



**AMERICAN HOTEL**  
INCOME PROPERTIES REIT LP

# **AMERICAN HOTEL INCOME PROPERTIES REIT LP**

**Annual Information Form**  
**For the year ended December 31, 2019**

**March 24, 2020**

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## MEANINGS OF CERTAIN REFERENCES

AHIP's investment and operating activities are limited because AHIP's investment and operating activities are carried out by direct and indirect Subsidiaries, including the U.S. REIT. For simplicity, AHIP uses terms in this annual information form ("**AIF**") to refer to the investments and operations of AHIP and its direct and indirect Subsidiaries, including the U.S. REIT, as a whole. Accordingly, in this AIF, unless the context otherwise requires, "AHIP" is referring to AHIP and its direct and indirect Subsidiaries, including the U.S. REIT, as a whole. When AHIP uses expressions such as "AHIP's operations", AHIP is referring to AHIP's indirect operations, as carried out by its direct and indirect Subsidiaries, including the U.S. REIT, as a whole. When AHIP uses expressions such as "AHIP's portfolio" or "AHIP owns" in relation to any properties comprising part of the Existing Portfolio, AHIP is referring to AHIP's indirect ownership of and investment in such properties through its investment in its direct and indirect Subsidiaries, including the U.S. REIT. When AHIP uses expressions such as "AHIP operates", AHIP is referring to AHIP's indirect operations, as carried out by its external hotel manager on behalf of AHIP's direct and indirect Subsidiaries, including the U.S. REIT.

References to "management" in this AIF mean the persons acting in the capacities of AHIP's Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Chief Operating Officer, and Vice President – Finance. Any statements in this AIF made by or on behalf of management are made in such persons' capacities as officers of AHIP and not in their personal capacities.

## FORWARD-LOOKING INFORMATION

This AIF contains information which may constitute "forward-looking information" or "forward looking statements" under applicable securities laws (collectively, "forward-looking information"). Statements other than statements of historical fact contained in this AIF may be forward-looking information. Forward-looking information can generally be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and AHIP's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the estimates or predictions of actions of customers, competitors or regulatory authorities, and statements regarding AHIP's future economic performance. AHIP has based the forward-looking information in this AIF on AHIP's current expectations about future events. Some of the specific forward-looking information in this AIF include, but are not limited to, statements with respect to: the temporary suspension of AHIP's monthly distribution starting with the distribution that would otherwise have been declared in April 2020 and payable in May 2020 and the reasons for such suspension; the Board of Directors will continue to monitor AHIP's performance in order to determine the appropriate time for reinstatement of monthly distributions; the payment of the March 2020 distribution on April 15, 2020; AHIP's cost saving and cash preservation strategy and the components and intended outcomes thereof; AHIP's liquidity and brand-supported deferral of all capital expenditures to 2021 providing AHIP with a strong foundation to manage through this period of economic uncertainty; Management's belief that AHIP's portfolio is well positioned for continued operations and the supporting reasons; anticipated further volume declines within the U.S. hotel industry over the coming months; AHIP's expectation that recent deteriorating demand across the hotel sector will continue to negatively impact future guest bookings and occupancy levels at AHIP's properties; AHIP's intention to generate cash distributions from hotel properties located in the U.S., and AHIP's other stated objectives; AHIP's long-term expectations with respect to the U.S. lodging industry including AHIP's expectations for a post COVID-19 recovery, and AHIP's outlook and business strategies related thereto; AHIP's investment guidelines and operating policies; AHIP's intention to continue to complete any acquisitions of properties through one or more wholly-owned subsidiaries of the U.S. REIT; the expected timing of the record and payment dates for monthly distributions when in place; the manner by which, and proportion of, Distributable Cash that will be paid by AHIP; the contingent payments payable to AHIP under the Economy Lodging PSA; the deferred payments payable by AHIP under the Texas/Midwest PSA; AHIP's ability to execute AHIP's business and growth strategies, including Management's expectation that the premium branded hotels will continue to provide a platform on which to expand AHIP's business and activities through focussing on accretive acquisitions following the recovery of the U.S. lodging industry from the impacts of COVID-19; AHIP's intention to continue to seek to identify potential property and portfolio acquisitions and the investment criteria and strategy management intends to deploy to complete such acquisitions, including the nature of AHIP's target markets; the possibility that AHIP may from time to time sell certain of its properties, should

management determine the proceeds therefrom could be deployed for more productive or accretive purposes; AHIP will require access to capital to maintain its properties, as well as to fund its long-term growth strategies and significant capital expenditures from time to time; AHIP's belief that it is well-positioned to participate in the expected long-term growth of the U.S. lodging industry following the expected recovery from the impacts of COVID-19; the risks related to COVID-19, AHIP's business, the Units and the Debentures and potential impacts thereof set out under "*Risk Factors*" below; the expected tax treatment of AHIP's distributions to Unitholders, if any; AHIP's intent with respect to the filing of "consent dividend" elections under the Code; AHIP's access to available sources of debt and equity financing; AHIP's expectations, including anticipated trends and challenges in respect of the U.S. economy and the U.S. lodging industry in AHIP's target markets; AHIP's intention to actively seek to either renew the terms of ground leases to which its properties may be subject or purchase the freehold interest in the lands forming the subject matter of such leases prior to the expiry of their terms, to the extent possible; management's expectations with respect to how it will pay expenses, service debt and pay distributions, if any, to Unitholders if cash flow from operations is insufficient to cover such obligations in any quarter; the possibility that the Board of Directors may exercise its discretion in future to implement certain amendments to the LP Agreement approved at the annual and special meeting of Unitholders held on May 10, 2017 without further notice to Unitholders; the expected level of foreign tax, if any, payable on amounts that give rise to AHIP's taxable income; the U.S. REIT's intention to maintain its election to be treated as a real estate investment trust under the Code; AHIP's intention to redeem fractions of the ROC Share over time to fund its cash distribution obligations, and the potential tax implications thereof; the expectation that the value of the Debentures will be subject to changes in the value of the Units; the orientation that any new directors of the General Partner will receive and the payment of expenses incurred by directors in accordance with AHIP's Director Education Policy; and the date of the next annual meeting of AHIP's Unitholders.

Although AHIP believes that the expectations reflected in such forward-looking information are reasonable, AHIP can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, including, but not limited to, the factors discussed under "*Risk Factors*", undue reliance should not be placed on such information. Actual results and events may vary significantly from those included in, contemplated or implied by such statements. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, any assumptions set forth in this AIF as well as the following: COVID-19 will continue to negatively impact the U.S. economy, U.S. hotel industry and AHIP's business, and the extent and duration of such impact; AHIP's properties being well positioned for continued operations; AHIP will be able to continue to operate its hotels during the COVID-19 pandemic and will not be forced to close any properties as a result of government regulations; AHIP's cost savings and cash management strategies will achieve their stated objectives and AHIP will continue to have sufficient funds to meet its financial obligations; the U.S. economy, U.S. hotel industry and AHIP's business will recover from the impacts of COVID-19 within a reasonable time and to a reasonable extent; AHIP will continue to receive financing on acceptable terms over the long-term; AHIP's future level of indebtedness and AHIP's future long-term growth potential will remain consistent with AHIP's current expectations; there will be no changes to tax laws adversely affecting AHIP's financing capability, operations, activities, structure or distributions, if any; AHIP will retain and continue to attract qualified and knowledgeable personnel as AHIP expands its portfolio and business; AHIP will be successful in carrying out its long-term growth strategy and will meet its business objectives and realize the intended benefits expected therefrom; if AHIP sells any of its properties, it will be able to redeploy the proceeds therefrom on a timely and accretive basis; capital markets will provide AHIP with readily available access to equity and/or debt financing over the long-term; the U.S. REIT will continue to qualify as a real estate investment trust under the Code; and the SIFT Measures in the Tax Act will continue to not apply to AHIP.

The forward-looking information contained in this AIF is expressly qualified in its entirety by these cautionary statements. All forward-looking information in this AIF is as of the date of this AIF. Forward-looking information does not take into account the effect of transactions or other items announced or occurring after the statements are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after the forward-looking information is disclosed. AHIP does not undertake any obligation to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. For more information on the risk factors that could cause AHIP's actual results to differ from current expectations, see "*Risk Factors*".

## NON-IFRS MEASURES

Certain non-IFRS financial measures are included in this AIF. Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate and lodging industries use these non-IFRS financial measures to evaluate AHIP's performance, ability to generate cash flows and financial condition. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. These terms are not measures recognized under IFRS; as a result, they do not have standardized meanings prescribed by IFRS and may not be comparable to measures used by other issuers in the real estate industry or other industries. The non-IFRS financial measures used in this AIF include debt-to-gross book value, funds from operations, adjusted funds from operations, gross operating profit and net operating income.

**"Debt"** means any obligation for borrowed money including the face amount outstanding of revolving credit facilities, term loans, convertible debentures, deferred compensation payable and finance lease liabilities provided that: (i) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated statement of financial position; (ii) indebtedness excludes accounts payable, accrued liabilities, distributions payable, short term acquisition credit facilities, and other liabilities comprised of deferred income, preferred shares and deferred lease inducement; and (iii) the face amount excludes unamortized deferred financing costs, unamortized mark-to-market adjustments and interest rate swap contracts. **"Gross Book Value"** means, at any time, the book value of the total assets of AHIP and its consolidated Subsidiaries, as shown on its then most recent consolidated statement of financial position, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto, less: (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by AHIP; and (ii) deferred income tax liabilities arising out of fair value adjustments in respect of indirect acquisitions. **"Debt-to-Gross Book Value"** is the ratio of Debt divided by Gross Book Value.

Funds from operations (**"FFO"**) is a supplemental non-IFRS financial measure of operating performance widely used in the Canadian real estate industry. FFO is not defined under IFRS and should not be considered as an alternative to net income (loss), cash flow from operations, or any other operating or liquidity measure prescribed under IFRS. Instead, FFO has been included to provide readers and investors with additional information to improve their understanding of AHIP's operating results. As FFO is not defined by IFRS, FFO does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. AHIP calculates FFO in accordance with the Real Property Association of Canada (**"REALPAC"**) White Paper on Funds from Operations (the **"FFO White Paper"**) issued in February 2019 except for the adjustment for non-recurring transaction related expenses. Based on the FFO definition currently set forth by REALPAC, non-recurring transaction related expenses, such as expenses related to the disposal of properties or loan defeasance costs should be included in FFO. However, AHIP believes that including such transaction related expenses does not represent the recurring operating performance of AHIP.

FFO is defined as net income (loss) and comprehensive income (loss) calculated in accordance with IFRS excluding: (i) depreciation and amortization; (ii) gains (or losses) from sales of hotel properties and equipment; (iii) deferred income tax expense (recovery); (iv) impairment losses or reversals recognized on land and depreciable real estate properties; (v) business acquisition costs related to the purchase of a property being accounted for as a business combination; (vi) foreign exchange gains (or losses); (vii) fair value adjustments to financial instruments; (viii) adjustments for property taxes accounted for under IFRIC 21 for the recognition of liabilities for obligations to pay levies and taxes; and (ix) non-recurring transaction related expenses, such as expenses related to the disposal of properties or loan defeasance costs.

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

AHIP calculates AFFO as FFO subject to certain adjustments including: (i) amortization of deferred finance costs on term loans and convertible debentures; (ii) accretion on the liability portion of convertible debentures; (iii)

amortization of mark-to-market adjustments on assumed term loans; (iv) amortization of deferred compensation payable; (v) securities-based compensation expense; and (vi) deducting actual maintenance capital expenditures. Other adjustments may be made to AFFO as determined by the Board of Directors at its discretion.

AHIP believes net operating income (“**NOI**”) is an important measure of operating performance of real estate properties. NOI is defined as total revenues less hotel operating expenses, energy, property maintenance, property taxes (excluding adjustments under IFRIC 21), insurance and ground lease payments (excluding depreciation and amortization).

Real estate investment trusts often refer to FFO, AFFO and NOI as supplemental measures of performance and Debt-to-Gross Book Value as a supplemental measure of financial condition. AHIP believes FFO, AFFO and NOI are important measures of operating performance of real estate properties. The IFRS measurement most directly comparable to FFO, AFFO and NOI is net income.

Debt-to-Gross Book Value, FFO, AFFO and NOI should not be construed as alternatives to measurements determined in accordance with IFRS as indicators of AHIP’s performance or financial condition. AHIP’s method of calculating Debt, Gross Book Value, FFO, AFFO and NOI may differ from other issuers’ methods and accordingly may not be comparable to measures used by other issuers.

For a reconciliation of certain of these non-IFRS measures to the nearest IFRS measure, see the AHIP’s management’s discussion and analysis for the year ended December 31, 2019 dated March 10, 2020, a copy of which is filed under the AHIP’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### THIRD PARTY INFORMATION

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

### EXCHANGE RATE INFORMATION

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

	Year Ended December 31		
	2019	2018	2017
	(Cdn\$)	(Cdn\$)	(Cdn\$)
Highest rate during the period	1.3600	1.3642	1.3743
Lowest rate during the period	1.2988	1.2288	1.2128
Average rate for the period	1.3269	1.2957	1.2986
Rate at the end of the period	1.2988	1.3642	1.2545

On March 24, 2020, the single daily rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was US\$1.00 equals Cdn\$1.4491.

### DATE OF INFORMATION

The information in this AIF is presented as of December 31, 2019, unless otherwise indicated.

## **PRESENTATION OF FINANCIAL INFORMATION**

Unless otherwise indicated, all references to “\$” or “dollars” are to U.S. dollars, which is AHIP’s functional currency. The fiscal year end of all entities within the corporate structure of AHIP is December 31. AHIP’s financial statements are prepared in accordance with IFRS.

## GLOSSARY OF TERMS

“**5-year Loan**” has the meaning ascribed to it under “*Credit Facilities – Eastern Seaboard Loans*”.

“**10-year Loans**” has the meaning ascribed to it under “*Credit Facilities – Eastern Seaboard Loans*”.

“**ADR**” means, average daily rate for a hotel property or properties, which is calculated as the total hotel room revenues for such property or properties divided by total number of rooms sold at such property or properties in a given period.

“**Affiliate**” or “**Associate**” means, where used to indicate a relationship with any person:

- (a) a partner, other than a Unitholder, of that person;
- (b) a trust or estate in which that person has a substantial beneficial interest or for which that person serves as trustee or in a similar capacity;
- (c) an entity in respect of which that person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the entity; or
- (d) a relative, including the spouse, of that person or a relative of that person’s spouse, where the relative has the same home as that person, and for the purpose of this definition spouse includes a man or woman not married to that person but who is living with that person and has lived with that person as husband or wife for a period of not less than six months.

“**AFFO**” has the meaning ascribed to it under “*Non-IFRS Measures*”.

“**AHIP**” means American Hotel Income Properties REIT LP and, unless the context otherwise requires, its direct and indirect Subsidiaries including the U.S. REIT, as a whole.

“**AHIP Enterprises**” means AHIP Enterprises LLC, a limited liability company formed in Delaware on August 27, 2013.

“**AHIP Enterprises II**” means AHIP Enterprises II LLC, a limited liability company formed in Delaware on October 25, 2017.

“**AHIP Properties**” means AHIP Properties LLC, a limited liability company formed in Delaware on August 27, 2013.

“**AHIP Properties II**” means AHIP Properties II LLC, a limited liability company formed in Delaware on October 25, 2017.

“**AIF**” has the meaning ascribed to it under “*Meanings of Certain References*”.

“**Aimbridge**” has the meaning ascribed to under “*Business of AHIP – Management*”.

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

“**Audit Committee**” means the audit, finance and risk committee of directors established by the Board of Directors.

“**Available Cash**” means the consolidated cash and cash equivalents balance (excluding restricted cash) of AHIP as determined in accordance with IFRS plus cash financing committed by a third party lender and accepted by AHIP on or before April 15, 2022 to be received by AHIP at least 15 days prior to the Maturity Date, provided the terms of such cash financing permit AHIP to repay all or a portion of the principal amount of the Debentures on the Maturity Date.

“**Beneficial Debenture Owner**” has the meaning ascribed to it under “*Capital Structure – Debentures – Book-Entry System for Debentures*”.

“**Board of Directors**” means the board of directors of the General Partner.



**“Business Day”** means any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.

**“CDS”** has the meaning ascribed to it under *“LP Agreement – Transfer of Units”*.

**“CFA”** has the meaning ascribed to it under *“Risk Factors – Canadian and U.S. Tax Related Risk Factors – Canadian Federal Income Tax-Related Risks”*.

**“Change of Control”** has the meaning ascribed to it in the Indenture.

**“CMBS”** means commercial mortgage backed security.

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

**“Compensation Committee”** means the compensation committee of directors established by the Board of Directors.

**“Consideration Units”** has the meaning ascribed to under *“General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Acquisition of the Sunstone Embassy Suites Portfolio”*.

**“Consolidated Net Worth”** means the Unitholders’ Equity of AHIP and its Subsidiaries determined on a consolidated basis in accordance with IFRS.

**“Conversion Price”** means US\$9.25 per Unit.

**“COVID-19”** means the novel coronavirus disease 2019, and the related worldwide outbreak thereof, which was declared to be a pandemic by the World Health Organization on March 12, 2020.

**“CRA”** means the Canada Revenue Agency.

**“Credit Facility”** has the meaning ascribed to it under *“Credit Facilities – The Credit Facility”*.

**“Credit Facility Agreement”** means the Amended and Restated Credit Agreement dated December 3, 2019, as amended on February 14, 2020, between AHIP Properties II, AHIP Enterprises II, certain corporate guarantors, and certain chartered banks from time to time forming the lending syndicate thereunder and a U.S. affiliate of a Canadian chartered bank acting as administrative agent thereunder on behalf of the lending syndicate, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**“Credit Facility Revolver”** has the meaning ascribed to it under *“Credit Facilities – The Credit Facility”*.

**“Credit Facility Term Loan”** has the meaning ascribed to it under *“Credit Facilities – The Credit Facility”*.

**“Current Market Price”** means the volume weighted average trading price for the Units on the TSX converted daily into U.S. dollars at the Bank of Canada single rate of exchange for such date, and such U.S. dollar prices averaged for the 20 consecutive trading days ending five trading days prior to the applicable date.

**“Current Master Hotel Manager”** has the meaning ascribed to under *“Business of AHIP – Management”*.

**“Dallas Loan”** has the meaning ascribed to under *“General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Acquisition of the Sunstone Embassy Suites Portfolio”*.

**“Dallas Property”** has the meaning ascribed to under *“General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Acquisition of the Sunstone Embassy Suites Portfolio”*.

**“Debenture Certificates”** has the meaning ascribed to it under *“Capital Structure – Debentures – Book-Entry System for Debentures”*.

**“Debenture Offer”** has the meaning ascribed to it under *“Capital Structure – Debentures – Change of Control”*.

**“Debenture Offer Price”** has the meaning ascribed to it under *“Capital Structure – Debentures – Change of Control”*.

**“Debentureholder”** means a holder of a debenture.

**“Debentures”** has the meaning ascribed to under *“General Development of the Business – Financings and Third Party Acquisitions and Dispositions – June 2017 Offering of Units and Debentures”*.

**“Debt”** has the meaning ascribed to it under *“Non-IFRS Measures”*.

**“Debt-to-Gross Book Value”** has the meaning ascribed to it under *“Non-IFRS Measures”*.

**“Deferred Purchase Price”** has the meaning ascribed to it under *“General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Acquisition of the Texas/Midwest Portfolio”*.

**“Directors Election Meeting”** has the meaning ascribed to it under *“Nomination Agreement”*.

**“Distributable Cash”** means, 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.

**“Eastern Seaboard Loans”** has the meaning ascribed to it under *“Credit Facilities – Eastern Seaboard Loans”*.

**“Eastern Seaboard Portfolio”** means the portfolio of 18 premium branded Marriott and Hilton hotels located in Maryland, New Jersey, New York, Connecticut and Pennsylvania indirectly acquired by AHIP on June 22, 2017.

**“Eastern Seaboard PSA”** means the Agreement of Purchase and Sale dated May 3, 2017, and amended on May 31, 2017, among the U.S. REIT and the Eastern Seaboard Sellers, pursuant to which AHIP indirectly acquired the Eastern Seaboard Portfolio.

**“Eastern Seaboard Sellers”** means, collectively, MCRS Allentown LLC, MCRS Bethlehem LLC, MCRS Brookhaven LLC, MCRS Dover LLC, MCRS Egg Harbor LLC, MCRS Egg Harbor 2 LLC, MCRS Milford LLC, MCRS Mt. Laurel LLC, MCRS Neptune LLC, MCRS Wall LLC, MCRB Arundel 1 LLC, MCRB Arundel 2 LLC, MCRB Arundel 3 LLC, MCRB Arundel 4 LLC, MCRB White Marsh 1 LLC, MCRB White Marsh 2 LLC, MCRB White Marsh 3 LLC and MCRB White Marsh 4 LLC.

**“ECI”** has the meaning ascribed to it under *“Risk Factors – Canadian and U.S. Tax Related Risk Factors – U.S. Federal Income Tax-Related Risks”*.

**“Economy Lodging Hotels”** means, collectively, the 45 rail crew hotels that AHIP indirectly sold on November 27, 2019 in accordance with the terms of the Economy Lodging PSA.

**“Economy Lodging PSA”** means the purchase and sale agreement between U.S. REIT, AHIP Cargo Enterprises LLC and VCM Lodging Enterprises, L.P. dated July 11, 2019, as amended on November 25, 2019.

**“Event of Default”** has the meaning ascribed thereto under *“Capital Structure – Debentures – Events of Default”*.

**“Existing Portfolio”** means a portfolio of 79 premium-branded, select-service hotel properties located in 22 states in the U.S. and indirectly owned by AHIP as at the date of this AIF.

**“FAPIT”** has the meaning ascribed to it under *“Risk Factors – Canadian and U.S. Tax Related Risk Factors – Canadian Federal Income Tax-Related Risks”*.

**“FF&E Reserves”** means 4% of total revenues.

**“FFO”** has the meaning ascribed to it under *“Non-IFRS Measures”*.

**“Fiscal Year”** means each fiscal year of AHIP.

**“Florida 6 Loan”** has the meaning ascribed to it under *“Credit Facilities – Florida 6 Loan”*.

**“Florida 6 Portfolio”** means the portfolio of six premium branded hotel properties located in Florida indirectly acquired by AHIP on November 29, 2016.

**“Florida Loan”** has the meaning ascribed to it under *“Credit Facilities – Florida Loan”*.

**“Florida Portfolio”** means the portfolio of three premium branded hotel properties located in Ocala, Florida indirectly acquired by AHIP on August 6, 2015.

**“Florida/Tennessee Loan”** has the meaning ascribed to it under *“Credit Facilities – Florida/Tennessee Loan”*.

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

**“Former Master Hotel Manager”** means One Lodging Management, Inc. (formerly named Tower Rock Hotels & Resorts Inc.).

**“General Partner”** means American Hotel Income Properties REIT (GP) Inc., a corporation incorporated under the *Canada Business Corporations Act*.

**“Gross Book Value”** has the meaning ascribed to it under *“Non-IFRS Measures”*.

**“Hotel Management Agreement”** means a hotel management agreement in substantially the form attached as Annex A to the Master Hotel Management Agreement.

**“Hotel Managers”** means any and all hotel managers appointed from time to time by the Master Hotel Manager.

**“IAS”** means International Accounting Standards.

**“IFRIC 21”** means the International Financial Reporting Interpretations Committee interpretation 21, which provides an interpretation of the requirements in IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, for the recognition of liabilities for obligations to pay levies that are within the scope of IFRIC 21.

**“IFRS”** means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Chartered Professional Accountants Canada in Part I of the CPA Canada Handbook – Accounting, as amended from time to time.

**“IHG”** means Intercontinental Hotels Group.

**“Indenture”** means the trust indenture between the Indenture Trustee and AHIP dated June 9, 2017 governing the Debentures.

**“Indenture Trustee”** means Computershare Trust Company of Canada.

**“Independent Director”** means a director of the General Partner who, in relation to AHIP is “independent” within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and is not “related” within the meaning of the Tax Act.

**“Interest Obligation”** has the meaning ascribed to it under *“Capital Structure – Debentures – Interest Payment Election”*.

**“Interest Payment Date”** has the meaning ascribed to it under *“Capital Structure – Debentures – General”*.

**“investee”** has the meaning ascribed to it under *“LP Agreement – Operating Policies”*.

**“Investment Committee”** means the investment committee of directors established by the Board of Directors.

**“IRS”** means the U.S. Internal Revenue Service.

**“June 2017 Offering”** has the meaning ascribed to under *“General Development of the Business – Financings and Third Party Acquisitions and Dispositions – June 2017 Offering of Units and Debentures”*.

**“LIBOR”** means the London Interbank Offered Rate.

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

**“LP Agreement Amendment”** has the meaning ascribed to it under *“LP Agreement – Amendment to LP Agreement – Advance Notice Policy”*.

**“Master Development Agreement”** means the master development agreement dated February 20, 2013, among AHIP, SunOne and SOHMI, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com), which agreement was terminated effective April 26, 2018.

**“Master Hotel Management Agreement”** means the master hotel management agreement dated February 20, 2013 between AHIP and the Former Master Hotel Manager, as amended effective on September 30, 2016 and assigned to the Current Master Hotel Manager on April 26, 2018 and further amended on November 7, 2019.

**“Master Hotel Manager”** means (i) for periods up to and including April 25, 2018, the Former Master Hotel Manager, and (ii) for periods on and after April 26, 2018, the Current Master Hotel Manager.

**“Maturity Date”** means June 30, 2022.

**“Maverick”** means Maverick Management Corp.

**“Midwestern 3 Embassy Suites Loan”** has the meaning ascribed to it under *“Credit Facilities – Midwestern 3 Embassy Suites Loan”*.

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

**“Midwestern 3 Embassy Suites PSA”** means the Agreement of Purchase and Sale dated December 8, 2016 among the U.S. REIT and the Midwestern 3 Embassy Suites Sellers, as amended, pursuant to which AHIP indirectly acquired the Midwestern 3 Embassy Suites Portfolio.

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

**“Midwestern Loan”** has the meaning ascribed to it under *“Credit Facilities – Midwestern Loan”*.

**“Midwestern Portfolio”** means the portfolio of eight premium branded hotel properties located in Illinois, Iowa, Kansas, Missouri and Oklahoma indirectly acquired by AHIP on June 18, 2015, which excludes the hotel property located in Norman, Oklahoma subsequently sold by AHIP on March 15, 2017.

**“NC/FL Loan”** has the meaning ascribed to it under *“Credit Facilities – NC/FL Loan”*.

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

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

**“NCI”** has the meaning ascribed to it under *“LP Agreement – Transfer of Units”*.

**“Net Income”** or **“Net Loss”** means, for accounting purposes, the net income or net loss of AHIP for a Fiscal Year as determined in accordance with IFRS.

**“NOI”** has the meaning ascribed to it under *“Non-IFRS Measures”*.

**“Nominating and Governance Committee”** means the nominating and governance committee of directors established by the Board of Directors.

**“Nomination Agreement”** has the meaning ascribed to it under *“Nomination Agreement”*.

**“Nomination Letter”** has the meaning ascribed to it under *“Nomination Agreement”*.

**“Not Closely-Held Requirement”** has the meaning ascribed to it under *“Risk Factors – Canadian and U.S. Tax Related Risk Factors – U.S. Federal Income Tax-Related Risks”*.

**“Occupancy”** or **“Occupancy Rate”** means, for a hotel property or properties, the total number of hotel rooms sold at such hotel property or properties in a given period divided by the total number of rooms available at such hotel property or properties during such period.

**“Oklahoma Loan”** has the meaning ascribed to it under *“Credit Facilities – Oklahoma Loan”*.

**“Oklahoma Portfolio”** means the portfolio of four premium branded hotel properties located in Oklahoma indirectly acquired by AHIP on November 3, 2014.

**“Other Indebtedness”** means all indebtedness (including any indebtedness to trade creditors), liabilities and obligations of AHIP, whether outstanding at the date of the Indenture or thereafter created, incurred, assumed or guaranteed that is not Senior Indebtedness.

**“Partners”** means the General Partner and the Unitholders.

**“person”** means and includes any individual, general partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, joint stock company, association, trust, trust company, bank, pension fund, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or other organization or entity, whether or not a legal entity, however designated or constituted.

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

**“PIPs”** means brand mandated property improvement plans.

**“Pittsburgh Loans”** has the meaning ascribed to it under *“Credit Facilities – Pittsburgh Loans”*.

**“Pittsburgh Portfolio”** means the portfolio of four premium branded hotel properties located in Pittsburgh, Pennsylvania indirectly acquired by AHIP on November 21, 2013.

**“Plan”** has the meaning ascribed to it under *“Risk Factors – Canadian and U.S. Tax Related Risk Factors – Canadian Federal Income Tax-Related Risks”*.

**“property”** or **“real property”** means, unless the context otherwise requires, property which in law is real property and includes, whether or not the same would in law be real property, leaseholds, mortgages, undivided joint interests in real property (whether by way of tenancy-in-common, joint tenancy, co-ownership, joint venture or otherwise), any interests in any of the foregoing and the securities of trusts, corporations or partnerships the sole or principal purpose and activity of which is to invest in, hold and/or deal in real property.

**“Proportionate Share”**, in respect of each Unitholder means that fraction which, as of the date of such determination:

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

**“Prospectus”** means the Prospectus Supplement of AHIP dated June 2, 2017, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**“PTP”** has the meaning ascribed to it under *“Risk Factors – Canadian and U.S. Tax Related Risk Factors – U.S. Federal Income Tax-Related Risks”*.

**“Purchased Entities”** has the meaning ascribed to under *“General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Acquisition of the Sunstone Embassy Suites Portfolio”*.

**“RDSP”** has the meaning ascribed to it under *“Risk Factors – Canadian and U.S. Tax Related Risk Factors – Canadian Federal Income Tax-Related Risks”*.

**“Record”** has the meaning ascribed to it under *“LP Agreement – Transfers of Units”*.

**“Record Date”** means the date established by the General Partner for determining:

- (a) the identity of Unitholders entitled to notice of any meeting of Partners or entitled to consent to a limited partnership action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Partners; or
- (b) the identity of Unitholders entitled to receive any report or distribution; and unless otherwise specified by the General Partner a Record Date shall mean, as of any particular Business Day, the opening of business on such Business Day.

**“REIT”** means real estate investment trust as defined in section 856 of the Code.

**“RESP”** has the meaning ascribed to it under *“Risk Factors – Canadian and U.S Tax Related Risk Factors – Canadian Federal Income Tax-Related Risks”*.

**“RevPAR”** means, revenue per available room for a hotel property or properties, which is equal to the product of the Occupancy Rate and ADR for such hotel property or properties.

**“ROC Share”** has the meaning ascribed to it under *“Risk Factors – Canadian and U.S. Tax Related Risk Factors – Canadian Federal Income Tax-Related Risks”*.

**“RRIF”** has the meaning ascribed to it under *“Risk Factors – Canadian and U.S Tax Related Risk Factors – Canadian Federal Income Tax-Related Risks”*.

**“RRSP”** has the meaning ascribed to it under *“Risk Factors – Canadian and U.S Tax Related Risk Factors – Canadian Federal Income Tax-Related Risks”*.

**“Securities-Based Compensation Plan”** has the meaning ascribed to it under *“LP Agreement – Rights, Warrants and Options”*.

**“Senior Indebtedness”** has the meaning ascribed to it under *“Capital Structure – Debentures – Subordination”*.

**“Series B Shares”** has the meaning ascribed to it under *“Corporate Structure – American Hotel Income Properties REIT Inc.”*.

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

**“SOHMI”** means Sunstone O’Neill Hotel Management Inc.

**“Special Resolution”** means: (a) a resolution approved by more than 66⅔% of the votes cast in person or by proxy at a duly constituted meeting of limited partners of AHIP or at any adjournment thereof, called in accordance with the LP Agreement; or (b) a written resolution in one or more counterparts signed by limited partners of AHIP holding in the aggregate more than 66⅔% of the aggregate number of outstanding Units.

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

**“Suitable Properties”** means hotel properties in close proximity to airports, highway interchanges, other transportation hubs and other demand generators providing select and limited-service lodging to corporate, traveler, crew and contractual customers.

**“SunOne”** means SunOne Developments Inc., a corporation incorporated under the laws of the state of Nevada.

**“Sunstone”** means Sunstone Realty Advisors Inc., a corporation incorporated under the *Business Corporations Act* (British Columbia).

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



**“Sunstone Embassy Suites PSA”** has the meaning ascribed to under *“General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Acquisition of the Sunstone Embassy Suites Portfolio”*.

**“Sunstone Embassy Suites Sellers”** has the meaning ascribed to under *“General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Acquisition of the Sunstone Embassy Suites Portfolio”*.

**“Sunstone Trust 3”** has the meaning ascribed to it under *“Interest of Management and Others in Material Transactions – Acquisition of the Sunstone Embassy Suites Portfolio”*.

**“Sunstone Trust 4”** has the meaning ascribed to it under *“Interest of Management and Others in Material Transactions – Acquisition of the Sunstone Embassy Suites Portfolio”*.

**“Sunstone U.S.”** has the meaning ascribed to it under *“Interest of Management and Others in Material Transactions – Acquisition of the Sunstone Embassy Suites Portfolio”*.

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

**“Taxable Income”** and **“Taxable Loss”** means, for income tax purposes, the income or loss of AHIP determined under the Tax Act after applying the following principles, subject to a determination by the General Partner that such an application generally would not be in the best interest of Unitholders:

- (a) deductions in arriving at income or loss for tax purposes will be taken at the earliest time and to the maximum extent permitted by applicable income tax statutes and regulations; and
- (b) the recognition of income for tax purposes will be deferred to the maximum extent permitted by applicable income tax statutes and regulations.

**“TCJA”** has the meaning ascribed to it under *“Risk Factors – Canadian and U.S. Tax Related Risk Factors – U.S. Federal Income Tax-Related Risks”*.

**“Tempe Bridge Loan”** has the meaning ascribed to under *“General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Acquisition of the Sunstone Embassy Suites Portfolio”*.

**“Tempe Loan”** has the meaning ascribed to under *“General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Acquisition of the Sunstone Embassy Suites Portfolio”*.

**“Tempe Property”** has the meaning ascribed to under *“General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Acquisition of the Sunstone Embassy Suites Portfolio”*.

**“Texas/Midwest Portfolio”** means the portfolio of 12 premium branded Marriott, Hilton and IHG hotels located in Texas, Minnesota, Pennsylvania, Michigan and North Dakota indirectly acquired by AHIP on December 3, 2020.

**“Texas/Midwest PSA”** means the Purchase and Sale Agreement dated August 27, 2019, and amended on September 9, 2019, September 30, 2019, October 18, 2019, November 6, 2019 and November 27, 2019 among the U.S. REIT and the Texas/Midwest Sellers and Texas/Midwest Seller’s representative, pursuant to which AHIP indirectly acquired the Texas/Midwest Portfolio.

**“Texas/Midwest Sellers”** means, collectively, H.S. of Portage, L.P. H.S. of Portage Opco, L.L.C., C.Y. of Woodbury L.P., C.Y. of Woodbury Opco, L.L.C., TMI of Woodbury, L.P., TMI of Woodbury Opco, L.L.C., C.Y. of Bismarck, L.P., C.Y. of Bismarck Opco, L.L.C., TMI of Pittsburgh FIS, L.P., TMI of Pittsburgh FIS Opco, L.L.C., TMI of Pittsburgh TP, L.P., TMI of Pittsburgh TP Opco, L.L.C., H.I.S. of Corpus Christi, L.P., H.I.S. of Corpus Christi Opco, L.L.C., TMI of Willowbrook, L.P., TMI of Willowbrook Opco, L.L.C., H.S. of Midland, L.P., H.S. of Midland Opco, L.L.C., S.B.S. of Midland, L.P., S.B.S. of Midland Opco, L.L.C., R.I. of San Angelo, L.P., R.I. of San Angelo Opco, L.L.C., Htwo of San Angelo, L.P., and Htwo of San Angelo Opco, L.L.C.

**“Texas Loan”** has the meaning ascribed to it under *“Credit Facilities – Texas Loan”*.

**“Texas Portfolio”** means the portfolio of three premium branded hotel properties located in Amarillo, Texas indirectly acquired by AHIP on October 27, 2014.

“**TFSA**” has the meaning ascribed to it under “*Risk Factors – Canadian and U.S Tax Related Risk Factors – Canadian Federal Income Tax-Related Risks*”.

“**Transfer Agent**” means Computershare Investor Services Inc. or such other company as may from time to time be appointed by AHIP to act as registrar and transfer agent of the Units, together with any sub-transfer agent duly appointed by the Transfer Agent.

“**Treasury**” has the meaning ascribed to it under “*Risk Factors – Canadian and U.S. Tax Related Risk Factors – U.S. Federal Income Tax-Related Risks*”.

“**Treaty**” means the 1980 U.S.-Canada Income Tax Convention, as amended.

“**TSX**” means the Toronto Stock Exchange.

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

“**Unit**” means a limited partnership unit of AHIP.

“**Unit Interest Payment Election**” has the meaning ascribed to it under “*Capital Structure – Debentures – Interest Payment Election*”.

“**Unit Payment Right**” has the meaning ascribed to it under “*Capital Structure – Debentures – Unit Payment Right*”.

“**Unitholder**” means at any time a person that is a limited partner in AHIP and who is the beneficial owner of one or more Units.

“**Unitholders’ Equity**” means, in respect of any entity other than a corporation (including a partnership), the aggregate amount of equity (including partnership equity) as shown on the most recent quarterly or annual balance sheet of such entity calculated in accordance with IFRS.

“**Vendor Management Entities**” has the meaning ascribed to it under “*Interest of Management and Others in Material Transactions – Acquisition of the Sunstone Embassy Suites Portfolio*”.

“**Virginia Loan**” has the meaning ascribed to it under “*Credit Facilities – Virginia Loan*”.

“**Virginia Portfolio**” means the portfolio of four premium branded hotel properties located in Virginia indirectly acquired by AHIP on March 12, 2014.

“**Voting Trust Agreement**” has the meaning ascribed to it under “*Voting Trust Agreement*”.

“**Whistle Blowing Policy**” has the meaning ascribed to it under “*Directors and Management – Committees of the Board of Directors – Audit Committee*”.



## CORPORATE STRUCTURE

### American Hotel Income Properties REIT LP

AHIP is a limited partnership formed under the *Limited Partnerships Act* (Ontario) on October 12, 2012 and is governed by the LP Agreement. AHIP's head office is located at 800 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2 and its registered office is located at 25<sup>th</sup> Floor – 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3.

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

The General Partner is a corporation incorporated on September 6, 2012 under the *Canada Business Corporations Act*. The General Partner's head office is located at 800 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2 and its registered office is located at 25<sup>th</sup> Floor – 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3. The General Partner is the general partner of AHIP.

### American Hotel Income Properties REIT Inc.

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

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

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

On December 24, 2013, the board of directors of U.S. REIT approved the Articles of Amendment with respect to the private placement of 125 shares of cumulative non-voting, non-participating preferred stock with a par value of US\$1,000 with a cumulative interest rate of 12.5% per annum (the “**Series B Shares**”). The Articles of Amendment were filed with the State Department of Assessments and Taxation, Maryland on December 30, 2013, and the Series B Shares were issued on January 17, 2014. This private placement was made to comply with the IRS requirement for the U.S. REIT to have a minimum of 100 shareholders for a minimum of 335 days in any taxable year for each year after the year in which an election was filed for the corporation to qualify as a real estate investment trust.

On March 13, 2017, the articles of U.S. REIT were further amended in order to provide for the issuance of 533 Series B Shares by U.S. REIT to AHIP in connection with the reorganization of the Purchased Entities through which AHIP indirectly owns the Sunstone Embassy Suites Portfolio.

### AHIP Management Ltd.

AML is a corporation incorporated on November 13, 2015 under the *Business Corporations Act* (British Columbia). AML's head office is located at 800 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2 and its registered office is at 25<sup>th</sup> Floor, 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3. AML is a wholly-owned Subsidiary of the U.S. REIT and effective as of January 1, 2016, became the employer of the executive officers of AHIP and AHIP's other staff members. AML provides the services of such persons to AHIP and its Subsidiaries through: (i) a services agreement between AML and AHIP; (ii) a services agreement between AML and the U.S. REIT; and (iii) a secondment agreement between AML and the U.S. REIT.

### **AHIP Properties LLC**

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

### **AHIP Enterprises LLC**

AHIP Enterprises was formed in Delaware on August 27, 2013 and is a wholly-owned Subsidiary of the U.S. REIT. For all of AHIP's hotels (other than the hotel properties comprising the Sunstone Embassy Suites Portfolio), a direct or indirect Subsidiary of AHIP Enterprises leases the applicable real estate from a direct or indirect Subsidiary of AHIP Properties to operate the hotel. AHIP Enterprises is domiciled in the U.S. and its registered office is located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

### **AHIP Properties II LLC**

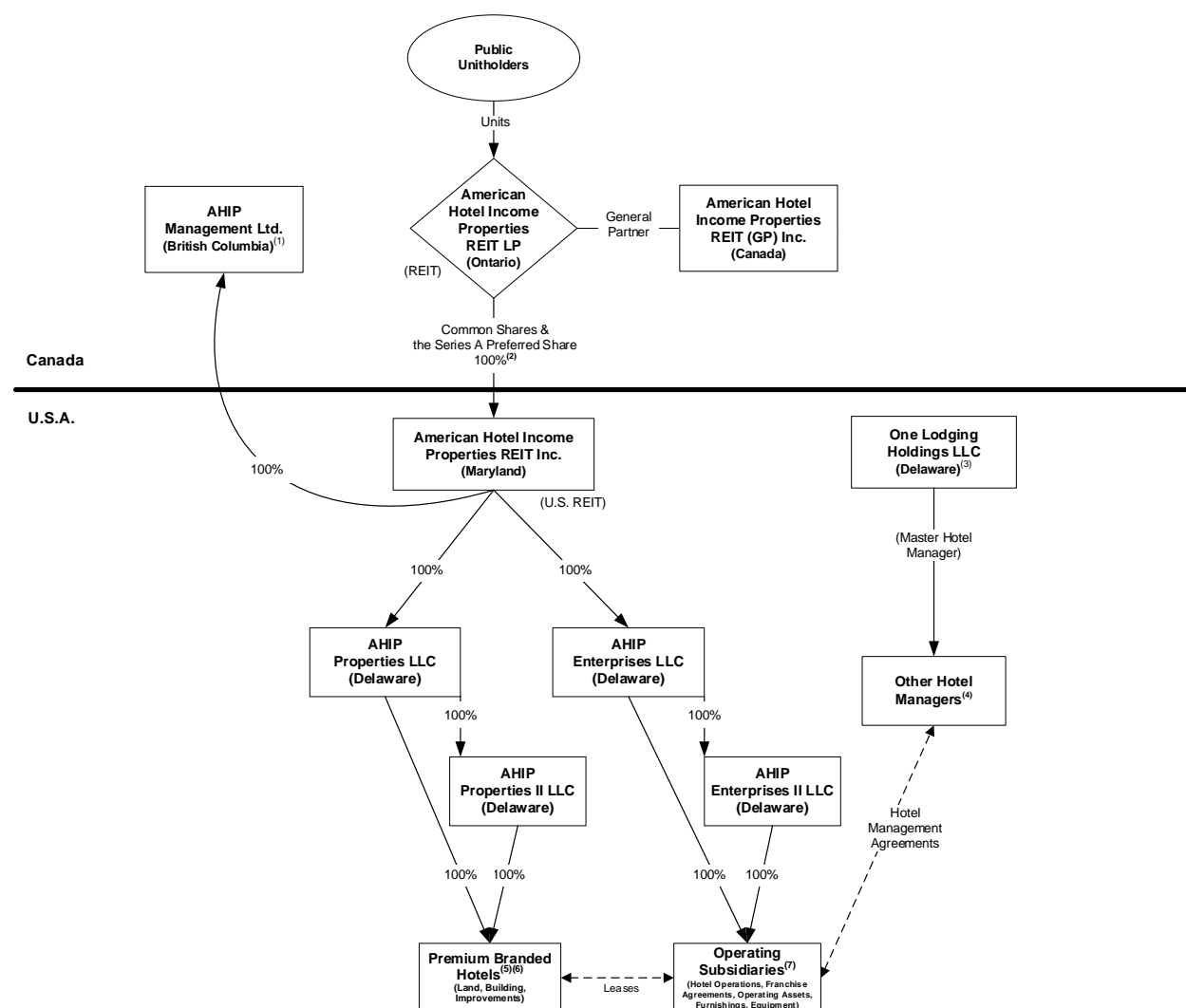
AHIP Properties II was formed in Delaware on October 25, 2017 and is a wholly-owned Subsidiary of AHIP Properties. It owns the real estate underlying the 18 hotels secured against the Credit Facility through its direct Subsidiaries and leases it to various direct Subsidiaries of AHIP Enterprises II. AHIP Properties II is domiciled in the U.S. and its registered office is located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

### **AHIP Enterprises II LLC**

AHIP Enterprises II was formed in Delaware on October 25, 2017 and is a wholly-owned Subsidiary of AHIP Enterprises. In the case of the 18 hotels secured against the Credit Facility, a direct Subsidiary of AHIP Enterprises II leases the applicable real estate from a direct Subsidiary of AHIP Properties II to operate the hotel. AHIP Enterprises II is domiciled in the U.S. and its registered office is located at c/o Paracorp Incorporated, 2140 S. DuPont Highway, City of Delaware, County of Kent, Delaware 19934.

## Organizational Structure

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



- (1) AML is a wholly-owned Subsidiary of the U.S. REIT and is the employer of all executive officers of AHIP and AHIP's other staff.
- (2) There are also 658 Series B Shares of the U.S. REIT issued and outstanding, 533 shares of which are held by AHIP and 125 shares of which are held by third party investors.
- (3) One Lodging Holdings LLC is the Current Master Hotel Manager and is a Subsidiary of Aimbridge.
- (4) Each of AHIP's hotels is managed by a separate Subsidiary of the Master Hotel Manager through an individual hotel management agreement entered into with a direct or indirect, wholly-owned Subsidiary of AHIP Enterprises.
- (5) Each of AHIP's hotels (except the hotels comprising the Sunstone Embassy Suites Portfolio) is owned by a separate, direct or indirect, wholly-owned Subsidiary of AHIP Properties, including the 18 hotels secured against the Credit Facility, which are owned indirectly by AHIP Properties II (a wholly-owned Subsidiary AHIP Properties).
- (6) The two hotels comprising the Sunstone Embassy Suites Portfolio, are owned by the U.S. REIT's direct Subsidiaries EST 2011 L.P. and ESD DFW South L.P., which Subsidiaries are not pictured above.
- (7) Each of the hotels (except the hotels comprising the Sunstone Embassy Suites Portfolio) is leased by a separate, direct or indirect, wholly-owned Subsidiary of AHIP Enterprises from a separate, direct or indirect, wholly-owned Subsidiary of AHIP Properties, including the 18 hotels Secured against the Credit Facility, which are owned by wholly-owned Subsidiaries of AHIP Properties II (a wholly-owned Subsidiary AHIP Properties) and leased to wholly-owned Subsidiaries of AHIP Enterprises II (a wholly-owned subsidiary of AHIP Enterprises).

## GENERAL DEVELOPMENT OF THE BUSINESS

AHIP is a limited partnership formed under the *Limited Partnerships Act* (Ontario) to invest in hotel real estate properties primarily in the U.S. and is engaged primarily in growing a portfolio of premium branded, select-service hotels in larger secondary markets with diverse and stable demand generators. AHIP was established pursuant to the terms of AHIP's LP Agreement dated October 12, 2012, which was subsequently amended and restated on February 20, 2013 and further amended as of June 9, 2015.

AHIP was established, among other things, for the purposes of:

- (a) acquiring common shares and a "ROC Share" of the U.S. REIT (a ROC share being defined as a share in the capital of the U.S. REIT which is designated within such capital as a preferred share);
- (b) temporarily holding cash and investments for the purposes of paying the expenses and liabilities of AHIP and making distributions to Unitholders; and
- (c) in connection with the undertaking set out above, reinvesting income and gains of AHIP and taking other actions besides the mere protection and preservation of AHIP's property.

The principal business of AHIP is to issue Units and to acquire and hold shares of the U.S. REIT. The U.S. REIT was established, among other things, for the purposes of indirectly acquiring and owning hotel real estate properties in the U.S.

AHIP's long-term objectives are to:

- (a) generate monthly cash distributions from hotel properties located in the U.S.;
- (b) enhance the value of its assets and maximize the long-term value of the hotel properties through active asset management; and
- (c) expand its asset base and increase its FFO per Unit through an accretive acquisition program and improvements to the properties through targeted value-added capital expenditure programs.

### Financings and Third Party Acquisitions and Dispositions

The following is a summary of the key equity financings and third party acquisitions and dispositions completed by AHIP since January 1, 2017:

#### *Acquisition of the Sunstone Embassy Suites Portfolio*

On January 6, 2017, AHIP acquired the Sunstone Embassy Suites Portfolio for an aggregate purchase price of approximately US\$57.6 million, excluding approximately US\$5.7 million in PIPs and customary closing and post-closing adjustments. Specifically, AHIP entered into a purchase and sale agreement dated May 31, 2016, as amended by a first amendment dated July 12, 2016, a second amendment dated September 23, 2016, and a third amendment dated October 24, 2016 (as so amended, the "**Sunstone Embassy Suites PSA**"), with various Affiliates of Sunstone (collectively, the "**Sunstone Embassy Suites Sellers**"), to acquire from the Sunstone Embassy Suites Sellers: (i) the direct and indirect Subsidiaries of the Sunstone Embassy Suites Sellers (collectively, the "**Purchased Entities**") which owned the Sunstone Embassy Suites Portfolio prior to closing; and (ii) the tangible and intangible personal property used in the operation of the hotels comprising the Sunstone Embassy Suites Portfolio. A copy of the Sunstone Embassy Suites PSA has been filed on SEDAR and is available at [www.sedar.com](http://www.sedar.com).

AHIP funded the purchase price for the Sunstone Embassy Suites Portfolio, including the PIPs, using a combination of cash on hand from prior equity offerings, the issuance to the Sunstone Embassy Suites Sellers of approximately US\$17.4 million in Units (being 2,242,761 Units, the "**Consideration Units**"), the assumption of an existing US\$19.0 million CMBS loan (the "**Dallas Loan**") and a new US\$13.5 million CMBS loan (the "**Tempe Loan**") (see "*Credit Facilities – Sunstone Embassy Suites Portfolio Loans*"). The Consideration Units were issued from treasury at a price of Cdn\$10.3099 per Unit, which price was based on the 10-day volume-weighted average trading price of the Units on the TSX prior to the closing date of the acquisition of the Sunstone Embassy Suites

Portfolio. The Consideration Units were subject to a four-month hold period that expired in May 2017. The issuance of the Consideration Units was approved by the TSX.

In connection with the transaction, on August 5, 2016, AHIP advanced an approximately US\$10.2 million bridge loan (the “**Tempe Bridge Loan**”) to an indirect Subsidiary of the Sunstone Embassy Suites Sellers to pay off the expiring mortgage on the Tempe Property (as defined below). The Tempe Bridge Loan was interest-only with a fixed interest rate of 8.00% per annum. Outstanding amounts under the Tempe Bridge Loan were repaid at closing of the acquisition of the Sunstone Embassy Suites Portfolio.

The Sunstone Embassy Suites Portfolio consists of the 305-room Embassy Suites by Hilton Dallas DFW Airport South hotel (the “**Dallas Property**”) and 224-room Embassy Suites by Hilton Phoenix – Tempe hotel (the “**Tempe Property**”). The Dallas Property is located in Irving, Texas (a suburb of Dallas) which is two miles from Dallas/Fort Worth International Airport, the tenth busiest airport in the world by total passenger traffic. The Tempe Property is located in Tempe, Arizona, which is located minutes from Arizona State University, the largest public university by enrollment in the U.S., and Phoenix Sky Harbor International Airport, the eleventh largest airport in the U.S. by total passenger traffic. The properties cater primarily to corporate travelers seeking select-service lodging and comprise part of AHIP’s portfolio of premium branded hotels.

Mr. Stephen Evans and Mr. Robert O’Neill, both directors of the General Partner, informed the Board of their respective indirect interests in this transaction prior to the Board’s approval thereof, and abstained from voting. For further details, see “*Interests of Management and Others in Material Transactions – Acquisition of the Sunstone Embassy Suites Portfolio*”.

#### ***Acquisition of the Midwestern 3 Embassy Suites Portfolio***

On January 19, 2017, AHIP completed the acquisition of the Midwestern 3 Embassy Suites Portfolio for an aggregate purchase price of approximately US\$124.0 million, including the expected cost of capital work on acquisition and PIPs. AHIP funded payment of the purchase price for the Midwestern 3 Embassy Suites Portfolio and the financing of the PIPs using a combination of cash on hand from prior equity offerings and new CMBS financing (see “*Credit Facilities – Midwestern 3 Embassy Suites Loan*”).

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

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

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

#### ***June 2017 Offering of Units and Debentures***

On June 9, 2017, AHIP completed a bought deal public offering of: (i) 19,410,000 Units at a price of Cdn\$10.35 per Unit, for total gross proceeds of approximately Cdn\$200.9 million; and (ii) approximately US\$48.9 million aggregate principal amount of 5.00% convertible unsecured subordinated debentures due on June 30, 2022 (the “**Debentures**”) at a price of US\$1,000 per Debenture (collectively, the “**June 2017 Offering**”). Included in the closing were 1,050,000 Units from the partial exercise of the Unit over-allotment option and approximately US\$6.4 million aggregate principal amount of Debentures from the full exercise of the Debenture over-allotment option.

### ***Acquisition of the Eastern Seaboard Portfolio***

On June 22, 2017, AHIP completed the acquisition of the Eastern Seaboard Portfolio for an aggregate purchase price of approximately US\$395.0 million, excluding US\$12.4 million for PIPs. AHIP funded payment of the purchase price for the Eastern Seaboard Portfolio and the financing of the PIPs using a combination of a portion of the proceeds of the June 2017 Offering and new CMBS financing (see “*Credit Facilities – Eastern Seaboard Loans*”).

The Eastern Seaboard Portfolio consists of ten Marriot branded hotels totalling 1,206 guest rooms (five Residence Inns, two Springhill Suites, one Courtyard, one Fairfield Inn and Suites and one TownePlace Suites) and eight Hilton branded hotels totaling 981 guestrooms (four Homewood Suites, two Hampton Inns and two Hilton Garden Inns). The hotel properties comprising the Eastern Seaboard Portfolio are strategically located in larger population centers along the northeastern seaboard of the U.S. near major transportation corridors and a variety of commercial, manufacturing, information-technology, medical, education, sports and leisure demand generators.

AHIP completed the acquisition of the Eastern Seaboard Portfolio pursuant to the terms of the Eastern Seaboard PSA, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

AHIP filed a form 51-102F4 (a Business Acquisition Report) on August 3, 2017, on SEDAR at [www.sedar.com](http://www.sedar.com) in respect of its acquisition of the Eastern Seaboard Portfolio.

### ***Sale of the Economy Lodging Portfolio***

On November 27, 2019, AHIP completed the sale of its Economy Lodging Portfolio for gross proceeds of US\$215.5 million, excluding closing and post-closing adjustments. Approximately US\$7.0 million of the gross proceeds are subject to an earn-out provision to be settled in 12 months following the completion of the sale based on the achievement of certain criteria. In addition, US\$7.4 million of gross proceeds were utilized by AHIP to pre-fund the completion of Wyndham’s PIPs for the Economy Lodging Portfolio with a potential credit to AHIP for any cost savings.

AHIP completed the acquisition of the Economy Lodging Portfolio pursuant to the terms of the Economy Lodging PSA, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***Acquisition of the Texas/Midwest Portfolio***

On December 3, 2019, AHIP completed the acquisition of Texas/Midwest Portfolio for an aggregate purchase price of US\$191.0 million, excluding post-closing adjustments. AHIP funded payment of the purchase price for the Texas/Midwest Portfolio using a combination of a portion of the proceeds from the sale of the Economy Lodging Portfolio and US\$105.0 million from the Credit Facility Term Loan (see “*Credit Facilities – The Credit Facility*”). AHIP was required to pay US\$173.5 million of the aggregate purchase price for this acquisition at closing, with the remaining US\$17.5 million (the “**Deferred Purchase Price**”) payable in two tranches: (A) US\$7.0 million plus all accrued and unpaid interest on the entire Deferred Purchase Price at a rate of 8.00% per annum is payable on or before March 31, 2020, and (B) US\$10.5 million plus all accrued and unpaid interest thereon at rate of 8.00% per annum is payable on or before December 31, 2020. AHIP is entitled to prepay all or any part of the Deferred Purchase Price plus all accrued interest thereon at any time, in its sole discretion without penalty. If AHIP does not pay any portion of the Deferred Purchase Price plus all accrued interest thereon when due, interest will then accrue at 16.00% per annum until such time as such overdue amounts are paid.

The Texas/Midwest Portfolio consists of six Marriot branded hotels totalling 613 guest rooms (two Residence Inns, two Courtyard, one Fairfield Inn and Suites and one TownePlace Suites), five Hilton branded hotels totaling 492 guestrooms (three Home2 Suites, one Hampton Inn and one Homewood Suites) and one IHG branded hotel with 98 rooms (Staybridge Suites). The hotel properties comprising the Texas/Midwest Portfolio are located in metropolitan secondary markets that benefit from multiple demand generators and industries to support the local economies.

AHIP completed the acquisition of the Texas/Midwest Portfolio pursuant to the terms of the Texas/Midwest PSA, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).



## Renovations

During 2018 and 2019, AHIP commenced an extensive hotel renovation program to modernize and enhance lobbies, atriums, guestrooms, amenities and other areas to improve the overall guest experience at certain hotels in accordance with PIPs. AHIP has completed the following major renovations since January 1, 2018:

- On July 31, 2018, AHIP announced the completion of approximately US\$1.0 million in renovations at its Hilton Garden Inn White Marsh hotel in Baltimore, Maryland.
- On August 9, 2018, AHIP announced the completion of approximately US\$5.2 million in renovations at its Embassy Suites DFW South, near the Dallas/Fort Worth airport in Irving, Texas.
- On November 1, 2018, AHIP announced the completion of approximately US\$2.3 million in renovations at its Embassy Suites Cincinnati in Covington, Kentucky.
- On January 16, 2019, AHIP announced the completion of approximately US\$3.0 million in renovations at its Embassy Suites Columbus in Dublin, Ohio.
- On February 1, 2019, AHIP announced the completion of approximately US\$4.2 million in aggregate renovations at its Staybridge Suites Tampa East in Tampa, Florida and Residence Inn Baltimore White Marsh, in Baltimore Maryland.
- On July 15, 2019, AHIP announced the completion approximately US\$5.0 million in aggregate renovations at three hotels: the Fairfield Inn & Suites by Marriott Jacksonville (Florida), the Homewood Suites by Hilton in Allentown, Pennsylvania, and the Homewood Suites by Hilton in Bethlehem, Pennsylvania.
- On August 1, 2019, AHIP announced the completion of approximately US\$4.2 million of renovations at the Embassy Suites Phoenix Tempe, Arizona.
- On August 28, 2019, AHIP announced the completion of approximately US\$1.5 million of renovations at the Residence Inn by Marriott Chattanooga near Hamilton Place in Chattanooga, Tennessee.
- On December 11, 2019, AHIP announced the completion of approximately US\$5.6 million in aggregate renovations at the Embassy Suites by Hilton Cleveland Rockside in Independence, Ohio and TownePlace Suites Chattanooga near Hamilton Place in Chattanooga, Tennessee.
- On January 8, 2020, AHIP announced the completion of approximately US\$5.3 million in aggregate renovations at the Holiday Inn Express & Suites Fort Myers East – The Forum in Fort Myers, Florida and the Holiday Inn Express & Suites Sarasota I-75 in Sarasota, Florida.

## U.S. LODGING INDUSTRY

The premium branded hotel properties owned by AHIP operate within the U.S. lodging industry. According to the American Hotel & Lodging Association and Oxford Economics, as of 2018, there were approximately 55,900 hotel properties in the U.S., totaling approximately 5.3 million guestrooms. The U.S. lodging industry generated revenues of approximately US\$1.2 trillion in 2018, inclusive of hotel revenues, guest spending and taxes.

The primary method of segmenting the U.S. lodging industry is by categorizing hotels by chain scale, location, ADR, service level and customer base. According to Smith Travel Research, a national hotel industry research firm, AHIP's current portfolio of premium branded hotels are classified as midscale (Sleep Inn and Wingate), upper-midscale (Fairfield Inn & Suites, Hampton Inn & Suites, Holiday Inn Express, Holiday Inn, Home2 Suites and TownePlace Suites), upscale (Courtyard, Hilton Garden Inn, Homewood Suites, Residence Inn, Springhill Suites and Staybridge Suites) and upper-upscale (Embassy Suites). AHIP's premium branded hotels primarily serve corporate-transient, extended-stay and leisure travelers.

The U.S. lodging industry is currently experiencing deteriorating demand due to COVID-19, which is expected to continue to negatively impact occupancy levels and future guest bookings across the industry in the coming months – due in part to government mandated social distancing measures and corporate travel restrictions that have severely restricted travel in the United States. See “*Risk Factors*”.

Management believes that once the U.S. hotel industry has recovered from the impacts of COVID-19, AHIP will benefit from the following industry dynamics:

- *Expected Long-Term Growth in Lodging Industry Fundamentals.* The U.S. lodging industry is expected to grow over time as a result of long-term growth in the U.S. economy. The U.S. lodging industry has historically shown a strong degree of correlation with the overall U.S. economy. As the U.S. economy recovers, Management believes that the hotel industry will recover and grow.
- *Limited Supply of New Hotels.* Growth in new hotel room supply in the U.S. hotel market is expected by Management to drop significantly at least through next year as a result of the impacts of COVID-19; however, growth in available supply is expected to vary across the markets in which AHIP operates, including oversupply in certain markets.
- *Valuations Provide Opportunities to Acquire U.S. Hotel Properties.* Management believes that the scale and fragmentation of the hotel industry and the impact of COVID-19 on certain hotel owners may present AHIP with opportunities to grow through accretive acquisitions in AHIP’s target markets. AHIP intends to continue to target the extended-stay, midscale, upper-midscale and upscale chain scale segments, as well as the airport, interstate and secondary location geographic segments, as conditions permit.
- *Airport, Interstate, and Secondary Location Segments.* Following a post COVID-19 recovery and regular resumption of travel in the U.S., Management views the airport, interstate and secondary location segments of the U.S. lodging industry as the most stable geographic segments over the long-term compared to other types of hotels within the U.S. lodging industry overall. Midscale, upper-midscale and upscale hotels, including extended-stay hotels, are the most common types of properties in these locations.

## **BUSINESS OF AHIP**

### **General**

As of the date of this AIF, AHIP owns 79 hotel properties located in 22 states across the U.S., representing an aggregate of 8,887 guestrooms. The average effective age of AHIP’s hotels, after taking into account major renovations, is approximately 4.0 years. The total revenues from AHIP’s current portfolio of hotels (including discontinued operations) was approximately US\$369.5 million for the year ended December 31, 2019 and approximately US\$266.0 million for the year ended December 31, 2018.

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

Management expects, following the expected recovery from the impacts of COVID-19, that AHIP’s portfolio of premium branded hotels will continue to provide a platform on which to expand AHIP’s business and activities through focusing on accretive acquisitions. See “*Business of AHIP – COVID-19 Impacts*” and “*Risk Factors*”.

### **COVID-19 Impacts**

AHIP’s hotels have been impacted by COVID-19 and the impacts of related government initiated measures restricting travel in the U.S. AHIP’s hotels are currently open and accommodating guests; however, based on reduced business levels as a result of COVID-19, AHIP has implemented a comprehensive expense reduction program and cash management strategy to help preserve capital during this period of uncertainty.



Recent measures enacted by U.S. government agencies due to COVID-19 concerns have caused a rapid deterioration in the pace of guestroom bookings and occupancy rates at AHIP's hotels, and have impacted hotel performance in the month of March, which impacts are expected to continue. See *"Risk Factors"*.

In anticipation of further volume declines within the industry over the coming months, AHIP, in conjunction with the Master Hotel Manager, has implemented aggressive and comprehensive cost savings measures, including: significantly reducing staffing levels; consolidating hotel personnel where clusters of hotels are located within close proximity; modifying food and beverage operations; and brand supported deferral of capital expenditure programs into 2021.

Management believes that AHIP's portfolio in aggregate is well positioned for continued operations as the properties are primarily select-service, rooms-focused, located in U.S. secondary cities and non-gateway markets, and often cater to vehicle-based travelers. The Master Hotel Manager has modified operations at each property to ensure the health and safety of hotel employees and guests as well as adherence to regional and national health mandates. These modifications include closing or limiting food and beverage offerings at the hotels.

In addition, the Board of Directors approved the temporary suspension of AHIP's monthly cash distributions on its Units beginning with the distribution that would have otherwise been declared in April 2020 and payable in May 2020 as a prudent measure to preserve cash and ensure the long-term health of AHIP's business. See *"Distributions - Distribution Policy"*.

## Management

AHIP is internally managed by an experienced senior management team. Each of AHIP's hotels is externally operated by a Hotel Manager, each of which is a Subsidiary of the Master Hotel Manager. One Lodging Holdings LLC (the **"Current Master Hotel Manager"**) is a Subsidiary of Aimbridge Hospitality LLC (**"Aimbridge"**), the largest U.S.-based hotel management company. AHIP's management team is comprised of hotel industry veterans that have owned, managed, operated, developed, acquired and financed over US\$1.0 billion of lodging and hotel investments. The Board of Directors is comprised of a majority of Independent Directors that have substantial real estate, hospitality and capital markets experience (see *"Directors and Management"*).

## Details of AHIP's Existing Portfolio of Hotels

Hotel Address	Location	Year Built/ Renovated	Number of Rooms	Restaurant
7686 Industrial Boulevard (Homewood Suites) .....	Allentown, PA	2010/2019	108	—
8231 Amarillo Boulevard West (Holiday Inn) .....	Amarillo, TX	2011/2017	151	Yes
6915 I-40 West (Sleep Inn & Suites) .....	Amarillo, TX	2009/2016	63	—
1740 Airport Boulevard (Fairfield Inn & Suites) .....	Amarillo, TX	2012	79	—
1137 E. Dixie Drive (Hampton Inn).....	Asheboro, NC	1995/2015	111	—
920 Executive Way (Fairfield Inn & Suites).....	Asheboro, NC	2009/2015	87	—
4980 Mercantile Road (Residence Inn).....	Baltimore, MD	2003/2019	131	—
5015 Campbell Boulevard (Hilton Garden Inn) .....	Baltimore, MD	1999/2018	155	Yes
8225 Town Center Drive (Hampton Inn) .....	Baltimore, MD	1997/2014	127	—
8477 Cordon Way (Fairfield Inn).....	Baltimore, MD	2008/2015	116	—
2 Sawgrass Drive (SpringHill Suites) .....	Bellport, NY	2010/2016	128	—
7840 NW. 39th Expressway (Holiday Inn Express).....	Bethany, OK	2007/2016	69	—
2031 Avenue C (Homewood Suites).....	Bethlehem, PA	2006/2019	113	—
3319 North 14 <sup>th</sup> Street (Courtyard) .....	Bismarck, ND	2014	89	Yes
2340 Center Street (Residence Inn) .....	Chattanooga, TN	2009/2019	109	—
7010 McCutcheon Road (TownePlace Suites).....	Chattanooga, TN	2012/2019	87	—
3004 S. 4th Street (Hampton Inn) .....	Chickasha, OK	2013	63	—
2610 S. 4th Street (Holiday Inn Express).....	Chickasha, OK	2005/2016	62	—
5879 South Padre Island Drive (Hampton Inn) .....	Corpus Christi, TX	2015	101	—
10 E. Rivercenter Boulevard (Embassy Suites).....	Covington, KY	1990/2018	227	Yes
1308 Freedom Road (Residence Inn).....	Cranberry Township, PA	1998/2015	96	—
210 Executive Drive (Hampton Inn).....	Cranberry Township, PA	1985/2015	116	—
2 Commerce Center Drive (Homewood Suites).....	Dover, NJ	2009/2019	108	—
5100 Upper Metro Place (Embassy Suites).....	Dublin, OH	2000/2019	284	Yes
2080 Holliday Drive (Holiday Inn Express).....	Dubuque, IA	2009/2016	87	—

## Details of AHIP's Existing Portfolio of Hotels

Hotel Address	Location	Year Built/ Renovated	Number of Rooms	Restaurant
3022 Fire Road (Residence Inn).....	Egg Harbor Township, NJ	2008/2014	101	—
3008 English Creek Avenue (Homewood Suites) .....	Egg Harbor Township, NJ	2012	120	—
3007 W. 18th Avenue (Holiday Inn Express) .....	Emporia, KS	2013	68	—
898 Wiggins Road (Hampton Inn).....	Emporia, VA	2005/2017	85	—
3427 Forum Boulevard (Holiday Inn Express) .....	Fort Myers, FL	2009/2020	111	—
7035 Arundel Mills Circle (Residence Inn) .....	Hanover, MD	2003/2018	131	—
7027 Arundel Mills Circle (Hampton Inn).....	Hanover, MD	2002/2014	130	—
7544 Teague Road (SpringHill Suites) .....	Hanover, MD	2006/2014	128	—
7021 Arundel Mills Circle (TownePlace Suites).....	Hanover, MD	2008/2016	109	—
85 University Boulevard (Hampton Inn).....	Harrisonburg, VA	1989/2015	159	—
43 Covenant Drive (Hampton Inn).....	Harrisonburg, VA	2008/2015	90	—
7815 Willow Chase Boulevard (Home2 Suites)	Houston, TX	2016	108	—
5800 Rockside Woods Boulevard (Embassy Suites).....	Independence, OH	2001/2019	271	Yes
4650 W. Airport Freeway (Embassy Suites).....	Irving, TX	1985/2018	305	Yes
561 Chaffee Point Boulevard (Fairfield Inn & Suites) .....	Jacksonville, FL	2009/2019	89	—
2501 Holliday Lane (Holiday Inn Express).....	Jacksonville, IL	2007/2016	69	—
1319 East King Avenue (Fairfield Inn & Suites) .....	Kingsland, GA	2008/2015	82	—
538 SW. Corporate Drive (Fairfield Inn & Suites) .....	Lake City, FL	2008/2016	89	—
121 Swords Drive (Holiday Inn Express) .....	Mattoon, IL	2008/2016	69	—
4355 West New Haven Avenue (Fairfield Inn & Suites) ...	Melbourne, FL	2008/2016	83	—
1505 Catalina Drive (Staybridge Suites)	Midland, TX	2015	98	—
1401 Catalina Drive (Home2 Suites)	Midland, TX	2015	93	—
291 Old Gate Lane (Hilton Garden Inn).....	Milford, CT	2009	120	Yes
8514 University Boulevard (Hampton Inn).....	Moon, PA	1986/2015	127	—
1000 Bishops Gate Boulevard (Residence Inn).....	Mount Laurel, NJ	2007/2015	144	—
230 Jumping Brook Road (Residence Inn) .....	Neptune, NJ	2007/2014	105	—
311 S. Johnson Drive (Holiday Inn Express) .....	Nevada, MO	2014	68	—
3610 SW 38th Avenue (Residence Inn) .....	Ocala, FL	2007/2015	87	—
3712 SW 38th Avenue (Courtyard).....	Ocala, FL	1988/2016	169	Yes
4101 SW. 38th Avenue (Fairfield Inn & Suites) .....	Ocala, FL	1998/2017	96	—
4401 SW 15th Street (Holiday Inn).....	Oklahoma City, OK	2010	147	Yes
4411 SW 15th Street (Staybridge Suites).....	Oklahoma City, OK	2010/2016	103	—
13800 Quail Springs Parkway (Holiday Inn) .....	Oklahoma City, OK	2011	109	Yes
10971 W. Colonial Drive (Fairfield Inn & Suites) .....	Orlando/Ocoee, FL	2004	80	—
10024 U.S. Highway 15 & 501 (Springhill Suites) .....	Pinehurst, NC	1999/2015	107	—
555 Trumbull Drive (Hampton Inn).....	Pittsburgh, PA	1986/2015	132	—
1004 Sutherland Drive (Fairfield Inn)	Pittsburgh, PA	2015	103	—
1006 Sutherland Drive (TownePlace Suites)	Pittsburgh, PA	2016	93	—
500 Trade Center Way (Homewood Suites)	Portage, MI	2015	97	—
2569 Southwest Boulevard (Home2 Suites)	San Angelo, TX	2015	93	—
2545 Southwest Boulevard (Residence Inn)	San Angelo, TX	2015	92	—
5730 Gantt Road (Holiday Inn Express) .....	Sarasota, FL	2003/2020	101	—
150 Arnold Drive (Fairfield Inn & Suites).....	South Hill, VA	2007/2015	68	—
1508 Cinema Drive (Hampton Inn) .....	Statesville, NC	2007/2017	80	—
1530 Cinema Drive (Courtyard) .....	Statesville, NC	2009/2016	94	Yes
13575 Cypress Glen Lane (Courtyard) .....	Tampa, FL	1995	81	Yes
3624 N. Falkenburg Road (Staybridge Suites) .....	Tampa, FL	2007/2019	100	—
3751 E Fowler Avenue (Wingate by Wyndham) .....	Tampa, FL	1998	86	—
4400 S. Rural Road (Embassy Suites).....	Tempe, AZ	1984/2019	224	Yes
4735 Helen Hauser Boulevard (Fairfield Inn & Suites) .....	Titusville, FL	2008/2016	96	—
1302 Campus Parkway (Courtyard by Marriott).....	Wall Township, NJ	2007/2014	113	Yes
185 Radio Drive (Courtyard)	Woodbury, MN	2018	120	Yes
205 Radio Drive (Residence Inn)	Woodbury, MN	2016	116	—
2814 Williams Avenue (Hampton Inn).....	Woodward, OK	2010	81	—
<b>Total Hotels</b>	<b>79 properties</b>		<b>8,887</b>	<b>16</b>

### ***Geographic Location of the Properties***



### **Master Hotel Management Agreement and Hotel Management Agreements**

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

#### ***General***

The principal terms of the Hotel Management Agreements are set forth in the Master Hotel Management Agreement. Each property comprising the Existing Portfolio is externally managed by a Subsidiary of the Master Hotel Manager, which in turn is a Subsidiary of Aimbridge, pursuant to a Hotel Management Agreement and the Master Hotel Management Agreement. Any properties acquired indirectly by AHIP prior to February 20, 2026 through one or more Subsidiaries are required to be externally managed by the Master Hotel Manager (or through one or more of the Master Hotel Manager's Subsidiaries), pursuant to separate Hotel Management Agreements to be entered into by each such Subsidiary with the Master Hotel Manager (or one of its Subsidiaries) and pursuant to the Master Hotel Management Agreement. The Hotel Managers manage and operate AHIP's hotels and provide customary hotel management services, including strategic planning, employment of hotel staff, preparation of annual operating and capital budgets and marketing plans, accounting and financial reporting, placement of insurance, supervision of rooms and food and beverage operations, supervision of sales and marketing, reservation systems, human resource management, purchasing/bulk buying programs, management and supervision of construction and technical services, information technology, franchise relations and evaluations, supervision of property repairs and maintenance and supervision of compliance with material contracts relating to the properties and leasing.

#### ***Term***

The Master Hotel Management Agreement and each of the Hotel Management Agreements entered into have an initial term of 10 years, and thereafter are subject to two successive automatic five-year renewal terms. The Master Hotel Management Agreement will be deemed to be extended for the remaining term of the applicable Hotel Management Agreements that remain in effect following the end of the second renewal term of the Master Hotel Management Agreement. The automatic renewals will occur if the relevant Hotel Manager (or the Master Hotel Manager in relation to the renewal of the Master Hotel Management Agreement) is not in material default of the relevant Hotel Management Agreement.

## ***Fees***

Under the Master Hotel Management Agreement and the Hotel Management Agreements, the operating Subsidiaries of AHIP are responsible for reimbursing the Hotel Managers for operating expenses and any direct costs incurred by such Hotel Managers on behalf of the operations of the underlying properties and their lodging businesses, including salary and benefit costs of hotel staff and other operating expenses. The operating Subsidiaries of AHIP are not responsible for reimbursing the Hotel Managers for any manager overhead costs of operating the properties. Reimbursed costs for revenue management and accounting fees charged to AHIP by the Master Hotel Manager for premium branded hotels owned by AHIP as of July 1, 2019 are subject to a monthly capped amount until December 31, 2021.

Each of the Hotel Management Agreements also provides for the payment by the applicable operating Subsidiary of a base hotel management fee to the applicable Hotel Manager during the term of the agreement in an amount equal to 3.0% of gross revenues; provided however, that (i) the base fee for premium branded hotels owned by AHIP as of July 1, 2019, shall be 2.5% of gross revenues until December 31, 2021, and (ii) the base fee for premium branded hotels indirectly acquired by AHIP between July 1, 2019 and February 20, 2026, shall be (A) 2.0% of gross revenues of such hotels if the Master Hotel Manager was not already managing such hotels at the time of acquisition, or (B) 2.5% of gross revenues of such hotels if the Master Hotel Manager was already managing such hotels at the time of acquisition. Notwithstanding the foregoing, the base management fee for the Texas/Midwest Portfolio is 2.0% of gross revenues until December 3, 2024. In addition, the Hotel Managers collectively receive an incentive fee equal to 15% of the amount by which the gross operating profit of all hotels managed by the applicable Hotel Managers, on an aggregate basis, exceeds the annual budgeted gross operating profit for all hotels as approved by the Independent Directors, acting reasonably. The incentive fee may not exceed 50% of the aggregate base hotel management fees for the year in which the incentive fee is earned. With respect to fees payable to the Master Hotel Manager (or one of its wholly-owned Subsidiaries), the calculation of the incentive fee does not include results of hotels for the Fiscal Year in which they are initially acquired or leased, or for the Fiscal Year in which they are sold, and newly acquired or leased hotels are included in the calculation beginning in the first full calendar year such hotel is managed. The Hotel Managers are also entitled to a capital expenditure fee equal to 10.0% of all capital expenditures, including expenditures to complete PIPs, expenditures from FF&E Reserves and maintenance capital expenditures, subject to a capped aggregate amount for all Hotel Managers, following which the capital expenditure fee shall be 5.0% of all capital expenditures.

In addition, the Hotel Managers are entitled to an accounting, administration and purchasing fee of US\$25,000 per property per year for each hotel acquired by AHIP prior to July 1, 2016. For hotels acquired after July 1, 2016, the accounting, administration and purchasing fee of US\$25,000 per property per year is only payable in respect of hotels with less than 100 guestrooms.

## ***Termination***

AHIP has the right to terminate the Master Hotel Management Agreement in a number of circumstances, including as a result of an event of default of the Master Hotel Manager, being bankruptcy, fraud or material uncured breach, or if, in two consecutive years: (i) a performance test relating to the achievement of 80% of the annual budgeted gross operating profit (as approved by the Independent Directors) for the properties is not met; and (ii) a market test relating to the achievement of 90% of the average achieved RevPAR relative to a competitive set of limited-service hotels, as established and adjudicated by a recognized hotel industry consultant, are not both satisfied. The termination right is not triggered if the failure to achieve the performance test is a result of force majeure. The market test for average achieved RevPAR does not apply to hotel properties acquired by AHIP after February 20, 2013 following any material post-acquisition renovations or repositioning until the earlier of (A) the date the property has been determined by the Independent Directors, acting reasonably, to be stabilized, and (B) the date that is 24 months after such property has been acquired indirectly by AHIP. Unless it is otherwise in default under the Master Hotel Management Agreement, the Master Hotel Manager has the right once during the first five years of the initial term and once during the second five years of the initial term to cure any performance test failure by making a payment to AHIP of the deficiency in gross operating profit below the performance test criteria. Such payment may, at the Master Hotel Manager's option, be made by offset against management fees.

The Master Hotel Management Agreement and the Hotel Management Agreements provide that AHIP or its Subsidiaries are required to pay a termination fee to the applicable Hotel Manager if AHIP sells any properties during

the term of the agreement and the applicable Hotel Manager is not continued as manager of those properties that are sold. The termination fee in respect of the sale of a hotel is equal to total adjusted management fees paid under the Master Hotel Management Agreement and applicable Hotel Management Agreement in respect of such hotel: (i) in the preceding 36 months, if the remaining term of the Master Hotel Management Agreement, including renewal terms, is equal to or greater than 36 months, or (ii) in the preceding number of months equal to the number of months that remain in the term under the Master Hotel Management Agreement, if the remaining term of the Master Hotel Management Agreement, including renewal terms, is less than 36 months.

Notwithstanding the foregoing, if more than two thirds of the aggregate number of hotels owned by AHIP are sold to third parties within any 12-month period, calculated on a rolling basis, based on the completion dates for the sales and net of any completed acquisitions of any new hotels during such 12-month period (where the new hotels are managed by the Master Hotel Manager and/or a Hotel Manager), then the change of control termination fee described below shall be payable; provided, however, that the trailing twelve months fees amount will be calculated based solely on the actual fees paid or payable in relation to the hotels sold during such period.

AHIP may also terminate the Master Hotel Management Agreement in the event of a change of control of AHIP, which is defined in the Master Hotel Management Agreement to be the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over 66⅔% or more of the votes attaching, collectively, to outstanding voting units of AHIP, provided that in the event of such termination, the applicable Hotel Manager(s) are entitled to be paid 5.0 to 4.0 times the aggregate trailing twelve months fees paid to such Hotel Manager, stepped down depending on the date of termination.

Each Hotel Manager may terminate the applicable Hotel Management Agreement after the first five years of the initial term on 12 months' prior written notice. In addition, each Hotel Manager, and the Master Hotel Manager in respect of the Master Hotel Management Agreement, has the right to terminate the applicable Hotel Management Agreement in the event of certain customary events of default of AHIP, including bankruptcy or insolvency proceedings, subject to customary notice and cure rights.

### ***Exclusivity***

The Master Hotel Manager, or one of its Subsidiaries, is the exclusive hotel manager for all properties indirectly owned or acquired by AHIP until February 20, 2026. Thereafter, AHIP is not precluded from indirectly pursuing acquisitions of properties from third parties, and entering into a hotel management agreement with a manager unaffiliated with the Master Hotel Manager, provided that the relevant operating Subsidiary pays the Master Hotel Manager an annual compensatory fee of 0.375% of the asset value of any such acquisition for 18 months following the date of such acquisition. The compensatory fee is subject to renewal for 12-month terms by the Independent Directors, acting reasonably, 90 days prior to the end of the 18-month term and each 12-month term thereafter.

### ***Subcontracting***

The Master Hotel Manager and the Hotel Managers are entitled to subcontract out, in whole or in part, their respective obligations under the Master Hotel Management Agreement and Hotel Management Agreements, provided that no such subcontracting relieves the Master Hotel Manager or the relevant Hotel Manager of its obligations under the Master Hotel Management Agreement or the applicable Hotel Management Agreement and that any cost of such subcontracting is to the account of the applicable Hotel Manager. Further, Hotel Managers are only permitted to subcontract their duties, in whole, to entities that are treated as eligible independent contractors, as defined under section 856(d)(9)(A) of the Code, of the U.S. REIT. Notwithstanding the foregoing, the Hotel Managers shall not subcontract their duties for more than one year per hotel or for more than 10% of the hotels in the portfolio of AHIP at any one time without approval of the Independent Directors; provided that, in no event shall the Hotel Managers be permitted to subcontract their duties for more than 25% of the hotels in the portfolio of AHIP at any one time.

### ***Non-Solicitation***

During the term of each Hotel Management Agreement and for a period of two years following termination of each such agreement, AHIP shall not (without the consent of the Hotel Managers), solicit or hire for employment any employee of the Hotel Managers (other than non-executives who respond to an advertisement available to the



general public). However, AHIP is entitled to solicit any non-executive employee of the Hotel Managers for whom AHIP is required to pay employee severance costs.

### **Competition**

AHIP's hotels compete against other chain-affiliated and independent hotels operating in their respective markets.

### **Seasonality**

The lodging industry is seasonal in nature, which can be expected to cause quarterly fluctuations in Occupancy Rates, room rates, revenues, operating expenses and cash flows. Historically, occupancies, revenues and cash flows tend to be higher in the second and third quarters and lower in the first and fourth quarters. Quarterly earnings may also be influenced by factors beyond AHIP's control including overall economic cycles and weather conditions. To the extent the cash flow from operations is insufficient during any quarter, due to temporary or seasonal fluctuations in revenues, management expects to utilize cash on hand or borrowings under AHIP's Credit Facility Revolver to pay expenses, debt service or to make distributions to Unitholders.

### **Investment Approach**

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

### **Long-Term Growth Strategies**

Management believes, following the expected recovery in the lodging industry from the impacts of COVID-19, that certain long-term characteristics of the U.S. lodging industry, including solid lodging fundamentals driven by strong demand for hotel accommodations combined with a limited supply of new hotel construction in certain U.S. markets, the attractive relative valuation of hotel properties to historical valuations and replacement costs, and the availability of prospective acquisition opportunities, provide for unique investment opportunities. Management also believes that, as a result of the high quality of its properties, its long-term strategic relationships with leading hotel brand companies, that AHIP is well-positioned to participate in the expected long-term growth of the U.S. lodging industry following the expected recovery from the impacts of COVID-19.

AHIP, through its internal asset management and executive team and external hotel management arrangements, intends to continue with the following long-term growth strategies to increase cash flow.

### ***Organic Growth***

AHIP's internal growth strategy focuses on revenue and yield management, operating improvements and expansion opportunities. The Master Hotel Manager employs a variety of revenue maximization techniques, including systems for yield and revenue management (the management of room rates and Occupancy Rates) and the enhancement of other non-room revenues. The Master Hotel Manager works to improve operating results of AHIP's hotels through the enhancement of national bulk purchasing programs, targeted renovations and capital expenditures, and, if applicable, initiating or changing franchise affiliations. In addition, the Master Hotel Manager works to identify expansion opportunities in markets where demand exceeds supply, as evidenced by high Occupancy Rates prevailing over an extended period and a sustained high level of ADR.

### ***Strategic and Accretive Acquisitions***

Through the experience and relationships of its management team, AHIP intends to continue to seek to identify potential property and portfolio acquisitions using investment criteria that focus on the quality of the properties, the strength of the underlying operations, the types of properties available and amenities offered, market demographics, contract terms (if applicable), opportunities for expansion, security of cash flows, potential for capital appreciation and potential for increasing value through improved property, revenue and yield management. When

targeting acquisitions, AHIP's direct and indirect Subsidiaries will continue to focus on commercial premium branded hotels located in secondary U.S. markets in close proximity to strong demand generators, airports, highway interchanges and other transportation hubs providing extended stay, select-service and limited-service lodging to corporate, transient travelers, and group customers. Acquisition properties are expected to feature strong underlying fundamentals and an acquisition price that is less than replacement cost. It is AHIP's intention that all investments and acquisitions will be accretive to AHIP's FFO per Unit. The properties comprising the Existing Portfolio are generally indicative of the type of properties AHIP intends to continue to acquire as part of its business strategy.

### ***Strategic Dispositions***

AHIP may from time to time sell certain of its hotel properties, should management determine the proceeds therefrom could be deployed for more productive or accretive purposes.

### **Environmental Risk Management**

AHIP is exposed to potential liability in respect of environmental hazards or liability under various environmental laws and regulations. This risk is more particularly described in the "*Risk Factors – Risks Relating to AHIP, its Business, the Hotels – Risks of Real Estate Ownership – Environmental Matters*" section of this AIF. The Master Hotel Manager has developed environmental policies and procedures and has an environmental management program, which includes mold identification and management plans for all properties as well as an asbestos management plan for properties with asbestos. The environmental management program is intended to protect the environment and implement sound environmental practices.

Each of AHIP's hotels was the subject of a Phase I ESA Report conducted by independent environmental consultants. Based on the Phase I ESA Reports, the independent environmental consultants did not identify any recognized environmental conditions at any of the properties that warranted further environmental assessment investigation.

It is AHIP's operating policy for its direct and indirect Subsidiaries to obtain a Phase I ESA Report conducted by an independent and experienced environmental consultant prior to acquiring or developing a property. If a Phase I ESA Report recommends a Phase II environmental assessment be conducted, AHIP intends to cause the relevant Subsidiary to conduct a Phase II environmental assessment, in each case by an independent and experienced environmental consultant.

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

### **Intangible Assets**

The wholly-owned subsidiaries of AHIP Enterprises and AHIP Enterprises II have, with respect to the operation of AHIP's hotels, entered into franchise license agreements with Hilton Franchise Holding LLC (for hotels operated under the "Embassy Suites", "Hilton Garden Inn", "Home2 Suites" and "Homewood Suites" brands), Hampton Inns Franchise LLC (for hotels operated under the "Hampton Inn" brand), Marriott International, Inc. (for hotels operated under the "Fairfield Inn & Suites", "Residence Inn", "Courtyard", "Springhill Suites" and "TownePlace Suites" brands), Holiday Hospitality Franchising LLC (for hotels operated under the "Holiday Inn", "Holiday Inn Express" and "Staybridge Suites" brands), Choice Hotels International, Inc. (for hotels operated under the "Sleep Inn & Suites" brand) and Wingate Inns International, Inc. (for hotels operated under the "Wingate by Wyndham" brand).

### **Employees**

As at the date of this AIF, AML employs the following persons and provides their services to AHIP and its Subsidiaries through certain contractual arrangements therewith (see "*Corporate Structure – AHIP Management Ltd.*"): Mr. John O'Neill (Chief Executive Officer); Mr. Azim Lalani (Chief Financial Officer); Mr. Bruce Pittet (Chief

Operating Officer), Mr. Chris Cameron (Chief Investment Officer) and Ms. Anne Yu (Vice President, Finance), as well as 11 other employees.

Upon the closing of AHIP's acquisition of a hotel property, the majority of employees then working at the hotel property are typically rehired by the applicable external Hotel Manager to continue in such employees' roles of managing and operating the lodging business at the property.

## CREDIT FACILITIES

### Credit Facility

On December 3, 2019, AHIP entered into the Credit Facility Agreement with a syndicate of lenders to obtain a US\$105 million term loan (the "**Credit Facility Term Loan**") for purposes of partially financing the purchase price for the Texas/Midwest Portfolio, and to increase the size of its existing revolving credit facility from US\$40 million to US\$60 million (the "**Credit Facility Revolver**"; and together with the Credit Facility Term Loan, the "**Credit Facility**"). The Credit Facility had an initial aggregate size of US\$165 million, secured by 16 hotel assets and included an accordion feature that will allow AHIP to increase the aggregate size of the Credit Facility to US\$300 million, subject to certain conditions. The Credit Facility Term Loan had an initial term of five years and the Credit Facility Revolver had an initial term of four years, with two six-month extensions, of which US\$39.3 million had been drawn as of December 31, 2019. The Credit Facility bears interest at LIBOR plus a margin determined by a leverage-based pricing grid. AHIP simultaneously entered into a US\$105 million swap agreement to fix LIBOR at 1.415% for four years for the Credit Facility Term Loan. The maximum fixed interest rate on this tranche of the Credit Facility Term Loan will be 3.52%, assuming the maximum LIBOR-spread. On December 20, 2019, AHIP entered into a US\$25 million interest rate swap agreement to fix LIBOR at 1.609% for four years with respect to US\$25.0 million of amounts drawn under the Credit Facility Revolver. The maximum fixed interest rate on this tranche of the Credit Facility Revolver will be 3.71%, assuming the maximum LIBOR-spread. On December 20, 2019, two additional hotels were added to the asset pool against which the Credit Facility is secured.

On February 14, 2020, the aggregate size of the Credit Facility was increased from US\$165 million to US\$225 million, and continues to have an accordion feature that allows AHIP to increase the size of the Credit Facility to US\$300 million, subject to certain conditions. In connection therewith, amounts already drawn on the Credit Facility were reallocated, with US\$125 million allocated to the Credit Facility Term Loan (previously US\$105 million) and US\$100 million allocated to the Credit Facility Revolver (previously US\$60 million). As of the date of this AIF, AHIP had drawn US\$125 million on the Credit Facility Term Loan and US\$36.7 million on the Credit Facility Revolver.

The terms of the Credit Facility are governed by the Credit Facility Agreement, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Pittsburgh Loans

On November 21, 2013, certain AHIP Subsidiaries entered into loan agreements with a major international bank for an aggregate US\$38.0 million loan for a term of 10 years maturing on December 6, 2023, at an interest rate of 5.02% per annum (collectively, the "**Pittsburgh Loans**"). The Pittsburgh Loans are being amortized over 30 years. The Pittsburgh Loans were interest-only for the first three years of the term. As at December 31, 2019, the balance of the Pittsburgh Loans was US\$36.3 million.

The Pittsburgh Loans are secured by the four hotels in the Pittsburgh Portfolio, but are not cross-collateralized. The Pittsburgh Loans are guaranteed by the U.S. REIT and are non-recourse except for fraud, willful misconduct and other similar circumstances.

### Virginia Loan

On March 12, 2014, certain AHIP Subsidiaries entered into a loan agreement with a major international bank for a US\$24.5 million loan for a term of 10 years maturing on April 6, 2024, at an interest rate of 4.97% per annum (the "**Virginia Loan**"). The Virginia Loan is being amortized over 30 years. The Virginia Loan was interest-only for the first four years of the term. As at December 31, 2019, the balance of the Virginia Loan was US\$23.9 million.



The Virginia Loan is secured by the four hotels in the Virginia Portfolio on a cross-collateralized basis. The Virginia Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

### **Texas Loan**

On October 27, 2014, certain AHIP Subsidiaries entered into a loan agreement with a major international bank for an interest-only US\$16.0 million loan for a term of 10 years maturing on November 6, 2024, at an interest rate of 4.20% per annum (the “**Texas Loan**”). As at December 31, 2019, the balance of the Texas Loan was US\$16.0 million.

The Texas Loan is secured by the three hotels in the Texas Portfolio on a cross-collateralized basis. The Texas Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

### **Oklahoma Loan**

On November 3, 2014, certain AHIP Subsidiaries entered into a loan agreement with a major international bank for an interest-only US\$25.5 million loan for a term of 10 years maturing on November 6, 2024, at an interest rate of 4.20% per annum (the “**Oklahoma Loan**”). As at December 31, 2019, the balance of the Oklahoma Loan was US\$25.5 million.

The Oklahoma Loan is secured by the four hotels in the Oklahoma Portfolio on a cross-collateralized basis. The Oklahoma Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

### **NC/FL Loan**

On November 26, 2014, certain AHIP Subsidiaries entered into a loan agreement with a major international bank for a US\$26.1 million loan for a term of 10 years maturing on December 6, 2024, at an interest rate of 4.27% per annum (the “**NC/FL Loan**”). The NC/FL Loan is interest-only for the first seven years of the term with the first principal payment starting in January 2022, based on a 30-year amortization. As at December 31, 2019, the balance of the NC/FL Loan was US\$26.1 million.

The NC/FL Loan is secured by the four hotels in the NC/FL Portfolio on a cross-collateralized basis. The NC/FL Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

### **Midwestern Loan**

On June 18, 2015, certain AHIP Subsidiaries entered into a loan agreement with a major international bank for a US\$32.0 million loan for a term of 10 years maturing on July 6, 2025, at an interest rate of 4.24% per annum (the “**Midwestern Loan**”). The Midwestern Loan is interest-only for the first seven years of the term with the first principal payment starting in August 2022, based on a 30-year amortization. As at December 31, 2019, the balance of the Midwestern Loan was US\$32.0 million.

The Midwestern Loan is secured by the eight hotels in the Midwestern Portfolio on a cross-collateralized basis. The Midwestern Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

### **Florida Loan**

On August 6, 2015, certain AHIP Subsidiaries entered into a loan agreement with a major international bank for a US\$19.0 million loan for a term of 10 years maturing on August 6, 2025, at an interest rate of 4.21% per annum (the “**Florida Loan**”). The Florida Loan is interest-only for the entire 10-year term with the principal due on maturity. As at December 31, 2019, the balance of the Florida Loan was US\$19.0 million.

The Florida Loan is secured by the three hotels in the Florida Portfolio on a cross-collateralized basis. The Florida Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

#### **Florida/Tennessee Loan**

On November 4, 2016, certain AHIP Subsidiaries entered into a loan agreement with a major international bank for a US\$27.5 million loan for a term of 10 years maturing on November 6, 2026, at an interest rate of 4.43% per annum (the “**Florida/Tennessee Loan**”). The Florida/Tennessee Loan is being amortized over 30 years. As at December 31, 2019, the balance of the Florida/Tennessee Loan was US\$26.1 million.

The Florida/Tennessee Loan is secured by three of the four hotels in the Florida/Tennessee Portfolio on a cross-collateralized basis. The Florida/Tennessee Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

#### **Florida 6 Loan**

On November 29, 2016, certain AHIP Subsidiaries entered into a loan agreement with a major international bank for a US\$37.0 million loan for a term of 10 years maturing on December 6, 2026, at an interest rate of 4.99% per annum (the “**Florida 6 Loan**”). The Florida 6 Loan is being amortized over 30 years. As at December 31, 2019, the balance of the Florida 6 Loan was US\$35.4 million.

The Florida 6 Loan is secured by five of the six hotels in the Florida 6 Portfolio on a cross-collateralized basis. The Florida 6 Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

#### **Sunstone Embassy Suites Portfolio Loans**

On January 6, 2017, AHIP assumed the US\$19.0 million Dallas Loan as part of the acquisition of the Sunstone Embassy Suites Portfolio. The Dallas Loan matures in October 2024 and was interest-only until November 2019 and is amortized over a 30-year period for the remaining term. The Dallas Loan has a fixed interest rate of 5.25% per annum. The Dallas Loan is secured by a first priority mortgage on the Dallas Property. The Dallas Loan is guaranteed by the U.S. REIT. As at December 31, 2019, the balance of the Dallas Loan was approximately US\$19.0 million.

On January 6, 2017, certain AHIP Subsidiaries entered into a loan agreement with a major international bank for the US\$13.5 million Tempe Loan with a term of 10 years maturing on January 6, 2027, at an interest rate of 5.14% per annum. The Tempe Loan is interest-only for the first three years and will then be amortized over 30 years. As at December 31, 2019, the balance of the Tempe Loan was US\$13.5 million.

The Tempe Loan is secured by the Tempe Property. The Tempe Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

#### **Midwestern 3 Embassy Suites Loans**

On January 19, 2017, certain AHIP Subsidiaries entered into a loan agreement with a major international bank for a US\$65.0 million loan for a term of 10 years maturing on February 6, 2027, at an interest rate of 4.72% per annum (the “**Midwestern 3 Embassy Suites Loan**”). The Midwestern 3 Embassy Suites Loan is interest-only for the first three years and will then be amortized over 30 years. As at December 31, 2019, the balance of the Midwestern 3 Embassy Suites Loan was US\$65.0 million.

The Midwestern 3 Embassy Suites Loan is secured by the three hotels in the Midwestern 3 Embassy Suites Portfolio on a cross-collateralized basis. The Midwestern 3 Embassy Suites Loan is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

## Eastern Seaboard Loans

On June 22, 2017 certain AHIP Subsidiaries entered into four separate loan agreements with a major international bank for aggregate loans of US\$236.2 million (collectively, the “**Eastern Seaboard Loans**”). The Eastern Seaboard Loans consist of four separate loan pools in the amounts of US\$69.6 million, US\$57.7 million, US\$52.4 million (collectively, the “**10-year Loans**”) and US\$56.5 million (the “**5-year Loan**”). The 10-year Loans have fixed interest rates between 4.48% and 4.53% and are interest-only for the first five years and will then be amortized over 30 years. The 5-year Loan has a fixed interest rate of 4.46% and is interest-only for the first two and a half years and will then be amortized over 30 years.

Each of the loan pools comprising the Eastern Seaboard Loans is secured by the hotels comprising such pool on a cross-collateralized basis. In aggregate, 17 of the 18 hotels comprising the Eastern Seaboard Portfolio have been secured under the Eastern Seaboard Loans. Each of the loan pools is guaranteed by the U.S. REIT and is non-recourse except for fraud, willful misconduct and other similar circumstances.

## RISK FACTORS

Investing in AHIP's securities involves a high degree of risk. In addition to the other information contained in this AIF, current and prospective investors should carefully consider all of the following risk factors before purchasing Units, Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time to time. The occurrence of any of the following risks could materially and adversely affect AHIP's investments, prospects, cash flows, results of operations or financial condition and AHIP's ability to make cash distributions to Unitholders and interest and principal payments to holders of Debentures. In that event, the value of the Units, the Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time to time, could decline and investors may lose all or part of their investment. Although AHIP believes that the risk factors described below are the most material risks that AHIP faces, they are not the only ones. Additional risk factors not presently known to AHIP or that AHIP currently believes are immaterial could also materially and adversely affect AHIP's investments, prospects, cash flows, results of operations or financial condition and AHIP's ability to make cash distributions to Unitholders and interest and principal payments to holders of Debentures and negatively affect the value of the Units, the Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time to time.

### COVID-19

COVID-19 has, and is expected to continue to, negatively impact the U.S. economy, the U.S. hotel industry, the willingness of the general public to travel, the demand for travel, transient and group business, guest traffic and guest reservations, the level of consumer confidence in the safety of travel, AHIP's business, results of operations and financial condition, may also cause staff and supply shortages, and has resulted in corporate travel restrictions, increased government regulation, including legislated travel restrictions, mandated social distancing, stay-at-home orders and directives, required quarantines, self isolation and other public health orders and directives, and may result in forced closures of AHIP's hotels and closures due to deteriorating occupancy levels as a result of the foregoing. The length of the COVID-19 pandemic and severity of such outbreak across the globe is currently unknown, may worsen, and may continue to cause general economic uncertainty in key global markets and a worsening of global economic conditions and may cause low levels of economic growth, including in the U.S. Government stimulus and support packages and programs, if any, announced or created in respect of the U.S. hotel industry may not be available to AHIP or its Subsidiaries, in whole or in part, and investors should not assume such financial support will be available to AHIP or its Subsidiaries. The pace of recovery following the COVID-19 pandemic cannot be accurately predicted and may be slow. In light of the foregoing, AHIP has temporarily suspended its monthly cash distributions, and there is no guarantee as to the timing of the reinstatement of such distributions, if at all, and if reinstated, as to the amount of such distributions. All of the foregoing, are adversely impacting AHIP's investments, prospects, cash flows, results of operations and financial condition, which has negatively impacted the market price of the Units and the Debentures and may impact AHIP's ability to obtain additional equity or debt financing, or re-finance existing debt, or make interest and principal payments to its lenders and to holders of Debentures or otherwise satisfy its financial obligations, and may cause AHIP to be in non-compliance with one or more of the financial covenants under its existing credit facilities and cause a default thereunder.

### Risks of Real Estate Ownership

An investment in securities of AHIP is an indirect investment in U.S. real estate through AHIP's interest in the U.S. REIT and indirect interest in the properties indirectly acquired by the U.S. REIT. Investment in real estate is subject to numerous risks, which include but are not limited to the following:

- (a) *General real estate ownership risks.* All real property investments are subject to a degree of risk and uncertainty and are affected by various factors including general economic conditions, local real estate markets and various other factors.
- (b) *Financing risks.* Although a portion of the cash flow generated by AHIP's hotels will be devoted to servicing the related debt financing, there can be no assurance that AHIP will continue to generate sufficient cash flow from operations to meet required interest and principal payments. The failure of AHIP to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact AHIP's financial condition, results of operations, decrease

the amount of cash available for distribution to Unitholders and adversely impact AHIP's ability to make interest and principal payments to holders of Debentures.

AHIP will be subject to the risks associated with debt financing, including the risk that its debt financing, which is secured by AHIP's properties, will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce FFO. To the extent that interest rates rise over time, AHIP's operating results and financial condition could be adversely affected and could decrease the amount of cash available for distribution. In addition, AHIP has granted security interests over substantially all of its assets to secure indebtedness owing under mortgages and credit facilities. If AHIP is not able to meet its debt service obligations, it risks the loss of some or all of its assets to foreclosure or forced sale on disadvantageous terms to AHIP.

AHIP's debt financing is subject to covenants that require AHIP to maintain certain financial ratios on both an individual mortgage and on a consolidated basis. If AHIP does not maintain such ratios due to the impact on its operating results, cash flows or financial condition due to the realization of any of the other risks mentioned herein, or otherwise, AHIP may (i) be restricted from making further draws under its revolving credit facility, which may materially adversely impact AHIP's ability to pay expenses, service non-revolving debt and satisfy its other contractual commitments; (ii) be limited or prohibited from paying distributions to unitholders and interest and principal payments to holders of Debentures will be limited, (iii) be placed in default under the applicable credit facilities, which could result in the acceleration of the debt, which may require capital from other sources that may not be available to AHIP or may be available only on unattractive terms; and (iv) the loss of some or all of its assets to foreclosure or forced sale on disadvantageous terms to AHIP.

- (c) *Adverse market and economic conditions and dislocations in the markets could cause AHIP to recognize impairment charges.* AHIP continually monitors events and changes in circumstances that could indicate that the carrying value of the real estate and related intangible assets in which AHIP has an ownership interest may not be recoverable. When circumstances indicate that the carrying value of the real estate and related intangible assets may not be recoverable, AHIP assesses the recoverability of these assets by determining whether the carrying value will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. If the expected undiscounted future cash flows do not exceed the carrying value, AHIP adjusts the real estate and related intangible assets down to its fair value and recognizes an impairment loss, which could materially and adversely affect AHIP's business, financial condition and results of operations.
- (d) *U.S. market factors.* The hotel properties are located in the U.S. Concern about the stability of the markets generally and the strength of the economy may lead lenders to reduce or cease to provide funding to businesses and consumers, and force financial institutions to continue to take the necessary steps to restructure their business and capital structures. Weak economic conditions in the U.S. may arise from time to time (such as the current economic weakness as a result of COVID-19), and the uncertainty over the duration of these conditions could have a negative impact on the lodging industry. As a result of current economic conditions, AHIP is experiencing weakened demand for hotel rooms, particularly in some markets. AHIP's future financial results and growth could be further harmed or constrained if conditions worsen.
- (e) *Liquidity risk.* Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of AHIP to respond to changing economic or investment conditions. If AHIP were to be required to liquidate assets quickly, there is a risk the proceeds realized from such sale would be less than the book value of the assets or less than what could be expected to be realized under normal circumstances. By specializing in a particular type of real estate, AHIP is exposed to adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.

- (f) *Access to capital.* The real estate industry is highly capital intensive. AHIP will require access to capital to maintain its properties, as well as to fund its growth strategies and significant capital expenditures from time to time. There can be no assurance that AHIP will have access to sufficient capital or access to capital on terms favourable to AHIP for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, AHIP may not be able to borrow funds due to the limitations set forth in the LP Agreement. In addition, volatile market conditions and unexpected volatility or illiquidity in financial markets may inhibit AHIP's access to long-term financing in the Canadian or U.S. capital markets. As a result, it is possible that financing which AHIP may require in order to maintain, grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by AHIP or otherwise, may not be available or, if it is available, may not be available on favourable terms to AHIP. Failure by AHIP to access required capital could have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations, AHIP's ability to make distributions to holders of Units and AHIP's ability to make interest and principal payments to holders of Debentures.
- (g) *Degree of leverage.* AHIP's degree of leverage could have important consequences to Unitholders and holders of Debentures. For example, the degree of leverage could affect AHIP's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general corporate purposes, making AHIP more vulnerable to a downturn in business or the economy in general.
- (h) *AHIP faces possible risks associated with the physical effects of climate change.* AHIP is subject to the risks associated with the physical effects of climate change, which could include more frequent or severe storms, droughts, hurricanes, tornadoes, and flooding, any of which could have a material adverse effect on AHIP's hotel properties, operations and business. To the extent climate change causes changes in weather patterns, the markets in which AHIP owns hotels could experience increases in storm intensity and rising sea-levels causing damage to AHIP's hotels. Over time, these conditions could result in declining hotel demand or the Hotel Managers' inability to operate the affected hotels at all. Climate change also may have indirect effects on its business by increasing the cost of (or making unavailable) property insurance on terms AHIP finds acceptable, as well as increasing the cost of renovations, energy, water and snow removal at its hotel properties. AHIP cannot predict with certainty whether climate change is occurring and, if so, at what rate, and therefore, there can be no assurance that climate change will not have a material adverse effect on AHIP. The federal government and some of the states and localities in which AHIP operates have enacted certain climate change laws and regulations and/or have begun regulating carbon footprints and greenhouse gas emissions, and may enact new laws in the future. Although these laws and regulations have not had any known material adverse effect on AHIP to date, they could impact companies with which AHIP does business or result in substantial costs to AHIP, including compliance costs, construction costs, monitoring and reporting costs and capital expenditures for environmental control facilities and other new equipment. Climate change, and any future laws and regulations, or future interpretations of current laws and regulations, could have a material adverse effect on AHIP. In addition, the franchisors of AHIP's hotel brands may from time to time mandate certain operating policies related to climate change and sustainable business practices that may increase operating costs for AHIP's hotels, which costs may not be recoverable from customers and if not adhered to could result in a breach and termination of the relevant franchise agreement.
- (i) *Consumer privacy and data use and security.* Although AHIP and the Master Hotel Manager have taken steps to protect the security of their respective information systems and the data maintained in those systems, it is possible that their respective safety and security measures will not be able to prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Cyber threats are maturing with time and their sophistication and effectiveness are increasing. Such threats can result from deliberate attacks or unintentional events. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches can create system disruptions, shutdowns, corruption of data, misappropriation and unauthorized disclosure of confidential



information. Any failure to maintain proper function, security and availability of AHIP's and the Master Hotel Manager's information systems could interrupt their respective operations, damage their respective reputations, subject them to liability claims or regulatory penalties which may not be covered by insurance, result in increased cybersecurity protection costs and increased regulatory scrutiny and could have a material adverse effect on AHIP's business, financial condition and results of operations and subject AHIP to potential litigation and regulatory proceedings. In addition, sophisticated hardware and operating system software and applications that AHIP and the Master Hotel Manager or franchisors may procure from outside companies may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with AHIP's internal operations or the operations at AHIP's hotels. The costs to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential business at AHIP's hotels. Any compromise of the Master Hotel Manager's or franchisors' information networks' function, security and availability could result in disruptions to operations, delayed sales or bookings, lost guest reservations, increased costs and lower margins. Any of these events could have a material adverse effect on AHIP's business, financial condition and results of operations and subject AHIP to potential litigation and regulatory proceedings.

- (j) *Acquisition risks.* AHIP may from time to time acquire additional hotel properties in the future. The acquisition of the real property entails risks that investments will fail to perform in accordance with expectations, including the risks that the properties will not achieve anticipated Occupancy or ADR levels and that estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. If acquisitions fail to perform as expected, they may become dilutive to AHIP's FFO. In addition, AHIP cannot assure Unitholders or holders of Debentures that it will be able to successfully integrate additional properties into its then existing portfolio of hotels without operating disruptions or unanticipated costs. AHIP's failure to successfully integrate any future properties into its portfolio could have an adverse effect on AHIP's operating costs and its ability to generate stable positive cash flow from its operations.

AHIP may from time to time announce acquisitions of additional hotel properties before they are completed. If AHIP does not complete such acquisitions or any part thereof, AHIP may be subject to a number of risks, including: (i) the price of the Units and Debentures may decline to the extent that the then current market price reflects a market assumption that such acquisitions will be completed; (ii) certain costs related to each such acquisition, such as legal, accounting and consulting fees, must be paid even if an acquisition is not completed; (iii) AHIP may possess substantial unutilized acquisition capacity, which would cause its financial performance to be negatively impacted until suitable hotel properties are identified for acquisition and such acquisitions are completed; and (iv) there is no assurance that such suitable hotel properties will be available to AHIP in the future or at all.

AHIP conducts due diligence with respect to each acquisition it completes; however, there may be liabilities, including under applicable environmental laws, that AHIP fails to discover or is unable to quantify in the due diligence review prior to the closing of any future acquisition and AHIP may not be indemnified for some or all of these liabilities. The subsequent discovery or quantification of any material liabilities could have a material adverse effect on AHIP's business, financial condition or future prospects, which may include diminution in the value of the affected properties or the inability to finance or dispose of the affected properties on acceptable terms.

AHIP may acquire properties in markets that are new to it. When AHIP acquires properties located in new markets, AHIP may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. AHIP works to mitigate such risks through diligence and research and associations with experienced service providers. However, there can be no guarantee that such risks will be eliminated.

Acquisitions may be structured to include contingent or deferred payments. If the terms on which such contingent payments are payable are achieved, the purchase price for such acquisitions may be increased. If AHIP fails to make any contingent or deferred payment when due, AHIP may be subject to legal action by the vendors, contractual penalties and potentially foreclosure or forced sale of its relevant properties.

- (k) *Disposition Risk.* When disposing of properties, AHIP is required by the buyers to, among other things, provide representations and warranties with respect to, among other things, the properties being sold, which representations and warranties will typically survive closing for a negotiated period of time. If AHIP is found to be in breach of such representations and warranties or other terms of the agreements governing the sale of its properties, AHIP may be found liable for damages, through the indemnification and dispute resolution provisions of such agreements or court actions or arbitration proceedings. AHIP may from time obtain or request the buyer to obtain representation and warranty insurance. However, such insurance may not cover the claims of the buyer, in whole or in part, and AHIP may be liable for claims that are not covered, deductibles, retention amounts or amounts in excess of the representation and warranty insurance coverage. Sales of properties may also trigger taxable gains, which may be significant. In addition, sales may be structured so as to include contingent or deferred payments. The terms on which such contingent payments are payable may never be achieved by the buyer, and the buyer may default in its requirement to make any contingent or deferred payments to AHIP; accordingly, such payments may never be received by AHIP, and AHIP may have to expend considerable time expense in order to enforce and recover any such payments, which efforts may be unsuccessful, in whole or in part. In addition, AHIP may from time to time announce dispositions, which may fail to be completed for any number of reasons. In such cases, AHIP may have incurred considerable expenses, which may not be recoverable, in whole or in part.

- (l) *Long-term growth strategy.* AHIP's long-term growth strategy involves expansion through acquisition and development of Suitable Properties. These activities require AHIP to identify acquisition and development opportunities that meet its investment criteria and are compatible with its long-term growth strategy. Although, AHIP has been successful in locating suitable investments in the past, AHIP may not be able to find suitable acquisition and development opportunities in the future, which would adversely impact AHIP's ability to carry out its long-term growth strategy.

AHIP competes for hotel investment opportunities with competitors that may have a different tolerance for risk or have substantially greater financial resources than are available to AHIP. This competition may generally limit the number of hotel properties that AHIP is able to acquire and may also increase the bargaining power of hotel owners seeking to sell, making it more difficult for AHIP to acquire hotel properties on attractive terms, or at all.

- (m) *Interest rate risk.* Changes in interest rates could adversely affect AHIP's cash flows and AHIP's ability to pay distributions and make interest payments (including payments of interest to holders of Debentures). Interest rate risk is the combined risk that AHIP would experience a loss as a result of its exposure to a higher interest rate environment (interest rate risk) and the possibility that at the end of a mortgage term AHIP would be unable to renew the maturing debt either with the existing or a new lender (renewal risk).
- (n) *Failure to hedge effectively against interest rate changes.* AHIP may from time to time obtain one or more forms of interest rate protection in the form of swap agreements, interest rate cap contracts or similar agreements to hedge against the possible negative effects of interest rate fluctuations. Hedging implies costs and AHIP cannot assure Unitholders or holders of Debentures that any hedging will adequately relieve the adverse effects of interest rate increases or that counterparties under these agreements will honour their obligations thereunder. Furthermore, any such hedging agreements would subject AHIP to the risk of incurring significant non-cash losses on such hedges due to changes in interest rates if AHIP's hedges were not considered effective under applicable accounting standards, which may adversely affect AHIP's results of operations. Accordingly, hedging activities may not have the desired beneficial impact on AHIP's results of operations or



financial condition. No hedging activity can completely insulate AHIP from the risks associated with changes in interest rates and prepayment rates.

Hedging involves risk and typically involves costs, including transaction and breakage costs, which may reduce returns on AHIP's investments. These costs increase as the period covered by the hedging increases and during periods of rising and volatile interest rates. These costs will also limit the amount of cash available for distribution to Unitholders and may adversely impact AHIP's ability to make interest and principal payments to holders of Debentures. In addition, any hedging arrangements entered into by AHIP may fail to protect AHIP or adversely affect AHIP due to, among other factors, available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought by AHIP, the duration of the hedge may not match the duration of the related liability, the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs AHIP's ability to sell or assign AHIP's side of the hedging transaction, and the hedging counterparty owing money in the hedging transaction may default on its obligation to pay. The real estate investment trust qualification rules may also limit AHIP's ability to enter into hedging transactions. AHIP generally intends to hedge as much of its interest rate risk as management determines is in AHIP's best interests given the cost of such hedging transactions and the requirements applicable to real estate investment trusts. If AHIP is unable to hedge effectively because of the cost of such hedging transactions or the limitations imposed by the real estate investment trust qualification rules, AHIP will face greater interest rate risk exposure than may be commercially prudent.

- (o) *Litigation risks.* In the normal course of AHIP's operations, whether directly or indirectly, AHIP may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to AHIP and as a result, could have a material adverse effect on AHIP's assets, liabilities, business, financial condition and results of operations. Even if AHIP prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from AHIP's business operations, which could have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations, AHIP's ability to make distributions to holders of Units and AHIP's ability to make interest and principal payments to holders of Debentures.
- (p) *Reliance on management.* Current and prospective investors assessing the risks and rewards of an investment in AHIP should appreciate that they will, in large part, be relying on the good faith and expertise of the General Partner and the Master Hotel Manager. In particular, current and prospective investors will have to rely on the discretion and ability of the General Partner in determining the composition of the portfolio of properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition of properties. Current and prospective investors will also have to rely on the ability of the Master Hotel Manager to manage the operation of the properties and to implement an appropriate property management strategy. The ability of the General Partner and the Master Hotel Manager to successfully implement these strategies will depend in large part on their continued employment of senior management of the General Partner and the Master Hotel Manager, for whom key person life insurance is not maintained in the case of the General Partner and may or may not be maintained in the case of the Master Hotel Manager. If any of such entities lose the services of one or all of these individuals, the business, financial condition and results of operations of AHIP may be materially adversely affected.

There is a risk that, because of the terms of the Hotel Management Agreements, termination of such agreements may be uneconomical for AHIP and accordingly not in the best interests of AHIP. Should the Hotel Managers terminate the Hotel Management Agreements, AHIP may be required to engage the services of alternative external hotel managers. AHIP may be unable to engage an alternative external hotel manager on attractive terms, in which case AHIP's operations and cash

available for distribution to Unitholders and for principal and interest payments to holders of Debentures may be materially adversely affected.

Each hotel in the Existing Portfolio is managed by the Master Hotel Manager or one of its Subsidiaries, being a Hotel Manager. Thus, all of AHIP's revenue is generated by hotels managed by the Master Hotel Manager. This concentration of operational risk in one hotel management company makes AHIP more vulnerable economically than if AHIP's hotel management was more evenly diversified among several hotel management companies. Any adverse developments in the Master Hotel Manager's business, financial strength or ability to operate AHIP's hotels efficiently and effectively could have a material adverse effect on AHIP's results of operations. AHIP cannot provide assurance that the Master Hotel Manager will satisfy its obligations to AHIP or effectively and efficiently operate AHIP's hotel properties. The failure or inability of the Master Hotel Manager to satisfy its obligations to AHIP or effectively and efficiently operate AHIP's hotel properties could have a material adverse effect on AHIP's financial position, results of operations and cash flows, which could in turn reduce the amount of cash available for distribution to Unitholders and for the payment of interest and principal to holders of Debentures and could negatively impact the market price of the Units and Debentures.

- (q) *The Master Hotel Manager may compete with AHIP.* The Master Hotel Manager may, from time to time, directly or indirectly, manage, own and/or operate or have other economic interests in other hotels that are located within markets where AHIP owns hotels and such hotels may compete with hotel properties owned by AHIP. There can be no assurance that the Master Hotel Manager will not allocate more resources to, conduct additional promotional activities at or more favourably price room rates at such other hotels in respect of which they have an economic interest, which such activities could have a material adverse effect on the performance of AHIP's hotels as well as AHIP's financial position, results of operations and cash flows thereby reducing the amount of cash available for distribution to Unitholders and for the payment of interest and principal to holders of Debentures. In addition, if such circumstances arise, AHIP may not be able to terminate the Master Hotel Management Agreement or the individual Hotel Management Agreements without paying termination fees to the Master Hotel Manager.
- (r) *Fluctuations in capitalization rates.* As interest rates fluctuate in the lending market, generally so to do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.
- (s) *Environmental matters.* AHIP is subject to various requirements (including federal, provincial, state and municipal laws, as applicable) relating to environmental matters. Such requirements provide that AHIP could be, or become, liable for environmental or other harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties, including lead-based paints, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, mold, underground storage tanks, pesticides and other miscellaneous materials. Such requirements often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials. Additional liability may be incurred by AHIP with respect to the release of such substances from AHIP's properties to properties owned by third parties, including properties adjacent to AHIP's properties or with respect to the exposure of persons to regulated substances. The failure to remove or otherwise address such substances may materially adversely affect AHIP's ability to sell such property, maximize the value of such property or borrow using such property as collateral security, and could potentially result in claims or other proceedings against AHIP. Environmental laws and other requirements can change and AHIP may become subject to more stringent environmental laws and other requirements in the future. Compliance with more stringent environmental requirements, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have a

material adverse effect on AHIP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units and make interest and principal payments to holders of Debentures.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of mold to which hotel guests or employees could be exposed at any of the properties in which AHIP owns an interest could require AHIP to undertake a costly remediation program to contain or remove the mold from the affected property. In addition, exposure to mold by guests or employees or others could expose AHIP to liability if property damage or health concerns arise.

- (t) *Environmental site assessments.* AHIP's operating policy is to obtain a Phase I ESA Report, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I ESA Report. Although such environmental site assessments provide AHIP with some level of assurance about the condition of the property, AHIP may become subject to liability for undetected contamination or other environmental conditions at its properties against which AHIP cannot insure, or against which AHIP may elect not to insure, which could negatively impact AHIP's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders and for principal and interest payments to holders of Debentures. In addition, AHIP cannot assure investors that: (i) there are no existing liabilities related to its properties of which AHIP is not aware; (ii) future laws, ordinances or regulations will not impose material environmental liability on AHIP; or (iii) the current environmental condition of any of AHIP's properties will not be affected by the condition of properties in the vicinity of AHIP's properties (such as the presence of leaking underground storage tanks) or by third parties unrelated to AHIP.
  - (u) *Reliance on information technology.* AHIP and the Master Hotel Managers rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data. AHIP and the Master Hotel Manager purchase some information technology from vendors, on whom AHIP's and the Master Hotel Manager's systems depend. AHIP and the Master Hotel Manager rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as individually identifiable information, including information relating to financial accounts. The acquisition of enhanced and innovative technology networks and systems may be necessary to accommodate changing customer expectations. A failure by AHIP or the Master Hotel Manager to make enhancements to existing networks and systems or to acquire new networks and systems could have a material adverse effect on AHIP's business, financial condition, and results of operations.
- Portions of AHIP's information technology infrastructure or the information technology infrastructure of the Master Hotel Manager and franchisors also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. AHIP, the Master Hotel Manager and franchisors may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be expensive, time consuming, disruptive and resource-intensive. Such disruptions could adversely impact the ability of Master Hotel Managers and franchisors to fulfill reservations for guestrooms and other services offered at AHIP's hotels, which could have a material adverse effect on AHIP's business, financial condition, and results of operations.
- (v) *Property appraisals.* AHIP's operating policy is to obtain an independent appraisal prior to acquiring a property, and the officers and directors of the General Partner rely on such appraisals, in part, in approving the purchase of properties. An appraisal is an estimate of market value and caution should be used in evaluating the appraisals. Appraisals are not precise measures of value

but are based on a subjective comparison of related activity taking place in the real estate market and on various assumptions of future expectations of property performance. Some of these assumptions may not materialize or may differ materially from actual experience in the future. The Units and Debentures may not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units and Debentures may trade at a premium or a discount to values implied by appraisals.

- (w) *Uninsured losses.* The applicable Hotel Manager, on behalf of AHIP, is expected to continue to arrange for comprehensive insurance of the type and in the amounts customarily obtained for properties similar to those owned and to be owned by AHIP, directly or indirectly, and will continue to endeavour to obtain coverage where warranted against earthquakes, hurricanes, tornadoes and floods. However, in many cases certain types of losses are uninsurable or not economically insurable (due to higher premiums and/or deductibles). In the event of a substantial loss, insurance coverage may not be sufficient to cover the full current market value or replacement cost of the lost investment. Should an uninsured loss or a loss in excess of insured limits occur, AHIP could lose all or a portion of the capital invested in a hotel property, as well as the anticipated future revenue from that particular hotel. In that event, AHIP might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep AHIP from using insurance proceeds to replace or renovate a hotel after it has been damaged or destroyed. Under those circumstances, the insurance proceeds AHIP receives might be inadequate to restore its economic position on the damaged or destroyed property.
- (x) *Risk related to insurance renewals.* Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When AHIP's current insurance policies expire, the Master Hotel Manager may encounter difficulty in obtaining or renewing property or casualty insurance on behalf of AHIP for AHIP's properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, tornado, flood, terrorism and business interruption caused by the spread of infectious diseases, epidemics and pandemics, such as COVID-19), may not be generally available to fully cover potential losses. Even if AHIP is able to renew its policies at levels and with limitations consistent with its current policies, AHIP cannot be sure that it will be able to obtain such insurance at premiums or with deductibles that are reasonable. If AHIP is unable to obtain adequate insurance on its properties for certain risks, it could cause AHIP to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require AHIP to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if AHIP were unable to obtain adequate insurance, and its properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and AHIP's ability to make distributions to holders of Units and AHIP's ability to make interest and principal payments to holders of Debentures.
- (y) *Revenue shortfalls.* Revenues from AHIP's hotel properties may not increase sufficiently to meet increases in operating expenses or debt service payments under AHIP's indebtedness or to fund changes in any variable rates of interest charged in respect of such loans.
- (z) *Changes in applicable laws.* AHIP's operations must comply with numerous federal, state and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include the federal legislation with respect to hours of service, zoning laws, building codes, landlord tenant laws and other laws generally applicable to business operations. Non-compliance with laws could expose AHIP to liability. Lower revenue growth or significant unanticipated expenditures may result from AHIP's need to comply with changes in applicable laws, including: (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; or (ii) other governmental rules and regulations

or enforcement policies affecting the development, use and operation of AHIP's properties, including changes to building codes and fire and life-safety codes.

- (aa) *Fixed costs and increased expenses.* The failure to maintain stable or increasing average room rates combined with acceptable occupancy levels would likely have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units and interest and principal payments to holders of Debentures. Certain significant expenditures, including property taxes, ground lease payments, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If AHIP is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale. AHIP is also subject to utility and property tax risk relating to increased costs that AHIP may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of re-valuations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that AHIP cannot charge back to the guest may have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units and payments of interest and principal to holders of Debentures. The timing and amount of capital expenditures by AHIP will affect the amount of cash available for distributions to holders of Units and interest and principal payments to holders of Debentures. Distributions may be reduced, suspended or eliminated, at times when AHIP deems it necessary to make significant capital or other expenditures.
- (bb) *Development risks.* AHIP's business plan may from time to time include, among other things, growth through the indirect acquisition of suitable development properties. AHIP will be exposed to various risks associated with hotel development activities, including, without limitation, the following:
- development costs of a property could exceed original estimates, possibly making the property less profitable than originally estimated, or possibly unprofitable;
  - the time required to complete development of a property may be greater than originally anticipated, thereby adversely affecting AHIP's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders and for interest and principal payments to holders of Debentures;
  - a developed property may not achieve desired revenue or profit goals, thereby adversely affecting AHIP's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders and for interest and principal payments to holders of Debentures;
  - possible environmental problems, leading to increased costs or abandonment of a project;
  - zoning, occupancy and other required governmental permits may be delayed or not issued at all, which could result in project delays and increased costs or even abandonment of a project; and
  - if a project is abandoned AHIP may not be able to recover costs expended on such project and may have to sell any underlying real property at a loss.
- (cc) *Renovation risks.* AHIP is subject to the financial risk of having unoccupied guestrooms during extended periods of renovations. During renovations, certain guestrooms and other facilities are unavailable for occupancy and do not generate income. Certain significant expenditures, including



property taxes, ground lease payments, maintenance costs, interest payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing revenue. Delays in the renovation of a property or a portion thereof could delay the sale of room nights and event space at such property resulting in an increased period of time where the property is not producing revenue, or producing less revenue than a property not undergoing renovations. In addition, costs of renovations may be greater than estimated resulting in cost overruns, which could adversely affect AHIP's cash flows, results of operations or financial condition and AHIP's ability to make cash distributions to Unitholders and AHIP's ability to make interest and principal payments to holders of Debentures.

- (dd) *No assurance of recovery.* When acquiring assets, AHIP endeavours to obtain certain representations and warranties with respect to the assets being acquired. Such representations and warranties, to the extent obtained, are subject to limitations, and generally represent unsecured contractual rights. Notwithstanding the foregoing, when acquiring assets, AHIP typically endeavours to negotiate holdbacks from the aggregate purchase price, which holdback amounts may be deposited into escrow at the closing of acquisition and are otherwise to be held, and released in accordance with, and subject to, the terms of the relevant purchase and sale agreement and, if deposited in escrow, a separate holdback escrow agreement. Holdback amounts are used to satisfy, in whole or in part, the indemnification obligations of the sellers of the assets acquired by AHIP with respect to the representations and warranties provided by the sellers under the purchase and sale agreements pursuant to which the assets are acquired. Holdback amounts are typically released to the sellers over a period of six to 18 months from the closing dates of the acquisition, subject to the retention of amounts for pending claims of AHIP made in accordance with, and subject to, the terms and conditions of the respective purchase and sale agreement and/or holdback escrow agreement.

There can be no assurance of recovery by AHIP for any breach of the representations and warranties provided under any of the purchase and sale agreements pursuant to which it has acquired, or will acquire, hotel properties, as there can be no assurance that the holdback amounts, if any, or assets of the sellers of the properties will be sufficient to satisfy such obligations. AHIP may not be able to successfully enforce applicable indemnities contained in the purchase and sale agreements pursuant to which it has acquired, or will acquire, hotel properties and such indemnities may not be sufficient to fully indemnify AHIP from third party claims. Only AHIP will be entitled to bring a claim or action for misrepresentation or breach of contract under the purchase and sale agreements pursuant to which it has acquired, or will acquire, hotel properties and Unitholders and holders of Debentures will not have any contractual rights or remedies under such agreements.

- (ee) *Potential conflicts of interest.* The directors of the General Partner will, from time to time, in their individual capacities, deal with parties with whom AHIP may be dealing, or may be seeking investments similar to those desired by AHIP. The interest of these persons could conflict with those of AHIP. The LP Agreement contains a "conflict of interest" provision requiring the directors of the General Partner to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. See "*Directors and Management – Conflict of Interest Provision*". There is no guarantee that such provision will be successful in eliminating or resolving the influence of conflicts of interest that may arise from time to time.
- (ff) *Ground lease risks.* AHIP may from time to time acquire properties subject to long-term ground (or land) leases and similar arrangements in which the underlying land is owned by a third party and leased to AHIP. Ground leases may be subject to periodic rate resets, which may fluctuate and may result in significant rental rate adjustments, which could negatively impact AHIP's results of operations and could adversely impact AHIP's ability to make distributions to Unitholders and AHIP's ability to make interest and principal payments to holders of Debentures. Ground leases may provide for restrictions on financing or refinancing the properties subject to the ground lease and the transferability of the interests in such properties may also be restricted, which restrictions may negatively impact the value of such properties and AHIP's financial position. Under the terms of a typical ground lease, the lessee must pay rent for the use of the land and is generally responsible



for all costs and expenses associated with the building and improvements, including taxes, utilities, insurance, maintenance, repairs and replacements. Unless the lease term is extended, the land together with all improvements made will revert to the owner of the land upon the expiration of the lease term. AHIP intends to actively seek to either renew the terms of such leases or purchase the freehold interest in the lands forming the subject matter of such leases prior to the expiry of their terms. However, if AHIP cannot or chooses not to renew such leases, or buy the land of which they form the subject matter, as the case may be, the NOI and cash flow associated with such properties would no longer contribute to AHIP's results of operations and could adversely impact AHIP's ability to make distributions to Unitholders and interest and principal payments to holders of Debentures. In addition, a default under the terms of a ground lease could also result in a loss of the property subject to such ground lease, should AHIP not rectify the default in a reasonable period of time.

- (gg) *Historical data.* Historical Occupancy Rates, ADR and revenues of the premium branded hotels are not necessarily an accurate prediction of the future Occupancy Rates, ADR and revenues for AHIP's properties.
- (hh) *Laws benefitting disabled persons.* Laws benefiting disabled persons may result in unanticipated expenses being incurred by AHIP. Under the *Americans with Disabilities Act of 1990*, all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. These and other federal, state and local laws may require modifications to AHIP's properties, or affect renovations of the properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although AHIP believes that its properties are substantially in compliance with present requirements, AHIP may incur unanticipated expenses to comply with the *Americans with Disabilities Act of 1990* and other applicable legislation in connection with the ongoing operation or redevelopment of AHIP's properties.
- (ii) *Joint ventures.* AHIP may invest in or be a participant in joint ventures, partnerships or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such event, AHIP would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions and AHIP and any other remaining joint venture partners may remain liable for the joint venture or partnership's liabilities. Furthermore, if a partner or co-joint venturer becomes bankrupt or otherwise defaults on its obligations under a partnership or joint venture agreement, AHIP may be unable to continue the partnership or joint venture other than by purchasing such partner's or co-joint venturer's interests or the underlying assets, which purchases may have to be completed at a premium to the market price. Partners or co-venturers may have economic or other business interests or goals, which are inconsistent with AHIP's business interests or goals and may be in a position to take actions contrary to AHIP's policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither AHIP nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between AHIP and partners or co-venturers may result in litigation or arbitration that would increase AHIP's expenses and prevent AHIP's officers and/or directors from focusing their time and effort on AHIP's business. Consequently, actions by, or disputes with, partners or co-venturers might result in subjecting hotels owned by the partnership or joint venture to additional risk. In addition, AHIP may in certain circumstances be liable for the actions of its third party partners or co-venturers.

## **Risks Related to the Hotel and Lodging Industry**

Investment in the hotel industry is subject to numerous risks, which include but are not limited to the following:

(a) *Operating risks.* AHIP's ability to make distributions to Unitholders and interest and principal payments to holders of Debentures may be adversely affected by various operating risks common to the lodging industry, including competition, over-building and dependence on business travel and tourism. The hotel properties that are owned have different economic characteristics than many other real estate assets. A typical office property, for example, has long-term leases with third party tenants, which provides a relatively stable long-term stream of revenue. Hotels, on the other hand, generate revenue from guests that typically stay at the hotel for only a few nights, which causes the room rate and Occupancy levels at each of the hotels to change every day, and results in earnings that can be highly volatile. In addition, the hotels are subject to various operating risks common to the lodging industry, many of which are beyond AHIP's control, including, among others, the following:

- competition from other hotels in the markets in which AHIP operates;
- over-building of hotels in the markets in which AHIP operates, which results in increased supply and will adversely affect occupancy and revenues at AHIP's hotels;
- dependence on business and commercial travelers and tourism;
- increases in energy costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists;
- requirements for periodic capital reinvestment to repair and upgrade hotels;
- increases in operating costs due to inflation and other factors that may not be offset by increased room rates;
- changes in interest rates;
- changes in the availability, cost and terms of financing;
- legislated increases to mandatory minimum wages, health care coverage and other benefits could significantly increase labour expenses of the Master Hotel Manager, which expenses are required to be reimbursed by AHIP;
- unionization of workers employed by the Master Hotel Manager could significantly increase administrative, labour and other expenses of the Master Hotel Manager, which expenses are required to be reimbursed by AHIP;
- labour shortages could impact hotel operations;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- adverse effects of international, national, regional and local economic and market conditions;
- unforeseen events beyond AHIP's control, such as terrorist attacks or threat of terrorist attacks, terror alert levels, travel-related health concerns, including the spread of infectious diseases, pandemics and epidemics (such as H1N1 influenza (swine flu), avian bird flu, SARS, MERS, COVID-19 and Zika virus), imposition of taxes or surcharges by regulatory authorities, travel-related accidents and unusual weather patterns, including natural disasters such as hurricanes, tornados, floods, tsunamis or earthquakes;
- negative publicity related to AHIP, its hotels or the brands under which AHIP's hotels operate, including harm to reputation from sources such as online hotel reviews and social media, cyber attacks or as a result of misconduct or unethical behaviour of hotel employees,

environmental matters, litigation or regulatory proceedings, failure of the Master Hotel Manager to deliver minimum or required standards of service and quality and activities of guests at AHIP's properties;

- adverse effects of worsening conditions in the lodging industry;
- the value of the U.S. dollar, or U.S. governmental laws, regulations, or executive orders, which may adversely affect the number of domestic and international business and commercial travelers and tourists entering and/or travelling within the U.S., in particular in any gateway markets where AHIP hotels are located; and
- risks generally associated with the ownership of hotels and real estate, as are discussed in detail in this AIF.

The occurrence of any of the foregoing could materially and adversely affect AHIP.

- (b) *Seasonality of the lodging industry.* The seasonality of the lodging industry could have a material adverse effect on AHIP. The lodging industry is seasonal in nature, which can be expected to cause quarterly fluctuations in Occupancy, room rates, revenues, operating expenses, cash flows and FFO Payout Ratio. AHIP's quarterly earnings may be adversely affected by factors outside AHIP's control, including weather conditions and poor economic factors in certain markets in which AHIP operates. AHIP can provide no assurances that cash flows will be sufficient to offset any shortfalls that occur as a result of these seasonal fluctuations.
- (c) *Cyclical nature of the lodging industry.* The cyclical nature of the lodging industry may cause fluctuations in AHIP's operating performance, which could have a material adverse effect on AHIP. The lodging industry historically has been highly cyclical in nature. Fluctuations in lodging demand and, therefore, operating performance, are caused largely by general economic and local market conditions, which subsequently affect levels of business and leisure travel. In addition to general economic conditions, new hotel room supply is an important factor that can affect the lodging industry's performance, and overbuilding has the potential to further exacerbate the negative impact of an economic recession. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. An adverse change in lodging fundamentals could result in returns that are substantially below its expectations or result in losses, which could have a material adverse effect on AHIP.
- (d) *Competition.* The hotel sector is highly competitive. AHIP faces competition from many sources, including from other hotels and AirBnB residences and other similar lodging providers located in the immediate vicinity of the various properties owned by AHIP, and the broader geographic areas where AHIP's hotels are and will be located. Such competition may reduce Occupancy Rates and revenues of AHIP and could have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders and interest and principal payments to holders of Debentures. Increases in the cost to AHIP of acquiring hotel properties may materially adversely affect the ability of AHIP to acquire such properties on favourable terms, and may otherwise have a material adverse effect on AHIP's business, cash flows, financial condition and results of operations and AHIP's ability to make distributions to Unitholders and make interest and principal payments to holders of Debentures.
- (e) *Franchised hotels.* Each of AHIP's hotels is subject to a franchise agreement, and AHIP may become subject to the risks that are found in concentrating its hotel properties in one or several franchise brands. The continuation of the franchises is subject to specified operating standards and other terms and conditions and the payment of prescribed franchise fees. Such standards are often subject to change over time, in some cases at the discretion of the franchisor, and may restrict a franchisee's ability to make improvements or modifications to a hotel property without the consent of the franchisor. Franchisors typically periodically inspect licensed properties to confirm adherence to operating standards. The failure of AHIP to pay the required franchise fees, the failure of a hotel to conform to the franchisor's standards or the failure of AHIP or the Master Hotel Managers to

maintain such standards or adhere to such other terms and conditions in the franchise agreements could result in the loss or cancellation of the franchise agreement and potential liquidated damages. It is possible that a franchisor could condition the continuation of a franchise agreement on the completion of capital improvements, which AHIP determines are too expensive or otherwise unwarranted in light of general economic conditions or the operating results or prospects of the affected hotel. In that event, AHIP may elect to allow the franchise agreement to lapse. If a franchise were terminated, AHIP would generally seek to obtain a suitable replacement franchise. However, there can be no assurance that AHIP would be able to obtain a suitable replacement franchise on acceptable terms, or at all. The loss of a franchise agreement could have a material adverse effect upon the operations or the underlying value of the hotel covered by the franchise because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchisor.

- (f) *AHIP's business may be adversely affected by consolidation in the lodging industry.* Consolidation among hotel brand companies or other participants in the lodging industry may increase the negotiating leverage of the resulting companies, which might result in AHIP incurring increased franchise or management fees. AHIP's hotels operate under multiple licensed brands, each of which offer differing guest amenities and may be associated with different loyalty reward programs. The consolidation of two or more hotel brand companies may cause AHIP's financial condition and results of operations to be more dependent on the success and reputation of a limited number of owners of these licensed brands. In addition, to the extent that consolidation among hotel brand companies adversely affects the loyalty reward program offered by one or more of AHIP's hotels, customer loyalty to those hotels may suffer and demand for guestrooms may decrease. Furthermore, because each hotel brand company relies on its own network of reservation systems, hotel management systems and customer databases, the integration of two or more networks may result in a disruption to operations of these systems, such as disruptions in processing guest reservations, delayed bookings or sales, or lost guest reservations, which could adversely affect AHIP's financial condition, results of operations and cash available for distributions to Unitholders and available for payment of interest and principal to holders of Debentures.
- (g) *AHIP is subject to risks associated with the employment of hotel personnel.* The Master Hotel Manager is responsible for hiring and maintaining the labour force at each of AHIP's hotels. Although AHIP does not directly employ or manage employees at its hotels, AHIP is subject to many of the costs and risks generally associated with the hotel labour force. Increased labour costs due to factors like additional taxes, minimum wage increases or requirements to incur additional employee benefits costs may adversely impact AHIP's operating costs. Several local jurisdictions in the U.S. have enacted, or have announced they are considering, legislation increasing the minimum wage applicable to hotel workers in the jurisdiction. If a jurisdiction in which AHIP owns a hotel adopts such legislation, the cost to operate the hotel may increase significantly, which could have a material adverse effect on AHIP's business, financial condition, results of operations and AHIP's ability to pay distributions to Unitholders and make interest and principal payments to holders of Debentures.

Labour costs are expected to be particularly challenging for any of AHIP's hotels that from time to time have a unionized labour force. From time to time, hotel operations at such hotels may be disrupted as a result of strikes, lockouts, public demonstrations, pandemics (which may target non-union hotels as well as those employing unionized labour) or other negative actions and publicity. AHIP also may incur increased legal costs and indirect labour costs as a result of contract disputes or other events. Additionally, hotels where the Master Hotel Manager from time to time has collective bargaining agreements with employees are more highly affected by labour force activities than others. The resolution of labour disputes or re-negotiated labour contracts could lead to increased labour costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. Furthermore, labour agreements may limit the ability of the Master Hotel Manager to reduce the size of hotel workforces during an economic downturn because collective bargaining agreements are negotiated between the hotel managers and labour unions. AHIP does not have the ability to control the outcome of these negotiations.

- (h) *Restrictive covenants, termination fees and other provisions in franchise agreements and Hotel Management Agreements.* Certain of AHIP's franchise agreements contain restrictive covenants and termination provisions and the Hotel Management Agreements contain termination provisions that do not provide AHIP with flexibility to sell, refinance or rebrand, as applicable, a hotel without the consent or payment of termination fees, as applicable, to the franchisors or the payment of termination fees to the Master Hotel Manager. Such provisions could preclude AHIP from taking, or make it costly for AHIP to take, actions with respect to the sale, refinancing or rebranding of a hotel that would otherwise be in AHIP's best interest. For example, the terms of some of the franchise agreements may restrict AHIP's ability to sell a hotel unless the purchaser is not a competitor of the franchisor, assumes the related agreement and meets specified other conditions. In addition, AHIP's franchise agreements restrict AHIP's ability to rebrand particular hotels without the consent of the franchisor, which could result in significant operational disruptions and litigation if AHIP does not obtain such consent. AHIP could be forced to pay consent or termination fees to hotel managers or franchisors under these agreements as a condition to changing management or franchise brands for AHIP's hotels, and these fees could deter AHIP from taking actions that would otherwise be in AHIP's best interest or could cause AHIP to incur substantial expense. These conditions could adversely affect AHIP's financial position, results of operations, and cash flows and the market price of the Units and the Debentures. In addition, such provisions in the Hotel Management Agreements and the Franchise Agreements could deter third parties from acquiring or seeking to acquire all of AHIP's Units or all or substantially all of its assets or from completing any other transaction that would result in a change of control of AHIP through which Unitholders could receive a substantial premium over the then current market price of the Units.
- (i) *Increasing use of Internet travel intermediaries by consumers.* Some of AHIP's hotel rooms are booked through Internet travel intermediaries. As Internet bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from AHIP and the Master Hotel Manager. Moreover, some of these Internet travel intermediaries are attempting to offer hotel rooms as a commodity, by increasing the importance of price and general indicators of quality (such as "three-star downtown hotel") at the expense of brand identification. These agencies hope that consumers will eventually develop brand loyalties to their reservations system rather than to the brands under which AHIP's properties are franchised. Although most of the business for AHIP's hotels is expected to continue to be derived from traditional channels, if the amount of sales made through Internet intermediaries increases significantly, room revenues may flatten or decrease and AHIP's profitability may be adversely affected. In addition, the rise of social media reviews, including, but not limited to, tripadvisor.com and Google, could impact hotel occupancy levels and results of operations as individuals might be more inclined to write about dissatisfaction than satisfaction with a hotel stay or experience.
- (j) *Increased use of business-related technology may reduce the need for business-related travel.* The increased use of teleconference and video-conference technology by businesses could result in decreased business travel as companies increase the use of technologies that allow multiple parties from different locations to participate at meetings without traveling to a centralized meeting location, such as AHIP's hotels. To the extent that such technologies play an increased role in day-to-day business and the necessity for business-related travel decreases, demand for AHIP's hotel rooms may decrease and AHIP could be materially and adversely affected.
- (k) *Consumer trends and preferences, particularly with respect to younger generations, could change away from select-service hotels.* Consumer trends and preferences continuously change, especially within younger generations. Many new hotel brands have been introduced over recent years to specifically address the perceived unique needs and preferences of younger travelers. As AHIP's hotel portfolio is concentrated in select-service hotels, significant consumer shifts in preferences away from select-service hotels could have a material adverse effect on AHIP's financial position, results of operations and cash flows.



## Risks Relating to the Units

- (a) *Volatile market price for units.* The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond AHIP's control, including, without limitation, the following: (i) actual or anticipated fluctuations in AHIP's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to AHIP; (iv) addition or departure of AHIP's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Units; (vi) sales or perceived sales of additional Units, or securities convertible into Units; (vii) liquidity of the Units; (viii) prevailing interest rates; (ix) significant acquisitions, dispositions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving AHIP or its competitors; and (x) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in AHIP's industry or target markets, including those related to COVID-19. Financial markets have recently experienced, and may from time to time experience, significant price and volume fluctuations that particularly affect the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Units may decline even if AHIP's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of AHIP's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the Units by those institutions, which could materially adversely affect the trading price of the Units. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, AHIP's operations could be materially adversely impacted and the trading price of the Units may be materially adversely affected.
- (b) *Return on investment not guaranteed.* The Units are equity securities of AHIP and are not traditional fixed income securities. A fundamental characteristic that distinguishes the Units from traditional fixed income securities is that AHIP does not have a fixed obligation to make payments of distributions (which have been temporarily suspended) to holders of Units and does not promise to return the initial purchase price of a Unit on a certain date in the future. AHIP has the ability to reduce or suspend distributions if circumstances so warrant, such as the current suspension in light of the impacts on AHIP of COVID-19. The ability of AHIP to make cash distributions, and the actual amount distributed, to Unitholders will be entirely dependent on the operations and assets of AHIP and its direct and indirect Subsidiaries, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital and capital expenditure requirements. There can be no assurance regarding the amount of income to be generated by AHIP's properties. The market value of the Units will deteriorate if AHIP is unable to meet its distribution targets in the future, and that deterioration may be significant (such as the deterioration in light of, among other things, the recent reduction, and then current temporary suspension, of monthly cash distributions). In addition, unlike interest payments or an interest-bearing debt security, AHIP's cash distributions, to the extent they exceed the amount of income for income tax purposes allocated to the Unitholder by AHIP for the year, will result in a net reduction of the adjusted cost base of the Unitholder's Units (i.e. tax deferred returns of capital). The monthly cash distributions made to Unitholders in 2020 may or may not comprise, in whole or in part, tax deferred returns of capital, thus affecting the after-tax returns to holders of Units. Therefore, the rate of return over a defined period for a Unitholder may not be comparable to the rate of return on a fixed income security that provides no "return on capital" over the same period. FFO and AFFO may exceed actual cash available to AHIP from time to time because of items such as seasonality, principal repayments and capital expenditures in excess of stipulated reserves identified by AHIP in its calculation of FFO and AFFO and redemptions of Units, if any. AHIP may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items.



- (c) *Return on investment not comparable to fixed-income security.* The return on an investment in the Units is not comparable to the return on an investment in a fixed-income security. Cash distributions are not guaranteed and the anticipated return on investment is based upon many performance assumptions. Although AHIP intends to distribute its Available Cash to Unitholders, such cash distributions are not guaranteed, and have been temporarily suspended. AHIP's ability to make cash distributions and the actual amount distributed will depend on a number of factors, including the financial performance of AHIP's hotels, debt covenants and obligations, interest rates, the Occupancy Rates of AHIP's properties, working capital requirements, future capital requirements and AHIP's ability to complete future acquisitions, and unforeseen events, such as the current COVID-19 pandemic. AHIP may be required to supplement its cash distributions from working capital. In addition, the market value of the Units may decline if AHIP reduces its cash distributions or is unable to meet its cash distribution targets in the future, such as the current decline in light of, among other things, the recent reduction and subsequent temporary suspension of monthly cash distributions.
- (d) *Currency exchange rate risk.* The offering price for Units is typically denominated in Canadian dollars. The Canadian dollar is not maintained at a fixed exchange rate compared to foreign currencies but rather the value of the Canadian dollar has a floating exchange rate in relation to other currencies. Although AHIP's public offerings of Units to date have primarily been made to Canadian residents and in Canadian dollars, the U.S. REIT and its Affiliates conduct business in the U.S. Consequently, income and expense or any ultimate gain on sale will be earned or incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Units and the return on the original investment may be greater or less than that determined only with reference to U.S. dollars. Accordingly, investors who acquire their Units in Canadian dollars are subject to currency exchange rate risk.

Since May 2016, AHIP has been paying U.S. dollar denominated distributions. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of distributions may be greater or less than that determined only with reference to U.S. dollars. Unitholders may make arrangements with their brokers or other intermediaries in order to have their distributions converted to Canadian dollars. However, the Unitholder will bear the expense, if any, of such currency conversion which will reduce the net amount received by such a Unitholder with respect to each distribution so converted.

On November 10, 2017, AHIP's Units began trading on the TSX in U.S. dollars. AHIP's Units now trade on the TSX in both Canadian dollars under the symbol HOT.UN and U.S. dollars under the symbol HOT.U.

- (e) *Unitholders' legal rights.* Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against AHIP. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Furthermore, AHIP is not a trust company and, accordingly, is not registered under any trust and loan company legislation as AHIP does not carry on or intend to carry on the business of a trust company. In addition, AHIP may not, by virtue of being a limited partnership, be recognized as a legal entity under various other Canadian federal and provincial statutes, which could result in both AHIP and its Unitholders being deprived of certain rights they would otherwise have if AHIP was a corporation.

All of AHIP's Subsidiaries, other than AML, are organized in foreign jurisdictions and are governed by foreign law. The majority of AHIP's assets are currently located outside of Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon AHIP's Subsidiaries or their respective directors and officers who are not residents of Canada or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian securities laws.

- (f) *Inability to invest proceeds from offerings of AHIP's securities.* AHIP's failure to apply the net proceeds of any offering of its securities effectively or to find suitable hotel properties to acquire in a timely manner or on acceptable terms could result in returns that are substantially below expectations or result in losses. Until appropriate investments can be identified, AHIP may invest the net proceeds of any offering of its securities in interest-bearing short-term securities or money market accounts. These investments are expected to provide a lower net return than AHIP seeks to achieve from its hotel properties. AHIP may be unable to invest the net proceeds on acceptable terms, or at all, which could delay Unitholders from receiving an appropriate return on their investment. AHIP cannot assure Unitholders that AHIP will be able to identify properties that meet its investment criteria, that AHIP will successfully consummate any investment opportunities AHIP identifies, or that investments AHIP may make will generate income or cash flow.
- (g) *Dilution.* The number of Units AHIP is authorized to issue is unlimited. AHIP may, in AHIP's sole discretion, issue additional Units from time to time, as well as other securities convertible into Units. Any issuance of Units or securities convertible into Units, including, without limitation, Units issued in consideration for properties acquired by AHIP, Units issued in connection with deferred compensation and Units issued under any distribution reinvestment plan, will have a dilutive effect on existing Unitholders and may have an adverse impact on the market price of the Units.
- (h) *Structural subordination of Units.* In the event of bankruptcy, liquidation or reorganization of AHIP's Subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those Subsidiaries before any assets are made available for distribution to AHIP or Unitholders. The Units are effectively subordinated to the debt and other obligations of AHIP's Subsidiaries. AHIP's Subsidiaries generate all of AHIP's cash available for distribution and hold substantially all of AHIP's assets.
- (i) *Future offerings of debt or equity securities ranking senior to Units.* If AHIP decides to issue debt or equity securities in the future ranking senior to the Units or otherwise incur additional indebtedness, it is possible that these securities or indebtedness will be governed by an indenture or other instrument containing covenants restricting AHIP's operating flexibility and limiting AHIP's ability to make distributions to Unitholders. Additionally, any convertible or exchangeable securities that AHIP issues in the future may have rights, preferences and privileges, including with respect to distributions, more favorable than those of Units and may result in dilution to Unitholders. Because AHIP's decision to issue debt or equity securities in any future offering or otherwise incur indebtedness will depend on market conditions and other factors beyond AHIP's control, AHIP cannot predict or estimate the amount, timing or nature of AHIP's future offerings or financings, any of which could reduce the market price of the Units and dilute the value of the Units.
- (j) *Limited control.* Unitholders have limited control over changes in AHIP's policies and operations, which increases the uncertainty and risks of an investment in Units. The Board of Directors determines major policies, including, among others, policies regarding financing, growth, debt capitalization and distributions. The Board of Directors may amend or revise these and other policies without a vote of Unitholders. Under the LP Agreement, Unitholders have a right to vote only on limited matters. The directors' broad discretion in setting policies and Unitholders' inability to exert control over those policies increases the uncertainty and risks of an investment in Units.
- (k) *Disclosure controls and procedures and internal controls over financial reporting.* AHIP could be adversely affected if there are deficiencies in its disclosure controls and procedures or in its internal controls over financial reporting. The design and effectiveness of AHIP's disclosure controls and procedures and its internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. Deficiencies, including material weaknesses, in internal controls over financial reporting which may occur could result in misstatements of AHIP's results of operations, restatements of financial statements, a decline in the Unit price, or otherwise materially adversely affect AHIP's business, reputation, results of operations, financial condition or liquidity.

- (l) *International Financial Reporting Standards.* In February 2008, the Accounting Standards Board of Canada confirmed its decision to require that all publicly accountable enterprises report under IFRS for interim and annual financial statements. AHIP is required to report under IFRS. There are ongoing projects conducted by the International Accounting Standards Board, and joint projects with the Financial Accounting Standards Board in the U.S. that are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which AHIP reports its financial position and operating results.
- (m) *Future sales of Units by officers and directors.* Subject to compliance with applicable securities laws, directors and officers of the General Partner and their affiliates may sell some or all of their Units in the future. No prediction can be made as to the effect, if any, such future sales of Units will have on the market price of the Units prevailing from time to time. However, the future sale of a substantial number of Units by the directors and officers of the General Partner and their Affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Units.
- (n) *AHIP's business could be negatively affected as a result of actions by activist Unitholders.* Unitholder campaigns to effect changes in publicly-traded companies are sometimes led by activist investors through various corporate actions, including proxy contests. Responding to these actions, if they occur, could disrupt AHIP's operations by diverting the attention of management and AHIP's employees as well as AHIP's financial resources. Unitholder activism could create perceived uncertainties as to AHIP's future direction, which could result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel and business partners. Furthermore, the election of individuals to the Board with a specific agenda could adversely affect AHIP's ability to effectively and timely implement AHIP's strategic plans.
- (o) *Possible loss of limited liability of limited partners.* Limited partners may lose their limited liability in certain circumstances, including by taking part in the control of AHIP's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. If limited liability is lost, there is a risk that limited partners may be liable beyond their contribution and share of AHIP's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the General Partner's net assets and AHIP's net assets. A transferee of a Unit will become a limited partner and shall be subject to the obligations and entitled to the rights of limited partners under the LP Agreement on the date on which the General Partner amends AHIP's record of limited partners to reflect that the transferee is a limited partner. See "*LP Agreement - Transfers of Units*".
- (p) *The TSX may not continue to list AHIP's securities.* AHIP's Units trade on the TSX under the symbols "HOT.UN" and "HOT.U" and the Debentures trade on the TSX under the symbol "HOT.DB.U". In order for these securities to remain listed, AHIP is required to meet the continued listing requirements of the TSX or, in the alternative, any other nationally-recognized exchange in Canada or the U.S. to which AHIP applies to have its securities listed. AHIP may be unable to satisfy those listing requirements, and there is no guarantee that AHIP's securities will remain listed on the TSX or any other nationally recognized exchange. If AHIP's securities are delisted from the TSX or another nationally-recognized exchange, AHIP could face significant material adverse consequences, including:
- a limited, or no, availability of market quotations for AHIP's securities;
  - a limited ability of AHIP's securityholders to make transactions in AHIP's securities;
  - additional trading restrictions being placed on AHIP's securities;
  - reduced liquidity with respect to AHIP's securities;

- a determination that the Units or Debentures are a “penny stock,” which would require brokers trading in such securities to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for such securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

## **Risks Relating to the Debentures**

- (a) *Volatile market price for Debentures.* The market price for Debentures may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond AHIP’s control, including, without limitation, the following: (i) actual or anticipated fluctuations in AHIP’s quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to AHIP; (iv) addition or departure of AHIP’s executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Units; (vi) sales or perceived sales of additional Units or securities convertible into Units (including additional convertible debentures); (vii) liquidity of the Debentures; (viii) prevailing interest rates; (ix) significant acquisitions, dispositions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving AHIP or its competitors; and (x) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in AHIP’s industry or target markets, including those related to COVID-19. Financial markets have recently experienced, and may from time to time experience, significant price and volume fluctuations that particularly affect the market prices of equity and debt securities of public entities and that may be unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Debentures may decline even if AHIP’s operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of AHIP’s environmental, governance and social practices and performance against such institutions’ respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the Debentures by those institutions, which could materially adversely affect the trading price of the Debentures. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, AHIP’s operations could be materially adversely impacted and the trading price of the Debentures may be materially adversely affected.
- (b) *Risks relating to the Units.* The Debentures are convertible into Units in certain circumstances and as such, the value of the Debentures is expected to be subject to changes in the value of the Units and thus subject to all risks related to the Units. See “– *Risks Relating to the Units*” above.
- (c) *AHIP may not be able to satisfy interest payments on the Debentures.* The likelihood that holders of Debentures will receive the payments owing to them in connection with the Debentures will be dependent upon the financial health and creditworthiness of AHIP and the ability of AHIP to earn revenues. The Debentures are subordinated to any Senior Indebtedness. This subordination may significantly reduce the possibilities for holders of Debentures of obtaining payment of the amounts owed under the Debentures.
- (d) *Inability to purchase Debentures on a Change of Control.* AHIP will be required to offer to purchase all outstanding Debentures upon the occurrence of a Change of Control. However, it is possible that, following a Change of Control, AHIP will not have sufficient funds at that time to make the required purchase of outstanding Debentures or that restrictions contained in other indebtedness will restrict those purchases. See “*Capital Structure – Debentures – Change of Control*”.

- (e) *Redemption prior to maturity.* The Debentures may be redeemed, at the option of AHIP, on and after June 30, 2020 and prior to the Maturity Date at any time and from time to time (provided that, in the case of any redemption between June 30, 2020 and June 30, 2021, the Current Market Price of the Units is not less than 125% of the Conversion Price upon payment of the principal, together with any accrued and unpaid interest). Debentureholders should assume that this redemption option will be exercised if AHIP is able to refinance at a lower interest rate or it is otherwise in the interest of AHIP to redeem the Debentures.
- (f) *Conversion following certain transactions.* In the case of certain transactions, each Debenture will become convertible into securities, cash or property receivable by a holder of Units in the kind and amount of securities, cash or property into which the Debenture was convertible immediately prior to the transaction, as more fully described under the heading “*Capital Structure – Debentures – Conversion Privilege*”. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future.
- (g) *Subordination of debentures.* The Debentures are unsecured obligations of AHIP and are subordinate in right of payment to all of AHIP’s Senior Indebtedness. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of AHIP, the assets that serve as collateral for any Senior Indebtedness would be made available to satisfy the obligations of the creditors of such Senior Indebtedness before being available to pay AHIP’s obligations to Debentureholders. Accordingly, all or a substantial portion of AHIP’s assets could be unavailable to satisfy the claims of the Debentureholders.
- (h) *Dilution on redemption or conversion.* AHIP may, in certain circumstances, determine to redeem outstanding Debentures for Units or to repay outstanding principal amounts thereunder at maturity of the Debentures by issuing additional Units. In addition, holders of Debentures may elect to convert their Debentures into Units. The issuance of additional Units may have a dilutive effect on Unitholders and an adverse impact on the price of the Units.
- (i) *Prevailing yields on similar securities.* Prevailing yields on similar securities will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

## **Canadian and U.S. Tax Related Risk Factors**

### ***Canadian Federal Income Tax-Related Risks***

The following provides a summary of significant Canadian federal income tax risks, but does not summarize, address or consider all aspects of these or all such risks:

#### **Investment in Units**

- (a) *Qualified investment for Plans.* The Units will be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan (“**RRSP**”), registered retirement income fund (“**RRIF**”), registered education savings plans (“**RESP**”), registered disability savings plans (“**RDSP**”), deferred profit sharing plans and tax free savings accounts (“**TFSA**”), each as defined in the Tax Act (each a “**Plan**”), provided that at all relevant times, the Units are listed on a designated stock exchange for purposes of the Tax Act (which includes the TSX).
- (b) *Prohibited investments.* A holder of a TFSA or an RDSP, a subscriber of an RESP, or an annuitant under an RRSP or RRIF, as the case may be, will be subject to a penalty tax if the Units are or become a “prohibited investment” as defined in the Tax Act for the TFSA, RDSP, RESP, RRSP or RRIF.
- (c) *U.S. tax refund or foreign tax credit/deduction may be a benefit or advantage received out of or under a Plan.* To the extent that an annuitant, a beneficiary, a subscriber or a holder of a Plan that is



a Unitholder files a U.S. federal income tax return and the annuitant, beneficiary, subscriber or holder (rather than the Plan itself) receives a U.S. tax refund of (or claims a foreign tax credit or a foreign tax deduction for an amount in respect of) all or a portion of the amounts withheld by the U.S. REIT, the annuitant, the beneficiary, the subscriber or the holder may, in certain circumstances, be required to include, in computing income for purposes of the Tax Act, or to pay a penalty tax on, an applicable portion of such amount of U.S. tax as a benefit or advantage received out of or under the Plan. Annuitants, beneficiaries, subscribers or holders of Plans that are Unitholders should consult their own tax advisors in this regard.

- (d) *Cash distributions may be insufficient to pay tax liability.* In general, a Unitholder must include in computing the Unitholder's income, gain, loss and deduction the Unitholder's proportionate share of income of AHIP allocated to the Unitholder pursuant to the LP Agreement for the Fiscal Year of AHIP ending with or within the Unitholder's taxation year. However, the cash distributed to a Unitholder may not be sufficient to pay the full amount of such Unitholder's tax liability in respect of its investment in AHIP because each Unitholder's tax liability depends on such Unitholder's particular tax situation. In addition, the actual amount and timing of distributions will be subject to the discretion of the General Partner, and AHIP cannot assure Unitholders that AHIP will in fact make cash distributions as intended. Even if AHIP is unable to distribute cash in amounts that are sufficient to fund the Unitholders' tax liabilities, each of the Unitholders will still be required to pay income taxes on its proportionate share of AHIP's income allocated to the Unitholder.
- (e) *After-tax returns from investment.* The after-tax return from an investment in Units to a Unitholder will depend on a number of factors, including whether or not the underlying income will be "foreign accrual property income" for purposes of the Tax Act and the Unitholder's ability to recognize, for purposes of the Tax Act, U.S. taxes paid by AHIP or by the Unitholder through foreign tax credits or foreign tax deductions under the Tax Act, and the Unitholder's ability to obtain a refund of any excess U.S. taxes withheld. A Unitholder's ability to recognize U.S. taxes through foreign tax credits or foreign tax deductions may be affected where the Unitholder does not have sufficient taxes otherwise payable under Part I of the Tax Act or sufficient U.S. source income in the taxation year the U.S. taxes are paid or where the Unitholder has other U.S. source income or losses, has paid other U.S. taxes or, in certain circumstances, has not filed a U.S. federal income tax return. Foreign tax credits or foreign tax deductions will be dependent upon the Canadian federal and provincial and U.S. federal and state income tax rates that will prevail in future years to apply to applicable sources of income.

Furthermore, if: (i) a Unitholder holds, or has held, actually or constructively, more than 5% of the outstanding Units, as determined for U.S. federal income tax purposes; or (ii) the regularly traded exception is not satisfied, a Unitholder may be subject to additional U.S. tax on disposition of the Units. The portion of such U.S. tax paid that is not applied as a foreign tax credit may generally not be available as a foreign tax deduction. Where such Unitholders are not entitled to all benefits under the Treaty, the proceeds receivable on a disposition of a Unit may not qualify as U.S. source income for purposes of the Tax Act (including for Canadian foreign tax credit purposes), and, where such Unitholders are trusts, their beneficiaries may not be considered to have paid such tax for purposes of the Tax Act and, accordingly, may not be entitled to a foreign tax credit or deduction in respect of such U.S. tax for Canadian tax purposes. Unitholders are therefore advised to consult their own tax advisors in regards to foreign tax credits and foreign tax deductions.

- (f) *SIFT Measures.* The exposure of AHIP to the tax on SIFT partnerships imposed by the SIFT Measures will depend on whether or not AHIP holds "non-portfolio properties" (as defined in the Tax Act) and earns "taxable non-portfolio earnings" (as defined in the Tax Act) in respect thereof. Where AHIP holds any "non-portfolio properties", it may be subject to adverse consequences, including a tax on its "taxable non-portfolio earnings" (as defined in the Tax Act), with the result that the amount of cash available for distribution by AHIP may be reduced, and that the taxable non-portfolio earnings net of any SIFT tax (being the tax imposed under the Tax Act on "SIFT partnerships" and "SIFT trusts" as these terms are defined in the Tax Act) would be, depending on



the circumstances, included in the income of Unitholders for purposes of the Tax Act as eligible dividends (as defined in the Tax Act).

- (g) *Change in Canadian federal income tax laws.* There can be no assurances that Canadian federal income tax laws respecting the treatment of partnerships and SIFT partnerships will not be changed, or that administrative policies and assessing practices of the CRA will not develop, in a manner which adversely affects AHIP and the Unitholders.
- (h) *Capital gain or loss on redemption of preferred share of the U.S. REIT.* AHIP intends to redeem fractions of the Series A preferred share of the U.S. REIT (the “**ROC Share**”) over time to fund its cash distribution obligations. AHIP may realize a capital gain or loss on such redemption as a result of the foreign currency exchange rate being higher or lower at the time of redemption than at the time of share subscription. The capital gain must be included in income, but any capital loss on such redemption may either be suspended or be denied and added to the adjusted cost base of the remaining fractions of the ROC Share unless AHIP sells the ROC Share of the U.S. REIT, which sale is not contemplated.
- (i) *Foreign accrual property income exceptions.* If the U.S. REIT or any other “controlled foreign affiliate” (“**CFA**”) of AHIP fails to meet at least one of the defined foreign accrual property income (“**FAPI**”) exceptions throughout a particular taxation year, an amount of FAPI may be required to be included in computing the income of AHIP for Canadian federal income tax purposes. At such time as AHIP receives a dividend from the U.S. REIT or other relevant CFA out of this type of income that was previously treated as FAPI (net of the amount of any previous “foreign accrual tax” deduction, if any), that dividend will effectively not be included in computing the income of AHIP and there will be a corresponding reduction in the adjusted cost base to AHIP of the U.S. REIT or CFA shares to the extent such adjusted cost base was increased as a result of such FAPI. A Unitholder may in certain circumstances face a degree of double-taxation on amounts, if any, that are FAPI when both U.S. and Canadian taxes are considered.
- (j) *Currency conversion.* For purposes of the Tax Act, Unitholders are generally required to compute their Canadian tax results using Canadian currency. Where an amount that is relevant in computing a taxpayer’s Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the rate of exchange quoted by the Bank of Canada at noon on the day such amount first arose, or using such other rate of exchange as is acceptable to the CRA. As a result, Unitholders may realize gains and losses for tax purposes by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

#### Investment in Debentures

- (a) *Withholding taxes.* The Indenture does not contain a requirement that AHIP increase the amount of interest or other payments to holders of the Debentures in the event that AHIP is required to withhold amounts in respect of income or similar taxes on payments of interest or other amounts on the Debentures (including on a conversion of Debenture into Units). Debentureholders that are not residents of Canada for the purposes of the Tax Act should consult their own tax advisors regarding the tax consequences of acquiring, holding, converting and disposing of Debentures.
- (b) *Income tax consequences vary according to the circumstances of each investor.* Income tax consequences in relation to the Debentures will vary according to the circumstances of each investor. Current and prospective investors should seek independent advice from their own tax and legal advisors prior to investing in the Debentures.
- (c) *Qualified investment for Plans.* Provided that the Units at all relevant times are listed on a designated stock exchange for purposes of the Tax Act (which includes the TSX), the Debentures, and the Units acquired upon conversion thereof, will be qualified investments under the Tax Act for trusts governed by RRSPs, RRIFs, deferred profit sharing plans (except that the Debentures will not be a qualified investment for a deferred profit sharing plan to which AHIP or an employer with which AHIP does not deal at arm’s length has made a contribution), RESP, RDSP and TFSAs. However,

there can be no assurance that tax laws relating to qualified investments will not be changed. If the Debentures are not or cease to be qualified investments for Plans, a Plan and/or its annuitant, beneficiary or subscriber thereunder or holder thereof may become subject to additional tax or penalties or may be otherwise adversely affected, including the revocation of the registration of an RESP.

- (d) *Prohibited investments.* A holder of a TFSA or an RDSP, a subscriber of an RESP or an annuitant under a RRSP or RRIF, as the case may be, will be subject to a penalty tax if the Debentures, and the Units acquired upon conversion thereof, are or become a “prohibited investment” as defined in the Tax Act for the TFSA, RDSP, RESP, RRSP or RRIF.
- (e) *After-tax return from investment.* The after-tax return from an investment in Debentures and any Units acquired under the terms of the Debentures to a Debentureholder will depend on a number of factors including the Debentureholder’s ability to claim foreign tax credits or foreign tax deductions under the Tax Act in respect of U.S. taxes paid by REIT or by the Debentureholder. A Debentureholder’s ability to claim foreign tax credits or foreign tax deductions in respect of any U.S. taxes may be affected where the Debentureholder does not have sufficient taxes otherwise payable under Part I of the Tax Act or sufficient U.S. source income in the taxation year the U.S. taxes are paid or where the Debentureholder has other U.S. source income or losses, has paid other U.S. taxes or, in certain circumstances, has not filed a U.S. federal income tax return. Furthermore, foreign tax credits or foreign tax deductions will be dependent upon the Canadian federal, provincial and territorial income tax rates and U.S. federal and state income tax rates that will prevail in future years to apply to applicable sources of income.

As set out under “U.S. Federal Income Tax-Related Risks”, if the Debenture 5 Percent Exception is not met, a Debentureholder may, under certain circumstances, be subject to U.S. tax on a conversion, redemption, repayment or other disposition of a Debenture. To the extent that a Debentureholder is subject to U.S. tax on disposition of the Debentures or any Units acquired under the terms of the Debentures, the portion of such U.S. tax paid that is not claimed as a foreign tax credit may generally not be available as a foreign tax deduction. Where such Debentureholders are not entitled to all benefits under the Treaty, the proceeds receivable on a conversion, redemption, repayment or other disposition, as the case may be, of the Debentures or Units acquired under the terms of the Debentures may not qualify as U.S. source income for purposes of the Tax Act (including for Canadian foreign tax credit purposes), and, where such Debentureholders are trusts, their beneficiaries may not be considered to have paid such tax for purposes of the Tax Act and, accordingly, may not be entitled to a foreign tax credit or deduction in respect of such U.S. tax for Canadian tax purposes. Debentureholders are therefore advised to consult their own tax advisors in regards to foreign tax credits and foreign tax deductions under the Tax Act.

- (f) *U.S. tax refund or foreign tax credit/deduction may be a benefit or advantage received out of or under a Plan.* To the extent that an annuitant, a beneficiary, a subscriber or a holder of a Plan that is a Debentureholder files a U.S. federal income tax return and the annuitant, beneficiary, subscriber or holder (rather than the Plan itself) receives a U.S. tax refund of (or claims a foreign tax credit or a foreign tax deduction for an amount in respect of) all or a portion of the amounts withheld by the U.S. REIT, the annuitant, the beneficiary, the subscriber or the holder may, in certain circumstances, be required to include, in computing income for purposes of the Tax Act, or to pay a penalty tax on, an applicable portion of such amount of U.S. tax as a benefit or advantage received out of or under the Plan. Annuitants, beneficiaries, subscribers or holders of Plans that are Debentureholders should consult their own tax advisors in this regard.

The rules governing the Canadian federal income taxation of Unitholders and Debentureholders are complex. This “*Canadian Federal Income Tax-Related Risks*” section does not address or consider all aspects of Canadian federal income tax of an investment in AHIP and does not consider provincial, territorial, U.S., State, or other foreign tax legislation or considerations. Current and prospective investors should consult their own professional advisors as to the tax consequences to them of making an investment in, and of holding, Units and Debentures or converting Debentures to Units.

## ***U.S. Federal Income Tax-Related Risks***

The following provides a summary of significant U.S. federal income tax risks, but does not summarize, address or consider all aspects of these or all such risks:

- (a) *Legislative and Other Changes Affecting REITs or Publicly Traded Partnerships (“PTP”).* The present U.S. federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time. In particular, on December 22, 2017, the U.S. federal tax legislation commonly known as the Tax Cuts and Jobs Act (the “**TCJA**”) was signed into law. The TCJA made major changes to the Code, including several provisions thereof that affect the taxation of REITs and holders of their securities. To date, the IRS has issued only limited guidance with respect to certain provisions of the TCJA. There are numerous interpretative issues and ambiguities that still require guidance and that are not clearly addressed in the legislative history that accompanied the TCJA. In addition, further technical corrections to the legislation are needed to clarify certain of the new provisions and to give proper effect to Congressional intent. The specific and overall effect of the changes made by the TCJA are still somewhat uncertain, and it may be some time before the full impact of the TCJA on REITs, PTPs and their security holders becomes evident. We cannot predict the long-term effect of the TCJA or any future changes in law on REITs, PTPs, or their security holders. Current and prospective investors should consult their tax advisors regarding the implications of the TCJA on AHIP and their investment in securities of AHIP.

Additionally, the REIT rules are under continuous review by the IRS, the Department of the Treasury (“**Treasury**”) and other legislators. As such, there can be no assurance that U.S. federal income tax laws, the terms of the Treaty, and the IRS and Treasury administrative and legislative policies in respect of the U.S. federal income tax consequences described in this document will not be changed, possibly on a retroactive basis, in a manner that adversely affects Unitholders and/or Debentureholders. In particular, any such change could increase the amount of U.S. federal income tax or withholding tax payable by AHIP or its subsidiaries, reducing the amount of distributions which AHIP would otherwise receive and thereby reducing the amount available to pay distributions to Unitholders.

- (b) *U.S. federal income tax treatment of the Debentures.* The Debentures are complex financial instruments and no assurance can be given that the IRS or the courts will agree with the U.S. tax treatment of the Debentures as described in the Prospectus. AHIP has not sought any rulings concerning the treatment of the Debentures and the U.S. federal income tax consequences described in the Prospectus are not binding on the IRS or the courts, either of which could disagree with the explanations or conclusions contained in the Prospectus. Current and prospective Debentureholders should consult with their tax advisors regarding the consequences to them of the possible re-characterization of the Debentures as equity (or otherwise) for U.S. federal income tax purposes.
- (c) *AHIP’s status as a partnership for U.S. federal income tax purposes.* There is a risk that for the current year, and for any subsequent year, AHIP does not meet the “qualifying income” exception to continue to be treated as a partnership for U.S. federal income tax purposes, and is, thus, treated as a corporation for U.S. federal income tax purposes. Should AHIP be treated as a corporation for U.S. federal income tax purposes, the U.S. federal income tax consequences will differ significantly from those described in the Prospectus and distributions to Unitholders may be materially lower than if AHIP were treated as a partnership for U.S. federal income tax purposes.
- (d) *AHIP not being engaged in a U.S. trade or business.* AHIP believes that it is not engaged in a U.S. trade or business for U.S. federal income tax purposes, and it intends to use commercially reasonable efforts to structure its activities to avoid generating income treated as effectively connected with a trade or business within the U.S. (“**ECI**”), including U.S. real property interest gain (see paragraph (g) below). It is possible, however, that the IRS or the courts could disagree or that the U.S. federal tax laws could change, and AHIP could be considered to be engaged in a U.S. trade or business. In this case, non-U.S. Unitholders and/or non-U.S. Debentureholders, would generally be required to file U.S. federal income tax returns and would be subject to U.S. federal income tax at regular

graduated rates. Corporate non-U.S. Unitholders may also be subject to a 30% branch profits tax (subject to reduction under an applicable treaty).

If, contrary to Management's expectations, AHIP were treated as engaged in a U.S. trade or business, then gain or loss from the sale of Units by a non-U.S. Unitholder would generally be treated as effectively connected with that trade or business to the extent such Unitholder would have had effectively connected gain or loss had AHIP sold all of its assets for their fair market value as of the date of the sale. Any effectively connected gain would generally be subject to U.S. federal income tax at regular graduated rates, and such selling non-U.S. Unitholder generally would be required to file a U.S. income tax return. Additionally, the purchaser would generally be required to withhold U.S. federal tax in an amount equal to 10% of the purchase price. However, the IRS has suspended this withholding obligation for dispositions of interests in PTPs (as defined in the Code) until final U.S. Treasury regulations or other guidance have been issued. AHIP should be treated as a PTP for these purposes. Although recently proposed U.S. Treasury regulations would end the suspension of these withholding rules for dispositions of PTP interests, such regulations would apply only to transfers that occur on or after the date that is 60 days after the proposed Treasury regulations are published in final form.

Non-U.S. Unitholders should consult with their tax advisors regarding the consequences to them of AHIP being treated as engaged in a U.S. trade or business.

- (e) *The U.S. federal income tax treatment with regard to five percent or smaller non-U.S. Unitholders depends on the Units being "regularly traded".* There is a risk that for the current quarter, and for any subsequent quarter, the Units may not be considered to be "regularly traded on an established securities market". Further, management is not certain whether the Debentures themselves are considered "regularly traded on an established securities market". Hence, should the Units not be considered to be "regularly traded on an established securities market", all non-U.S. Unitholders and non-U.S. Debentureholders would be taxable upon the disposition of their Units and Debentures, respectively, and would also be subject to U.S. federal income tax return filing requirements with respect to such disposition. Further, non-U.S. Unitholders who hold, actually or constructively, more than five percent of the outstanding Units at any time during the shorter of the five-year period ending on the date of disposition, or the period that such Units were held would be taxable upon the disposition of their Units and would be subject to U.S. tax return filing requirements, regardless of whether the Units are considered to be "regularly traded". Similarly, if on the date the Debentures were acquired by a non-U.S. Debentureholder, the Debentures held by such holder had a fair market value greater than five percent of the fair market value of AHIP's total outstanding Units (or the greater than five percent ownership test was met upon subsequent purchases of additional Debentures by such holder), such non-U.S. Debentureholder would be taxable upon the disposition of his or her Debentures and would be subject to U.S. federal income tax return filing requirements.
- (f) *U.S. withholding tax may be required on a transfer of the Debentures.* A purchaser of Debentures is generally required to withhold 15% U.S. tax if the Debentures are not themselves considered regularly traded and on the date the Debentures were acquired by the selling holder the Debentureholder did not meet the Non-Traded Debenture 5 Percent Exception (as defined in the Prospectus). A purchaser may not be able to determine whether a seller of the Debenture meets the Non-Traded Debenture 5 Percent Exception and therefore, may be required to withhold 15% upon the purchase of the Debentures. A non-U.S. Debentureholder that has sufficient proof of withholding may generally recover any excess withholding by filing a U.S. federal income tax return, provided the return is filed no later than two years after the tax is withheld.

- (g) *U.S. real property interest gains recognized by the U.S. REIT or AHIP will cause non-U.S. Unitholders to be subject to U.S. federal income tax and U.S. tax return filing obligations.* Management intends to take all reasonable steps to limit AHIP from recognizing U.S. real property interest gains that may cause a non-U.S. Unitholder to recognize a gain as ECI and, therefore, give rise to a U.S. federal income tax return filing requirement. However, no assurances can be given that U.S. real property interest gains will not be recognized in a particular year. Non-U.S. Unitholders who are allocated ECI (including U.S. real property interest gains) are required to file a U.S. federal income tax return and are subject to U.S. federal income tax at regular rates.
- (h) *The U.S. REIT may not qualify in the future as a REIT for U.S. federal income tax purposes.* Given the highly complex nature of the rules governing REITs and the possibility of future changes in circumstances, no assurances can be given that the U.S. REIT will qualify as a REIT for U.S. federal income tax purposes, whether in its first taxable year or in any subsequent year. Should the U.S. REIT fail to qualify as a REIT, it should be subject to U.S. federal income tax, which may result in materially reduced distributions to Unitholders. An entity that becomes disqualified as a REIT cannot generally elect again to become a REIT prior to the fifth taxable year beginning after the first taxable year for which the termination is effective.
- (i) *U.S. REIT Not Closely-Held Requirement.* 100% of the U.S. REIT common shares and Series A preferred stock are owned by AHIP. AHIP is expected by management to continue to be widely-held such that five or fewer individuals would not indirectly own more than 50% of the value of the U.S. REIT (the “**Not Closely-Held Requirement**”). There is no ownership limitation contained in the LP Agreement, so there can be no guarantee that the U.S. REIT would be able to effectively prevent five or fewer individuals from acquiring more than 50% of the Units and, thereby, indirectly acquiring more than 50% of the value of the U.S. REIT. Management will monitor the ownership of AHIP on a regular basis to evaluate its ownership so as to prevent a violation of the Not Closely-Held Requirement.
- (j) *Withholding certificates may not be granted by the U.S. IRS.* Where necessary, AHIP and/or the U.S. REIT will be making withholding certificate applications to the IRS to request for a reduction in U.S. federal income tax withholdings that would otherwise apply to an amount that more closely resembles the actual tax liability. No assurance can be given that the IRS will approve a withholding certificate application.
- (k) *Unitholders may recognize taxable income without receiving corresponding cash distributions.* Because AHIP is expected by management to be treated as a partnership for U.S. federal income tax purposes, Unitholders will be required to recognize income in accordance with AHIP’s recognition and allocation of such income. AHIP may derive taxable income from investments that is not matched by a corresponding distribution of cash. It is also possible that the U.S. federal income tax liability of a Unitholder with respect to its allocable share of AHIP’s income for a particular taxable year could exceed the cash distribution to the Unitholder for the year.
- (l) *An investor’s investment in AHIP may have U.S. gift and estate tax implications.* The U.S. gift and estate tax rules are complex, and each Unitholder and Debentureholder should consult his or her own tax advisor to determine the U.S. gift and estate tax implications of the investment.

The rules governing the U.S. federal income taxation of AHIP, the U.S. REIT, Unitholders and Debentureholders are complex. This AIF does not address or consider all aspects of the U.S. federal income tax consequences of an investment in AHIP and does not consider state, local, or non-U.S. tax consequences. Current and prospective investors should consult their own tax advisors to determine the U.S. federal income tax consequences, state, local and/or non-U.S. tax consequences, reporting and any other requirements applicable to them of making an investment in, and of holding, Units or Debentures.

**For all of the aforesaid reasons and others set forth in this AIF, an investment in the Units, the Debentures and any other securities of AHIP that may be offered or that are issued and outstanding from time to time involves a certain degree of risk. Any person currently holding or considering the purchase of Units, Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time**



to time, should be aware of these and other factors set forth in this AIF and should consult with his or her legal, tax and financial advisors prior to making an investment in the Units, Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time to time. The Units, Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time to time, should only be purchased by persons who can afford to lose all of their investment.

## CAPITAL STRUCTURE

### Partners' Capital

AHIP is authorized to issue an unlimited number of Units. Each Unit entitles the Unitholder to the same rights and obligations as any other Unitholder, and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholders.

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

Each Unit has attached to it the right to exercise one vote at meetings of AHIP (see “*Voting Trust Agreement*”). Certain powers, relating generally to the existence and fundamental powers of AHIP may be exercisable only by way of a Special Resolution passed by the Unitholders.

The following table sets out the consolidated capitalization of AHIP:

Security	Authorized	Issued as at December 31, 2019	Issued as at the date of this AIF
Units	Unlimited	78,127,410	78,133,171
Debentures	Unlimited	48,875	48,875

### Debentures

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

#### General

On June 9, 2017, AHIP issued US\$48,875,000 aggregate principal amount of 5.00% convertible unsecured subordinated debentures due on June 30, 2022. The Debentures were issued under the Indenture.

The Debentures were issued in denominations of US\$1,000 and integral multiples thereof and bear interest from and including the date of issue at 5.00% per annum, which is payable semi-annually in arrears on June 30 and December 31 in each year (or the immediately following business day if any interest payment date would not otherwise be a business day) (an “**Interest Payment Date**”).

The principal amount of the Debentures is payable in lawful money of the U.S. or, in certain limited circumstances, at the option of AHIP and subject to applicable regulatory approval, by the issuance of Units as further described under “– *Unit Payment Right*”. The interest on the Debentures is payable in lawful money of the U.S. including, at the option of AHIP and subject to applicable regulatory approval, in accordance with the Unit Interest Payment Election as described under “– *Interest Payment Election*”.

The Debentures are direct obligations of AHIP and are not secured by any mortgage, pledge, hypothec or other charge and will be subordinated to certain liabilities of AHIP as described under “– *Subordination*”. The Indenture does not restrict AHIP from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.



### ***Conversion Privilege***

The Debentures are convertible at the holder's option into fully paid Units at any time prior to the close of business on the earlier of the last business day prior to the business day preceding the Maturity Date and the business day immediately preceding the date specified by AHIP for redemption of the Debentures, at the Conversion Price, being US\$9.25 per Unit and representing a conversion rate of approximately 108.1081 Units for each US\$1,000 principal amount of Debentures, subject to adjustment upon the occurrence of certain events in accordance with the provisions of the Indenture. Notwithstanding the foregoing, no Debenture may be converted during the five business days preceding an Interest Payment Date or on the business day preceding the Maturity Date.

Holders converting their Debentures will receive a cash payment of accrued and unpaid interest thereon for the period from the last Interest Payment Date prior to conversion (or the date of issue of the Debentures if there has not yet been an Interest Payment Date) to and including the last Record Date declared for determining the Unitholders entitled to receive distributions on Units prior to such conversion. In the event that distributions have been suspended (or notice has been given of such suspension), a converting Debentureholder will be entitled to receive a cash payment of accrued and unpaid interest for the period from the last Interest Payment Date prior to the date of conversion to, but excluding, the date of conversion.

The Indenture provides for the adjustment of the Conversion Price in certain events including: (i) the subdivision or consolidation of the outstanding Units; (ii) the distribution of Units or securities exchangeable or convertible into Units to holders of all or substantially all of the outstanding Units by way of distribution or otherwise; (iii) the issuance of options, rights or warrants to all or substantially all holders of Units entitling them to acquire Units or other securities convertible into Units at a price per Unit less than 95% of the Current Market Price on the Record Date for such issuance; and (iv) the distribution to all holders of Units of any securities or assets. There will be no adjustment of the Conversion Price in respect of certain events described in (ii), (iii) or (iv) above if the holders of the Debentures are allowed to participate in such event as though they had converted their Debentures prior to the applicable Record Date or effective date, as the case may be. AHIP is not required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Units or in the case of any consolidation, amalgamation, merger, arrangement, acquisition or business combination of AHIP with or into any other entity, or in the case of any sale or conveyance of the properties and assets of AHIP as, or substantially as, an entirety to any other entity, or a liquidation or termination of AHIP, the terms of the conversion privilege shall be adjusted so that each Debentureholder will, after such reclassification, capital reorganization, consolidation, amalgamation, merger, arrangement, acquisition, business combination, sale, conveyance, liquidation or termination, be entitled to receive that number of Units or other securities or property on the exercise of the conversion right that such holder would be entitled to receive if, on the effective date thereof, it had been the registered holder of the number of Units into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, arrangement, acquisition, business combination, sale, conveyance, liquidation or termination.

No fractional Units will be issued on any conversion but in lieu thereof AHIP will satisfy fractional interests by a cash payment equal to the Current Market Price on the relevant date of any fractional interest.

### ***Redemption and Purchase***

The Debentures may not be redeemed by AHIP prior to June 30, 2020 (except in certain limited circumstances following a Change of Control). On or after June 30, 2020 and prior to June 30, 2021, the Debentures may be redeemed by AHIP, in whole or in part from time to time, at the option of AHIP on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest thereon up to, but excluding, the date fixed for redemption, provided that the Current Market Price on the date on which the notice of redemption is given is not less than 125% of the Conversion Price.

On or after June 30, 2021 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part from time to time at the option of AHIP on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest thereon up to, but excluding, the date fixed for redemption.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Indenture Trustee on a *pro rata* basis or in such other manner as the Indenture Trustee deems equitable.

Provided that no Event of Default has occurred and is continuing, and subject to applicable laws, AHIP has the right under the Indenture to purchase Debentures in the market in the ordinary course, by tender or by private contract.

### ***Payment upon Redemption or Maturity***

On the date of redemption or on the Maturity Date, AHIP is required to repay the indebtedness represented by the Debentures by paying to the Indenture Trustee in lawful money of the U.S. an amount equal to the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured, as applicable, together with accrued and unpaid interest thereon up to, but excluding, the date fixed for redemption or the Maturity Date, as applicable.

### ***Unit Payment Right***

If, on April 15, 2022, the outstanding principal amount of the Debentures plus accrued and unpaid interest exceeds the sum of (i) the Available Cash of AHIP as at March 31, 2022; plus (ii) US\$10,000,000, AHIP may, at its option, on not more than 60 days and not less than 40 days prior notice, subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, elect to satisfy its obligation to pay the principal amount of the Debentures which are due on the Maturity Date, in whole or in part, by issuing freely tradeable Units to the holders of the Debentures. Any accrued and unpaid interest up to, but excluding, the Maturity Date will be paid in cash. The number of Units to be issued will be determined by dividing the aggregate principal amount of the outstanding Debentures, which have matured by 95% of the Current Market Price on the Maturity Date (the “**Unit Payment Right**”). If AHIP exercises the Unit Payment Right, AHIP shall repay that portion of the principal amount of the Debentures in cash as determined by the General Partner to be available for repayment and not reserved to: (i) operate the affairs of AHIP in a prudent and businesslike manner that is consistent with past practices; (ii) maintain periodic distributions on the Units at the then current level; and (iii) maintain compliance with all applicable covenants and agreements of AHIP and its subsidiaries, and the remainder of the principal amount of the Debentures will be repaid in accordance with the Unit Payment Right.

No fractional Units will be issued on maturity but in lieu thereof AHIP shall satisfy fractional interests by a cash payment equal to the Current Market Price on the Maturity Date of any fractional interest.

AHIP will not, directly or indirectly (through a Subsidiary or otherwise), undertake or announce any rights offering, issuance of securities, subdivision of the Units, dividend or other distribution on the Units or any other securities, capital reorganization, reclassification or any similar type of transaction in which:

- (a) the number of securities to be issued;
- (b) the price at which securities are to be issued, converted or exchanged; or
- (c) any property or cash that is to be distributed or allocated,

is in whole or in part based upon, determined in reference to, related to or a function of, directly or indirectly: (i) the exercise or potential exercise of the Unit Payment Right; or (ii) the Current Market Price determined in connection with the exercise or potential exercise of the Unit Payment Right.

### ***Cancellation***

All Debentures redeemed or purchased by AHIP will be surrendered to the Indenture Trustee, will be cancelled and may not be reissued or resold.

### ***Subordination***

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness. “**Senior Indebtedness**” is defined in the Indenture as the principal, premium, interest or other amounts payable on (i) all secured indebtedness, liabilities

and obligations of AHIP, whether outstanding on the date of the Indenture or thereafter created, incurred, assumed or guaranteed in the normal course or in connection with the acquisition by AHIP of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, without limitation, mortgages, secured debentures, charges or other encumbrances or financings in respect of the personal or real property of AHIP) by AHIP or others including, without limitation, any subsidiary of AHIP for payment of which AHIP is responsible or liable, whether absolutely or contingently; and (ii) renewals, extensions, restructurings, refinancings and refundings of any such secured indebtedness, liabilities or obligations; unless in each case it is provided by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations that such indebtedness, liabilities or obligations are *pari passu* with or subordinate in right of payment to Debentures and/or Other Indebtedness that by their terms are subordinated.

Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, each debenture of the same series issued under the Indenture will rank *pari passu* with each other debenture of the same series and all present and future unsecured indebtedness, including Other Indebtedness, except for sinking fund provisions (if any) applicable to different series of debentures.

The Indenture provides that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to AHIP, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of AHIP, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of AHIP, those holders of Senior Indebtedness will receive payment in full before the Debentureholders will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon.

The Indenture also provides that AHIP will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without any limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures: (i) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures; or (ii) at any time when a default with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof has occurred under the Senior Indebtedness and is continuing, unless the Senior Indebtedness has been repaid in full.

The Debentures are also effectively subordinate to claims of creditors of AHIP and AHIP's Subsidiaries relating to Senior Indebtedness of AHIP or its Subsidiaries for the payment of which AHIP is responsible or liable, whether absolutely or contingently. Specifically, the Debentures are subordinated and postponed in right of payment to the prior payment in full of all Senior Indebtedness under any credit facility of AHIP.

### ***Change of Control***

Within 30 days following the occurrence of a Change of Control, AHIP is required to make an offer in writing to purchase for cash all of the Debentures then outstanding (the "**Debenture Offer**"), at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest thereon up to, but excluding, the date of purchase (the "**Debenture Offer Price**").

The Indenture contains notification and repurchase provisions requiring AHIP to give written notice to the Indenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Indenture Trustee will thereafter promptly mail to each holder of Debentures a notice of the Change of Control together with a copy of the Debenture Offer to repurchase for cash all the outstanding Debentures.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control to the Indenture Trustee have been tendered to AHIP pursuant to the Debenture Offer, AHIP will have the right to redeem all the remaining Debentures at the Debenture Offer Price.

Notice of such redemption must be given by AHIP to the Indenture Trustee within ten days following the expiry of the Debenture Offer, and as soon as possible thereafter, by AHIP to the holders of the Debentures not tendered pursuant to the Debenture Offer.

### ***Interest Payment Election***

Unless an Event of Default has occurred and is continuing, AHIP may elect, from time to time, subject to applicable regulatory approval, to satisfy its obligation to pay interest on the Debentures (the “**Interest Obligation**”), on the Interest Payment Date: (i) in cash; (ii) by delivering sufficient freely tradeable Units to the Indenture Trustee, for sale on behalf of AHIP, to satisfy the Interest Obligation on the Interest Payment Date, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Units (the “**Unit Interest Payment Election**”); or (iii) any combination of (i) and (ii) above.

The Indenture provides that, upon AHIP making a Unit Interest Payment Election, the Indenture Trustee shall: (i) accept delivery from AHIP of Units; (ii) accept bids with respect to, and consummate sales of, such Units, each as AHIP shall direct in its absolute discretion through the investment banks, brokers or dealers identified by AHIP; (iii) invest the proceeds of such sales in securities issued or guaranteed by the Government of Canada which mature prior to the applicable Interest Payment Date, and use the cash proceeds received from investment in such permitted government securities, together with any additional cash provided by AHIP, to satisfy the Interest Obligation; and (iv) perform any other action necessarily incidental thereto.

The Indenture sets forth the procedures to be followed by AHIP and the Indenture Trustee in order to effect the Unit Interest Payment Election. If a Unit Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive a cash payment equal to the interest owed on their Debentures from the Indenture Trustee out of the proceeds of the sale of Units (plus any amount received by the Indenture Trustee from AHIP) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to AHIP in respect of the Interest Obligation.

Neither AHIP’s making of the Unit Interest Payment Election nor the consummation of sales of Units will: (i) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date; or (ii) entitle such holders to receive any Units in satisfaction of the Interest Obligation.

The TSX has not approved, conditionally or otherwise, the listing of any Units issued pursuant to the Unit Interest Payment Election. Such approval would be sought by AHIP in the event it elects to make a Unit Interest Payment Election.

### ***Events of Default***

The Indenture provides that an event of default (“**Event of Default**”) in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (a) failure for 15 days to pay interest on the Debentures when due; (b) failure to pay principal or premium, if any, on the Debentures when due whether at maturity, upon redemption, by declaration or otherwise (whether such payment is due in cash, Units or other securities or property or a combination thereof); (c) default in the delivery, when due, of any Units or other consideration payable upon conversion with respect to the Debentures, and the continuance of any such default for 15 days; (d) default in the observance or performance of a material covenant contained in the Indenture and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given by the Indenture Trustee or by a holder of not less than 25% of the aggregate principal amount of the Debentures to AHIP specifying such default and requiring AHIP to remedy (or obtain a waiver for) such default; (e) certain events of bankruptcy, insolvency or reorganization; and (f) if an event of default occurs or exists under any indenture, agreement or other instrument evidencing or governing indebtedness for borrowed money of AHIP and as a result of such event of default: (i) indebtedness for borrowed money thereunder in excess of the greater of (A) 2% of the Consolidated Net Worth at such time or (B) US\$50,000,000 (or the equivalent amount in any other currency), has become due and payable before the date it would otherwise have been due and payable; and (ii) the holders of such indebtedness are entitled to commence, and have commenced, the enforcement of security they hold for such indebtedness (if any) or the exercise of any other creditors’ remedies to collect such indebtedness. If an Event of Default has occurred and is continuing, the Indenture Trustee may, in its discretion, and shall, upon request of holders of not less than 25% of the principal amount of the Debentures issued under the Indenture, declare the principal of and interest on all outstanding Debentures issued under the Indenture to be immediately due and payable. In certain cases, the holders of Debentures representing more than 66⅔% of the outstanding principal amount of the Debentures

issued under the Indenture may, on behalf of the holders of all the Debentures issued under the Indenture, waive any Event of Default and/or cancel any such declaration upon such terms as such holders shall prescribe.

### ***Offers for Debentures***

The Indenture contains provisions to the effect that if an offer is made for Debentures, which would be a take-over bid for Debentures within the meaning of National Instrument 62-104 – *Take-Over Bids and Issuer Bids* if Debentures were considered equity securities and not less than 90% of the Debentures issued under the Indenture (other than debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures issued under the Indenture held by the holders of Debentures issued under the Indenture who did not accept the offer on the terms offered by the offeror.

### ***Modification***

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which will make binding on all Debentureholders resolutions passed at meetings of the Debentureholders by votes cast thereat by holders of Debentures representing not less than 66⅔% of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the Debentures. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Debentures of each affected series.

### ***Book-Entry System for Debentures***

The Debentures are issued in “book-entry only” form and must be purchased or transferred through a Participant.

Unless the book-entry only system is terminated as described below, a purchaser acquiring a beneficial interest in the Debentures (a “**Beneficial Debenture Owner**”) will not be entitled to receive a certificate for Debentures, or, unless requested, for the Units issuable on the conversion, redemption or maturity of the Debentures. Purchasers of Debentures will not be shown on the records maintained by CDS, except through a Participant.

Beneficial interests in Debentures are represented solely through the book-entry only system and such interests are evidenced by customer confirmations of purchase from the registered dealer from which the applicable Debentures are purchased in accordance with the practices and procedures of that registered dealer. In addition, registration of interests in and transfers of the Debentures are made only through the depository service of CDS.

Investors should be aware that they (subject to the situations described below): (i) may not have Debentures registered in their name; (ii) may not have physical certificates representing their interest in the Debentures; (iii) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (iv) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Debenture Owners thereof in fully registered and certificated form (the “**Debenture Certificates**”) only if: (i) required to do so by applicable law, including where a Debenture Certificate requires the addition of a legend under applicable securities laws; (ii) the book-entry only system ceases to exist; (iii) CDS advises the Indenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and AHIP is unable to locate a qualified successor; (iv) AHIP, at its option, decides to terminate the book-entry only system through CDS; or (v) after the occurrence of an Event of Default that is continuing, Participants acting on behalf of Beneficial Debenture Owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest, provided the Indenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Indenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Debenture Owners, of the availability



through CDS of Debenture Certificates. Upon surrender by CDS of any global certificates representing the Debentures, and receipt of instructions from CDS for the new registrations, the Indenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter AHIP will recognize the holders of such Debenture Certificates as Debentureholders under the Indenture.

Interest on the Debentures is paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the General Partner, on behalf of AHIP, and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Units if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Units if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Indenture Trustee or as otherwise specified in the Indenture.

The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Debenture Owners must look solely to Participants for any payments relating to the Debentures, paid by or on behalf of AHIP to CDS.

### **Constraints**

There are no constraints imposed on the ownership of securities of AHIP to ensure a certain level of Canadian ownership of AHIP.

### **Ratings**

AHIP has not requested, nor to management's knowledge has AHIP received, any ratings from any rating organizations in respect of any of AHIP's securities.

## **LP AGREEMENT**

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

At the annual and special meeting of Unitholders held on May 10, 2017, the Unitholders approved a special resolution authorizing and approving certain amendments to the LP Agreement, including, without limitation, amendments which would authorize the creation and issuance of a new class of preferred units, which resolution gave the Board of Directors the discretion to determine the appropriate time for the implementation of such amendments. To date such amendments to the LP Agreement have not been implemented, but may be implemented in the future at the Board's discretion without further notice to the Unitholders.

### **Amendment to LP Agreement – Advance Notice Policy**

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

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

In the case of an annual meeting of Unitholders, notice to the General Partner must be given no less than 30 days prior to the date of the annual meeting provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual



meeting was made, notice may be given no later than the close of business on the 10th day following such public announcement.

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

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

### **Interests of Unitholders**

Each Unit when issued shall vest indefeasibly in the holder thereof. The interest of each Unitholder shall be determined by the number of Units registered in the name of the Unitholder. The issued and outstanding Units may be subdivided or consolidated from time to time without the approval of Unitholders, provided that a subdivision or consolidation of Units will not affect the Proportionate Share of any Unitholder.

### **Consideration for Units**

No Units shall be issued other than as fully paid and non-assessable. A Unit shall not be fully paid until the consideration therefore has been received in full by or on behalf of AHIP. The consideration for any Unit shall be paid in money or in property or in past services that are not less in value than the fair equivalent of the money that AHIP would have received if the Unit had been issued for money. In determining whether property or past services are the fair equivalent of consideration paid in money, the General Partner may take into account reasonable charges and expenses of organization and reorganization and payments for property and past services reasonably expected to benefit AHIP.

### **No Pre-Emptive Rights**

There are no pre-emptive rights attaching to the Units.

### **Fractional Units**

If any person becomes entitled to a fraction of a Unit, such person shall not be entitled to receive a certificate therefore. Fractional Units shall not, except to the extent that they may represent in the aggregate one or more whole Units, entitle the holders thereof to notice of or to attend or to vote at, meetings of Unitholders. Subject to the foregoing, such fractional Units shall have attached thereto the rights, restrictions, conditions and limitations attaching to whole Units in the proportion that they bear to a whole Unit.

### **Allotment and Issue**

The General Partner may allot and issue Units at such time or times and in such manner (including, without limitation, pursuant to any distribution reinvestment plan in effect from time to time) and for such consideration and to such person or class of persons as the General Partner in its sole discretion shall determine. In the event that Units are issued in whole or in part for a consideration other than money, the resolution of the General Partner allotting and issuing such Units shall express the fair equivalent in money of the other consideration received.

### **Rights, Warrants and Options**

The General Partner may, in its discretion, cause AHIP to create and issue rights, warrants or options or other instruments or securities to subscribe for fully paid Units which rights, warrants, options, instruments or securities may be exercisable at such subscription price or prices and at such time or times as the General Partner may determine. A holder of such rights, warrants, options, instruments or securities is not a Unitholder by virtue of holding such a security.

AHIP may also issue new Units pursuant to any incentive or option plan established by AHIP from time to time. Accordingly, on May 8, 2019, AHIP's Unitholders voted in favour of the renewal and amendment of AHIP's securities-based compensation plan, which was originally adopted by Unitholders on June 17, 2013 (the "**Securities-Based Compensation Plan**") to promote the interests and long-term success of AHIP by attracting, retaining and motivating key personnel, including certain directors, officers, employees or consultants of the General Partner, AHIP, AML and AHIP's other Subsidiaries or other persons as the Compensation Committee may determine, with greater incentive to further develop and promote the business and financial success of AHIP. The Securities-Based Compensation Plan is subject to the reconfirmation by Unitholders every three years. The material terms of the Securities-Based Compensation Plan are described in AHIP's Management Information Circular dated April 5, 2019, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

On May 8, 2019 AHIP's Unitholders voted in favour of the reconfirmation and amendment and restatement of AHIP's Unitholder Rights Plan Agreement, which had been originally been approved by Unitholders on June 17, 2013, to ensure, to the extent possible, that all Unitholders are treated fairly in connection with any take-over bid for AHIP, and this agreement entitles each Unitholder to purchase Units pursuant to any rights granted under the agreement and at terms and subject to the conditions set forth in the agreement. The Unitholder Rights Plan Agreement is subject to the reconfirmation by Unitholders every three years. A copy of the Unitholder Rights Plan Agreement is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Transfers of Units**

The Units are freely transferable and, except in limited circumstances set forth in the LP Agreement, the General Partner shall not impose any restriction on the transfer of Units by any Unitholder except with the consent of such Unitholder. A Unit is not, however, transferable in part.

Transfers of Units are completed at the expense of the transferee. A transferee of a Unit will become a Unitholder and shall be subject to the obligations and entitled to the rights of Unitholders under the LP Agreement on the date on which the Record of Unitholders maintained by the General Partner pursuant to the *Limited Partnerships Act* (Ontario) (the "**Record**") is updated to reflect that the transferee is a Unitholder.

A registered Unitholder may transfer all or a part of his, her or its Units upon delivery to the General Partner or to the Transfer Agent of the certificate therefore, properly endorsed or accompanied by a duly executed instrument of transfer or power of attorney and accompanied by all necessary transfer or other taxes imposed by law, together with such evidence of the genuineness of such endorsement, execution and authorization and other matters that may reasonably be required by the General Partner or the Transfer Agent. Upon such delivery, the transfer shall be recorded on the register or branch transfer registers and a new unit certificate for the Units shall be issued to the transferee and a new certificate for the balance of Units not transferred shall be issued to the transferor, if applicable. The transferee, by executing the transfer, agrees to be bound by the LP Agreement as a Unitholder as if the transferee had personally executed the LP Agreement.

Units are issued and held electronically in "book-entry only" form through the non-certificated inventory system ("**NCI**") of CDS Clearing and Depositary Services Inc. ("**CDS**"). Transfers of beneficial ownership of Units through the NCI system are effected through the records maintained by CDS or its nominee (with respect to interests of participants) and on the records of the participants (with respect to interests of persons other than participants). Beneficial owners who are not participants in CDS's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interests in Units, may do so only through participants in CDS's book-entry system.

The ability of a beneficial owner of an interest in a Unit through the NCI system to pledge the Unit or otherwise take action with respect to such holder's interest in a Unit represented in book-entry only form (other than through a participant) may be limited due to the lack of a physical certificate.

### **Distributions of Distributable Cash**

To the extent cash flow permits, AHIP will pay and distribute all Distributable Cash.

Distributable Cash will be distributed as follows:

- (a) first, to the General Partner 0.01% of the Distributable Cash to a maximum of Cdn\$100 per annum; and
- (b) as to the balance, to the Unitholders, *pro rata* in accordance with their respective Proportionate Shares.

### **Payment of Distributions**

Any distribution shall be made directly by the General Partner on behalf of AHIP or through the Transfer Agent or through any other person or agent, as approved by the General Partner, to the Unitholders as of the particular Record Date set for such distribution. The amount of taxes withheld or paid by or on behalf of AHIP or a Subsidiary in respect of a Unitholder shall be treated either as a distribution to such Unitholder or as a general expense of AHIP, as determined by the General Partner in its sole discretion, and the General Partner shall report to the Unitholders on an annual basis the amount of such taxes withheld or paid. For greater certainty, distributions made shall constitute full payment and satisfaction of AHIP's liability in respect of such distribution, regardless of any claim of any person who may have an interest in such distribution by reason of an assignment or otherwise. The General Partner may in its sole and unfettered discretion elect to not distribute Distributable Cash in any period or to reduce the amount of any distribution of Distributable Cash in whole or in part.

### **Distributions upon Dissolution**

Upon the dissolution of AHIP, the assets of AHIP will be liquidated and the proceeds thereof will be distributed as follows:

- (a) to pay any costs involved in the sale of the assets of AHIP and to pay all amounts required to discharge any mortgages or encumbrances registered against the assets;
- (b) to pay all expenses incurred in the winding-up of AHIP;
- (c) to pay all of the liabilities of AHIP;
- (d) to establish such reserves as the General Partner considers necessary;
- (e) to return to the General Partner the balance in its capital account; and
- (f) to pay the balance to the Unitholders, *pro rata* in accordance with their respective Proportionate Shares.

Such distribution may be made in cash or in kind or partly in each, all as the General Partner in its sole discretion may determine.

### **Allocation of Income and Losses**

Where Distributable Cash was 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 that were Partners at any time in the Fiscal Year on the following basis:

- (a) first, to the General Partner 0.01% of the Net Income and Taxable Income to a maximum of Cdn\$100 per annum; and
- (b) as to the balance, to the Unitholders, as a class, and to each Unitholder an amount equal to the balance multiplied by a fraction, the numerator of which is the sum of the distributions received by such Unitholder in respect of the Fiscal Year and the denominator of which is the total distributions made by AHIP to the Unitholders as a group in respect of the Fiscal Year.

Where no Distributable Cash was paid in respect of a Fiscal Year, Net Income and Taxable Income in respect of that Fiscal Year shall be allocated among all Partners that were Partners at any time in the Fiscal Year on the following basis:

- (a) first, to the General Partner 0.01% of the Net Income and Taxable Income of AHIP to a maximum of Cdn\$100 per annum; and
- (b) 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.

Net Loss and Taxable Loss in respect of that Fiscal Year shall be allocated among all Partners that were Partners at any time in the Fiscal Year on the following basis:

- (a) first, to the General Partner 0.01% of the Net Loss and Taxable Loss to a maximum of Cdn\$100 per annum; and
- (b) 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.

The General Partner shall have the discretion, but not the obligation, acting in good faith, to allocate income, loss and other amounts on a basis which ensures a fair distribution among Unitholders after taking into consideration any matters that may be relevant.

Each Unitholder who is a Partner of AHIP at any time in each Fiscal Year will be allocated his, her or its share of such Net Income and Taxable Income or Net Loss and Taxable Loss for such Fiscal Year in accordance with the LP Agreement. Where a Unitholder assigns a Unit prior to the end of the Fiscal Year, the portion of Net Income and Taxable Income, or Net Loss and Taxable Loss, which would have been attributed to such assigning Partner shall continue to be so allocable in accordance with the LP Agreement, instead of being allocated to the assignee who holds the Unit at the end of the Fiscal Year. For greater certainty, any person who was a Unitholder at any time during a Fiscal Year but who has transferred all of such person's Units before the last day of that Fiscal Year may be deemed to be a partner of AHIP on the last day of such Fiscal Year for the purposes of subsection 96(1) of the Tax Act. Where a Unit was initially subscribed for after the beginning of the Fiscal Year, Net Income and Taxable Income, or Net Loss and Taxable Loss, for the entire Fiscal Year will be allocated to the holder thereof in accordance with the mechanics of the provisions of the LP Agreement on account of the portion of the Fiscal Year that the person was a Unitholder.

The General Partner has been designated as the tax matters partner for all Canadian and U.S. federal income tax purposes, and state or provincial equivalents. The General Partner, acting as tax matters partner, in its reasonable discretion and from time to time may modify the manner in which Net Income, Taxable Income, Net Loss and Taxable Loss are allocated to or among the Unitholders and their capital accounts and for tax purposes in order that in the reasonable judgment of the General Partner, and in its sole discretion, such allocations will reasonably reflect the purpose of the LP Agreement and the intention of the parties; provided, however, that no such modification shall materially and adversely affect the amounts distributable to any Partner.

If applicable, for U.S. federal income tax purposes, allocations of Net Income, Taxable Income, Net Loss and Taxable Loss for each Fiscal Year or other relevant period of AHIP shall be allocated among the Unitholders as set out in the LP Agreement except to the extent: (i) that any such allocations would not have substantial economic effect or are not in accordance with the interests of the Unitholders (in each case, as determined pursuant to Section 704(b) of the Code); or (ii) otherwise required by applicable law or by reason of tax elections made by the General Partner on behalf of AHIP, and, in the case of either clause (i) or (ii), the General Partner shall adjust allocations as necessary so as to comply with the requirements of Sections 704(b) and 704(c) of the Code and the regulations promulgated thereunder, relevant provisions of law or elections made by the General Partner on behalf of AHIP (as applicable).

### **Additional Capital Contributions**

No Unitholder is required to make additional capital contributions to AHIP over and above the purchase price paid for such Units.

### **Annual Meeting**

There shall be an annual meeting of the Unitholders at such time and place as the General Partner shall prescribe for the purpose of electing directors of the General Partner in accordance with the terms of the LP Agreement, Voting Trust Agreement and Nomination Agreement, receiving audited financial statements, appointing or removing the auditors of AHIP and transacting such other business as the General Partner may determine or as may properly be brought before the meeting. The annual meeting shall be held after delivery to the Unitholders of the annual report and, in any event, within 180 days after the end of each Fiscal Year.

### **Other Meetings**

The General Partner shall have power at any time to call special meetings of the Unitholders at such time and place as the General Partner may determine. Unitholders holding in the aggregate not less than 10% of the outstanding Units may requisition the General Partner in writing to call a special meeting of the Unitholders for the purposes stated in the requisition.

### **Notice of Meeting**

Notice of all meetings of the Unitholders shall be mailed or delivered by the Transfer Agent to the Unitholders, each director of the General Partner and to the auditors of AHIP not less than 21 nor more than 50 days (or within such other number of days as required by law or relevant stock exchange) before the meeting. Such notice shall specify the time when, and the place where, such meeting is to be held and shall state briefly the general nature of the business to be transacted at such meeting and shall otherwise include such information as would be provided to shareholders of a corporation governed by the *Canada Business Corporations Act* in connection with a meeting of shareholders. Any adjourned meeting, other than a meeting adjourned for lack of a quorum, may be held as adjourned without further notice. Notwithstanding the foregoing, a meeting of Unitholders may be held at any time without notice if all of the Unitholders are present or represented thereat or those not so present or represented have waived notice. Any Unitholder (or a duly appointed proxy thereof) may waive any notice required to be given under the LP Agreement, and such waiver, whether given before or after the meeting, shall cure any default in the giving of such notice. Attendance at a meeting of Unitholders shall constitute a waiver of notice unless the Unitholder or other person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not properly called.

### **Chairperson**

The chairperson of any annual or special meeting shall be the chair of the General Partner or any other director of the General Partner specified by resolutions of the General Partner or, in the absence of any director, any person appointed as chairperson of the meeting by the Unitholders present.

## Quorum

A quorum for any meeting of Unitholders shall be individuals present not being less than two in number and being Unitholders or representing by proxy Unitholders who hold in the aggregate not less in aggregate than 5% of the total number of outstanding Units provided that if AHIP has only one Unitholder, the Unitholder present in person or by proxy constitutes a meeting and a quorum for such meeting. If a quorum is present at the opening of a meeting, the Unitholders may proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting. The chairperson of any meeting at which a quorum of Unitholders is present may, with the consent of the majority of the Unitholders present in person or by proxy, adjourn at such meeting and no notice of any such adjournment need be given. In the event of such quorum not being present at the appointed place on the date for which the meeting is called within 30 minutes after the time fixed for the holding of such meeting, the meeting, if called by request of Unitholders, shall be terminated and, if otherwise called, shall stand adjourned to such day being not less than seven days later and to such place and time as may be appointed by the chairperson of the meeting. If at such adjourned meeting a quorum as above defined is not present, the Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

## Matters Requiring Approval of Unitholders

The LP Agreement may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast by Unitholders at a meeting called for such purpose. Other amendments to the LP Agreement require approval by a majority of the votes cast by Unitholders at a meeting called for such purpose.

The following actions and/or amendments, among others, require the approval of two-thirds of the votes cast by Unitholders at a meeting called for such purpose:

- (a) any amendment to the provisions of the LP Agreement dealing with amendments to the LP Agreement;
- (b) any exchange, reclassification or cancellation of all or part of the Units;
- (c) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units, including:
  - (i) the removal or change of rights to distributions;
  - (ii) the addition or removal of or change to conversion privileges, options, voting, transfer or pre-emptive rights; or
  - (iii) the reduction or removal of a distribution preference or liquidation preference;
- (d) any constraint of the issue, transfer or ownership of Units or the change or removal of such constraint, except as provided in the LP Agreement;
- (e) any amendment to the articles of the General Partner to change either the maximum or minimum number of directors of the General Partner;
- (f) any distribution of AHIP's property upon its termination;
- (g) any amendment relating to the powers, duties, obligations, liabilities or indemnification of the General Partner;
- (h) any sale or transfer of the assets of AHIP as an entirety or substantially as an entirety (other than as part of an internal reorganization of assets of AHIP as approved by the General Partner);
- (i) the combination, amalgamation or arrangement of any of AHIP or its Subsidiaries with any other entity (other than as part of an internal reorganization of the assets of AHIP approved by the General Partner);



- (j) dissolving AHIP, except as otherwise provided for in the LP Agreement;
- (k) any amendment to the investment guidelines or operating policies of AHIP, except for any amendments aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the General Partner or over AHIP; or
- (l) any other matter required to be passed by a Special Resolution under the LP Agreement.

#### **Limitation on Authority of Unitholders**

A Unitholder may from time to time inquire as to the state and progress of the business of AHIP and may provide comment as to its management; however, no Unitholder shall take part in the control or management of the business of AHIP, execute any document which binds or purports to bind AHIP, the General Partner or any other Unitholder as such or have any authority to undertake any obligation or responsibility on behalf of AHIP.

#### **Liability of the Partners**

The General Partner has unlimited liability for the debts, liabilities, losses and obligations of AHIP. Subject to the applicable law and any specific assumption of liability, the liability of each Unitholder for the debts, liabilities, losses and obligations of AHIP is limited to the amount of the capital contributed or agreed to be contributed to AHIP by him, her or it in respect of his, her or its Unit(s) plus his, her or its share of any undistributed income of AHIP.

#### **Liability of the General Partner**

The LP Agreement contains customary provisions limiting the liability of the General Partner. The General Partner is not liable for the return of any capital contribution made by a limited partner to the Partnership. Moreover, notwithstanding anything else contained in the LP Agreement, but subject to certain sections of the LP Agreement, neither the General Partner nor any Affiliates thereof nor their respective officers, directors, shareholders, employees or agents are liable, responsible for or accountable in damages or otherwise to AHIP or a limited partner for an action taken or failure to act on behalf of AHIP within the scope of the authority conferred on the General Partner by the LP Agreement or by law, provided the General Partner has acted in good faith, in a manner which the General Partner believed to be in, or not opposed to, the best interests of AHIP.

#### **Investment Guidelines**

The LP Agreement provides that the assets of AHIP may only be invested, and AHIP shall not permit the assets of any Subsidiary to be invested otherwise than, with the approval of the General Partner and in accordance with the following investment guidelines:

- (a) AHIP will not make any investment, take action or omit to take any action that would result in Units not being a “qualified investment” for investment by Plans.
- (b) AHIP shall not make any investments or take any action or omit to take any action which would cause AHIP to be a “SIFT partnership” within the meaning of the Tax Act (or proposed amendments thereto) at any time during a Taxation Year (as defined in the LP Agreement).
- (c) AHIP shall cause the U.S. REIT to only make investments and adopt operating policies and undertake activities that will allow the U.S. REIT to meet all requisite organizational, operational, income, asset and distribution requirements for the U.S. REIT to qualify as a real estate investment trust under the Code.
- (d) AHIP shall not make investments or undertake activities that will cause AHIP to be actually engaged in a U.S. trade or business for U.S. federal income tax purposes, or to generate income treated as effectively connected with a U.S. trade or business other than amounts attributable to U.S. real property interest (as defined in the Code) in connection with the investment in U.S. REIT or similar Subsidiary.

- (e) AHIP shall not acquire any interest in real property directly and in the case of indirect interests in real property, AHIP shall not indirectly acquire any interest in a single real property if, after giving effect to the proposed acquisition, the cost of such acquisition will exceed 15% of AHIP's Gross Book Value.
- (f) Except as otherwise permitted, AHIP may only invest in indirect interests (including ownership and leasehold interests) in Suitable Properties in the U.S. and Canada and such other investments and activities related or incidental thereto as are consistent with the investment restrictions and guidelines of AHIP and approval by a majority of the directors of the General Partner from time to time.
- (g) Except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities, securities issued by Subsidiaries or Affiliates, and except as otherwise permitted pursuant to the investment guidelines and operating policies of AHIP, AHIP may not hold securities other than to the extent such securities would constitute an indirect investment in real property (as determined by the General Partner).
- (h) AHIP may, with the prior approval of the General Partner, indirectly invest in a joint venture arrangement for the purposes of indirectly owning interests or investments otherwise permitted to be held by AHIP, provided that such joint venture arrangement contains terms and conditions which, in the opinion of management, are commercially reasonable, including such terms and conditions relating to restrictions on the transfer, acquisition and sale of AHIP's interest and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to AHIP, provisions to limit the liability of AHIP and its Unitholders to third parties, and provisions to provide for the participation of AHIP in the management of the joint venture arrangement. For purposes hereof, a "joint venture arrangement" is an arrangement between AHIP and one or more other persons pursuant to which AHIP indirectly conducts an undertaking for one or more of the purposes set out in the investment guidelines of AHIP and in respect of which AHIP may hold its interest jointly or in common or in another manner with others through the ownership of securities of a corporation or other entity, including a limited partnership or a limited liability company.
- (i) AHIP shall not invest, directly or indirectly, in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property.
- (j) AHIP will not invest, indirectly, in operating businesses unless an indirect investment is incidental to a transaction: (i) where revenue will be derived indirectly, principally from the Suitable Properties; or (ii) which principally involves the ownership, maintenance, improvement, leasing, operation or management indirectly, of Suitable Properties (in each case as determined by the Board of Directors) including for greater certainty any business relating to hotel, lodging or other activity ancillary to such business conducted on or in connection with the Suitable Properties.
- (k) AHIP may, with the prior approval of the General Partner, invest, directly or indirectly, by way of mezzanine loans, in the development of new Suitable Properties, with rights to cause a Subsidiary to acquire such properties on pre-agreed terms.
- (l) AHIP may invest, directly or indirectly, in immovable hypothecs, mortgages, hypothecary bonds or mortgage bonds (including a participating or convertible immovable hypothec or mortgage) and similar instruments where:
  - (i) the hypothec, mortgage, hypothecary bond or mortgage bond is issued by a Subsidiary;
  - (ii) the immovable property, which is security therefore, is income producing real property which otherwise complies with the other investment guidelines of AHIP adopted from time to time in accordance with the guidelines set out in the LP Agreement;

- (iii) the immovable hypothec or mortgage is an immovable hypothec or mortgage registered on title to the real property which is security therefore; and
- (iv) the aggregate value of the investments of AHIP in these instruments, after giving effect to the proposed investment, will not exceed 20% of the adjusted Unitholders' Equity.

AHIP may invest, directly or indirectly, in immovable hypothecs or mortgages which are not first ranking for the purposes of providing, directly or indirectly, financing in connection with a transaction in which a Subsidiary of AHIP is the vendor or with the intention of using such hypothec or mortgage as part of a method for subsequently indirectly acquiring an interest in or control of a real property or a portfolio of properties.

- (m) AHIP may invest an amount (which, in the case of an amount invested to indirectly acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by AHIP) up to 15% of the Gross Book Value of AHIP in investments which do not comply with one or more of the operating policies.

### Operating Policies

The LP Agreement provides that the operations and affairs of AHIP shall be conducted in accordance with the following policies, the whole subject to the investment guidelines above. For the purpose of these policies, the assets, liabilities and transactions of a corporation, trust or other entity wholly or partially owned by AHIP (an “investee”) will be deemed to be those of AHIP on a proportionate consolidated basis. In applying these guidelines, AHIP will cause each investee to adhere to operating policies, and AHIP will otherwise manage its investments in its investees, such that it shall remain in compliance with the operating policies. In addition, any references in the below guidelines to investment in real property will be deemed to include an investment in a joint venture:

- (a) AHIP shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof: the term “hedging” shall have the meaning ascribed thereto by National Instrument 81-102 – *Investment Funds* adopted by the Canadian Securities Administrators, as amended from time to time.
- (b) AHIP may engage, indirectly, in construction or development of Suitable Properties, businesses or assets in order to maintain its indirect interests in real properties in good repair or to enhance the income-producing potential of Suitable Properties, businesses or assets in which AHIP has an indirect interest, provided that the aggregate value of investments in properties under development, including advances of mezzanine loans, after giving effect to the proposed investment in the development or mezzanine loan will not exceed 5% of AHIP's Gross Book Value.
- (c) Unless otherwise approved by the Board of Directors, title to each real property shall be held by and registered in the name of an entity owned, directly or indirectly, by AHIP or jointly-owned, directly or indirectly, by a Subsidiary of AHIP, with joint venturers or a corporation which is a nominee of a Subsidiary of AHIP which holds registered title to such real property pursuant to a nominee agreement with a Subsidiary of AHIP.
- (d) AHIP shall not, directly or indirectly, incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total consolidated indebtedness of AHIP would be more than 60% of AHIP's Gross Book Value (excluding convertible debentures) and 65% of AHIP's Gross Book Value (including convertible debentures). For the purposes of this paragraph, the term “indebtedness” means any obligation of AHIP or its Subsidiaries for borrowed money, including the face amount outstanding under any convertible debentures but excluding any premium in respect of indebtedness assumed, directly or indirectly, by AHIP for which AHIP or its Subsidiaries has the benefit of an interest rate subsidy, but only to the extent an amount receivable has been excluded in the calculation of Gross Book Value with respect to such interest rate subsidy, provided that:

- (i) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated statement of financial position of AHIP in accordance with IFRS;
  - (ii) indebtedness excludes trade accounts payable, distributions payable to Unitholders, accrued liabilities arising in the ordinary course of business and short-term acquisition credit facilities; and
  - (iii) indebtedness excludes any amount shown on the consolidated statement of financial position of AHIP in accordance with IFRS in respect of the Units, if they shall be characterized as a liability under IFRS.
- (e) AHIP will not, directly or indirectly, guarantee any indebtedness or liabilities of any kind of any person, except indebtedness or liabilities assumed or incurred by a person in which AHIP holds an interest, directly or indirectly, or by an entity jointly-owned indirectly by AHIP with joint venturers and operated solely for the purpose of holding a particular property or properties where such indebtedness, if granted by AHIP directly, would not cause AHIP to otherwise contravene the guidelines. AHIP is not required but shall use its reasonable best efforts to comply with this requirement if doing so is necessary or desirable in order to further the initiatives of AHIP permitted under the LP Agreement.
- (f) AHIP will not invest indirectly in any properties unless a Subsidiary:
- (i) will obtain or has received an independent appraisal of each property or an independent valuation of a portfolio of properties that it intends to acquire; and
  - (ii) will obtain or review a preliminary site investigation report (or reliance letter from an environmental consultant in respect of a preliminary site investigation report) of each real property to be acquired by it, dated within 18 months of the date of acquisition, and, if the preliminary site investigation report recommends or recommended a Phase II environmental audit be obtained, the Subsidiary shall obtain or review a Phase II environmental audit, in each case by an independent and experienced environmental consultant; as a condition to any acquisition, such audit must be satisfactory to the General Partner.

### **Amendments to Investment Guidelines and Operating Policies**

The investment guidelines and the operating policies set out in the LP Agreement may be amended only by Special Resolution. Any remaining operating policies may be amended with the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

Notwithstanding the foregoing paragraph, if at any time a government or regulatory authority having jurisdiction over AHIP or any property of AHIP shall enact any law, regulation or requirement which is in conflict with any investment guideline of AHIP then in force (other than the restriction on making any investments, taking action or omitting to take any action that would result in Units not being a “qualified investment” for investment by Plans), such guideline in conflict shall, if the directors on the advice of legal counsel to the General Partner so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary in the LP Agreement, any such resolution of the General Partner shall not require the prior approval of Unitholders.

### **Application of Investment Guidelines and Operating Policies**

With respect to the investment guidelines and operating policies, where any maximum or minimum percentage limitation is specified in any of the guidelines and policies in the LP Agreement, such guidelines and policies shall be applied on the basis of the relevant amounts calculated immediately after the making of such investment or the taking of such action. Any subsequent change relative to any percentage limitation which results from a subsequent change in the Gross Book Value or adjusted Unitholders’ Equity will not require divestiture of any

investment (other than with respect to paragraphs (a) and (b) of the investment guidelines which must be complied with at all times).

### VOTING TRUST AGREEMENT

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

The General Partner and AHIP determined that the Unitholders should have control over the election of the Board of Directors and certain other fundamental matters relating to the General Partner. Accordingly, Maverick (an Affiliate of Mr. John O'Neill and Mr. Robert O'Neill), Darren Investments Inc. (an Affiliate of the estate of Mr. Darren Latoski) and Triple E Investments Ltd. (an Affiliate of Mr. Stephen Evans), which collectively own 100% of the outstanding shares of the General Partner, entered into a voting trust agreement with a third party trustee (the "**Voting Trust Agreement**") dated February 20, 2013 pursuant to which the Unitholders are provided with the right to vote for the election of directors to the Board of Directors and in respect of certain other matters relating to the General Partner including, among others, the following:

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

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

### NOMINATION AGREEMENT

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

Pursuant to the nomination agreement (the "**Nomination Agreement**") between the General Partner and SOHMI dated February 20, 2013, the General Partner granted to SOHMI the right to nominate for election as a director of the General Partner at each meeting of Unitholders of AHIP at which directors of the General Partner are to be considered for election (the "**Directors Election Meeting**"), a certain minority number of selected SOHMI nominees (based upon the holdings of Units by SOHMI's principals and their Affiliates from time to time).

The General Partner shall provide SOHMI with notice of each Directors Election Meeting informing SOHMI of the date of the applicable meeting and SOHMI shall deliver to the General Partner in writing, within 14 days after

receiving such notice, the names of the applicable number of selected SOHMI nominees, together with the information regarding such selected nominees (including the number of common shares of the General Partner, the number of Units owned or controlled by each such nominee and a biography of each such nominee) as AHIP is required pursuant to the LP Agreement and applicable securities laws to include in the information circular of AHIP to be sent to Unitholders in respect of such Directors Election Meeting (a “**Nomination Letter**”).

If SOHMI fails to deliver a Nomination Letter to the General Partner within 14 days after receiving a notification from the General Partner in respect of a Directors Election Meeting, the General Partner shall have no obligation to include one or more selected SOHMI nominees as part of the group of nominees to be considered for election as a director of the General Partner at such Directors Election Meeting (and for greater certainty, no obligation to include one or more SOHMI nominees in the information circular for such Directors Election Meeting) for which the notice was provided to SOHMI.

## **DISTRIBUTIONS**

### **Distribution Policy**

On March 20, 2020 AHIP announced that the Board of Directors had approved the temporary suspension of AHIP’s monthly distribution, beginning with the distribution that would have otherwise been declared in April 2020 and been payable in May 2020, until economic conditions and the performance of AHIP’s hotels sufficiently improve. The decision was based on the recent deteriorating demand across the hotel sector, which is expected to continue to negatively impact future guest bookings and occupancy levels at AHIP’s properties – due in part to government mandated social distancing measures that have severely restricted travel within the United States. While this economic uncertainty continues, the Board of Directors and management believe cash preservation is of utmost importance and the temporary suspension of the monthly distribution is a prudent measure to ensure the long-term health of the business. The Board of Directors will continue to regularly review AHIP’s performance in order to determine an appropriate time for reinstatement of monthly distributions. See “*Risk Factors*”.

Prior to the temporary suspension of the monthly distributions, AHIP’s policy had been to declare and pay monthly cash distributions. The declaration of distributions is subject to the discretion of the Board of Directors and is regularly evaluated periodically and may be revised.

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

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

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



Each holder of the U.S. REIT's Series B Shares is entitled to receive, when and as authorized by the board of directors of the U.S. REIT, out of funds legally available for the payment of dividends, cumulative preferential cash dividends at the rate of 12.5% per annum of the total of US\$1,000.00 per share plus all accumulated and unpaid dividends.

**Cash distributions are not guaranteed, and the duration of the current temporary suspension of monthly distributions is unknown. If AHIP recommences paying monthly distributions in the future, the amount of such distributions may be less than amounts paid prior to the suspension. See “Risk Factors”.**

### Monthly Distributions

Prior to the temporary suspension of AHIP's monthly distributions effective with the distribution that would otherwise be declared in April 2020 distribution, AHIP declared and paid the following cash distributions to Unitholders in 2017, 2018, 2019 and the current year to date:

Period	Record Date	Cash Distribution Per Unit	Date Paid
January 2017	January 31, 2017	US\$0.054	February 15, 2017
February 2017	February 28, 2017	US\$0.054	March 15, 2017
March 2017	March 31, 2017	US\$0.054	April 14, 2017
April 2017	April 28, 2017	US\$0.054	May 15, 2017
May 2017	May 31, 2017	US\$0.054	June 15, 2017
June 2017	June 30, 2017	US\$0.054	July 14, 2017
July 2017	July 31, 2017	US\$0.054	August 15, 2017
August 2017	August 31, 2017	US\$0.054	September 15, 2017
September 2017	September 29, 2017	US\$0.054	October 13, 2017
October 2017	October 31, 2017	US\$0.054	November 15, 2017
November 2017	November 30, 2017	US\$0.054	December 15, 2017
December 2017	December 29, 2017	US\$0.054	January 15, 2018
January 2018	January 31, 2018	US\$0.054	February 15, 2018
February 2018	February 28, 2018	US\$0.054	March 15, 2018
March 2018	March 29, 2018	US\$0.054	April 13, 2018
April 2018	April 30, 2018	US\$0.054	May 15, 2018
May 2018	May 31, 2018	US\$0.054	June 15, 2018
June 2018	June 29, 2018	US\$0.054	July 13, 2018
July 2018	July 31, 2018	US\$0.054	August 15, 2018
August 2018	August 31, 2018	US\$0.054	September 14, 2018
September 2018	September 28, 2018	US\$0.054	October 15, 2018
October 2018	October 31, 2018	US\$0.054	November 15, 2018
November 2018	November 30, 2018	US\$0.054	December 14, 2018
December 2018	December 31, 2018	US\$0.054	January 15, 2019
January 2019	January 31, 2019	US\$0.054	February 15, 2019
February 2019	February 28, 2019	US\$0.054	March 15, 2019
March 2019	March 29, 2019	US\$0.054	April 15, 2019
April 2019	April 30, 2019	US\$0.054	May 15, 2019
May 2019	May 31, 2019	US\$0.054	June 14, 2019
June 2019	June 28, 2019	US\$0.054	July 15, 2019
July 2019	July 31, 2019	US\$0.054	August 15, 2019
August 2019	August 30, 2019	US\$0.054	September 13, 2019
September 2019	September 30, 2019	US\$0.054	October 15, 2019
October 2019	October 31, 2019	US\$0.054	November 15, 2019
November 2019	November 29, 2019	US\$0.054	December 13, 2019
December 2019	December 31, 2019	US\$0.054	January 15, 2020
January 2020	January 31, 2020	US\$0.054	February 14, 2020
February 2020	February 28, 2020	US\$0.054	March 13, 2020
March 2020	March 31, 2020	US\$0.038	April 15, 2020 <sup>(1)</sup>

(1) Anticipated payment date.

AHIP satisfies its monthly distributions to Unitholders using Available Cash to the maximum extent possible. The amount of cash available for distributions is calculated based on monthly cash receipts of AHIP less reserves and

any other amounts that the General Partner reasonably considers are required for expenses and other obligations of AHIP. Distributable Cash is distributed as follows: first, to the General Partner 0.01% of the Distributable Cash to a maximum of Cdn\$100 per annum; and as to the balance, to the Unitholders, *pro rata* in accordance with their respective Proportionate Shares. Distributions are typically paid within 15 days following the end of each month. AHIP may also make additional distributions in excess of monthly distributions during the year, as the Board of Directors may determine.

## MARKET FOR SECURITIES

### Units

The Units are listed and posted for trading on the TSX under the symbols HOT.UN and HOT.U. The following table sets out the price range in Canadian dollars and trading volume of the Units traded under the symbol HOT.UN, as reported by the TSX, for each month in 2019 and the current year to date:

Month	Price Range		Total Volume
	High (Cdn\$)	Low (Cdn\$)	
January 2019	7.50	6.21	3,988,232
February 2019	7.59	7.21	2,940,918
March 2019	7.53	6.44	5,689,343
April 2019	7.53	6.88	2,544,066
May 2019	7.18	6.52	2,387,184
June 2019	6.88	6.58	1,948,732
July 2019	6.87	6.62	2,219,768
August 2019	6.91	6.60	2,428,765
September 2019	7.04	6.68	3,055,115
October 2019	6.85	6.58	2,665,471
November 2019	6.96	6.32	4,251,640
December 2019	7.10	6.66	3,330,466
January 2020	7.49	6.87	3,106,061
February 2020	7.17	6.07	3,186,795
March 1 – 24, 2020	6.39	1.12	11,330,851

The following table sets out the price range in U.S. dollars and trading volume of the Units traded under the symbol HOT.U, as reported by the TSX, for each month in 2019 and the current year to date:

Month	Price Range		Total Volume
	High (US\$)	Low (US\$)	
January 2019	5.62	4.57	59,843
February 2019	5.78	5.34	49,219
March 2019	5.70	4.82	144,416
April 2019	5.46	5.12	61,185
May 2019	5.30	4.84	86,828
June 2019	5.23	4.90	40,791
July 2019	5.29	5.03	61,403
August 2019	5.22	4.82	84,408
September 2019	5.29	5.04	62,727
October 2019	5.22	4.96	35,844
November 2019	5.45	4.75	86,584
December 2019	5.68	4.97	102,545
January 2020	5.75	5.25	62,912
February 2020	5.71	4.54	68,142
March 1 – 24, 2020	5.08	0.81	171,460

## Debentures

The Debentures are listed and posted for trading on the TSX under the symbol HOT.DB.U. The following table sets out the price range and trading volume of the Debentures, as reported by the TSX, for each month in 2019 and the current year to date:

Month	Price Range		Total Volume
	High (US\$)	Low (US\$)	
January 2019	93.00	84.93	690,000
February 2019	93.00	88.03	326,000
March 2019	93.00	88.51	1,577,000
April 2019	95.00	92.49	631,000
May 2019	96.89	94.00	854,000
June 2019	95.75	93.25	644,000
July 2019	97.68	93.90	1,030,000
August 2019	98.00	95.75	935,000
September 2019	97.99	95.75	375,000
October 2019	97.79	95.00	695,000
November 2019	99.00	96.00	913,000
December 2019	99.97	98.50	366,000
January 2020	100.50	99.50	487,000
February 2020	100.22	98.50	1,012,000
March 1 – 24, 2020	98.97	30.00	3,001,000

## Other Securities

No securities of AHIP, other than Units, have been issued since January 1, 2019, except as set out below.

On August 19, 2019, AHIP granted a total of 68,799 Units of restricted stock with a grant date fair value of Cdn\$6.7831 per Unit of restricted stock to certain executive officers of the General Partner. The Units of restricted stock were issued as awards under the Securities-Based Compensation Plan. The grant date fair value of Cdn\$6.7831 per Unit of restricted stock was calculated using the volume weighted average price at which the Units had traded on the TSX during the five most recent trading days ending on the trading day immediately prior to the grant date.

## DIRECTORS AND MANAGEMENT

The LP Agreement provides for the management and control of AHIP by a general partner. The General Partner provides day-to-day management of AHIP and has sole responsibility and authority for the governance of AHIP. The General Partner has a board consisting of eight directors, the majority of whom are Independent Directors. The Board of Directors facilitates its independent supervision over management through the nomination of Independent Directors to the Board of Directors and through adherence to the conflict of interest provision contained in the LP Agreement. See “*Directors and Management – Conflict of Interest Provision*”.

The members of the Board of Directors (each of whom has been appointed to hold office until the close of AHIP’s next annual meeting) and management of the General Partner currently consist of the following individuals:

Name and Municipality of Residence	Position with the General Partner	Principal Occupation
W. MICHAEL MURPHY <sup>(1)</sup> ..... Atlanta, Georgia, U.S.A.	Chair <sup>(21)(22)</sup>	Head of Lodging and Leisure Capital Markets, First Fidelity Mortgage Corporation
CHARLES VAN DER LEE <sup>(2)(3)(4)</sup> ..... Vancouver, British Columbia, Canada	Lead Independent Director <sup>(22)(23)</sup>	President and CEO of Papa M Pizza Canada Inc.
MINAZ B. ABJI <sup>(3)(5)(6)</sup> ..... Bellevue, Washington, U.S.A.	Director <sup>(22)(24)</sup>	Corporate Director, former Executive Vice President Asset Management for Host Hotels and Resorts
STEPHEN J. EVANS <sup>(7)(8)(9)</sup> ..... North Vancouver, British Columbia, Canada	Director <sup>(20)(21)</sup>	Chief Operating Officer, Sunstone Realty Advisors Inc.; former Chief Executive Officer, Pure Multi-Family REIT LP
RICHARD FRANK <sup>(3)(4)(6)(9)(10)</sup> ..... Dallas, Texas, U.S.A.	Director <sup>(22)(25)</sup>	Principal, Frank Solutions
TAMARA L. LAWSON <sup>(4)(6)(9)(11)</sup> ..... Toronto, Ontario, Canada	Director <sup>(22)(26)</sup>	Chief Financial Officer, QuadReal Property Group
ROBERT O’NEILL <sup>(8)(12)(13)</sup> ..... West Vancouver, British Columbia, Canada	Director <sup>(20)(27)</sup>	Corporate Director, Chief Executive Officer of the General Partner until October 2018
ELIZABETH WALTERS <sup>(4)(6)(14)</sup> ..... Vancouver, British Columbia, Canada	Director <sup>(22)(25)</sup>	Corporate Director, former President, BWC Consulting
JOHN O’NEILL <sup>(8)(13)(15)</sup> ..... West Vancouver, British Columbia, Canada	Chief Executive Officer	Chief Executive Officer of the General Partner
AZIM LALANI <sup>(16)</sup> ..... North Vancouver, British Columbia, Canada	Chief Financial Officer and Corporate Secretary	Chief Financial Officer and Corporate Secretary of the General Partner
BRUCE PITTET <sup>(17)</sup> ..... Vancouver, British Columbia, Canada	Chief Operating Officer	Chief Operating Officer of the General Partner
CHRIS CAMERON <sup>(18)</sup> ..... Vancouver, British Columbia, Canada	Chief Investment Officer	Chief Investment Officer of the General Partner
ANNE YU <sup>(19)</sup> ..... Vancouver, British Columbia, Canada	Vice President, Finance	Vice President, Finance of the General Partner

- (1) Owns or has control or direction over 43,500 Units
- (2) Owns or has control or direction over 42,837 Units.
- (3) Member of the Compensation Committee.
- (4) Member of the Nominating and Governance Committee.
- (5) Owns or has control or direction over 38,500 Units.
- (6) Member of the Audit Committee.
- (7) Owns or has control or direction over 378,745 Units.
- (8) Mr. John O’Neill, Mr. Robert O’Neill and Mr. Evans, along with the estate of one other individual, share control and direction of 462,065 Units held by SunOne and SunOne Developments General Partnership pursuant to agreements entered into March 10, 2015.
- (9) Member of the Investment Committee.
- (10) Owns or has control or direction over 40,000 Units.
- (11) Owns or has control or direction over 22,500 Units.
- (12) Owns or has control or direction over 1,396,592 Units and US\$149,200 principal amount of Debentures.
- (13) Mr. John O’Neill and Mr. Robert O’Neill share control and direction of 305,500 Units held by Maverick.
- (14) Owns or has control or direction over 33,850 Units.

- (15) Owns or has control or direction over 741,696 Units (excluding 21,698 unvested Units of restricted stock awarded under the Securities-Based Compensation Plan).
- (16) Owns or has control or direction over 107,808 Units (excluding 62,984 unvested Units of restricted stock awarded under the Securities-Based Compensation Plan) and US\$15,000 principal amount of Debentures.
- (17) Owns or has control or direction over 38,640 Units.
- (18) Owns or has control or direction over 25,265 Units.
- (19) Owns or has control or direction over 27,677 Units (excluding 27,182 unvested Units of restricted stock awarded under the Securities-Based Compensation Plan).
- (20) Non-Independent Director.
- (21) Appointed October 11, 2012.
- (22) Independent Director.
- (23) Appointed May 12, 2016.
- (24) Appointed May 10, 2017.
- (25) Appointed January 4, 2016.
- (26) Appointed December 14, 2012.
- (27) Appointed September 6, 2012.

## **Profile of Management and Board**

### ***W. Michael Murphy, Chair***

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

### ***Charles van der Lee, Lead Independent Director***

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

### ***Minaz B. Abji, Director***

Mr. Abji served as Executive Vice President Asset Management for Host Hotels and Resorts (“**Host**”), an S&P and Fortune 500 lodging focused real estate investment trust listed on the NYSE from 2003 to 2017. Prior to joining Host, Mr. Abji held various roles at Canadian Hotel Income Properties REIT, a Canadian REIT located in Vancouver, British Columbia, including President and Executive Vice President and Chief Operating Officer. Mr. Abji also gained significant hotel operating experience with Starwood Hotels and Resorts as Area Managing Director in Canada. He has also been involved with the American Hotel and Lodging Association in various leadership capacities including as a board member and Chair of the Audit Committee. He has an undergraduate degree in hotel administration from George Brown College, an MBA from Rockhurst University and completed the Advanced Management Program at Harvard University.

### ***Stephen J. Evans, Director***

Mr. Evans has over 25 years of real estate experience in both Canada and the U.S. with an extensive track record in all areas of commercial real estate. His public companies have raised over Cdn\$1.8 billion of equity over the past decade. Mr. Evans was a co-founder, CEO and Trustee of Pure Industrial Real Estate Trust (“**PIRET**”), which was a publicly-listed real estate investment trust on the TSX with a diversified portfolio of income-producing industrial properties in major markets across Canada and the U.S. Since its initial public offering in 2007, PIRET grew from a small portfolio to a dominant industrial platform of industrial logistics assets and was successfully sold to Blackstone Property Partners for Cdn\$3.8 billion in 2018. Mr. Evans was also a co-founder, CEO and director of Pure Multi-Family REIT LP (“**Pure Multi**”), which was a publicly-listed real estate investment trust on the TSX and owned and operated a portfolio of high quality apartment communities in the U.S. sunbelt growth markets. Since its initial public offering, Pure Multi grew to over 7,000 apartments and was ultimately sold to an affiliate of Cortland Partners, LLC in September 2019 for approximately Cdn\$1.6 billion. Mr. Evans is the principal of Sunstone, which has acquired,

redeveloped and drove asset management of over Cdn\$800 million in retail, industrial, residential and hotel properties in Canada and the U.S. Mr. Evans also co-founded AHIP.

***Richard Frank, Director***

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

***Tamara Lawson, Director***

Ms. Lawson joined QuadReal Property Group, a Canadian real estate investment, development and management company operating on a global scale, as the Chief Financial Officer in September 2018. Previously, Ms. Lawson was Chief Financial Officer of Dream Global REIT, at TSX listed real estate investment trust. Prior to joining Dream Global REIT in 2016, Ms. Lawson was the Chief Financial Officer of Starlight Investments Ltd., a private real estate investment and asset management company focused primarily on residential and commercial assets, as well as the Chief Financial Officer of other Starlight managed public entities. Prior to joining Starlight in June 2012, Ms. Lawson was the Chief Financial Officer and Corporate Secretary of InnVest Real Estate Investment Trust ("InnVest"), a TSX-listed real estate investment trust, and the Chief Financial Officer of Westmont Hospitality Group ("Westmont"), a privately-held global hospitality organization. Ms. Lawson has over 30 years of financial management, acquisitions, corporate governance, investor relations and capital markets experience. Ms. Lawson holds a Master of Business Administration degree and is a Chartered Professional Accountant (CPA, CA).

***Robert F. O'Neill, Director***

Mr. O'Neill is a co-founder of AHIP and served as the Chief Executive Officer of from February 2013 through September 2018, and has been in the industry of hotels and property management for over 40 years. Mr. O'Neill was the co-founder of Canadian Hotel Income Properties Real Estate Investment Trust ("CHIP REIT") in 1997 and served as its President and Chief Executive Officer until September 1998. Mr. O'Neill was also a co-founder of the Coast Hotel chain in 1972. In 1988, he was instrumental in managing the sale of the Coast Hotel chain to OKABE Co. of Tokyo and was retained to manage it as the President and Chief Executive Officer until 1991. Concurrently with the development and management of the Coast Hotel chain, Mr. O'Neill was President and Chief Operating Officer of National Caterers Ltd. and O'Neill Railway Catering Ltd. from 1977 to 1991. National Caterers Ltd. was Canada's largest operator and supplier of remote site construction camps providing food, lodging and support services for construction workers. In that role, he also headed several Canadian Industry Associations including the Pipeline Contractors Association of Canada in 1988. O'Neill Railway Catering Ltd. served both the CP Railway in Western Canada and the BC Railway in British Columbia on and offline. Mr. O'Neill was nominated for Canada's Entrepreneur of the Year in 1998. In 2004, he received two awards: the Industry Entrepreneur Award from the Vancouver branch of the Canadian Foodservice Association; and the Distinguished Alumni Award for Entrepreneurial Innovation from the B.C. Institute of Technology. Mr. O'Neill is recognized as a leading authority in the hotel industry and is a regular speaker at industry conferences in Canada and the U.S. Mr. O'Neill is a graduate of the British Columbia Institute of Technology, Hotel and Foodservice Program, and received his diploma in Hotel Management in 1972. He is a former Secretary of the Canadian Council of the Young Presidents' Organization and a current member of the World Presidents' Organization.

***Elizabeth Walters, Director***

Ms. Walters has been a member of AHIP's Board of Directors since 2016. She has more than 40 years of experience in the hospitality industry, including 21 years as National PKF Consulting Canada Director, and Director for Western Canada, after her role as Partner in the Pannell Kerr Forster B.C. provincial Chartered Accounting firm, and previous responsibilities with PKF Consulting Inc. Ms. Walters was President of BWC Consulting Inc., providing



hospitality consulting services from 2014 - 2019. Based in Vancouver throughout her career, Ms. Walters has provided advisory services, strategic planning, feasibility analysis and development support including valuations and appraisals for hotels and resorts, as well as other hospitality related businesses. Projects have been provided to public and private sector clients with regard to a wide variety of accommodation property types, as well as ownership and management structures. Ms. Walters holds a Bachelor of Arts degree from the University of Alberta.

***John O'Neill, Chief Executive Officer***

Mr. O'Neill has been in the hospitality industry for more than 30 years and was appointed as Chief Executive Officer of AHIP in October 2018. Mr. O'Neill was a co-founder of AHIP in 2013. Prior to joining AHIP, Mr. O'Neill was Chief Executive Officer of O'Neill Hotels and Resorts Ltd., a Vancouver-based hotel management, development and investment firm that oversaw the management of over 200 hotel properties across Canada and the U.S. Most recently, Mr. O'Neill was Chief Executive Officer ONE Lodging Management, Inc., which was ranked as the 15th largest hotel management company in North America in 2017, before the business was sold to Aimbridge in early 2018. Prior to this, Mr. O'Neill was a co-founder of CHIP REIT and served as a Director of the board from 1999 to 2001. John is a former member of the board of directors of Pure Multi, and is a Director of the Fraser Institute. He is a former member of the Marriott's Owner Advisory Counsel and Chair of the Collingwood School Foundation. He has previously served as a member of the Minister's Council on Tourism, as a Director of Tourism Whistler, as member of the Sauder School of Business (UBC) Faculty Advisory Board, and as Chair of the B.C. Chapter of the Young President's Organization. Mr. O'Neill has won numerous awards, including being named Canadian Hotelier of the Year, Entrepreneur of the Year Finalist, and Top 40 under 40. He graduated from the University of British Columbia with a Bachelor of Commerce.

***Azim Lalani, Chief Financial Officer***

Mr. Lalani has more than 25 years of experience in financial reporting, corporate finance, operations, business valuation, taxation and risk management. He was previously with a TSX-listed real estate operating company as Senior Vice President of Operations with responsibility for portfolio management and operations including leasing, property and asset management for a diversified portfolio of commercial real estate properties across Canada. Mr. Lalani was also formerly Vice President of Real Estate and Risk Management at SilverBirch Hotels & Resorts, where he was responsible for portfolio performance and investment management. He was also formerly with CHIP REIT and KPMG LLP in Vancouver. Mr. Lalani is a Chartered Professional Accountant (CPA, CA) and a Chartered Business Valuator. Mr. Lalani currently serves on the UBC Board of Governors as Chair of the Audit Committee.

***Bruce Pittet, Chief Operating Officer***

Mr. Pittet is a seasoned hospitality executive was appointed as Chief Operating Officer in May 2019. Mr. Pittet's background includes more than 30 years of hotel planning, operating and management experience across North America, with the last 20 years spent based in the United States. Mr. Pittet has hotel experience in, and has completed extensive market analysis of over 100 U.S. markets, and has been a leader of multiple major property launches, turnarounds and re-positioning. Prior to joining AHIP, Mr. Pittet spent six years as Senior Vice President at ONE Lodging, which is part of Aimbridge – North America's largest hotel management company. Mr. Pittet is the past President of the Snowshoe Foundation, a former West Virginia Tourism Commissioner and was a Committee Member of the Advisory Design Panel for the Resort Municipality of Whistler. Mr. Pittet attended Ryerson University in the Hospitality and Tourism Management Program.

***Chris Cameron, Chief Investment Officer***

Mr. Cameron joined AHIP in February 2019 as Chief Investment Officer and leads the Company's mergers and acquisitions, capital recycling and financing strategies. Mr. Cameron is a Chartered Professional Accountant and has over 14 years of experience in the hotel industry, overseeing multiple disciplines including acquisitions, debt financing and operations. He previously worked with AHIP on its initial public offering, was instrumental in the acquisition of AHIP's first portfolio of lodging hotels and advised AHIP during several other portfolio acquisitions since AHIP's inception. Most recently, Mr. Cameron was Senior Vice President with a North American hotel operator, developer and owner, that managed over 120 hotels throughout the U.S. and Canada. There, he had a leading role in both acquiring and selling properties, along with sourcing development opportunities for new hotels, across North America.

### ***Anne Yu, Vice President, Finance***

Ms. Yu has been an integral part of AHIP since its inception, particularly with her role in AHIP's successful initial public offering in February 2013. Ms. Yu provides oversight on AHIP's accounting, tax, and treasury operations. Ms. Yu has extensive accounting and finance experience, with a focus on financial reporting, internal controls, corporate finance and Canadian and U.S. tax. Prior to her tenure at AHIP, Ms. Yu worked for TSX and NASDAQ listed companies in finance positions that included responsibilities for leading her teams through complex enterprise resource planning implementation projects and corporate reorganization activities. Ms. Yu is a Chartered Professional Accountant (CPA, CA).

### **Committees of the Board of Directors**

The Board of Directors has appointed a standing Audit Committee, a standing Compensation Committee, a standing Nominating and Governance Committee and a standing Investment Committee.

#### ***Audit Committee***

The Audit Committee is currently comprised of Tamara Lawson (Chair), Minaz Abji, Richard Frank and Elizabeth Walters. The Audit Committee assists the General Partner in, among other things, fulfilling its responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of AHIP and its direct and indirect Subsidiaries, the adequacy of internal accounting controls and procedures, and the quality and integrity of AHIP's financial statements. In addition, the Audit Committee is responsible for directing the auditors' examination of specific areas, for the selection of AHIP's independent auditors and for the approval of all non-audit services for which its auditors may be engaged. The Audit Committee is also responsible for assessing the range of financial, cybersecurity and other risks to the business and affairs of AHIP that the Board of Directors will focus on, and for making recommendations to the Board of Directors about how appropriate responsibilities for continuing to identify, monitor and manage these risks are to be delegated.

All members of the Audit Committee are "financially literate" within the meaning of applicable securities laws. In addition, each of the Audit Committee members has an understanding of the accounting principles used to prepare AHIP's financial statements, experience preparing, auditing, analyzing or evaluating comparable financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. For the education and experience of each member of the Audit Committee relevant to the performance of his or her duties as a member of the Audit Committee, see "*Directors and Management – Profile of Management and Board*" and "*Audit Committee Information*".

The General Partner has adopted a written terms of reference for the Audit Committee, which sets forth further details of the Audit Committee's duties and responsibilities, a copy of which is attached to this AIF as Schedule A.

The General Partner has adopted a whistle blowing policy (the "**Whistle Blowing Policy**"), which is administered by the Audit Committee. The Audit Committee, through the Whistle Blowing Policy, has established procedures for the (i) the receipt, retention and treatment of complaints received by AHIP, the General Partner and their respective direct and indirect Affiliates and Subsidiaries regarding questionable accounting, internal accounting controls, or auditing matters, and (ii) the confidential submission by employees of AHIP, the General Partner and their respective direct and indirect Affiliates and Subsidiaries of concerns regarding questionable accounting or auditing matters. These procedures are intended to encourage individuals to raise concerns or complaints regarding accounting and related financial reporting matters addressed on a confidential basis free from discrimination, retaliation or harassment.

#### ***Compensation Committee***

The Compensation Committee is currently comprised of Richard Frank (Chair), Minaz Abji and Charles van der Lee. The purpose of the Compensation Committee is to establish a plan of continuity for executives and other key employees, and to ensure a broad plan of executive compensation is established that is competitive and motivating in order to attract, hold and inspire the executive management and other key employees of AHIP. Among other things, the Compensation Committee is required to:

- (a) review and approve corporate goals and objectives relevant to the Chief Executive Officer of the General Partner's compensation, evaluating the Chief Executive Officer's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board of Directors with respect to) the Chief Executive Officer's compensation level based on this evaluation;
- (b) review the compensation philosophy and guidelines for AHIP's executive management, for recommendation to the Board of Directors for its consideration and approval;
- (c) approve the Chief Executive Officer's compensation and review and recommend, with input from the Chief Executive Officer of the General Partner, the compensation of each member of executive management (including new hires), and report its broad conclusions to the Board of Directors for its consideration and approval;
- (d) recommend to the Board of Directors for consideration and approval any short term incentive plan, long term incentive plan, securities-based compensation or other incentive plan, pension plan or employee benefit plan to be granted to AHIP's executive management or any other eligible participant in such plans and guidelines with respect thereto;
- (e) administer and make recommendations regarding the operation of AHIP's Securities-Based Compensation Plan and any other compensation plans; and
- (f) recommend the directors' compensation plan to the Board of Directors.

The General Partner has adopted a written terms of reference for the Compensation Committee, which sets forth further details of the Compensation Committee's duties and responsibilities, a copy of which is available on AHIP's website at [www.ahipreit.com](http://www.ahipreit.com).

### ***Nominating and Governance Committee***

The Nominating and Governance Committee is currently comprised of Charles van der Lee (Chair), Richard Frank, Tamara Lawson and Elizabeth Walters. The Nominating and Governance Committee is responsible for assisting the Board of Directors in fulfilling its responsibilities in developing and improving the General Partner's approach to governance issues, filling vacancies among the directors of the General Partner, periodically reviewing the effectiveness of the Board of Directors and the contributions of individual directors.

Among other things, the Nominating and Governance Committee is responsible for:

- (a) overseeing the recruitment and selection of any candidates for election or re-election as directors of the General Partner, which process involves the consideration of, among other things (i) the competencies and skills that the Board of Directors considers to be necessary, for the Board of Directors as a whole, to possess, that each existing director possess and that each new nominee would bring to the Board of Directors, (ii) the time and energy of the proposed nominee to devote to the task and who understands the nature of the business and operation of the General Partner, and (iii) the diversity of the Board of Directors (with considerations of diversity being made in accordance with the terms of the Diversity Policy adopted by the Board of Directors and administered by the Nominating and Governance Committee);
- (b) in consultation with the Chair of the Board of Directors and the Lead Independent director, recommend to the Board of Directors nominees for election and re-election as members of the Board of Directors;
- (c) reviewing, monitoring and making recommendations regarding new director orientation and the ongoing education and development of existing members of the Board of Directors;
- (d) developing and monitoring the General Partner's overall approach to corporate governance issues and, subject to approval by the Board of Directors, implement and administer the system of corporate governance;

- (e) advising the Board of Directors or any of the committees of the Board of Directors of any governance issues, which the Nominating and Governance Committee determines ought to be considered by the Board of Directors or any such committees;
- (f) assessing the independence and qualifications of the members of each of the committees of the Board of Directors as required by applicable law and make recommendations to the Board of Directors regarding the composition of such committees; and
- (g) assessing the effectiveness of the Board of Directors as a whole, each of its committees and individual directors.

Further, the Nominating and Governance Committee is also responsible for adopting and periodically reviewing and updating AHIP's written disclosure policy. AHIP's disclosure policy, among other things:

- (a) articulates the legal obligations of AHIP, the General Partner, their Affiliates and their respective officers and employees with respect to the disclosure of material information;
- (b) identifies AHIP's spokespersons, who are the only persons authorized to communicate with third parties such as analysts, media and investors;
- (c) provides guidelines on the disclosure of forward-looking information;
- (d) requires advance review by AHIP's senior executives of any selective disclosure of financial information to ensure the information is not material, to prevent the selective disclosure of material information and to ensure that, if a non-permitted selective disclosure does occur, a news release is issued immediately; and
- (e) establishes "black-out" periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes, during which periods the General Partner, the directors, officers, employees and consultants of the General Partner and of the direct and indirect Subsidiaries of AHIP, may not purchase or sell securities of AHIP.

The General Partner has adopted a written terms of reference for the Nominating and Governance Committee, which sets forth further details of the Nominating and Governance Committee's duties and responsibilities, a copy of which is available on AHIP's website at [www.ahipreit.com](http://www.ahipreit.com).

### ***Investment Committee***

The Investment Committee is currently comprised of Stephen Evans (Chair), Richard Frank and Tamara Lawson. The Investment Committee's primary duties and responsibilities include:

- (a) reviewing and making recommendations to the Board of Directors to approve or reject any proposed acquisition or disposition, including any related financing arrangements; and
- (b) ensuring any proposed acquisitions and dispositions comply with the Investment Guidelines and Operating Policies of AHIP set out in the LP Agreement.

The General Partner has adopted a written terms of reference for the Investment Committee, which sets forth further details of the Investment Committee's duties and responsibilities, a copy of which is available on AHIP's website at [www.ahipreit.com](http://www.ahipreit.com).

### ***Orientation and Continuing Education***

The Nominating and Governance Committee has put in place an orientation program for new directors under which a new director will meet with the Chair and the Lead Independent Director (when there is one) and members of the executive management team of AHIP. A new director will be provided with comprehensive orientation and education as to the nature and operation of AHIP and its business, as to the role of the General Partner and its

committees and the Chair and Lead Independent Director (when there is one), and as to the contribution that an individual director is expected to make. In addition, a new director will be provided with a copy of the Board Information Manual, which contains, among other things, the terms of reference of the Board of Directors and each of the committees of the Board of Directors. The Nominating and Governance Committee is responsible for administering the Director Education Policy, which policy was adopted by the Board of Directors to encourage all members of the Board of Directors to attend such director education programs as they deem appropriate (given their individual experience and backgrounds) to stay abreast of developments in corporate governance and “best practices” relevant to their contribution to the Board of Directors generally and to their specific committee assignments. This policy not only encourages directors of the General Partner to stay abreast of emerging corporate governance topics but also broader topics such as accounting, finance, general business and human resource management. AHIP reimburses directors for all reasonable costs of attending director education programs under the Director Education Policy (subject to an annual limit per director as set forth in the policy).

### **Directors’ and Officers’ Liability Insurance**

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

### **Directors’ and Officers’ Indemnities**

The General Partner and AHIP enter into indemnity agreements with each of the General Partner’s directors and officers which indemnifies them, among other things, against all costs, charges, expenses and liabilities in connection with a claim related to the fact that the indemnitee acted as a director or officer for the General Partner, AHIP or any Affiliates of AHIP, as the case may be, provided that, among other things, such indemnitee: (i) acted honestly and in good faith with a view to the best interests of the General Partner or AHIP, as the case may be; and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the indemnitee had reasonable grounds for believing that the indemnitee’s conduct was lawful.

### **Security Holdings of the Directors and Officers**

As at the date of this AIF, as a group, the directors and executive officers of the General Partner beneficially own, or exercise control or direction over, directly or indirectly, a total of 3,704,675 Units, representing approximately 4.7% of the issued and outstanding Units (excluding certain unvested Units of restricted stock granted to executive officers pursuant to the Securities-Based Compensation Plan, which may be settled for up to 111,864 Units).

### **Conflict of Interest Provision**

The LP Agreement contains a “conflict of interest” provision which states that unless otherwise expressly provided in the LP Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and AHIP, or any limited partner on the other hand, any resolution or course of action in respect of such conflict of interest shall be permitted and deemed approved by all limited partners, and shall not constitute a breach of the LP Agreement, or of any standard of care or duty stated or implied by law if the resolution or course of action is fair and reasonable to AHIP. The General Partner shall be authorized in connection with its resolution of any conflict of interest to consider: (i) the relative interests of all parties involved in such conflict or affected by such action; (ii) any customary or accepted industry practices; and (iii) any applicable generally accepted accounting practices or principles. Nothing contained in the LP Agreement, however, is intended to, nor shall it be construed to, require the General Partner to consider the interests of any person other than AHIP. In the absence of bad faith by the General Partner, the resolutions, actions or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of the LP Agreement or a breach of any standard of care or duty imposed in the LP Agreement or stated or implied under the *Limited Partnerships Act* (Ontario), any law, rule or regulation.

## Competition with AHIP

Subject to the terms of any agreements that may be in place from time to time among SOHMI and AHIP, SOHMI may engage in businesses, ventures, investments and activities which may be similar to or competitive with those in which AHIP is or might be engaged and neither SOHMI nor any such person shall be required to offer or make available to AHIP any other business or investment opportunity which any such person may acquire or be engaged in for its own account.

SOHMI (and its Affiliates and Associates) and the directors and officers thereof may, from time to time, be engaged, directly or indirectly, for their own account or on behalf of others (including without limitation as trustee, administrator, asset manager or hotel manager of other trusts or portfolios) in hotel industry investments and other activities similar to the activities of AHIP, the U.S. REIT and their Subsidiaries. Neither SOHMI, nor any of its Affiliates or Associates (or their respective directors and officers) shall incur or be under any liability to AHIP, any Unitholder or any annuitant by reason of, or as a result of any such engagement or competition or the manner in which such person may resolve any conflict of interest or duty arising therefrom. See “*Risk Factors*”.

## Cease Trade Orders, Bankruptcies, Penalties and Sanctions

No director or executive officer of the General Partner is, as at the date of this AIF, or has been, within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the General Partner and AHIP) that:

- (a) was subject to an order (as defined below) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the General Partner, and to the best of the knowledge of the General Partner, no Unitholder holding a sufficient number of AHIP’s securities to affect materially the control of AHIP:

- (a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the General Partner and AHIP) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Unitholder.

No director or executive officer of the General Partner, and to the best of the knowledge of the General Partner, no Unitholder holding a sufficient number of AHIP’s securities to affect materially the control of AHIP, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision with respect to AHIP.



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

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

### **PRINCIPAL UNITHOLDERS**

To the knowledge of the General Partner, no person owns, directly or indirectly, more than 10% of the Units as at the date of this AIF.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

AHIP was not involved in any legal proceedings during the year ended December 31, 2019 that had, or could have, a material adverse effect on AHIP. Moreover, to the knowledge of the General Partner, AHIP is not currently involved in any outstanding, threatened or pending litigation that could have a material adverse effect on AHIP.

To the knowledge of the General Partner, during the financial year ended December 31, 2019, there were no: (i) penalties or sanctions imposed against AHIP by a court relating to securities legislation or by a securities regulatory authority; (ii) any other penalties or sanctions imposed by a court or regulatory body against AHIP that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements AHIP entered into before a court relating to securities legislation or with a securities regulatory authority.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as described below and elsewhere in this AIF (see “*Business of AHIP – Master Hotel Management Agreement and Hotel Management Agreements*” and “*Transactions with Related Parties*”), neither the General Partner nor any of its officers or directors, or Unitholder that beneficially owns, or controls or directs more than 10% of the Units, or any Associate or Affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or any proposed transaction, that has materially affected or would materially affect AHIP or the U.S. REIT.

#### **Acquisition of the Sunstone Embassy Suites Portfolio**

As noted above under “*General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Acquisition of the Sunstone Embassy Suites Portfolio*”, Mr. Evans and Mr. Robert O’Neill, both directors of the General Partner, informed the Board of Directors of their respective indirect interests in the acquisition of the Sunstone Embassy Suites Portfolio as more fully described below.

Prior to their acquisition, the Dallas Property and Tempe Property were indirectly owned by Sunstone U.S. Opportunity (No.3) Realty Trust (“**Sunstone Trust 3**”) and Sunstone U.S. Opportunity (No. 4) Realty Trust (“**Sunstone Trust 4**”), respectively. Mr. Evans was the acting Chief Executive Officer of the trustee of each of Sunstone Trust 3 and Sunstone Trust 4. The Sunstone Embassy Suites Sellers were each Affiliates of either Sunstone Trust 3 or Sunstone Trust 4, as applicable, and the majority of the Sunstone Embassy Suites Sellers were direct or indirect Subsidiaries of either Sunstone Trust 3 or Sunstone Trust 4, as applicable. Mr. Evans had an indirect interest in each of the Sunstone Embassy Suites Sellers.

In addition to the foregoing: (i) Sunstone Advisors (U.S.) Inc. (“**Sunstone U.S.**”) (an entity in respect of which Mr. Evans held a 50% indirect interest) provided advisory and asset management services to certain of the Sunstone Embassy Suites Sellers and was paid and entitled to fees in respect thereof from such Sunstone Embassy Suites Sellers; (ii) Maverick (an entity in respect of which Mr. Robert O’Neill held a material indirect interest) provided advisory and management services to certain of the Sunstone Embassy Suites Sellers and was paid and entitled to fees in respect thereof from such Sunstone Embassy Suites Sellers; and (iii) Tower Rock Hotels and Resorts Inc. (an entity in respect of which Mr. Robert O’Neill held a material indirect interest, and AHIP’s Former Master

Hotel Manager), through certain of its Subsidiaries, provided hotel management services to certain of the Sunstone Embassy Suites Sellers as the hotel manager for the Dallas Property and Tempe Property and was paid and entitled to receive fees in respect thereof from such Sunstone Embassy Suite Sellers. Sunstone U.S., Maverick and the Former Master Hotel Manager (collectively, the “**Vendor Management Entities**”) were entitled to be paid certain fees by certain of the Sunstone Embassy Suites Sellers in connection with the completion of acquisition of the Sunstone Embassy Suites Portfolio. Those fees included: (i) each of Sunstone U.S. and Maverick were entitled to disposition fees calculated with reference to the selling price for each of the hotels in the Sunstone Embassy Suites Portfolio; and (ii) each of Sunstone U.S., Maverick and the Former Master Hotel Manager were entitled to certain fees in connection with the termination of their respective advisory and management agreements with the applicable Sunstone Embassy Suites Sellers in connection with the completion of the acquisition of the Sunstone Embassy Suites Portfolio by AHIP. Pursuant to the terms of the Sunstone Embassy Suites PSA, all such fees were paid by the applicable Sunstone Embassy Suites Sellers prior to closing of the acquisition of the Sunstone Embassy Suites Portfolio by AHIP.

As a result of Mr. Evans’ indirect interests in the Sunstone Embassy Suites Sellers, and Mr. Evans’ and Mr. Robert O’Neill’s respective indirect interests in the Vendor Management Entities, the Board of Directors determined that the final approval of the acquisition should be made only by the disinterested members of the Board of Directors. Accordingly, the Board of Directors held a meeting on July 12, 2016 for the disinterested members of the Board of Directors to review and consider the proposed acquisition by AHIP of the Embassy Suites Portfolio. In their deliberations, the disinterested members of the Board reviewed and referred to the independent third party appraisal that had been obtained for the Sunstone Embassy Suites Portfolio (aggregate as-is market value of US\$62.7 million) as support for the purchase price of approximately US\$57.6 million for the Sunstone Embassy Suites Embassy Suites Portfolio. The disinterested members of the Board of Directors determined that the acquisition of the Sunstone Embassy Suites Portfolio was in the best interests of AHIP and unanimously approved the acquisition, subject to the finalization of the first amendment to the Sunstone Embassy Suites PSA, which such amendment was agreed to by AHIP and the Sunstone Embassy Suites Sellers later that day, satisfying the condition of disinterested members of the Board of Directors. For clarity, Mr. Evans and Mr. Robert O’Neill were not present for the deliberations of the disinterested members of the Board of Directors and did not vote on the approval of the acquisition of the Sunstone Embassy Suites Portfolio.

Mr. John O’Neill, the current Chief Executive Officer of the General Partner, held a material indirect interest in Maverick and the Tower Rock Hotels and Resorts Inc. at the time of the above mentioned transactions, but was not an officer, director or employee of AHIP or any of its Subsidiaries or affiliates at such time.

### **Financial Advisory Services**

Mr. Murphy (a director of the General Partner) is the Head of Lodging and Leisure Capital of First Fidelity Mortgage Corporation, which previously provided financial advisory services to certain of AHIP’s Subsidiaries on a non-exclusive basis in connection with arranging senior secured debt financing secured by such Subsidiaries, for the purposes of completing hotel acquisitions. Such services ceased to be provided by First Fidelity Mortgage Corporation to AHIP’s Subsidiaries in 2017. Under this past arrangement, AHIP’s Subsidiaries previously paid a fixed fee to First Fidelity Mortgage Corporation equal to 50 basis points of the principal value of certain senior secured debt financing placed. No such fees have been paid to First Fidelity Mortgage Corporation since June 2017, when the arrangement was terminated.

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

AHIP’s auditors are KPMG LLP, Chartered Professional Accountants, located in Vancouver, British Columbia, who were originally appointed as AHIP’s auditors on October 12, 2012.

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

The transfer agent and registrar for the Debentures is Computershare Trust Company of Canada at its principal offices located in Vancouver, British Columbia and Toronto, Ontario.

## MATERIAL CONTRACTS

The following are material contracts of AHIP or its Affiliates:

1. *Master Hotel Management Agreement.* The Master Hotel Management Agreement, a copy of which, including each amendment thereto, is available on SEDAR at [www.sedar.com](http://www.sedar.com). See “*Business of AHIP - Master Hotel Management Agreement and Hotel Management Agreements*”.
2. *Nomination Agreement.* The Nomination Agreement dated February 20, 2013, between the General Partner and SOHMI, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com). See “*Nomination Agreement*”.
3. *LP Agreement.* The LP Agreement among the General Partner and certain initial limited partners dated October 12, 2012, as subsequently amended and restated as of February 20, 2013, and amended pursuant to the LP Agreement Amendment on June 9, 2015, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com). See “*LP Agreement*”.
4. *Voting Trust Agreement.* The Voting Trust Agreement dated February 20, 2013, among the General Partner, Maverick, Triple E Investments Ltd., Darren Investments Inc. and Computershare Trust Company of Canada, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com). See “*Voting Trust Agreement*”.
5. *Economy Lodging PSA.* The Economy Lodging PSA, a copy of which, including the amendment thereto, is available on SEDAR at [www.sedar.com](http://www.sedar.com). See “*General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Sale of the Economy Lodging Portfolio*”.
6. *Texas/Midwest Portfolio PSA.* The Texas/Midwest Portfolio PSA, a copy of which, including each amendment thereto, is available on SEDAR at [www.sedar.com](http://www.sedar.com). See “*General Development of the Business – Financings and Third Party Acquisitions and Dispositions – Acquisition of the Texas Central Portfolio*”.
7. *Credit Facility Agreement.* The Credit Facility Agreement, a copy of which, including the amendment thereto, is available on SEDAR at [www.sedar.com](http://www.sedar.com). See “*Credit Facilities – The Credit Facility*”.

## TRANSACTIONS WITH RELATED PARTIES

### Former Master Hotel Manager

On February 20, 2013, AHIP entered into the Master Hotel Management Agreement with the Former Master Hotel Manager. On April 26, 2018, the Current Master Hotel Manager assumed the hotel management responsibilities for all of AHIP's hotels from the Former Master Hotel Manager. The terms of the Master Hotel Management Agreement and the Hotel Management Agreements were not amended in connection with the transition in hotel management duties from the Former Master Hotel Manager to the Current Master Hotel Manager, but have subsequently been amended. The Former Master Hotel Manager and its principals do not have any interest in the Current Master Hotel Manager or Aimbridge. For further details with respect to the Master Hotel Management Agreement and the Hotel Management Agreements, see “*Business of AHIP – Master Hotel Management Agreement and Hotel Management Agreements*”.

The Former Master Hotel Manager was a wholly-owned Subsidiary of O'Neill Hotels & Resorts Ltd., an entity in which Mr. Robert O'Neill (formerly the Chief Executive Officer and currently a director of the General Partner) held a material indirect ownership interest.

AHIP did not incur any fees payable to the Former Master Hotel Manager in the year ended December 31, 2019. In the years ended December 31, 2018 (for the period from January 1 – April 26) and December 31, 2017 recorded total hotel management fees charged by the Former Master Hotel Manager in corporate and administrative expenses in the amounts of \$4.3 million, and \$11.3 million, respectively. For the period from January 1, 2018 to April 26, 2018 and for the year ended December 31, 2017 and December 31, 2016, capital management fees of

approximately US\$0.3 million and US\$1.0 million, respectively, were also paid by AHIP to the Former Master Hotel Manager and were capitalized to property, buildings and equipment.

In accordance with the terms of the Hotel Management Agreements, for the period from January 1, 2018 to April 26, 2018, AHIP reimbursed the Former Master Hotel Manager approximately US\$30.9 million (twelve months ended December 31, 2017 – US\$83.1 million) for expenses incurred on behalf of the hotel properties during the normal course of operations. The reimbursable expenses were comprised primarily of payroll costs and other general and administrative costs such as insurance, travel and office supplies. There were no reimbursable expenses paid to the Former Master Hotel Manager after April 26, 2018.

Mr. John O'Neill, the current Chief Executive Officer of the General Partner, held a material indirect interest in O'Neill Hotels & Resorts Ltd. and the Former Master Hotel Manager at the time of the above mentioned transactions, but was not an officer, director or employee of AHIP or any of its Subsidiaries or affiliates at such time.

### **Property Development**

On February 20, 2013, AHIP entered into the Master Development Agreement pursuant to which SunOne previously provided exclusive development services to AHIP. The Master Development Agreement was approved by AHIP's Independent Directors to be terminated on April 26, 2018 in connection with the transition of hotel management responsibilities from the Former Master Hotel Manager to the Current Master Hotel Manager. The termination of the Master Development Agreement was without cost to AHIP. No development services were provided under the Master Development Agreement during the period from January 1, 2017 until its termination on April 26, 2018.

## **INTERESTS OF EXPERTS**

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

## **AUDIT COMMITTEE INFORMATION**

### **Charter of the Audit Committee**

The full text of the current Terms of Reference for the Audit Committee is attached as Schedule A to this AIF.

### **Composition of the Audit Committee**

As at the date hereof the members of AHIP's Audit Committee are Tamara Lawson (Chair), Minaz Abji, Richard Frank and Elizabeth Walters.

Each member of the Audit Committee of AHIP is "financially literate" and "independent", as such terms are defined in *National Instrument 52-110 - Audit Committees*.

### **Relevant Education and Experience**

See the biographies of the Directors for each member of the Audit Committee in "*Directors and Management - Profile of Management and Board*" for a description of the experience that is relevant to the performance of their responsibilities as Audit Committee members.

### **Prior Approval Policies and Procedures**

The policy and procedures relating to the pre-approval of non-audit services provided to AHIP are described in the Terms of Reference for the Audit Committee attached as Schedule A to this AIF.

## External Auditor Service Fees

The following table sets forth, by category, the fees billed by KPMG LLP, AHIP's auditors, for the financial years ended December 31, 2019 and December 31, 2018:

Fee category	2019 (Cdn\$)	2018 (Cdn\$)
<b>Regulatory and Reporting</b>		
Audit fees	\$606,690	\$672,685
Audit-related fees	19,260	69,234
REIT and tax compliance fees	800,770	853,748
<b>Regulatory and Reporting Total</b>	<b>1,426,720</b>	<b>1,595,667</b>
<b>Other Services</b>		
Tax advisory services fees	496,349	368,670
<b>Other Services Total</b>	<b>496,349</b>	<b>368,670</b>
<b>Total</b>	<b>\$1,923,069</b>	<b>\$1,964,337</b>

“**Audit fees**” include the aggregate fees paid by AHIP for the audit of its annual consolidated financial statements, for the review of its unaudited quarterly financial statements, for the audit of property specific financial statements in compliance with various loan agreements and other services in connection with those regulatory and statutory filings.

“**Audit-related fees**” include the aggregate fees paid by AHIP for assurance and related services related to public offerings including prospectuses and translation services.

“**REIT and tax compliance fees**” include the aggregate fees paid by AHIP for satisfying real estate investment trust regulations under the Code, statutory requirements, tax legislation, including real estate investment trust testing, transfer pricing documentation, CDS filing and reporting obligations, and federal, provincial and state tax compliance obligations.

“**Tax and advisory service fees**” includes aggregate fees paid by AHIP for tax advisory and tax planning services.

Collectively, the “REIT and tax compliance fees” and “Tax advisory service fees” comprise the total fees paid by AHIP to its external auditor for tax related services, which collectively total Cdn\$1,297,119 and Cdn\$1,222,418 for 2019 and 2018, respectively.

## ADDITIONAL INFORMATION

Additional information relating to AHIP may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of AHIP's securities, and securities authorized for issuance under equity compensation plans, if applicable, is contained in AHIP's information circular dated April 5, 2019 and equivalent information, when available, will be contained in AHIP's information circular for AHIP's next annual meeting of Unitholders that involves the election of directors expected to be held in June 2020. Additional financial information is provided in AHIP's audited consolidated financial statements and management's discussion and analysis for AHIP's most recently completed financial year, copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## SCHEDULE A



**AMERICAN HOTEL**

INCOME PROPERTIES REIT LP

### **AMERICAN HOTEL INCOME PROPERTIES REIT (GP) INC. (the “GP”)**

#### **TERMS OF REFERENCE FOR THE AUDIT, FINANCE AND RISK COMMITTEE**

##### **PURPOSE**

The GP, as general partner of American Hotel Income Properties REIT LP (the “**REIT**”), shall appoint an audit, finance and risk committee (the “**Committee**”) to assist the board of directors (the “**Board**”) of the GP in fulfilling its responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures on behalf of the REIT and any of its direct or indirect affiliates and subsidiaries (collectively, the “**Entities**”), the adequacy of internal accounting controls and procedures, and the quality and integrity of the financial statements of the Entities. In addition, the Committee is responsible for directing the auditors’ examination of specific areas, for the selection of the independent auditors of the Entities and for the approval of all non-audit services for which the auditors of the Entities may be engaged.

##### **I. STRUCTURE AND OPERATIONS**

The Committee shall be comprised of at least three members, each of whom shall be a director of the GP and shall be “independent” within the meaning of National Instrument 52-110 *Audit Committees* (“**NI 52-110**”), as amended from time to time.

Each member of the Committee shall satisfy the “financial literacy” requirement of NI 52-110, by having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the financial statements of the REIT.

The members of the Committee shall be annually appointed by the Board and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority of the Board.

##### **II. CHAIR OF THE COMMITTEE**

Unless the Board elects a Chair of the Committee, the members of the Committee shall designate a Chair by the majority vote of the full Committee membership.

The Chair of the Committee shall:

- (a) Call and conduct the meetings of the Committee;
- (b) Be entitled to vote to resolve any ties;
- (c) Prepare and forward to members of the Committee the agenda for each meeting of the Committee, and include, in the agenda, any items proposed for inclusion in the agenda by any member of the Committee;



- (d) Review with the Chief Financial Officer of the GP (the “CFO”) and the auditors for the REIT any matters referred to the Chair by the CFO or the auditors of the REIT;
- (e) Appoint a Secretary to take minutes of the meetings of the Committee; and
- (f) Act in a manner that the Committee meetings are conducted in an efficient, effective and focused manner.

### **III. MEETINGS**

The Committee shall meet at least quarterly or more frequently as circumstances dictate. As part of its goal to foster open communication, the Committee shall periodically meet with management and the external auditors in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. The Committee may meet privately with outside counsel of its choosing and the CFO, as necessary. In addition, the Committee shall meet with the external auditors and management quarterly to review the REIT’s financial statements in a manner consistent with that outlined in these Terms.

The Committee may invite to its meetings any partners of the REIT, management and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

A majority of the Committee members, but not less than two, shall constitute a quorum. A majority of members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent with respect to matters that may be acted upon without a formal meeting.

The Committee shall maintain minutes or other records of meetings and activities of the Committee.

Notice of the time and place of every meeting shall be given in writing or electronic communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting provided however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

### **IV. RESPONSIBILITIES, DUTIES AND AUTHORITY**

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in these Terms. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal and other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of this Committee.

The Committee in discharging its oversight role is empowered to investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside counsel, accounting or other advisors for this purpose, including authority to approve the fees payable to such advisors and other terms of retention. In addition, the Committee shall have the authority to communicate directly with both external and internal auditors of the REIT.

The Committee shall be given full access to the Board, management, employees and others, directly and indirectly responsible for financial reporting, and independent accountants, as necessary, to carry out these responsibilities. While acting within the scope of this stated purpose, the Committee shall have all the authority of the Board.

The Committee shall be responsible for assessing the range of financial, cybersecurity and other risks to the business and affairs of the REIT that the Board shall focus on, and make recommendations to the Board about how appropriate responsibilities for continuing to identify, monitor and manage these risks are to be delegated. The

Committee shall review and discuss with management and the internal and external auditors all major financial risk exposures and the steps management has taken to monitor/control those exposures. In addition, the Committee shall encourage continuous improvement of, and foster adherence to, the REIT's financial policies, procedures and practices at all levels in the organization; and provide an avenue of communication among the independent auditors, management and the Board.

Absent actual knowledge to the contrary (which shall promptly reported to the Board), each member of the Committee shall be entitled to rely on: (i) the integrity of those persons or organizations within and outside the REIT from which it receives information; (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations; and (iii) representations made by management and the external auditors, as to any information technology, internal audit and other non-audit services provided by the external auditors to the Entities.

## **V. SPECIFIC RESPONSIBILITIES AND ACTIVITIES**

### **A. Document Reports/Reviews**

1. *Annual Financial Statements.* The Committee shall review with management and the external auditors, both together and separately, prior to public dissemination:
  - (a) the annual audited consolidated financial statements;
  - (b) the external auditor's review of the annual consolidated financial statements and their report;
  - (c) any significant changes that were required in the external audit plan;
  - (d) any significant issues raised with management during the course of the audit, including any restrictions on the scope of activities or access to information; and
  - (e) those matters related to the conduct of the audit that are required to be discussed under generally accepted auditing standards applicable to the REIT.

Following completion of the matters contemplated above, the Committee shall make a recommendation to the Board with respect to the approval of the annual financial statements with such changes contemplated and further recommended, as the Committee considers necessary.

2. *Interim Financial Statements.* The Committee shall review with management and may review with the external auditors, both together and separately, prior to public dissemination, the interim unaudited consolidated financial statements of the REIT, including to the extent the Committee considers appropriate, a discussion with the external auditors of those matters required to be discussed under generally accepted auditing standards applicable to the REIT.
3. *Management's Discussion and Analysis.* The Committee shall review with management and the external auditors, both together and separately prior to public dissemination, the annual Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and the Committee shall review with management and may review with the external auditors, the interim MD&A.
4. *Approval of Annual MD&A, Interim Financial Statements and Interim MD&A.* The Committee shall make a recommendation to the Board with respect to the approval of the annual MD&A with such changes contemplated and further recommended by the Committee as the Committee considers necessary. In addition, the Committee shall approve the interim financial statements and interim MD&A of the REIT, if the Board has delegated such function to the Committee. If the Committee has not been delegated this function, the Committee shall make a recommendation to the Board with respect to the approval of the interim financial statements and interim MD&A with such changes contemplated and further recommended as the Committee considers necessary.

5. *Press Releases.* With respect to press releases by the REIT:
  - (a) The Committee shall review the REIT's financial statements, MD&A and annual and interim earnings press releases before the REIT publicly discloses this information.
  - (b) The Committee shall review with management, prior to public dissemination, the annual and interim earnings press releases (paying particular attention to the use of any "pro forma" or "adjusted non-IFRS" information) as well as any financial information and earnings guidance provided to analysts and rating agencies.
  - (c) The Committee shall be satisfied that adequate procedures are in place for the review of the REIT's public disclosure of financial information extracted or derived from the REIT's financial statements, other than public disclosure referred to in Section V.A.4 of these Terms, and periodically assess the adequacy of those procedures.
6. *Reports and Regulatory Returns.* The Committee shall review and discuss with management, and the external auditors to the extent the Committee deems appropriate, such reports and regulatory returns of the REIT as may be specified by law.
7. *Other Financial Information.* The Committee shall review the financial information included in any prospectus, annual information form or information circular with the management and the external auditors, both together and separately, prior to public dissemination, and shall make a recommendation to the Board with respect to the approval of such prospectus, annual information form or information circular with such changes contemplated and further recommended as the Committee considers necessary.

**B. Financial Reporting Processes**

1. *Establishment and Assessment of Procedures.* The Committee shall satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements of the REIT and assess the adequacy of these procedures annually.
2. *Application of Accounting Principles.* The Committee shall assure itself that the external auditors are satisfied that the accounting estimates and judgements made by management, and their selection of accounting principles reflect an appropriate application of such accounting principles.
3. *Practices and Policies.* The Committee shall review with management and the external auditors, together and separately, the principal accounting practices and policies of the REIT.

**C. External Auditors**

1. *Oversight and Responsibility.* In respect of the external auditors of the REIT:
  - (a) The Committee shall recommend to the Board the external auditors nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the REIT.
  - (b) The Committee shall annually review and approve the fees to be paid to the external auditors with respect to the annual audit.
  - (c) The Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the REIT, including the resolution of disagreements between management and the external auditors regarding financial reporting.

2. *Reporting.* The external auditors shall report directly to the Committee and are ultimately accountable to the Committee.
3. *Performance and Review.* The Committee shall annually review the performance of the external auditors and recommend to the Board the appointment of the external auditors or approve any discharge of the external auditors when circumstances warrant, for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the REIT.
4. *Annual Audit Plan.* The Committee shall review with the external auditors and management, together and separately, the overall scope of the annual audit plan and the resources the external auditors will devote to the audit.
5. *Non-Audit Services.*
  - (a) "Non-audit services" means all services performed by the external auditors other than audit services. The Committee shall pre-approve all non-audit services to be provided to the Entities by the REIT's external auditor and permit all non-audit services, other than non-audit services where:
    - (i) the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the REIT and its subsidiary Entities to the REIT's external auditor during the fiscal year in which the services are provided;
    - (ii) the REIT or the subsidiary Entity of the REIT, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
    - (iii) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals had been delegated by the Committee.
  - (b) The Committee may delegate to one or more members of the Committee the authority to grant such pre-approvals for non-audit services. The decisions of such member(s) regarding approval of "non-audit" services shall be reported by such member(s) to the full Committee at its first scheduled meeting following such pre-approval.
  - (c) The Committee shall adopt specific policies and procedures for the engagement of the non-audit services if:
    - (i) the pre-approval policies and procedures are detailed as to the particular services;
    - (ii) the Committee is informed of each non-audit service; and
    - (iii) the procedures do not include delegation of the Committee's responsibilities to management.
6. *Independence Review.* The Committee shall review and assess the qualifications, performance and independence of the external auditors, including the requirements relating to such independence of the law governing the REIT. At least annually, the Committee shall receive from and review with the external auditors, their written statement delineating all relationships with the REIT and, if necessary, recommend that the Board takes appropriate action to satisfy themselves of the external auditors' independence and accountability to the Committee.

#### **D. Reports to Board**

1. *Reports.* In addition to such specific reports contemplated elsewhere in these Terms, the Committee shall report regularly to the Board regarding such matters, including:
  - (a) with respect to any issues that arise with respect to the quality or integrity of the financial statements of the REIT, compliance with legal or regulatory requirements by the REIT, or the performance and independence of the external auditors of the REIT;
  - (b) following meetings of the Committee; and
  - (c) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.
2. *Recommendations.* In addition to such specific recommendations contemplated elsewhere in these Terms, the Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make such report.

#### **E. Whistle Blowing**

1. *Procedures.* The Committee shall establish procedures for:
  - (a) the receipt, retention and treatment of complaints received by the REIT regarding questionable accounting, internal accounting controls, or auditing matters; and
  - (b) the confidential, anonymous submission by employees and of concerns regarding questionable accounting or auditing matters.
2. *Notice to Employees.*
  - (a) To comply with the above, the Committee shall ensure each of the Entities advises all employees, by way of a written whistle blowing policy, or if such policy has not yet been adopted by the respective board, by way of a written or electronic notice, that any employee who reasonably believes that questionable accounting, internal accounting controls, or auditing matters have been employed by the Entities or their external auditors is strongly encouraged to report such concerns by way of communication directly to the Chair. Matters referred may be done so anonymously and in confidence.
  - (b) None of the Entities shall take or allow any reprisal against any employee for, in good faith, reporting questionable accounting, internal accounting, or auditing matters. Any such reprisal shall itself be considered a very serious breach of this policy.
  - (c) All reported violations shall be investigated by the Committee following rules of procedure and process as shall be recommended by outside counsel.

#### **F. General**

1. *Access to Counsel.* The Committee shall review, periodically, with outside counsel of its choosing, any legal matter that could have a significant impact on the financial statements, the REIT's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
2. *Hiring of Partners and Employees of External Auditors.* The Committee shall annually review and approve the REIT's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the REIT.

3. *General.* The Committee shall perform such other duties and exercise such powers as may, from time to time, be assigned or vested in the Committee by the Board, and such other functions as may be required of an audit committee by law, regulations or applicable stock exchange rules.

## **VI. ANNUAL PERFORMANCE REVIEW EVALUATION**

1. The Committee shall perform a review and evaluation, annually, of the performance of the Committee and its members, including a review of the compliance of the Committee with these Terms. In addition, the Committee shall evaluate, annually, the adequacy of these Terms and recommend any proposed changes to the Board.
2. The Committee shall annually review transactions involving directors and officers, including a review of travel expenses and entertainment expenses, related party transactions and any conflicts of interests.
3. Management shall be required to provide the Committee, at least annually, a report on internal controls, including reasonable assurance that such controls are adequate to facilitate reliable and timely financial information. The Committee shall also review and follow-up on any areas of internal control weakness identified by the external auditors with the auditors and management.
4. The Committee shall discuss with management its process for performing its required quarterly certifications under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, as amended from time to time, including the evaluation of the effectiveness of disclosure controls by the Chief Executive Officer and CFO of the GP.

**These Terms were last updated on March 10, 2020.**