrants are a financial liability.

(ii) Valuation of warrants:

The warrants are a derivative instrument liability and measured at fair value. Considerable judgement is used to determine the different assumptions used in the valuation methodology for volatility and the lack of marketability.

(iii) Depreciation and amortization:

Management has estimated the useful lives of property, buildings and equipment in the determination of depreciation. The estimated useful lives of property, buildings and equipment are determined based on various factors including historical data and AHIP's expected use of the assets. Intangible assets are amortized over the average remaining contractual term of the franchise agreements.

(iv) Impairment:

IAS 36 *Impairment of Assets* ("IAS 36"), requires management to use judgement in assessing whether there is an impairment of AHIP's cash-generating units ("CGUs"). In making this judgement, management evaluates, among other factors, internal and external indicators of impairment, such as changes in market conditions, economic or legal environment and any appraisal obtained during the year.

IAS 36 also requires management to exercise judgement in determining the recoverable amount of CGUs that are tested for impairment. Judgement is involved in estimating the fair value less cost of disposal or the value in use of the CGUs, including estimates of discount rates, growth rates and forecasted net cash flows. The estimates reflect past experience and are consistent with external sources of information. When measuring the fair value of the CGUs, AHIP uses observable market data to the extent possible.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

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

(e) Use of estimates, assumptions and judgments (continued):

(v) Forgivability of loans:

IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, requires management to exercise judgement in assessing whether AHIP had reasonable assurance that the loans met the criteria for forgivability under the relevant legislation and in determining the forgivable amount. In making this judgement, management evaluated the requirements for forgivability.

3. Significant accounting policies

(a) Basis of consolidation:

The consolidated financial statements comprise the financial statements of AHIP and subsidiaries controlled by AHIP. Control exists when AHIP is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

Intra-group transactions and balances are eliminated in preparing the consolidated financial statements. The consolidated financial statements reflect the financial position, results of operations and cash flows of AHIP and its subsidiaries.

AHIP consolidates its wholly-owned subsidiaries, which include the following material legal entities:

| | State of incorporation |
|--|---------------------------|
| American Hotel Income Properties REIT Inc. | Maryland |
| AHIP Properties LLC | Delaware |
| AHIP Enterprises LLC | Delaware |

(b) Discontinued operations:

A discontinued operation is a component of AHIP's business that represents a separate or major line of business or geographical area of operations that has been disposed of or classified as held for sale. The operations and cash flows can be clearly distinguished from the rest of AHIP, both operationally and for financial reporting purposes. When AHIP classifies an operation as a discontinued operation, it presents the comparative consolidated statements of comprehensive loss as if the operation had been discontinued from the start of the comparative year. In doing this, AHIP excludes the results of the discontinued operations and any gain or loss from disposal from the consolidated statements of comprehensive loss and presents them separately. Per Unit information related to the discontinued operations are also presented separately from continuing operations. Cash flows from discontinued operations are also presented separately from cash flows from continuing operations in the consolidated statements of cash flows.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

3. Significant accounting policies (continued):

(c) Property, buildings and equipment:

(i) Recognition and measurement:

Property, buildings and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets.

When parts of an item of property, buildings and equipment have different useful lives, they are accounted for as separate items of property, buildings and equipment, if significant.

On the acquisition of property, buildings, and equipment, IFRS 3 includes an election to use a concentration test which is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. AHIP may elect to use the concentration test to assess whether future properties acquired will be accounted for as business combinations or asset acquisitions.

Gains and losses on disposal of property, buildings and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, buildings, and equipment, and are recognized as a separate line item in the consolidated statements of comprehensive loss.

(ii) Subsequent costs:

The cost of replacing a part of an item of property, buildings and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to AHIP and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance of property, buildings and equipment are recognized in the consolidated statements of comprehensive loss as incurred.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

3. Significant accounting policies (continued):

(c) Property, buildings and equipment (continued):

(iii) Depreciation:

Depreciation is computed on a straight-line basis based on the useful lives of each component of property, buildings and equipment. Depreciation on new construction commences in the month after the asset is available for its intended use based upon the useful life of the asset, as outlined below.

| Asset | Basis | Rate |
|-----------------------|---------------|-------------------------|
| Buildings | Straight-line | 15 to 40 years |
| Equipment | Straight-line | 2 to 15 years |
| Automobiles | Straight-line | 5 years |
| Right of use property | Straight-line | Remaining term of lease |
| Right of use vehicles | Straight-line | Remaining term of lease |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted as appropriate.

(d) Assets held for sale:

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in the consolidated statements of comprehensive loss. Once classified as held for sale, building and equipment are no longer depreciated.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

3. Significant accounting policies (continued):

(e) Intangible assets:

Intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss.

(i) Recognition and measurement:

AHIP's intangible assets consist of franchise application fees paid.

(ii) Amortization:

Amortization is calculated based on the cost of the asset less its residual value. Amortization is recognized in the consolidated statements of comprehensive loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, specifically when the agreements come into effect, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The basis of amortization and estimated useful lives is as follows:

| Asset | Basis | Rate |
|----------------|---------------|---------------|
| Franchise fees | Straight-line | 6 to 20 years |

(f) Impairment of CGUs:

The carrying amount of each CGU is comprised of property, buildings and equipment, and the related intangible asset. At each reporting date, AHIP performs an assessment for internal and external indicators of impairment for each CGU. If any indicators are identified, AHIP then estimates the recoverable amount.

The recoverable amount of each CGU is the greater of its value in use and its fair value less costs of disposal. When the carrying amount of the CGU exceeds its recoverable amount, an impairment loss is recognized in an amount equal to the excess. When an indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased, the recoverable amount of that asset is estimated. A reversal of an impairment loss is recognized in the consolidated statements of comprehensive loss, to the extent that the resulting carrying value would not exceed the carrying value had no impairment loss been recognized for the asset or CGU in prior years.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

3. Significant accounting policies (continued):

(g) Financial instruments:

(i) Classification and measurement:

Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless AHIP identifies changes in its business model in managing financial assets that would result in the reassessment of the classification of financial assets.

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

Derivative instruments are financial contracts whose value is derived from interest rates, foreign exchange rates, financial instrument price or other financial or commodity indices. AHIP's interest rate swap agreements have not been designated as a hedge and are measured at FVTPL. The resulting unrealized gains and losses during the year are recorded in the consolidated statements of comprehensive loss with a corresponding asset or liability recorded within the consolidated statements of financial position. Payments and receipts under the interest rate swap contract are recognized as adjustments to interest expense which are recognized within finance costs. AHIP's warrants are derivative instruments are measured at FVTPL.

Compound financial instruments issued by AHIP comprise of convertible debentures denominated in U.S. dollars that can be converted at the option of the holder into Units at any time prior to maturity at a specified conversion price. The initial carrying amount of a compound financial instrument is allocated to the underlying financial liability and equity components. AHIP first determines the fair value of the liability component based on the fair value of a similar liability that does not have an equity conversion option. The initial carrying amount allocated to the equity component is the residual amount after deducting the fair value of the financial liability component from the fair value of the entire compound financial instrument. Transaction costs related to the conversion feature are deducted from partner's capital. Transaction costs related to the liability component are amortized using the effective interest method.

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

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

(i) Classification and measurement (continued):

The following summarizes the classification and measurement of financial assets and liabilities:

| Financial instrument | Classification under IFRS 9 |
|--|-----------------------------|
| Cash and cash equivalents | Amortized cost |
| Restricted cash | Amortized cost |
| Trade and other receivables | Amortized cost |
| Other receivables | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Lease and other liabilities | Amortized cost |
| Term loans and revolving credit facility | Amortized cost |
| Convertible debentures | Amortized cost |
| Preferred shares | Amortized cost |
| Derivative instruments | FVTPL |

ii) Impairment:

An allowance for expected credit losses ("ECL") is recognized at each balance sheet date for all financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

Impairment losses, if incurred, are recorded as an expense in the consolidated statements of comprehensive loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statements of comprehensive loss. The impairment reversal would be limited to the lesser of the decrease in impairment or to the extent that the carrying value of the financial asset at the date the impairment is reversed does not exceed what the carrying value would have been had the impairment not been recognized.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

3. Significant accounting policies (continued):

(h) Cash and cash equivalents:

AHIP considers all liquid investments with original terms to maturity of three months or less when acquired to be cash equivalents. Cash and cash equivalents consist of cash on hand and cash held in bank accounts.

(i) Restricted cash:

Restricted cash consists of cash reserves on deposit with lenders primarily in respect of future capital expenditures, cash collateral, property taxes and insurance premiums.

(j) Provisions:

A provision is recognized if, as a result of a past event, AHIP has a present legal or constructive obligation that can be estimated reasonably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the time value of money is material, provisions are determined by discounting the expected future cash flows using a current rate that reflects the risk profile of the liability, and the increase to the provision due to the passage of time will be recognized as a finance cost.

(k) Revenue recognition:

Revenue is generated primarily from the operation of AHIP's hotels and restaurants and is presented under two categories: 1) room revenue and 2) food, beverage, and other revenue. Other revenue is comprised of conference room rentals, parking revenues and other incidental income.

Revenue is recognized at an amount that reflects the consideration AHIP expects to be entitled to in exchange for transferring goods and services to a customer. AHIP's performance obligation is to provide accommodation and other goods and services to guests. Revenue is recognized when the rooms are occupied and food and beverages are sold.

AHIP may collect payments in advance of the utilization of a facility. These payments are deferred as other liabilities until such time as the applicable facility is utilized, at which time the customer deposit is recognized as revenue.

(l) Finance income and finance costs:

Finance income consists of interest on cash and cash equivalents and restricted cash, and interest on accounts receivable. Finance income is recognized in the year in which it is earned.

Finance costs consists of interest expense on the revolving credit facility, term loans, convertible debentures, accounts payable and accrued liabilities, other loans and lease liability, amortization of debt financing costs, mark-to-market adjustments on assumed loans, accretion of convertible debenture liability, and dividends paid on preferred shares. Interest expense and dividends paid are recognized in the year in which they are incurred. Interest expense on term loans used on hotel property construction and to finance renovations are capitalized to construction-in-progress during the period of construction.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

3. Significant accounting policies (continued):

(m) Debt financing costs and mark-to-market adjustments:

Fees and costs related to obtaining debt financing and mark-to-market adjustments on assumed loans are capitalized against the related debt and amortized over the term using the effective interest rate method, and are included in finance costs. The unamortized balance of the fees and costs are included and shown as a reduction of the related debt.

(n) Income (loss) per Unit:

Basic and diluted income (loss) per Unit is calculated by dividing net income (loss) and comprehensive income (loss) by the weighted average number of Units (basic and diluted) outstanding during the reporting period.

(o) Income taxes:

AHIP is not subject to tax under Part I of the Income Tax Act (Canada) (the "Tax Act"). Each partner of AHIP is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of AHIP for its fiscal year ending in or on the partner's taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the "SIFT Measures"). A "SIFT partnership" (as defined in the Tax Act) will be subject to SIFT tax on its "taxable non-portfolio earnings" (as defined in the Tax Act) at a rate that is substantially equivalent to the general income tax rate applicable to Canadian corporations. The SIFT Measures do not apply to a partnership that does not hold any "non-portfolio property" throughout the taxation year of the partnership.

Management believes that AHIP did not hold any "non-portfolio property" during the year and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. Management intends to continue to operate AHIP in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. If AHIP becomes a SIFT partnership, it will generally be subject to income taxes at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations on its taxable non-portfolio earnings, if any.

AHIP filed an election to be treated as a partnership for U.S. federal income tax purposes. In addition, management believes at least 90% of AHIP's gross income for the taxation year is qualifying income within the meaning of U.S. Internal Revenue Code (the "Code") Section 7704 and AHIP is not required to register as an investment company under the Investment Company Act of 1940. As such, it was not subject to U.S. federal income tax under the Code.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

3. Significant accounting policies (continued):

(o) Income taxes (continued):

Furthermore, American Hotel Income Properties REIT Inc. (the “U.S. REIT”) elected to be taxed as a real estate investment trust (“REIT”) under the Code commencing with its first taxation year ending December 31, 2013 and intends to maintain such an election to be taxed as a REIT in the current and future taxation years. In order for the U.S. REIT to qualify as a REIT under the Code, it must meet a number of organizational and operational requirements, including a requirement to make annual dividend distributions to its stockholders equal to a minimum of 90% of its taxable income, computed without regards to a dividends paid deduction and net capital gains. The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed to its stockholders annually. Management believes that all REIT conditions necessary to eliminate income taxes for the U.S. REIT for the reporting period have been met. Accordingly, no provision for U.S. federal income taxes has been made for the U.S. REIT. Even though the U.S. REIT qualifies as a REIT under the Code, it may be subject to certain state and local taxes.

Management has operated and intends to continue operating the U.S. REIT in such a manner to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual and quarterly operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates. In addition, the U.S. REIT may not be able to re-qualify as a REIT for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a REIT, it may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

AHIP's indirect Canadian subsidiary, AHIP Management Ltd., is a taxable REIT subsidiary (“TRS”) of the U.S. REIT and a taxable Canadian corporation subject to Canadian income tax. AHIP's indirect U.S. subsidiary, AHIP Enterprises LLC is a TRS of the U.S. REIT that is treated as a U.S. corporation subject to U.S. federal and state income tax on its taxable income.

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the consolidated statements of comprehensive loss, except to the extent that it relates to a business combination, or items recognized directly in partners' capital.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

3. Significant accounting policies (continued):

(o) Income taxes (continued):

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Securities-based compensation plan:

As described in note 13, AHIP has a securities-based compensation plan that provides for the granting of Units and Options to Directors, officers, employees or consultants of AHIP, the General Partner or any of their respective affiliates, or other persons as the American Hotel Income Properties REIT (GP) Inc's Board of Directors may determine.

The fair value of the Units granted are measured based on the price of the Units on the grant date as each Unit is entitled to the same rights as all other outstanding Units. The fair value of the Units granted is expensed on a straight-line basis over the vesting period, based on AHIP's estimate of the equity instruments that will eventually vest, with a corresponding increase to contributed surplus. Once issued, the Units are reclassified from contributed surplus to partners' contributions.

Options are accounted for using the fair value method whereby the compensation expense is recorded based on the fair values determined through the use of an option-pricing model when the Options are granted. Compensation cost from the Options are recognized over the vesting period.

(q) Leases:

AHIP assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. AHIP recognizes a right of use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or, if that rate cannot be readily determined, AHIP's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there are changes in the following: i) the lease term; ii) AHIP's assessment of whether it will exercise a purchase option; iii) a change in an index or a change in the rate used to determine the payments; or iv) amounts expected to be payable under residual value guarantees.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

3. Significant accounting policies (continued):

(q) Leases (continued):

The right of use assets are initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations.

The right of use asset is depreciated over the shorter of the asset's useful life and the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

(r) Government grants:

In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, AHIP classifies forgivable government loans as a government grant when there is reasonable assurance that they will meet the terms for forgiveness of the loan. Grants are recognized in the consolidated statements of comprehensive loss on a systematic basis as the costs that the grants are intended to compensate or, if compensation is for expenses or losses already incurred, or as an immediate financial support with no future related costs, in the period in which the grants become receivable. If this threshold for classification as a government grant is not met, AHIP classifies forgivable loans as other liabilities, measured at amortized cost.

The benefit of a government loan at below-market rate of interest is treated as a government grant. The difference between the present value of future cash flows of the loan discounted at the market interest rate and the loan proceeds received is recognized in the consolidated statements of comprehensive loss on the same basis that the related interest expense is recognized on the liability. AHIP recognizes deferred grants on a systematic basis over the periods in which AHIP recognizes the related expenses for which the grants were intended to compensate.

(s) Non-controlling interest ("NCI"):

NCI is measured at the proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in AHIP's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. AHIP has cumulative preferred shares that are classified as equity and are held by NCI. Income attributable to NCI is adjusted for the dividends on the preferred shares, whether or not the dividends have been declared.

AHIP's NCI relates to Series C Preferred Stock issued by AHIP's wholly owned subsidiary American Hotel Income Properties REIT Inc., that is classified as equity (note 11).

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

4. Restricted cash:

| | December 31, 2022 | December 31, 2021 |
|---|----------------------|----------------------|
| Property improvement plans ("PIPs") reserves | \$ 4,346 | \$ 6,705 |
| Furniture, fixture and equipment reserves ("FF&E Reserves") | 18,378 | 20,436 |
| Property tax reserves | 5,661 | 7,075 |
| Cash collateral and other reserves | 11,596 | 4,230 |
| | 39,981 | 38,446 |
| Current portion of restricted cash | (31,596) | (27,917) |
| | \$ 8,385 | \$ 10,529 |

AHIP has funded restricted cash reserves for brand mandated PIPs arising from the purchase of certain hotels. In addition, certain related term loans require AHIP to make deposits for FF&E Reserves, cash collateral, property taxes and insurance premiums. These amounts are released to AHIP as the expenditures are incurred or are paid directly to the service providers.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

5. Property, buildings and equipment:

| | Land | Buildings | Equipment | Construction- in-progress | Right of use Property | Right of use Vehicles | Total |
|---|------------|--------------|------------|------------------------------|-----------------------------|-----------------------------|--------------|
| Cost: | | | | | | | |
| Balance, January 1, 2021 | \$ 147,615 | \$ 1,025,707 | \$ 102,156 | \$ 14,748 | \$ 585 | \$ 589 | \$ 1,291,400 |
| Additions | 58 | 1,757 | 1,416 | 2,978 | - | - | 6,209 |
| Transfers | - | 409 | 67 | (476) | - | - | - |
| Disposals | - | (1,496) | - | - | - | - | (1,496) |
| Reclass to assets held for sale (note 20) | (1,286) | (7,758) | (716) | (18) | - | - | (9,778) |
| Balance, December 31, 2021 | 146,387 | 1,018,619 | 102,923 | 17,232 | 585 | 589 | 1,286,335 |
| Additions | - | 2,994 | 2,803 | 22,453 | 913 | - | 29,163 |
| Transfers | - | 2,623 | 548 | (3,171) | - | - | - |
| Disposals | - | (165) | - | - | - | - | (165) |
| Write-off of assets | - | (4,167) | (615) | - | - | - | (4,782) |
| Sale of properties (note 5(b)) | (5,680) | (72,229) | (5,525) | (1,248) | - | - | (84,682) |
| Balance, December 31, 2022 | \$ 140,707 | \$ 947,675 | \$ 100,134 | \$ 35,266 | \$ 1,498 | \$ 589 | \$ 1,225,869 |
| Accumulated depreciation and impairment: | | | | | | | |
| Balance, January 1, 2021 | \$ - | \$ 128,680 | \$ 59,080 | \$ - | \$ 324 | \$ 456 | \$ 188,540 |
| Depreciation | - | 27,651 | 14,503 | - | 178 | 55 | 42,387 |
| Impairment | - | 12,403 | - | - | - | - | 12,403 |
| Disposals | - | (203) | - | - | - | - | (203) |
| Reclass to assets held for sale (note 20) | - | (1,145) | (644) | - | - | - | (1,789) |
| Balance, December 31, 2021 | - | 167,386 | 72,939 | - | 502 | 511 | 241,338 |
| Depreciation | - | 27,018 | 9,850 | - | 177 | 52 | 37,097 |
| Impairment | - | 44,081 | - | - | - | - | 44,081 |
| Disposals | - | (28) | - | - | - | - | (28) |
| Sale of properties (note 5(b)) | - | (45,268) | (4,680) | - | - | - | (49,948) |
| Balance, December 31, 2022 | \$ - | \$ 193,189 | \$ 78,109 | \$ - | \$ 679 | \$ 563 | \$ 272,540 |
| Net book value, December 31, 2022 | \$ 140,707 | \$ 754,486 | \$ 22,025 | \$ 35,266 | \$ 819 | \$ 26 | \$ 953,329 |
| Net book value, December 31, 2021 | 146,387 | 851,233 | 29,984 | 17,232 | 83 | 78 | 1,044,997 |

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

5. Property, buildings and equipment (continued):

a) Impairment:

The carrying amounts of AHIP's CGUs are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the CGU's recoverable amount is estimated. As at December 31, 2022, the recoverable amount of a CGU with an indicator of impairment was estimated based upon, where available, a third-party appraisal of the property or an adjacent property using a discounted cash flow methodology. An adjustment was made to the appraised value to reflect the discount rate AHIP's management believe reflects the current market assessment of the specific risk of the underlying asset, and the time value of money. The impairment assessment is sensitive to changes in the discount rate and information on this sensitivity is provided below.

Where the recoverable value of a CGU was estimated based upon a third-party appraisal of an adjacent property, adjustments were made to the appraised value for age, number of rooms and operating segment.

Where a third-party appraisal was not obtained, the recoverable amount was estimated utilizing a discounted cashflow methodology and precedent transactions. A key input to the valuation is the forecasted 2023 net cash flows which have been approved by the Board and the 2024 to 2027 forecasted cash flows which are calculated by applying revenue and expense growth factors to the 2023 forecast. The growth factors are management's projections based on current and anticipated market conditions. Such projections are inherently uncertain and could differ materially from actual results in future periods.

All approaches are fair value less cost of disposal and the resulting fair value is categorized as a Level 3 measurement in the fair value hierarchy.

During the year ended December 31, 2022, AHIP recorded an impairment charge in aggregate of \$39,407 on fifteen hotel properties which are primarily located in New Jersey, Maryland and Texas (2021: \$12,403 on six hotel properties). The impairment is primarily due to the revised expectations regarding the time frame for the properties to return to their long-term stabilized earnings level after the impact of the COVID-19 pandemic and local competition factors in select markets.

The following table shows the valuation techniques used in measuring the fair value of the impaired CGUs, as well as the significant unobservable inputs used.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

5. Property, buildings and equipment (continued):

a) Impairment (continued)

| Valuation technique | Significant unobservable inputs | Inter-relationship between unobservable inputs and fair value measurement |
|--|---|---|
| Income approach - discounted cash flow | Discount rate (9% - 10%) Forecast net cash flows | The estimated fair value would increase (decrease) if: <ul style="list-style-type: none">- the discount rate was lower (higher).- forecast net cash flows were higher (lower). |

A 0.5% increase in the discount rate (to 9.5%-10.5%) would result in a reduction to recoverable amount of \$10,195, while a decrease in the discount rate of 0.5% (to 8.5%-9.5%) would result in an increase to the recoverable amount of \$11,149.

During the year ended December 31, 2022, AHIP recorded a further \$4,674 impairment loss (2021: \$nil), as the result of reclassifying four hotels located in Oklahoma and one hotel located in Pennsylvania to assets held for sale. These properties were sold as at December 31, 2022 (note 5(b)).

b) Sale of properties

In January 2022, AHIP sold a hotel located in Florida for gross proceeds of \$10,300 and recorded a gain on disposal, after selling costs of \$1,746, this hotel was classified as held for sale as at December 31 2021 (note 20).

In June 2022, AHIP sold a hotel located in Pennsylvania for gross proceeds of \$5,675. AHIP recorded a loss on disposal, after selling costs, of \$546. In addition, AHIP recorded a gain on debt settlement of \$2,344, recorded within finance costs in the consolidated statements of comprehensive loss, pursuant of an agreement with the lender which allowed AHIP to settle its outstanding debt obligation with the net proceeds from the sale.

In October 2022 AHIP sold a hotel located in Pennsylvania for gross proceeds of \$5,317. AHIP recorded a loss on disposal, after selling costs, of \$36. In addition, AHIP recorded a gain on debt settlement of \$3,281, recorded within finance costs in the consolidated statements of comprehensive loss, pursuant of an agreement with the lender which allowed AHIP to settle its outstanding debt obligation with the net proceeds from the sale.

In December 2022 AHIP sold four hotels located in Oklahoma for gross proceeds of \$26,250. AHIP recorded a loss on disposal after selling costs of \$10.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

5. Property, buildings and equipment (continued):

c) Write-off of assets

During the final week of December 2022, cold weather, particularly in the Northeast US and Texas, caused weather related damage at several properties. Based on current information, estimated damage to buildings, plant and equipment is \$4,782. This initial estimate may change once further assessment is completed. All properties are insured and costs associated with remediation and business interruption are expected to be covered.

6. Intangible assets:

| | | Franchise Agreements |
|-----------------------------------|----|-------------------------|
| Cost: | | |
| Balance, January 1, 2021 | \$ | 9,467 |
| Reclass to assets held for sale | | (100) |
| Balance, December 31, 2021 | \$ | 9,367 |
| Balance, December 31, 2022 | \$ | 9,367 |
| Accumulated amortization: | | |
| Balance, January 1, 2021 | \$ | 3,020 |
| Amortization | | 700 |
| Reclass to assets held for sale | | (45) |
| Balance, December 31, 2021 | | 3,675 |
| Amortization | | 855 |
| Balance, December 31, 2022 | \$ | 4,530 |
| Net book value, December 31, 2022 | \$ | 4,837 |
| Net book value, December 31, 2021 | | 5,692 |

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

7. Income taxes:

(a) Current income tax:

For the year ended December 31, 2022, AHIP recorded current income tax expense (recovery) from continuing operations of \$83 (2021: (\$74)) for Canadian and U.S. taxes associated with taxable AHIP subsidiaries.

(b) Deferred income tax:

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

| | December 31, 2022 | December 31, 2021 |
|------------------------------------|----------------------|----------------------|
| Deferred income tax assets: | | |
| Non capital losses carried forward | \$ 12,002 | \$ 11,868 |
| Intangible assets | 164 | 107 |
| Other | 307 | 177 |
| | <u>\$ 12,473</u> | <u>\$ 12,152</u> |
| Deferred income tax liabilities: | | |
| Property, buildings and equipment | \$ 3,485 | \$ 3,731 |
| Other | 7 | 17 |
| | <u>\$ 3,492</u> | <u>\$ 3,748</u> |

A deferred income tax recovery (expense) from continuing operations of \$577 was recognized during the year ended December 31, 2022 (2021: (\$1,193)) in the consolidated statements of comprehensive loss.

As at December 31, 2022, AHIP had net operating losses from continuing operations for tax purposes totaling \$46,313 (2021: \$45,540) of which \$4,381 may be carried forward for up to 20 years, and \$41,932 may be carried indefinitely, from the date of origination and applied against future taxable income.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

8. Term loans and revolving credit facility:

| | December 31, 2022 | December 31, 2021 |
|---|----------------------|----------------------|
| Term loans | \$ 593,290 | \$ 697,067 |
| Revolving credit facility | 55,000 | 5,000 |
| | 648,290 | 702,067 |
| Unamortized portion of mark-to-market adjustments | 76 | 131 |
| Unamortized portion of debt financing costs | (4,437) | (6,402) |
| | 643,929 | 695,796 |
| Current portion of term loans | (23,963) | (69,393) |
| | \$ 619,966 | \$ 626,403 |

All of AHIP's hotel properties have been pledged as security under various loan agreements. As at December 31, 2022, AHIP's loans had a weighted average interest rate of 4.46% (2021: 4.52%).

a) Revolving credit facility and Senior Secured Facility:

AHIP has a senior secured facility ("Senior Secured Facility") with total credit commitments of \$225,000 (2021: \$225,000) comprised of a \$100,000 (2021: \$100,000) revolving credit facility and a \$125,000 (2021: \$125,000) term loan ("Term Loan").

The available borrowing capacity under the Senior Secured Facility is based on a borrowing base formula for the pool of 20 hotel properties (2021: 17 properties) securing the facility and the available amount as at December 31, 2022 was \$191,180 (2021: \$159,134).

On January 28, 2021, AHIP amended the Senior Secured Facility to obtain a waiver for certain key covenants through December 31, 2021, and to modify covenants through December 31, 2022. Borrowings not subject to interest rate swap agreements remained at LIBOR + 3.00% with a minimum LIBOR balance of 0.25% until March 2022. Thereafter, the interest rate is variable based upon, either (i) SOFR-based plus a SOFR-margin between 1.55% and 2.25%, depending on AHIP's Total Leverage Ratio or (ii) the applicable base rate plus a base rate margin of 0.55% and 1.25%, depending on AHIP's Total Leverage Ratio.

On April 6, 2022, AHIP refinanced an outstanding principal loan balance of \$54,531 with an original maturity date of July 6, 2022. The loan balance was refinanced at prevailing market terms by utilizing the Revolver, which was drawn down by \$50,000 to a balance at December 31, 2022 of \$55,000 (2021: \$5,000).

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

8. Term loans and revolving credit facility (continued):

a) Revolving credit facility and Senior Secured Facility (continued):

On November 3, 2022, AHIP entered into an amendment to the revolving credit facility and certain term loans (the "Fifth Amendment") to, among other things, modify the calculation of the borrowing base availability amount and certain financial covenants. The modifications significantly improve the expected borrowing base availability and reduce the required fixed charge covenant ratio. Commencing with the first borrowing base certificate filed in 2023 and until December 31, 2023, the availability under the revolving portion of the credit facility will be determined in part by a valuation method which includes debt to gross book value, appraised value of all the properties included in the borrowing base calculation and an implied debt service coverage ratio, with the maximum total availability of \$200.0 million. Pursuant to the Fifth Amendment, AHIP's ability to pay distributions on its Units remains subject to the satisfaction of funds from operation ("FFO") Payout Ratio and Fixed Charge Coverage Ratio (as defined in the Senior Secured Facility) thresholds, in each case calculated after the end of each quarter on a trailing twelve-month basis.

AHIP is obligated to pay interest at the end of each selected interest period with all outstanding principal and accrued but unpaid interest due at the maturity of the respective facility. AHIP pays interest on the Senior Secured Facility at varying rates based upon on AHIP's Total Leverage Ratio (as defined in the Senior Secured Facility agreement) and, either (i) SOFR plus a SOFR-margin, or (ii) the applicable base rate plus a base rate margin.

The Revolver will mature on December 3, 2023, and can be extended to December 3, 2024 at AHIP's option, subject to conditions of (i) a written notice within 30 to 90 days prior to Dec 3, 2023 (ii) no event of default (iii) all representations and warranties be true and correct (iv) pro forma Borrowing Base Certificate. The Term Loan matures on December 3, 2024.

AHIP is required to comply with a series of financial and other covenants including maintaining a minimum number of assets in the collateral pool.

AHIP has two interest rate swap agreements with notional values of \$105,000 and \$25,000, effectively fixing the SOFR rate at 1.300% and 1.494%, respectively (2021: LIBOR rate at 1.415% and 1.609% respectively). The maximum interest rate on borrowings under the facility during the year was 3.250% and 3.444% respectively (2021: 4.415% and 4.609%). The swap agreements mature on November 30, 2023. The contracts are carried at fair value and reported as assets or liabilities depending on the fair value of the reporting date. The change in fair value of the interest rate swap agreements for the year ended December 31, 2022 was \$5,730 (2021: \$3271) and was recognized in the consolidated statements of comprehensive loss.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

8. Term loans and revolving credit facility (continued):

(b) Principal payments:

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

| | | |
|------|----|---------|
| 2023 | \$ | 23,963 |
| 2024 | | 274,037 |
| 2025 | | 55,662 |
| 2026 | | 58,765 |
| 2027 | | 235,863 |
| | \$ | 648,290 |

AHIP has complied with the covenants on its borrowing facilities during 2022 and 2021 except as noted below.

As at December 31, 2022, three non-recourse loans totaling \$86,144 (2021: three and \$86,044) did not meet the minimum required debt service coverage ratio under their respective loan agreement and are therefore either under cash management or in the process of entering cash management. Under such arrangements, the loan servicer controls the disbursement of funds in the order of priority as defined in the loan agreements, specifically loan payments, property taxes, insurance and then approved expenses, which are released to AHIP. Any remaining funds are then retained by the loan servicer until the minimum debt service ratios are achieved for a specified number of quarters as required per the respective loan agreements. At that time, any restricted funds will be returned to AHIP.

As at December 31, 2022, one non-recourse loan totaling \$62,139 met the minimum required debt service coverage ratio under the respective loan agreement for two consecutive periods. Resultingly restricted funds of \$11,961 were returned to AHIP in the first quarter of 2023 of which \$10,652 related to the restricted cash balance as at December 31, 2022.

In the prior year AHIP received a notice from the special loan servicer of the occurrence of an event of default for one single property, non-recourse loan. The loan balance was repaid during the year ended December 31, 2022.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

9. Lease and other liabilities:

| | December 31, 2022 | December 31, 2021 |
|--|----------------------|----------------------|
| Other loans (a) | \$ - | \$ 345 |
| Lease and other liabilities (b) & (c) | 1,022 | 386 |
| | 1,022 | 731 |
| Current portion of lease and other liabilities | (160) | (519) |
| | \$ 862 | \$ 212 |

(a) Other loans:

Certain AHIP subsidiaries obtained government-guaranteed loans ("Other loans") of \$9,935 and \$5,195, in 2020 and 2021 respectively, totaling \$15,130. The Other loans carry an interest rate of 1.00% per annum. Under the terms of the Other loans, all or a portion of the loans may be forgiven if the loan proceeds are used for qualifying expenses and if other specific criteria are met.

For the year ended December 31, 2022, \$267 was deemed to meet the loan forgiveness criteria (2021: \$14,658) and this amount was recognized as other income in the consolidated statements of comprehensive loss.

(b) Leases:

AHIP renewed its head office lease by signing a five-year lease agreement. On inception this was recorded as a right of use property asset (note 5) of \$913 and a corresponding lease liability of \$913.

(c) Other liabilities – Series B preferred shares:

As at December 31, 2022, a subsidiary of AHIP has \$125 (2021: \$125) in Series B preferred shares outstanding. These non-voting shares have a par value of \$1 with a fixed rate of dividend at 12.5% per annum. As such, these preferred shares are classified as liabilities rather than equity on the consolidated statements of financial position. Consequently, any dividend payments are classified as finance costs on the consolidated statements of comprehensive loss.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

10. Convertible debentures:

| | Liability carrying value | Equity carrying value | Total face value |
|---------------------------------------|-----------------------------|--------------------------|---------------------|
| Balance, January 1, 2021 | \$ 47,563 | \$ 1,979 | \$ 49,542 |
| Amortization of transaction costs | 437 | - | 437 |
| Accretion of liability component | 533 | - | 533 |
| Redemption of convertible debentures | (48,423) | (871) | (49,294) |
| Convertible debentures issuance | 44,582 | 5,418 | 50,000 |
| Convertible debentures issuance costs | (2,368) | (288) | (2,656) |
| Balance, December 31, 2021 | 42,324 | 6,238 | 48,562 |
| Amortization of transaction costs | 335 | - | 335 |
| Accretion of liability component | 828 | - | 828 |
| Balance, December 31, 2022 | \$ 43,487 | \$ 6,238 | \$ 49,725 |

On November 26, 2021, AHIP issued an aggregate principal amount of \$50,000 of convertible unsecured subordinated debentures due on December 31, 2026 ("Debentures").

The Debentures bear interest of 6.0% per annum, payable semi-annually in arrears on June 30 and December 31, which commenced on June 30, 2022.

The Debentures are convertible at the option of the holder of the Debenture at any time prior to the close of business on the earlier of: (i) the business day immediately preceding the business day preceding the maturity date; and (ii) if called for redemption, the business day immediately preceding the date specified for redemption of the Debentures, at a conversion price of \$4.95 per Unit, being a conversion rate of approximately 202.02023 Units for each \$1,000 principal amount of the Debentures.

The Debentures may not be redeemed by AHIP prior to December 31, 2024, except in certain limited circumstances. AHIP has the option to call the Debentures beginning on or after December 31, 2024 as follows:

- (i) On or after December 31, 2024 and prior to December 31, 2025, the Debentures may be redeemed by AHIP, in whole or in part, at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption on not more than 60 days' and not less than 30 days' prior written notice, provided that the Current Market Price on the date on which notice of redemption is given is not less than 125% of the Conversion Price.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

10. Convertible debentures (continued):

- (ii) On or after December 31, 2025 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part from time to time at AHIP's option at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption on not more than 60 days' and not less than 30 days' prior written notice. AHIP will pay the redemption price and all accrued and unpaid interest in cash.

As at December 31, 2022, \$50,000 of the face value of the Debentures were outstanding (2021: \$50,000).

11. Private Placement Issuance of Series C Preferred Stock and Warrants:

On January 28, 2021, AHIP completed a \$50,000 private placement through the issuance of an aggregate 50,000 shares of newly created Series C cumulative redeemable non-voting preferred stock (the "Series C Preferred Stock") issued by AHIP's wholly owned subsidiary American Hotel Income Properties REIT Inc. and warrants to acquire Units of AHIP.

(a) Series C Preferred Stock:

The Series C Preferred Stock have no par value and have a liquidation preference of \$1,000 per share. They are perpetual and redeemable by AHIP. The Series C Preferred Stock provides for an annual cumulative dividend, payable quarterly, of 8.00% per annum for the first three years after issuance, and, to the extent still outstanding, increases to 9.00% per annum on the third anniversary of the issuance with further escalations after the fifth anniversary of the issuance. AHIP has the option to either cash settle the dividend or settle it through the issuance of additional shares of Series C Preferred Stock. For the year ended December 31, 2022, AHIP paid \$4,055 in cash - settled quarterly dividends (2021: \$3,744).

The Series C Preferred Stock are classified as equity and presented as NCI on the consolidated statements of financial position. The cumulated dividends on the Series C Preferred Stock, regardless if they are declared or not, are deducted on the consolidated statements of comprehensive loss to determine the gain (loss) attributable to the Unitholders.

(b) Warrants:

The Investor also subscribed for and was issued 19,608,755 warrants (the "Warrants") of AHIP, equivalent to 19.99% of the outstanding Units of AHIP immediately following the closing of the investment on an as-exercised basis. The warrants are exercisable at any time prior to January 28, 2026 for Units in AHIP at an exercise price of \$3.20 per Unit. The Warrants may only be exercised by means of cashless exercise and are classified as a derivative instrument liability measured at fair value on AHIP's statements of financial position. To date no warrants had been exercised.

AHIP's warrants are considered Level 3 financial instruments since the inputs are not based on observable market data.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

11. Private Placement Issuance of Series C Preferred Stock and Warrants (continued):

b) Warrants (continued):

As at December 31, 2022, the warrants had a fair value of \$3,225 (2021: \$5,805). The decrease in fair value of the warrants liability for the year ended December 31, 2022, of \$2,580 (2021: increase of \$3,905) is included in the consolidated statements of comprehensive loss as a gain (2021: loss).

The fair value of warrants as at December 31, 2022 was calculated using a binomial lattice methodology. Key observable inputs were a warrant exercise price of \$3.20 (2021: \$3.20), a risk-free interest rate of 4.17% (2021: 1.12%) and a dividend yield of 6.0% (2021: 6.0%). Key unobservable inputs included expected volatility of 35% (2021: 26%).

The estimated fair value of the warrants would increase (decrease) if the warrant exercise price was (higher) lower, the risk-free interest rate was higher (lower), the dividend yield was (higher) lower, the volatility was higher (lower). Changes to expected volatility holding other inputs constant would have the following effect: (i) a 5% increase in expected volatility would increase the total warrant liability by \$1,122 (2021: \$1,774), resulting in an \$1,122 loss in the consolidated statements of comprehensive loss (2021: \$1,774) (ii) a 5% decrease in expected volatility would decrease the total warrant liability by \$1,043 (2021: \$1,729) resulting in a \$1,043 gain in the consolidated statements of comprehensive loss (2021: \$1,729).

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

12. Partners' capital:

(a) Authorized:

The capital of AHIP consists of an unlimited number of Units and the equity interest held by the General Partner.

(b) Issued:

During the year ended December 31, 2022, AHIP issued 72,915 Units (2021: 238,461 Units) to senior management and to the Board on the vesting of Units granted under AHIP's securities-based compensation plan.

(c) Allocation of net income or net loss:

Where Distributable Cash (defined as, for any period, the aggregate of all amounts received by AHIP in such period, whether by way of dividends, interest or otherwise, from and in respect of its direct and indirect investment in the securities held by AHIP, including its investment in any subsidiaries, less reasonable reserves determined by the General Partner to be necessary to operate the affairs of AHIP in a prudent and businesslike manner, and less taxes, if any, payable by AHIP) is paid in respect of a fiscal year, the net income and taxable income of AHIP in respect of that fiscal year shall be allocated among all Partners (defined as General Partner and the Unitholders) that were Partners at any time in the fiscal year on the following basis:

- (i) first, to the General Partner 0.01% of the net income and taxable income of AHIP to a maximum of \$0.10 per annum; and
- (ii) as to the balance, to the Unitholders as a class, and to each Unitholder in an amount calculated by multiplying such balance by a fraction, the numerator of which is the sum of distributions received by such Unitholder with respect to such fiscal year and the denominator of which is the aggregate amount of distributions made by AHIP to the Unitholders as a group with respect to such fiscal year.

Where no Distributable Cash is paid in respect of a fiscal year, net income and taxable income of AHIP in respect of that fiscal year shall be allocated among the limited partnership unitholders ("Unitholders") and the General Partner (collectively, the "Partners") on the following basis:

- (i) first, to the General Partner 0.01% of the net income and taxable income of AHIP to a maximum of \$0.10 per annum; and

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

12. Partners' capital (continued):

(c) Allocation of net income or net loss (continued):

(ii) as to the balance, to the Unitholders who were holders of Units at the end of each month ending in such fiscal year, pro-rata in accordance with their respective Proportionate Shares of the balance divided by 12. Proportionate Share, in respect of each Unitholder, means that fraction which, as of the date of such determination:

- has as its numerator the number of Units held by such Unitholder; and
- has as its denominator the aggregate number of Units outstanding.

Net loss and taxable loss of AHIP in respect of a fiscal year shall be allocated among all Partners that were Partners at any time in the fiscal year on the following basis:

- first, to the General Partner 0.01% of the net loss and taxable loss of AHIP to a maximum of \$0.10 per annum; and
- as to the balance, to the Unitholders who were holders of Units at the end of each month ending in such fiscal year, pro-rata in accordance with their respective Proportionate Shares as at the end of each month, the balance divided by 12.

(d) Distributions:

AHIP resumed monthly distributions to Unitholders of record during the year ended December 31, 2022, with the first regular monthly distribution declared on February 15, 2022. Subsequent distributions were paid on or about the 15th day following the end of each month in which a dividend was declared. AHIP may make additional distributions in excess of monthly distributions, or temporarily suspend distributions, during the year as determined by the General Partner.

For the year ended December 31, 2022, AHIP declared distributions of \$0.165 per Unit (2021: \$nil) to be paid to Unitholders totaling \$12,996 (2021: \$nil). Of this amount \$1,182 was included in accounts payable and accrued liabilities as at December 31 2022 (2021: \$nil).

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

13. Compensation plan:

(a) Short term incentive plan ("STIP"):

During the year ended December 31, 2022, nil restricted stock units ("RSUs") were issued as STIP award (2021: 101,554). The fair value of the STIP awarded in the year ended December 31 2021 was \$302 and the RSU's vested immediately.

(b) RSUs in lieu of cash compensation

During the year ended December 31, 2022, AHIP granted 80,020 (2021: 61,179) in RSUs to an officer, in lieu of their cash compensation. The fair value of these RSUs was \$197 (2021: \$200) and vested over the service period during the year ended December 31, 2022 (2021: December 31, 2021).

(c) Long term incentive plan ("LTIP")

On March 30, 2022, AHIP granted 235,603 LTIP awards in the form of RSUs and performance awards (also in the form of RSUs) to certain members of senior management. The fair value of the LTIP awards granted was \$754. Due to the changes in senior management during the year, only 215,268 LTIP awards were outstanding as at December 31, 2022. 86,109 RSUs, which represent 40% of the LTIP awards, will vest over two years in equal annual instalments starting on March 15, 2023. The remaining 129,159 RSUs are performance awards that are subject to a market performance condition based on AHIP's performance relative to a market index which could result in as few as no Units and as many as 258,318 Units being issued at the end of the performance measurement period which is December 31, 2024.

On May 31, 2022, AHIP granted a total of 295,411 LTIP awards in the form of RSUs and performance awards (also in the form of RSUs) to certain members of senior management. The fair value of the LTIP awards granted was \$797. 118,166 RSUs, which represent 40% of the LTIP awards, will vest over three years in equal annual instalments starting on June 30, 2023. The remaining 177,245 RSUs are performance awards that are subject to a market performance condition based on AHIP's performance relative to a market index which could result in as few as no Units and as many as 354,490 Units being issued at the end of the performance measurement period which is June 30, 2025.

On May 21, 2021, AHIP granted a total of 119,075 LTIP awards in the form of RSUs and performance awards (also in the form of RSUs) to certain members of senior management. The fair value of the LTIP awards issued was \$268. Due to the changes in senior management during the year, only 86,464 LTIP awards were outstanding as at December 31, 2021. 34,585 RSUs, which represent 40% of the LTIP awards, will vest over three years in equal annual instalments starting on March 15, 2022. The remaining 51,879 RSUs are performance awards that are subject to a market performance condition based on AHIP's performance relative to a market index which could result in as few as no Units and as many as 103,758 Units being issued.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

13. Compensation plan (continued):

(c) Long term incentive plan ("LTIP") (continued):

As at December 31, 2022, AHIP had a total of 607,836 unvested Units as follows (2021: 189,057)

| | Number of Units | Weighted average grant date fair value |
|-----------------------------|--------------------|---|
| Unvested, January 1, 2021 | 383,500 | \$ 1.46 |
| Granted | 281,808 | 2.73 |
| Vested | (238,461) | (2.27) |
| Forfeited or cash-settled | (129,221) | (2.07) |
| Cancelled | (108,569) | (2.12) |
| Unvested, December 31, 2021 | 189,057 | \$ 1.76 |
| Granted | 611,034 | 2.86 |
| Vested | (72,915) | (2.77) |
| Forfeited or cash-settled | (66,259) | (2.85) |
| Cancelled | (53,081) | (1.82) |
| Unvested, December 31, 2022 | 607,836 | \$ 2.69 |

The vesting schedule of the unvested Units grant awards is as follows:

| Vesting dates | Number of Units | Total fair value of Units at grant date |
|----------------------|--------------------|---|
| March 15, 2023 | 51,401 | \$ 153 |
| March 30, 2023 | 42,909 | 33 |
| June 30, 2023 | 39,390 | 120 |
| December 15, 2023 | 8,346 | 21 |
| March 15, 2024 | 43,054 | 132 |
| May 24, 2024 | 37,556 | 68 |
| June 28, 2024 | 39,390 | 120 |
| December 31, 2024 | 129,159 | 366 |
| June 30, 2025 | 216,631 | 622 |
| Total unvested Units | 607,836 | \$ 1,635 |

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

13. Compensation plan (continued):

(d) Options:

During the year ended December 31, 2020, AHIP granted a total of 2,300,000 options (the "Options") to an officer and the Board. Each option entitles the holder to purchase a Unit at an exercise price of Cdn\$5.00. The fair value of each option at grant date was Cdn\$0.06, as determined using the Black-Scholes option pricing model. The remaining contractual life of the Options as at December 31, 2022 was 2.8 years (2021: 3.8 years). The Options vested immediately and were all outstanding and exercisable as at December 31, 2022.

The following table summarizes the changes to Options outstanding for the year ended December 31, 2022:

| Vesting dates | Number of Options | Exercise price and weighted average exercise price (Cdn\$) | Weighted average fair value per Option (Cdn\$) |
|--|-------------------|--|--|
| Outstanding, January 1, 2022 and December 31, 2022 | 2,300,000 | \$ 5.00 | \$ 0.06 |

The following table summarizes the assumptions of the options pricing model:

| Grant date of Options | Share price | Exercise price (Cdn\$) | Annual dividend yield | Volatility ⁽¹⁾ | Risk-free interest rate | Expected life |
|-----------------------|-------------|------------------------|-----------------------|---------------------------|-------------------------|---------------|
| September 30, 2020 | \$ 2.49 | \$ 5.00 | 3% | 25% | 0.35% | 5 years |
| October 7, 2020 | 2.53 | 5.00 | 3% | 25% | 0.35% | 5 years |

⁽¹⁾ Expected volatility is based on an evaluation of the historical volatility of AHIP's Units over the historical period consistent with the expected term.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

14. Finance costs:

| | December 31, 2022 | December 31, 2021 |
|--|----------------------|----------------------|
| Interest expense on term loans and revolving credit facility | \$ 30,592 | \$ 32,983 |
| Interest expense on debentures | 3,015 | 2,735 |
| Amortization of debt financing costs | 2,382 | 1,950 |
| Accretion of debenture liability | 828 | 533 |
| Amortization of debenture costs | 335 | 437 |
| Other financing charges | 88 | 1,814 |
| Gain on debt settlement (note 5(b)) | (5,625) | - |
| | <u>\$ 31,615</u> | <u>\$ 40,452</u> |

15. Financial instruments:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants at the measurement date.

The following table shows a hierarchy for disclosing fair value based on inputs used to value assets or liabilities that are measured at fair value or for which fair value disclosure is required. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

The fair value of AHIP's term loans and outstanding revolving credit facility was determined using present value calculations based on market-observable interest rates for loans with similar terms and conditions. The fair value of AHIP's term loans and outstanding revolving credit facility as at December 31, 2022 was \$611,704 (2021: \$691,755) and these instruments are considered Level 2 in the fair value hierarchy.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

15. Financial instruments (continued):

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

AHIP's convertible debentures are considered Level 1 financial instruments since they are quoted on the TSX. The fair value of the liability portion of AHIP's convertible debentures based on the quoted market price as at December 31, 2022 was \$43,500 (2021: \$49,000).

AHIP is exposed to a number of risks in its normal course of operations from its use of financial instruments. These risks, and the actions taken to manage them, are as follows:

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. AHIP monitors its interest rate exposure on an ongoing basis.

As described in note 8, as at December 31, 2022 AHIP has two interest rate swap agreements with notional values of \$105,000 and \$25,000 (2021: \$105,000 and \$25,000). As a result, 92.8% (2021: 97.3%) of AHIP's term loans as at December 31, 2022 effectively have fixed interest rates and therefore AHIP is not subject to significant interest rate risk in the near term.

(b) Credit risk:

Credit risk is the risk of financial loss to AHIP if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk is the full carrying value of the financial instrument.

AHIP is exposed to credit risk with respect to trade and other receivables. As at December 31, 2022 trade and other receivables were \$9,214 (2021 - \$9,082). Amounts over 30 days past due totaled \$1,019 (2021: \$1,351), all of which are expected to be collected. The bad debt write-off for continuing operations was \$104 for the year ended December 31, 2022 (2021 - \$205). The associated risk is mitigated by closely monitoring accounts receivable, initiating a prompt collection process, and credit checks on all new customers.

As at December 31, 2022 AHIP had two individual counter-parties in excess of 10% of total other receivables (2021: two counter-parties). Included in other receivables is \$7,000 in connection with AHIP's sale of its Economy Lodging Portfolio on November 27, 2019.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

15. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk that AHIP will not be able to meet its financial obligations as they fall due. Property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. If AHIP were required to liquidate a property investment, the proceeds to AHIP may be significantly less than the aggregate carrying value of such property.

AHIP manages liquidity risk through monitoring the repayment dates and refinancing dates of its revolving line of credit and term loans, monitoring its debt covenants, and managing its cash flows. AHIP's objective is to maintain sufficient available credit facilities to fund ongoing operational and capital requirements. AHIP has cash and cash equivalents of \$12,945 (2021: \$14,700) excluding the restricted cash amount of \$39,981 (2021: \$38,446) as at December 31, 2022.

The timing of estimated cash outflows relating to financial liabilities (including expected interest payments) are outlined in the table below:

| | Less than one year | 1-5 years | Beyond 5 years | Total | Carrying amount |
|---|-----------------------|-------------------|-------------------|-------------------|--------------------|
| Accounts payable and accrued liabilities | \$ 35,534 | \$ - | \$ - | \$ 35,534 | \$ 35,534 |
| Term loans and revolving credit facility ⁽¹⁾ | 53,040 | 681,770 | - | 734,810 | 643,929 |
| Convertible debentures | 3,000 | 59,000 | - | 62,000 | 43,487 |
| Lease and other liabilities | 281 | 779 | - | 1,060 | 1,022 |
| | <u>\$ 91,855</u> | <u>\$ 741,549</u> | <u>\$ -</u> | <u>\$ 833,404</u> | <u>\$ 723,972</u> |

⁽¹⁾Cash outflows in respect of terms loans and revolving credit facility have been calculated based on the outstanding balances and interest rates as at December 31, 2022.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

16. Commitments and contingencies:

(a) Hotel management agreements:

Aimbridge Hospitality LLC (the "Hotel Manager") is AHIP's exclusive hotel manager to manage and operate its hotels. AHIP's operating subsidiaries are responsible for reimbursing the Hotel Manager for any hotel operating expenses and direct costs including payroll and benefit costs of hotel staff and other operating expenses.

The master hotel management agreement provides for the payment of the following amounts to the Hotel Manager: a base management fee, a capital expenditure fee, an annual administration fee and an incentive fee, if certain profit thresholds are met.

(b) Property Improvement Plans:

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

(c) Claims:

In the normal course of operations, AHIP and its subsidiaries may become subject to a variety of legal and other claims. Management and legal counsel evaluate all claims on their apparent merits and accrue management's best estimate of the costs to satisfy such claims. Although the outcome of legal and other claims is not reasonably determinable, management believes that any such outcome will not have a material adverse effect on these consolidated financial statements.

17. Related party transactions:

(a) Executive loan program:

Under AHIP's Executive Loan Guarantee Policy (the "Loan Policy") with a major Canadian financial institution, an AHIP subsidiary has provided a limited guarantee for loans made to former executive officers to make eligible purchase of Units.

As at December 31, 2022 two former executive officers, one of who is a current Director of AHIP have borrowed an aggregate of Cdn\$2,183 (2021: three former executive officers have an aggregate outstanding balance of Cdn\$2,683) under the Loan Policy, with such loans being fully guaranteed pursuant to the terms of the Loan Policy.

As at December 31, 2022, an Cdn\$800 loan payment due from a former executive officer was outstanding. No request from the financial institution with respect to AHIP's guarantee has been made. The financial institution is currently engaged in discussions with the former executive officer to modify the term of the loan and has also advised AHIP that they will extend the maturity date of the loan until December 31, 2023 which would be accompanied by an extension of the AHIP guarantee until that date. As a result, AHIP have not recognized a liability as at December 31, 2022.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

17. Related party transactions (continued):

(b) Compensation:

Key management includes those persons having authority and responsibility for planning, directing, and controlling the activities of AHIP, directly or indirectly, and includes the Board. Total compensation awarded to key management for the year ended December 31, 2022 was \$3,433 (2021: \$5,624), which included termination benefits of \$82 (2021: \$1,398) and securities-based compensation expense of \$364 (2021: \$1,502).

18. Capital management:

| | December 31, 2022 | December 31, 2021 |
|--|----------------------|----------------------|
| Term loans and outstanding revolving credit facility | \$ 643,929 | \$ 695,796 |
| Convertible debentures, liability portion | 43,487 | 42,324 |
| Partners' capital attributable to Unitholders | 278,536 | 331,034 |
| Non-controlling interest | 43,570 | 43,570 |
| Total capital | \$ 1,009,522 | \$ 1,112,724 |

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

19. Supplemental cash flow disclosure:

(a) Changes in non-cash operating working capital:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|--|------------------------------------|------------------------------------|
| Accounts payable and accrued liabilities | \$ 2,612 | \$ (16,171) |
| Prepays and other assets | 152 | 559 |
| Trade and other receivables | 2,714 | (2,199) |
| | \$ 5,478 | \$ (17,811) |

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

19. Supplemental cash flow disclosure (continued):

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities for continuing and discontinued operations:

| | Liabilities | | | | | | | |
|---|-------------|--|---------------------------|----------------------|---------------------------------|----------------------|--------------|----------|
| | Warrants | Term loans and revolving credit facility | Convertible debentures | Other liabilities | Non- controlling interest | Partners' capital | Total | |
| Balance, January 1, 2022 | \$ 5,805 | \$ 695,796 | \$ 42,324 | \$ 731 | \$ 43,570 | \$ 331,034 | \$ 1,119,260 | |
| Changes from financing cash flows: | | | | | | | | |
| Distributions paid | - | - | - | - | (4,055) | (11,814) | (15,869) | |
| Term loan repayments | - | (95,325) | - | - | - | - | (95,325) | |
| Proceeds from other loans | - | 50,000 | - | - | - | - | 50,000 | |
| Finance lease payments | - | - | - | (271) | - | - | (271) | |
| Financing costs paid | - | (419) | - | - | - | - | (419) | |
| Proceeds from other loans | - | - | - | (78) | - | - | (78) | |
| Total changes from financing cash flows: | \$ - | \$ (45,744) | \$ - | \$ (349) | \$ (4,055) | \$ (11,814) | \$ (61,962) | |
| Liability-related: | | | | | | | | |
| Fair value changes | (2,580) | - | - | - | - | - | (2,580) | |
| Interest expense/accretion | - | 2,299 | 1,163 | (6) | - | - | 3,456 | |
| Loan forgiveness | - | (8,422) | - | (267) | - | - | (8,689) | |
| New leases | - | - | - | 913 | - | - | 913 | |
| Total liability-related other changes: | \$ (2,580) | \$ (6,123) | \$ 1,163 | \$ 640 | \$ - | \$ - | \$ (6,900) | |
| Total partners' capital-related other changes: | - | - | - | - | 4,055 | - | 40,684 | (36,629) |
| Balance, December 31, 2022 | \$ 3,225 | \$ 643,929 | \$ 43,487 | \$ 1,022 | \$ 43,570 | \$ 278,536 | \$ 1,013,769 | |

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except Unit and per Unit amounts)

Years ended December 31, 2022 and 2021

20. Assets held for sale:

No assets were classified as held for sale as at December 31, 2022.

| | December 31, 2022 | December 31, 2021 |
|-----------------------------------|----------------------|----------------------|
| Assets | | |
| Property, buildings and equipment | \$ - | \$ 7,989 |
| Intangible assets | - | 55 |
| Prepays and other assets | - | 45 |
| Total assets held for sale | \$ - | \$ 8,089 |
| Net assets held for sale | \$ - | \$ 8,089 |

21. Subsequent events:

(a) Distributions:

On January 13, 2023, a cash distribution of US\$0.015 per limited partnership unit was declared for the period from January 1, 2023, to January 31, 2023. The distribution was paid on February 15, 2023.

On February 15, 2023, a cash distribution of US\$0.015 per limited partnership unit was declared for the period from February 1, 2023, to February 28, 2023. The distribution will be paid on March 15, 2023.