



FOR IMMEDIATE RELEASE

December 18, 2018

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**HOLLOWAY LODGING CORP. ANNOUNCES SALE OF HOLIDAY INN® HOTEL IN OTTAWA, DEBENTURE REDEMPTION AND SUBSTANTIAL ISSUER BID**

Halifax, NS - Holloway Lodging Corporation (TSX: HLC, HLC.DB, HLC.DB.A) (“Holloway”) is pleased to announce the following.

*Sale of Holiday Inn, Ottawa, ON*

Holloway sold the Holiday Inn hotel in Ottawa, ON for \$50.0 million. The property sold consists of the hotel, an adjacent property that is leased to Lone Star Grill® and adjacent vacant land. The sale price represents a cap rate of approximately 8.2%. Holloway estimates that it will record a gain on sale of approximately \$26.3 million in the fourth quarter of 2018 and does not anticipate paying any cash tax on the sale of the property.

Holloway acquired the property as part of its acquisition of Royal Host Inc. in 2014. Holloway subsequently closed the hotel to renovate and convert it to a Holiday Inn. The result was a much improved hotel experience for guests, materially better financial performance for the company and meaningful value creation for shareholders.

Holloway received approximately \$45.6 million of proceeds after closing costs and the provision of a \$3.0 million second mortgage. Concurrent with the sale, Holloway repaid \$14.3 million of its syndicated term loan and reduced its committed syndicated revolving credit facility to \$21.0 million (from \$30.0 million).

*Debenture Redemption*

Holloway has issued to the holders of its 7.50% Series C Convertible Unsecured Subordinated Debentures due September 30, 2021 (the “Debentures”) a notice of redemption pursuant to which Holloway will redeem all of its outstanding Debentures on January 3, 2019.

The total redemption amount payable for each \$1,000 principal amount of Debentures will equal the redemption price of \$1,000 plus accrued and unpaid interest of \$19.32 up to but excluding the redemption date.

### Substantial Issuer Bid

Holloway also announces its intention to commence a substantial issuer bid (the "Offer") pursuant to which it will offer to purchase 1,200,000 of its outstanding common shares (the "Shares") at a purchase price of \$6.50 per Share in cash (the "Purchase Price").

The Purchase Price represents a 10.2% premium over the closing price of the Shares on the TSX on December 17, 2018, the last full trading day prior to this announcement. The number of Shares subject to the Offer represents approximately 7.0% of the total number of Shares outstanding.

Details of the Offer, including instructions for tendering Shares to the Offer, will be included in the formal offer to purchase and issuer bid circular and other related documents (the "Offer Documents"), which are expected to be mailed to shareholders, filed with securities regulators and made available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the company's website at [www.hlcorp.ca](http://www.hlcorp.ca). The Offer will not be conditional on any minimum number of Shares being tendered, but will be subject to various other conditions that are typical for a transaction of this nature.

The Offer will remain open for acceptance until January 22, 2019, unless withdrawn or extended by the company. If more than 1,200,000 Shares (or such greater number as Holloway determines it is willing to take up and pay for) are properly tendered to the Offer, Holloway will take-up and pay for the tendered Shares on a pro-rata basis according to the number of Shares tendered (with adjustments to avoid the purchase of fractional Shares). Holloway will fund any purchases of the Shares pursuant to the Offer from cash on hand and available credit facilities. Assuming that 1,200,000 Shares are purchased pursuant to the Offer, the aggregate purchase price pursuant to the Offer will be \$7.8 million.

Holloway retained Trimaven Capital Advisors ("Trimaven") in connection with the Offer. Trimaven delivered an opinion to the Board of Directors of the company that, based on and subject to the qualifications, assumptions and limitations stated in the opinion: (i) a liquid market (as such term is defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*) exists for the Shares as of the date of the opinion; and (ii) it is reasonable to conclude that, following the completion of the Offer, there will be a market for shareholders who do not tender to the Offer that is not materially less liquid than the market for Shares that existed at the time of the making the Offer. A copy of the opinion of Trimaven will be included in the Offer Documents.

The Board of Directors of Holloway has approved the Offer. However, neither Holloway nor its Board of Directors makes any recommendation to shareholders as to whether to tender or refrain from tendering Shares to the Offer. Shareholders are strongly encouraged to review the Offer Documents carefully and to consult with their financial and tax advisors prior to making any decision with respect to the Offer.

### Pro Forma Debt Metrics

The transactions Holloway announces today are the culmination of significant effort by many Holloway team members and are transformational for Holloway. Assuming completion of the redemption of the Debentures and substantial issuer bid described above, Holloway will reduce its:

- Net debt by 19% from \$199.2 million to \$161.3 million;
- Interest expense by 26% from \$11.6 million to \$8.6 million;
- Total debt service by 20% from \$15.9 million to \$12.8 million;
- Weighted average cost of debt from 5.83% to 5.36%; and
- Share count by 7% from 17,145,553 to 15,945,553.

Holloway has total capacity on its lines of credit of \$66.0 million of which \$15.0 million is currently drawn. Holloway also has \$33.5 million of cash on hand.

### ABOUT HOLLOWAY LODGING CORPORATION

Holloway is a real estate corporation focused on acquiring, adding value to and operating select service hotels and managing hotels for third parties. Holloway owns 31 hotels with 3,422 rooms. Holloway's shares and debentures trade on the TSX under the symbols HLC, HLC.DB and HLC.DB.A.

For further information please contact Michael Rapps, Chairman, at (416) 855-1925 or Jane Rafuse, Chief Financial Officer, at (902) 443-5101.

*This press release contains forward-looking information within the meaning of applicable securities laws. Forward-looking information may relate to Holloway's future outlook and anticipated events or results and may include statements regarding Holloway's future financial position, business strategy, financial results, plans and objectives. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Forward-looking information is subject to certain factors, including risks and uncertainties, that could cause actual results to differ materially from what Holloway currently expects and there can be no assurance that such statements will prove to be accurate. Some of these risks and uncertainties are described under "Risk Factors" in Holloway's annual information form for the year ended December 31, 2017 which is available on Holloway's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). Holloway does not intend to update or revise any such forward-looking information should its assumptions and estimates change.*