

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

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Three months ended March 31, 2023 and 2022
(Unaudited)

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

(Expressed in thousands of U.S. dollars)

	Notes	March 31, 2023	December 31, 2022
Assets			
Current assets:			
Cash and cash equivalents		\$ 17,205	\$ 12,945
Current portion of restricted cash	4	18,765	31,596
Trade and other receivables		15,444	9,214
Prepays and other assets		12,105	8,938
Interest rate swap asset	8(a)	2,987	4,078
Assets held for sale	20	8,497	-
		75,003	66,771
Other receivables		7,000	7,000
Restricted cash	4	7,590	8,385
Property, buildings and equipment	5	953,358	953,329
Intangible assets	6	4,652	4,837
Deferred income tax assets	7	13,722	12,473
		\$ 1,061,325	\$ 1,052,795

Liabilities and Partners' Capital

Current liabilities:			
Accounts payable and accrued liabilities		\$ 48,226	\$ 35,534
Current portion of term loans and revolving credit facility	8	23,742	23,963
Liabilities related to assets held for sale	20	6,577	-
Current portion of lease and other liabilities	9	198	160
Warrants liability	11(b)	1,655	3,225
		80,398	62,882
Term loans and revolving credit facility	8	617,034	619,966
Convertible debentures	10	43,829	43,487
Lease and other liabilities	9	774	862
Deferred income tax liabilities	7	3,317	3,492
		745,352	730,689
Partners' capital attributable to Unitholders		272,403	278,536
Non-controlling interest		43,570	43,570
		\$ 1,061,325	\$ 1,052,795

Commitments and contingencies (note 16)

See accompanying notes to consolidated financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Condensed Consolidated Interim Statements of Comprehensive Loss

(Unaudited)

(Expressed in thousands of U.S. dollars)

	Notes	Three months ended March 31, 2023	Three Months Ended March 31, 2022
Revenue:			
Rooms		\$ 61,019	\$ 58,589
Food, beverage and other		4,439	3,187
		65,458	61,776
Hotel expenses:			
Operating expenses		35,526	32,600
Energy		3,222	3,233
Property maintenance		3,524	3,372
Property taxes, insurance and ground lease		5,147	5,614
Depreciation and amortization		8,621	10,219
		56,040	55,038
Income from operating activities		9,418	6,738
Corporate and administrative		4,694	4,693
Loss (Gain) on property, buildings and equipment	5	3,892	(1,604)
Other income	21	(4,342)	(1,294)
Impairment of cash-generating units	5	-	257
Income from continuing operations before undernoted		5,174	4,686
Finance income		(30)	(30)
Change in fair value of warrants	11(b)	(1,570)	3,345
Change in fair value of interest rate swap contracts	8(a)	1,091	(3,348)
Finance costs	14	8,692	9,442
Loss from continuing operations before income taxes		(3,009)	(4,723)
Current income tax expense/(recovery)		16	63
Deferred income tax (recovery)/expense		(1,425)	(911)
Loss and comprehensive loss from continuing operations		\$ (1,600)	\$ (3,875)
Loss and comprehensive loss		\$ (1,600)	\$ (3,875)
Loss attributable to:			
Unitholders		\$ (2,600)	\$ (4,875)
Non-controlling interest	11(a)	1,000	1,000
		\$ (1,600)	\$ (3,875)
Basic loss per unit:			
Continuing operations		(0.02)	(0.05)
Loss per Unit		\$ (0.02)	\$ (0.05)
Diluted loss per unit:			
Continuing operations		\$ (0.02)	\$ (0.05)
Diluted loss per Unit		\$ (0.02)	\$ (0.05)
Basic weighted average number of Units outstanding		78,799,717	78,725,426
Diluted weighted average number of Units outstanding		79,364,498	79,327,430

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

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

Three months ended March 31, 2023 and 2022

	Notes	Units outstanding	Partners' contributions ¹	Contributed surplus	Cumulative deficit	Total	Non-controlling interest
Balance, January 1, 2023		78,795,444	\$ 624,295	\$ 998	\$ (346,757)	\$ 278,536	\$ 43,570
Securities-based compensation	13	-	-	146	-	146	-
Issuance of Units under securities-based compensation plan	12(b),13	24,036	44	(177)	-	(133)	-
Loss and comprehensive loss		-	-	-	(2,600)	(2,600)	1,000
Distributions to non-controlling interest	11(a)	-	-	-	-	-	(1,000)
Distributions	12(c)	-	-	-	(3,546)	(3,546)	-
Balance, March 31, 2023		78,819,480	\$ 624,339	\$ 967	\$ (352,903)	\$ 272,403	\$ 43,570
Balance, January 1, 2022		78,722,529	\$ 624,104	\$ 1,054	\$ (294,124)	\$ 331,034	\$ 43,570
Securities-based compensation	13	-	-	20	-	20	-
Issuance of Units under securities-based compensation plan	12(b),13	22,281	73	(4)	-	69	-
Loss and comprehensive loss		-	-	-	(4,875)	(4,875)	1,000
Distributions to non-controlling interest	11(a)	-	-	-	-	-	(1,000)
Distributions	12(c)	-	-	-	(2,362)	(2,362)	-
Balance, March 31, 2022		78,744,810	\$ 624,177	\$ 1,070	\$ (301,361)	\$ 323,886	\$ 43,570

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

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

(Expressed in thousands of U.S. dollars)

		Three Months Ended	
	Notes	March 31, 2023	March 31, 2022
Cash provided by (used in):			
Operating activities:			
Loss and comprehensive loss from continuing operations		\$ (1,600)	\$ (3,875)
Interest paid		(7,996)	(8,777)
Securities-based compensation paid in cash		(5)	(2)
Items not affecting cash:			
Depreciation and amortization		8,621	10,219
Loss on property, buildings and equipment		3,892	(1,604)
Securities-based compensation expense		146	20
Deferred income tax recovery		(1,425)	(911)
Change in fair value of warrants		(1,570)	3,345
Change in fair value of interest rate swap contracts		1,091	(3,348)
Finance costs		8,692	9,442
Other Income	21	(4,342)	(267)
Impairment of cash-generating units		-	257
Amortization of other liabilities		-	(5)
		5,504	4,494
Change in non-cash working capital:	19	7,590	3,171
		13,094	7,665
Investing activities:			
Additions to property, buildings and equipment		(20,890)	(2,952)
Proceeds from sale of hotel		-	10,300
Interest accrual on other receivables		(26)	(28)
Net change in restricted cash		13,626	(1,947)
		(7,290)	5,373
Financing activities:			
Payments on term loans		(1,947)	(1,403)
Distributions paid		(3,546)	(2,362)
Distributions to non-controlling interest		(1,000)	(1,000)
Payments on lease liabilities		(51)	(67)
Proceeds from revolving credit facility		5,000	-
Proceeds from (repayment of) other loans		-	(78)
Financing costs paid		-	(9)
		(1,544)	(4,919)
Increase in cash and cash equivalents from continuing operations		4,260	8,119
Decrease in operating cash and cash equivalents from discontinued operations		-	(3)
Cash and cash equivalents, beginning of period		12,945	14,700
Cash and cash equivalents, end of period		\$ 17,205	\$ 22,816

See accompanying notes to condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

1. Reporting entity:

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

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

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

2. Basis of presentation and statement of compliance:

(a) Statement of compliance:

These condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared under International Financial Reporting Standards ("IFRS") in accordance with IAS 34 *Interim Financial Reporting*. The Interim Financial Statements should be read in conjunction with the notes to AHIP's annual audited consolidated financial statements as at and for the year ended December 31, 2022 ("Annual Audited Financial Statements") which were prepared in accordance with IFRS, since these Interim Financial Statements do not contain all the disclosures required by IFRS for annual financial statements.

These Interim Financial Statements were approved and authorized for issue by the Board of Directors of the General Partner (the "Board") on May 4, 2023.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

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

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

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

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

(d) Use of estimates, assumptions and judgments:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates. Significant accounting estimates and assumptions have been set out in note 2 to AHIP's Annual Audited Financial Statements for the year ended December 31, 2022. There have been no changes to the significant accounting estimates and assumptions during the three month period ended March 31, 2023. Actual results may differ from these estimates.

3. Significant accounting policies

The significant accounting policies as disclosed in AHIP's Annual Audited Financial Statements have been applied consistently in the preparation of these Interim Financial Statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

4. Restricted cash:

	March 31, 2023	December 31, 2022
Property improvement plans ("PIPs") reserves	\$ 3,375	\$ 4,346
Furniture, fixture and equipment reserves ("FF&E Reserves")	16,487	18,378
Property tax reserves	5,417	5,661
Cash collateral and other reserves	1,076	11,596
	26,355	39,981
Current portion of restricted cash	(18,765)	(31,596)
	\$ 7,590	\$ 8,385

AHIP has funded restricted cash reserves for brand mandated PIPs arising from the purchase of certain hotels and which are expected to be spent within 18 to 24 months after acquisition. In addition, certain related term loans require AHIP to make deposits for FF&E Reserves, cash collateral, property taxes and insurance premiums. These amounts are released to AHIP as the expenditures are incurred or are paid directly to the service providers.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

5. Property, buildings and equipment:

	Land	Buildings	Equipment	Construction- in-progress	Right of use Property	Right of use Vehicles	Total
Cost:							
Balance, January 1, 2022	\$146,387	\$1,018,619	\$102,923	\$17,232	\$585	\$589	\$1,286,335
Additions	-	2,994	2,803	22,453	913	-	29,163
Transfers	-	2,623	548	(3,171)	-	-	-
Disposals	-	(165)	-	-	-	-	(165)
Write-off of assets	-	(4,167)	(615)	-	-	-	(4,782)
Sale of properties	(5,680)	(72,229)	(5,525)	(1,248)	-	-	(84,682)
Balance, December 31, 2022	140,707	947,675	100,134	35,266	1,498	589	1,225,869
Additions	-	520	829	19,541	-	-	20,890
Transfers	-	226	282	(508)	-	-	-
Write-off of assets	-	(3,975)	-	-	-	-	(3,975)
Reclass to assets held for sale (note 20)	(843)	(9,281)	(1,033)	(86)	-	-	(11,243)
Balance, March 31, 2023	\$139,864	\$935,165	\$100,212	\$54,213	\$1,498	\$589	\$1,231,541
Accumulated depreciation and impairment:							
Balance, January 1, 2022	\$-	\$167,386	\$72,939	\$-	\$502	\$511	\$241,338
Depreciation	-	27,018	9,850	-	177	52	37,097
Impairment	-	44,081	-	-	-	-	44,081
Disposals	-	(28)	-	-	-	-	(28)
Sale of properties	-	(45,268)	(4,680)	-	-	-	(49,948)
Balance, December 31, 2022	-	193,189	78,109	-	679	563	272,540
Depreciation	-	6,542	1,860	-	43	9	8,454
Reclass to assets held for sale (note 20)	-	(2,010)	(801)	-	-	-	(2,811)
Balance, March 31, 2023	\$-	\$197,721	\$79,168	\$-	\$722	\$572	\$278,183
Net book value, March 31, 2023	\$139,864	\$737,444	\$21,044	\$54,213	\$776	\$17	\$953,358
Net book value, December 31, 2022	140,707	754,486	22,025	35,266	819	26	953,329

The carrying amounts of AHIP's cash-generating units ("CGUs") are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the CGU's recoverable amount is estimated. During the three months ended March 31, 2023, AHIP recorded an impairment loss of nil (three months ended March 31, 2022: \$257).

During the final week of December 2022, cold weather, particularly in the Northeast US and Texas, caused weather related damage at several properties. Based on current information, estimated damage to buildings, plant and equipment is \$8,757. During the three months ended March 31, 2023, AHIP

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

5. Property, buildings and equipment (continued):

recorded a write off of \$3,975. All properties are insured and costs associated with remediation and rebuild are expected to be covered with coverage of lost income from business interruption insurance.

6. Intangible assets:

		Franchise Agreements
Cost:		
Balance, January 1, 2022		9,367
Balance, December 31, 2022	\$	9,367
Reclass to assets held for sale		(70)
Balance, March 31, 2023	\$	9,297
Accumulated amortization:		
Balance, January 1, 2022	\$	3,675
Amortization		855
Balance, December 31, 2022		4,530
Amortization		167
Reclass to assets held for sale		(52)
Balance, March 31, 2023	\$	4,645
Net book value, March 31, 2023	\$	4,652
Net book value, December 31, 2022		4,837

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

7. Income taxes:

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

	March 31, December 31,	
	2023	2022
Deferred income tax assets:		
Non capital losses carried forward	\$ 13,262	\$ 12,002
Intangible assets	167	164
Other	293	307
	<u>\$ 13,722</u>	<u>\$ 12,473</u>
Deferred income tax liabilities:		
Property, buildings and equipment	\$ 3,239	\$ 3,485
Other	78	7
	<u>\$ 3,317</u>	<u>\$ 3,492</u>

As at March 31, 2023, AHIP had net operating losses from continuing operations for tax purposes totaling \$51,781 (December 31, 2022: \$46,313) of which \$4,381 may be carried forward for up to 20 years, and \$47,400 may be carried indefinitely, from the date of origination and applied against future taxable income.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

8. Term loans and revolving credit facility:

	March 31, 2023	December 31, 2022
Term loans	\$ 591,364	\$ 593,290
Revolving credit facility	60,000	55,000
	651,364	648,290
Reclass to liabilities related to assets held for sale	(6,577)	-
	644,787	648,290
Unamortized portion of mark-to-market adjustments	63	76
Unamortized portion of debt financing costs	(4,074)	(4,437)
	640,776	643,929
Current portion of term loans	(23,742)	(23,963)
	\$ 617,034	\$ 619,966

All of AHIP's hotel properties have been pledged as security under various loan agreements. As at March 31, 2023, AHIP's loans had a weighted average interest rate of 4.48% (December 31, 2022: 4.46%).

(a) Revolving credit facility and Senior Secured Facility:

AHIP has a senior secured facility ("Senior Secured Facility") with total credit commitments of \$225,000 (2022: \$225,000) comprised of a \$100,000 (2022: \$100,000) revolving credit facility and a \$125,000 (2022: \$125,000) term loan ("Term Loan").

The available borrowing capacity under the Senior Secured Facility is based on a borrowing base formula for the pool of 20 hotel properties (December 31, 2022: 20 properties) securing the facility and the available amount as at March 31, 2023 was \$189,495 (December 31, 2022: \$191,180).

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

On April 6, 2022, AHIP refinanced an outstanding principal loan balance of \$54,531 with an original maturity date of July 6, 2022. The loan balance was refinanced at prevailing market terms by utilizing the Revolver. As at March 31, 2023 the Revolver has a drawn balance of \$60,000 (December 31, 2022: \$55,000).

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

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

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

On November 3, 2022, AHIP entered into an amendment to the revolving credit facility and certain term loans (the "Fifth Amendment") to, among other things, modify the calculation of the borrowing base availability amount and certain financial covenants. The modifications significantly improve the expected borrowing base availability and reduce the required fixed charge covenant ratio. Commencing with the first borrowing base certificate filed in 2023 and until December 31, 2023, the availability under the revolving portion of the credit facility will be determined in part by a valuation method which includes debt to gross book value, appraised value of all the properties included in the borrowing base calculation and an implied debt service coverage ratio, with the maximum total availability of \$200,000. Pursuant to the Fifth Amendment, AHIP's ability to pay distributions on its Units remains subject to the satisfaction of funds from operation ("FFO") Payout Ratio and Fixed Charge Coverage Ratio (as defined in the Senior Secured Facility) thresholds, in each case calculated after the end of each quarter on a trailing twelve-month basis.

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

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

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

AHIP has two interest rate swap agreements with notional values of \$105,000 and \$25,000, effectively fixing the SOFR rate at 1.300% and 1.494%, respectively. The maximum interest rate on borrowings under the facility during the year was 3.250% and 3.444% respectively. The swap agreements mature on November 30, 2023. The contracts are carried at fair value and reported as assets or liabilities depending on the fair value of the reporting date. The change in fair value of the interest rate swap agreements for the three months ended March 31, 2023 was loss of \$1,091 (three months ended March 31, 2022: gain of \$3,348) and this change was recognized in comprehensive loss for the period.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

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

(b) Principal payments:

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

2023	\$	22,037
2024		279,037
2025		55,662
2026		58,765
2027		235,863
	\$	651,364

As at March 31, 2023, the REIT was in compliance with its debt agreements.

As at March 31, 2023, four non-recourse loans totaling \$142,844 (December 31, 2022: three and \$86,144) did not meet the minimum required debt service coverage ratio under their respective loan agreement and are therefore either under cash management or in the process of entering cash management. Under such arrangements, the loan servicer controls the disbursement of funds in the order of priority as defined in the loan agreements, specifically loan payments, property taxes, insurance and then approved expenses, which are released to AHIP. Any remaining funds are then retained by the loan servicer until the minimum debt service ratios are achieved for a specified number of quarters as required per the respective loan agreements. At that time, any restricted funds will be returned to AHIP.

9. Lease and other liabilities:

	March 31, 2023	December 31, 2022
Lease and other liabilities (a)	972	1,022
	972	1,022
Current portion of lease and other liabilities	(198)	(160)
	\$ 774	\$ 862

(a) Leases:

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

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

10. Convertible debentures:

	Liability carrying value	Equity carrying value	Total face value
Balance, January 1, 2022	\$ 42,324	\$ 6,238	\$ 48,562
Amortization of transaction costs	335	-	335
Accretion of liability component	828	-	828
Balance, December 31, 2022	43,487	6,238	49,725
Amortization of transaction costs	100	-	100
Accretion of liability component	242	-	242
Balance, March 31, 2023	\$ 43,829	\$ 6,238	\$ 50,067

As at March 31, 2023, \$50,000 of the face value of the Debentures were outstanding (December 31, 2022: \$50,000).

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

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

(a) Series C Preferred Stock:

The Series C Preferred Stock have no par value and have a liquidation preference of \$1,000 per share. They are perpetual and redeemable by AHIP. The Series C Preferred Stock provides for an annual cumulative dividend, payable quarterly, of 8.00% per annum for the first three years after issuance, and, to the extent still outstanding, increases to 9.00% per annum on the third anniversary of the issuance with further escalations after the fifth anniversary of the issuance. AHIP has the option to either cash settle the dividend or settle it through the issuance of additional shares of Series C Preferred Stock. During the three months ended March 31, 2023 AHIP cash settled all of the quarterly dividends totaling \$1,000 (three months ended March 31, 2022: \$1,000).

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

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

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

(b) Warrants:

As at March 31, 2023, the warrants had a fair value of \$1,655 (December 31, 2022: \$3,225). The decrease in fair value of the warrants liability for the three months ended March 31, 2023, of \$1,570 (three months ended March 31, 2022: increase of \$3,345) is included in the consolidated statements of comprehensive loss as a gain (three months ended March 31, 2022: loss).

The fair value of warrants as at March 31, 2023 as calculated using a binomial lattice methodology. Key observable inputs were a warrant exercise price of \$3.20, a risk-free interest rate of 3.70% and a dividend yield of 6.0%. Key unobservable inputs included expected volatility of 35%.

The estimated fair value of the warrants would increase (decrease) if the warrant exercise price was (higher) lower, the risk-free interest rate was higher (lower), the dividend yield was (higher) lower, the volatility was higher (lower). Changes to expected volatility holding other inputs constant would have the following effect: (i) a 5% increase in expected volatility would increase the total warrant liability by \$1,543, resulting in an \$1,543 loss in the consolidated statements of comprehensive loss (ii) a 5% decrease in expected volatility would decrease the total warrant liability by \$1,788 resulting in a \$1,788 gain in the consolidated statements of comprehensive loss.

12. Partners' Capital

(a) Authorized:

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

(b) Issued:

During the three months ended March 31, 2023, AHIP issued 24,036 Units (three months ended March 31, 2022: 22,281 Units) to senior management and to the Board on the vesting of Units granted under AHIP's securities-based compensation plan.

(c) Distributions:

For the three months ended March 31, 2023, AHIP declared distributions of \$0.045 per Unit (March 31, 2022: \$0.03 per Unit) to be paid to Unitholders totaling \$3,546 (three months ended March 31, 2022: \$2,362). Of this amount \$1,182 was included in accounts payable and accrued liabilities as at March 31, 2023.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

13. Compensation plan:

During the three months ended March 31, 2023, no LTIP awards in the form of Restricted Stock Units were made.

As at March 31, 2023, AHIP had a total of 564,781 unvested Units as follows:

	Number of Units	Weighted average grant date fair value
Unvested, January 1, 2022	189,057	\$ 1.76
Granted	611,034	2.86
Vested	(72,915)	(2.77)
Forfeited or cash-settled	(66,259)	(2.85)
Cancelled	(53,081)	(1.82)
Unvested, December 31, 2022	607,836	\$ 2.69
Granted	-	-
Vested	(24,036)	(1.83)
Forfeited or cash-settled	(19,019)	(1.83)
Cancelled	-	-
Unvested, March 31, 2023	564,781	\$ 2.66

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

Vesting dates	Number of Units	Total fair value of Units at grant date
March 15, 2023	8,346	\$ 21
March 30, 2023	42,909	33
June 30, 2023	39,390	120
December 15, 2023	8,346	21
March 15, 2024	43,054	132
May 24, 2024	37,556	68
June 28, 2024	39,390	120
December 31, 2024	129,159	366
June 30, 2025	216,631	622
Total unvested Units	564,781	\$ 1,503

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

14. Finance costs:

	March 31, 2023	March 31, 2022
Interest expense on term loans and revolving credit facility	\$ 7,195	\$ 7,894
Interest expense on debentures	751	751
Amortization of debt financing costs	355	492
Accretion of debenture liability	242	182
Amortization of debenture costs	100	74
Interest expense on lease liabilities	16	1
Other financing charges	12	44
Dividends on Series B preferred shares	21	4
	\$ 8,692	\$ 9,442

15. Financial instruments:

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

The fair value of AHIP's term loans and outstanding revolving credit facility was determined using present value calculations based on market-observable interest rates for loans with similar terms and conditions. The fair value of AHIP's term loans and outstanding revolving credit facility at March 31, 2023 was \$653,681 (December 31, 2022 - \$611,704) and are considered Level 2 in the fair value hierarchy.

AHIP's debentures are considered Level 1 financial instruments since they are quoted on the TSX. The fair value of the liability portion of AHIP's debentures based on the quoted market price at March 31, 2023 was \$43,800 (December 31, 2022 - \$43,500).

There were no transfers between levels during the period.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

16. Commitments and contingencies:

(a) Hotel management agreements:

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

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

17. Related party transactions:

(a) Executive loan program:

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

As at March 31, 2023 two former executive officers, one of who is a current Director of AHIP have borrowed an aggregate of Cdn\$2,183 (December 31, 2022: two former executive officers have an aggregate outstanding balance of Cdn\$2,183) under the Loan Policy, with such loans being fully guaranteed pursuant to the terms of the Loan Policy.

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

(b) Compensation:

Key management includes those persons having authority and responsibility for planning, directing, and controlling the activities of AHIP, directly or indirectly, and includes the Board. Total compensation awarded to key management for the three months ended March 31, 2023 was \$1,722 (three months ended March 31, 2022: \$994), which included securities-based compensation expense of \$174 (three months ended March 31, 2022: \$18).

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

18. Capital management:

	March 31, 2023	December 31, 2022
Term loans and outstanding revolving credit facility	\$ 640,776	\$ 643,929
Convertible debentures, liability portion	43,829	43,487
Partners' capital attributable to Unitholders	272,403	278,536
Non-controlling interest	43,570	43,570
Total capital	\$ 1,000,578	\$ 1,009,522

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

19. Supplemental cash flow disclosure:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Accounts payable and accrued liabilities	\$ 12,837	\$ 2,744
Prepays and other assets	(3,208)	658
Trade and other receivables	(2,039)	(231)
Change in non-cash working capital	\$ 7,590	\$ 3,171

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended March 31, 2023 and 2022

20. Assets held for sale:

In March 2023, AHIP entered into a purchase and sale agreement for a hotel located in Pinehurst, North Carolina. The associated assets are consequently presented separately as held-for-sale in the consolidated statement of financial position as at March 31, 2023. The sale is expected to close in June 2023.

Assets held for sale and liabilities related to the assets held for sale are as follows:

		March 31, 2023	December 31, 2022
Assets			
Property, buildings and equipment	\$	8,432	\$ -
Intangible assets	\$	18	-
Inventory		47	-
Total assets held for sale	\$	8,497	\$ -
Liabilities			
Term loans		6,577	-
Total liabilities related to assets held for sale	\$	6,577	\$ -
Net assets held for sale	\$	1,920	\$ -

21. Other Income:

As at March 31, 2023, AHIP recognized \$4.3 million of insurance proceeds. The amount represents initial funds receivable from insurance providers for the weather-related damage at several hotel properties in late December 2022. This is comprised of \$3.3 million for property damage and \$1.0 million for business interruption.