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HOLLOWAY LODGING CORPORATION REPORTS Q2 2017 RESULTS, DECLARES QUARTERLY DIVIDEND, ANNOUNCES NORMAL COURSE ISSUER BID AND ANNOUNCES RESULTS OF DEBENTURE AMENDMENTS

Halifax, NS – Holloway Lodging Corporation (TSX: HLC, HLC.DB, HLC.DB.A) ("Holloway") today announced financial results for the three and six months ended June 30, 2017. All amounts are in thousands of Canadian dollars unless otherwise indicated. Readers should refer to Holloway's unaudited interim condensed consolidated financial statements as at June 30, 2017 and its management discussion and analysis which are available on Holloway's website at www.hlcorp.ca and on SEDAR at www.sedar.com.

Second Quarter Review and Outlook

Hotel Performance

In the second quarter of 2017, revenues and hotel operating income declined by 8.2% and 11.2%, respectively, compared to the second quarter of 2016, primarily due to the sale of hotels. The changes in revenue and hotel operating income are shown in the tables below for the three and six months ended June 30, 2017.

	Three Months Ended June 30			Six Months Ended June 30		
	2017	2016	Variance	2017	2016	Variance
Revenue	$ 25,364	$ 27,626	(8.2%)	$ 48,817	$ 49,602	(1.6%)
Operating income[(1)]	7,576	8,534	(11.2%)	12,434	11,691	6.4%
Operating income margin	29.9%	30.9%	(1.0 ppt)	25.5%	23.6%	1.9 ppt
Net income (loss) attributable to shareholders	(1,095)	(139)		2,416	(3,576)	
per basic and diluted share	(0.06)	(0.01)		0.13	(0.19)	
Funds from operations	3,023	3,804		3,573	1,798	
per basic share	0.16	0.20		0.19	0.10	
Adjusted funds from operations	2,848	3,442		3,093	919	
per basic share	0.15	0.18		0.16	0.05	
Dividends declared per share	0.035	0.035		0.07	0.07	

(1) Before depreciation and amortization.

	Three Months Ended June 30				Six Months Ended June 30			
	Revenue		Operating Income[(1)]		Revenue		Operating Income[(1)]	
2016	$ 27,626	100%	$ 8,534	100%	$ 49,602	100%	$ 11,691	100%
Hotels acquired or reopened[(2)]	-		-		1,739		416	
Hotels sold or temporarily closed[(3)]	(3,206)		(897)		(5,162)		(1,215)	
Ontario hotels	1,228		713		2,512		1,806	
Atlantic hotels	354		73		286		149	
Western hotels	(440)		(703)		199		(139)	
Northern hotels	(198)		(144)		(359)		(274)	
2017	$ 25,364	92%	$ 7,576	89%	$ 48,817	98%	$ 12,434	106%

(1) Before depreciation and amortization.
(2) Six months ended June 30 (acquired - Westmark in Whitehorse, YT and reopened - Travelodge in Sydney, NS).
(3) Represents five hotels (sold - Travelodge in Barrie, ON; Travelodge in Belleville, ON and Holiday Inn in Oakville, ON; closed - Travelodge in Slave Lake, AB and Super 8 in Grande Prairie, AB).

The results of our current hotels (i.e. excluding the impact of sold hotels) were positive in both the second quarter and the first half of 2017; revenue increased by 3.9% in the second quarter while both revenue and hotel operating income increased 6.4% and 15.0%, respectively, in the first half of 2017.

The biggest contributor to these results was our Ontario hotels, with improvements across all hotels and very positive results from our Holiday Inn® in Ottawa. This hotel continues to increase occupancy and ADR after undergoing major renovations in 2016.

Our Atlantic Canada hotels continue to perform well with moderate increases in revenue and operating income. The majority of the increase in the second quarter stems from the Travelodge® in Sydney, NS which reopened in the second quarter of 2016 after renovations and rebranding.

Reduced results in Western Canada in the second quarter are attributed to the Holiday Inn in Grande Prairie, AB, which is partially closed during renovation, and the temporary closure of the Super 8® in Grande Prairie, AB due to a release of water into the hotel and the subsequent renovations. The renovation of the Holiday Inn is now substantially completed with all new guest rooms, bathrooms, public areas, meeting rooms and an enlarged fitness center. We currently expect the Super 8 to reopen in September 2017 with substantial renovations having been completed. As expected, results at our other Western hotels have been choppy. Finally, during the second quarter, we completed the 11-room expansion of our Super 8 hotel in Fort St. John, BC.

Reduced results at our Northern Canada hotels are driven by our Yellowknife, NWT properties where additional supply has entered the market and is currently being absorbed.

Balance Sheet and Capital Allocation

Holloway completed several financing transactions in the second quarter that took advantage of the current low interest rate environment to strengthen the Company's financial position. The Company repaid eleven mortgages totaling $90.4 million that were to mature in May and July 2017. To fund such repayments, Holloway entered into an $80.0 million credit facility and a $17.5 million mortgage.

The credit facility consists of a $50.0 million term loan and a $30.0 million revolver. The term loan bears interest at a floating interest rate of prime plus 1.50%, has an option to convert the interest rate to a fixed rate, an amortization period of 17 years and a term of five years. The revolver has a floating interest rate of prime plus 1.50% and a term of five years. The credit facility is secured by ten hotels.

The mortgage is secured by two hotels located in Alberta, has an interest rate of 4.45%, an amortization period of 15 years and a five-year term. As of today, Holloway has drawn $6.9 million under this mortgage with the balance expected to be drawn within several quarters as certain conditions are satisfied.

Prior to the completion of these transactions, Holloway had a weighted average cost of debt of 6.29%, aggregate annual interest expense of $13.5 million and aggregate annual debt service of $19.7 million. Following these transactions, Holloway has a weighted average cost of debt of 5.36% (a reduction of 93 basis points), aggregate annual interest expense of $11.4 million and aggregate annual debt service of $15.7 million. As a result, Holloway's annual interest expense is expected to decline by $2.1 million or 15.6% and Holloway's annual debt service is expected to decline by $4.0 million or 20.1%.

During the second quarter, Holloway repurchased $7 thousand principal amount of our 6.25% convertible debentures at an average price of $96.50 per $100 face value. Holloway also repurchased 12,800 common shares at an average price of $5.76 per share.

Subsequent to the second quarter, Holloway successfully extended its Series C 7.50% convertible debentures (the "Series C Debentures") by three years from their current maturity date of September 30, 2018 to September 30, 2021. Holloway also amended certain other provisions of the Series C Debentures as well as certain provisions of its Series B 6.25% convertible debentures (the "Series B Debentures") as described below.

Accounting for the recent financing activities, Holloway currently has $214.0 million of debt of which $92.8 million or 43.3% is in the form of convertible debentures with no financial covenants.

Outlook

Results for the remainder of 2017 are expected to be in line with those in the first half of the year, namely: positive results in Ontario, steady results in Atlantic and Northern Canada and choppiness in Western Canada. We expect results to remain strong at those hotels that have recently undergone renovations and to improve in Grande Prairie, AB and Fort St. John, BC as a result of renovations, expansions and modest improvements in the economic environment in these markets.

As noted above, our capital program is well advanced. We have completed the renovations at the Holiday Inn in Grande Prairie, AB and the 11-room expansion at the Super 8 in Fort St. John, BC. The renovation of the Super 8 in Grande Prairie, AB and the upgrades to the Days Inn® in Whitehorse, YT and the Quality Inn® in Yellowknife, NWT are expected to be completed by year-end. The demolition of the non-operated structures at the Travelodge in Ottawa is partially completed and will resume after Labour Day once the high season for hotel occupancy has ended.

Dividend Declaration

On August 9, 2017, the Board of Directors declared a quarterly dividend of $0.035 per share, representing an annual dividend of $0.14 per share. The dividend is payable on September 15, 2017 to shareholders of record on August 31, 2017.

Debenture Amendments

At a meeting of the holders of the Series C Debentures held on August 9th, 2017, Holloway obtained approval to amend the Series C Debentures as follows: (1) extend the maturity date of the Series C Debentures by three years to September 30, 2021; (2) amend the conversion price to $12.50 per common share; and (3) provide holders with the option to exchange their Series C Debentures for a new series of debentures upon receiving an exchange notice from Holloway.

At a separate meeting of the holders of the Series B Debentures held on August 9th, 2017, Holloway obtained approval to amend the Series B Debentures to provide holders with the option to exchange their Series B Debentures for a new series of debentures upon receiving an exchange notice from Holloway.

The amendments referred to above will be effective on the signing of the first supplement to the second amended and restated trust indenture dated July 31, 2014, by the Company and Computershare Trust Company of Canada, which is anticipated to occur later this month.

A full description of the amendments is set out in the joint management information circular dated July 12, 2017 and available at www.SEDAR.com.

Normal Course Issuer Bid

The Toronto Stock Exchange (the "TSX") has approved the Company's notice of intention to make a normal course issuer bid ("NCIB") for up to 943,713 of its common shares, representing 5% of the issued and outstanding shares as of August 9, 2017. During the period from August 17, 2016 to August 16, 2017, the Company purchased 14,900 shares under a previous normal course issuer bid. The weighted average price paid was $5.75 per share.

Pursuant to the notice, the Company may, over the 12 month period commencing on August 17, 2017 and ending on August 16, 2018 (or on such earlier date as the Company completes its purchases pursuant to the bid or provides notice of cancellation), purchase shares through the facilities of the TSX or certain alternative exchanges at prevailing market prices in accordance with the rules and policies of the TSX or certain alternative trading systems. All shares purchased by the Company under the normal course issuer bid will be cancelled. As of August 9, 2017, the Company had a total of 18,874,266 shares issued and outstanding. The average daily trading volume of the shares during the six months ended July 31, 2017 was 3,270 shares and the daily repurchase limit for the shares is 1,000 shares other than block purchase exceptions.

Holloway has entered into an automatic securities purchase plan (the "Plan") with a broker in order to facilitate repurchases of its common shares under the NCIB. Purchases under the automatic securities purchase plan will be made by Holloway's broker based on the parameters prescribed by the Toronto Stock Exchange ("TSX"), applicable Canadian securities laws and the terms of the parties' written agreement. Under the Plan, the Company's broker may purchase common shares under the NCIB at times when the Company would ordinarily not be permitted to, due to its self-imposed regular quarterly blackout periods.

The Company believes that, on occasion, the shares become available at prices that do not give full effect to their underlying value. Accordingly, management believes that the purchase of shares pursuant to the normal course issuer bid represents an investment opportunity for Holloway and an appropriate use of its funds.

ABOUT HOLLOWAY LODGING CORPORATION

Holloway is a real estate corporation focused on acquiring, owning and operating select and limited service lodging properties and a small complement of full service hotels primarily in secondary, tertiary and suburban markets. Holloway owns 33 hotels with 3,763 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.