PHOENIX AMERICAN HOSPITALITY

REIT TAX REFORM BENEFITS SHAREHOLDERS

The Tax Cuts and Job Act of 2017 introduced several changes to the tax code that may benefit shareholders of Real Estate Investment Trusts (REITs). Under the new guidelines, shareholders may see substantial tax savings through the following areas:

1. **New 20 percent deduction** on ordinary REIT dividends.
2. **Tax rates were lowered** across most of the tax brackets.
3. The depreciation period for residential real property was **reduced from 40 years to 30 years**.

Old Tax Rate[1]	New Tax Rate[1]	20% Deduction on Ordinary REIT Dividends	Effective Tax Rate Ordinary REIT Dividends
39.6%	37%		29.6%
35%	35%		28.0%
33%	32%	20%	25.6%
28%	24%		19.2%
25%	22%		17.6%

OTHER REIT TAX FEATURES

RETURN OF CAPITAL (ROC) TAX SHELTER[2]: Depreciation and amortization decrease the taxable portion of REIT distributions in the current year, by lowering the cost basis of the REIT shares and is generally taxed upon the sale as a capital gain.

HOTELS: A REIT portfolio that invests in hotels may see a higher percentage of tax-sheltered distributions, due to the Furniture, Fixtures, and Equipment (FF&E) deduction, which depreciates quicker than the standard 40 years, often between five and 15 years.

HYPOTHETICAL REIT PORTFOLIO[3]

The following illustrations assumes:

$100,000 Investment

7% Annualized Pre-Tax Yield[4] **($7,000 annualized distribution)**

	Old Tax Law	New Tax Law: Reduction in Tax Rate for REIT Dividends	
	0% ROC	0% ROC	60% ROC
After Tax Yield	4.2%	4.9%	6.2%
Distributions	$7,000	$7,000	$7,000
ROC ($)	($0)	($0)	($4,200)
Taxable Portion	$7,000	$7,000	$2,800
Tax Payable	($2,772)	($2,072)	($828)
After Tax Distribution	$4,228	$4,928	$6,172
Effective Federal Tax Rate[5 6] (Tax Payable/Distribuition)	39.6%	29.6%	11.8%

Please check with your individual tax advisor to determine how your individual tax profile is affected. Please see reverse for important disclosures This sales and advertising literature does not constitute tax advice. Because each investor's tax position is different, you should consult with your tax advisor. This is not an offer to sell or a solicitation of an offer to buy shares of American Hospitality Properties REIT, Inc., only the REIT's offering circular makes such an offer. The information set forth herein must be read in conjunction with the offering circular in order to understand fully all of the objectives, risks, charges and expenses associated with an investment and must not be relied upon to make an investment decision. Neither the Securities and Exchange Commission, the Attorney General of the state of New York nor any other state securities regulator has approved or disapproved of these securities; passed on or endorsed the merits of the offerings; or determined if the offering circular is truthful or complete.

1. Income levels vary between the old and new tax rates.
2. Return of capital reduces the stockholder's tax basis in the year the distribution is received, and generally defers taxes on that portion until the capital asset is sold. Additionally, when an asset does not actually depreciate in value and the asset is later sold, the income deferred via depreciation deductions is recognized as a capital gain.
3. The illustrative example does not include state taxes. Investors could be subject to state income tax in their state of residence which would lower the after-tax yield received by the investor. The illustrative example does not reflect the impact of increasing net operating income ("NOI"); an increasing NOI from higher rents would reduce the amount of ROC. Past performance is not indicative of future results.
4. American Hospitality Properties REIT, Inc. cannot guarantee that we will make distributions, and if we do we may fund such distributions from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds, and we have no limits on the amounts we may pay from such sources.
5. Return of capital reduces the stockholder's tax basis in the year the dividend is received, and generally defers taxes on that portion until the capital asset is sold.
6. The illustrative example does not include state taxes. Investors could be subject to state income tax in their state of residence which would lower the after tax yield received by the investor.

New legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws and these changes may affectthe taxation of a stockholder. You are urged to consult with your own tax advisor with respect to the status of legislative, regulatory or administrative developments or proposals and their potential effect on an investment in a REIT.

The views expressed herein are subject to change based upon economic, real estate and other market conditions. These views should not be relied upon for investment advice. Any forward- looking statements are based on information currently available to us and are subject to a number of known and unknown risks, uncertainties and factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

An investment in American Hospitality Properties REIT, Inc. involves a high degree of risk. These securities are not liquid investments. You should purchase these securities only if you can afford the complete loss of your investment. You should carefully read the information set forth in the "Risk Factors" section of the prospectus before buying our shares. Risks include, but are not limited to:

- The offering is being made by means of the Offering Circular only to qualified investors who meet minimum requirements, as well as suitability standards as determined by a qualified financial advisor. Please read the Offering Circular in its entirety before considering investment.
- We depend on our board of directors and officers to select our investments and conduct our operations and this offering. Our board of directors and officers are also directors and officers of Phoenix American Hospitality, LLC, our manager. Our directors and officers will be subject to conflicts of interest.
- No public market exists for our Shares, and you may, for an indefinite period of time, be unable to convert your investment to cash easily and could suffer losses on your investment. If you are able to sell your Shares through secondary market purchases or otherwise, you would likely have to sell them at a substantial discount from their offering price.
- We are a recently formed company and have no operating history. As of the date of this Offering Circular, we have not made any investments, and prior to our initial closing, our total assets will consist of approximately $25,000 in cash.
- There is no assurance that we will achieve our investment objectives.
- We are a blind pool because we have not identified any investments to make with the proceeds from this offering.
- Our board of directors and officers may sponsor other companies that compete with us, and our board does not have an exclusive management arrangement with us.
- If we raise substantially less than the maximum offering amount, we may not be able to invest in a diverse portfolio of hospitality properties and the value of your investment may vary more widely with the performance of certain assets.
- We have not established the offering price on an independent basis and it bears no relationship to the value of our assets.
- The Company expects to use leverage to acquire the Properties, which will subject the Company to risks associated with financing.
- Although our distribution policy is to use our cash flow from operations to make distributions, our organization documents do not prohibit us from paying distributions from any source, including borrowings or sales of assets. If we pay distributions from sources other than our cash flow from operations, we will have less funds available for investments and your overall return will be reduced.
- We may or may not elect to be taxed as a REIT, with differing tax consequences to us and our shareholders.
- If we fail to qualify as a REIT it could have economic consequences.
- Our Properties will be subject to the risks typically associated with real estate.
- Our Properties will be subject to operating risks associated with hotels.
- The hotel industry is highly volatile which could decrease our stockholders' overall return.

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