CLARKE INC. ENTERS INTO AGREEMENT TO ACQUIRE HOLLOWAY LODGING CORPORATION

Halifax, Nova Scotia; August 9, 2019 – Clarke Inc. ("Clarke") and Holloway Lodging Corporation ("Holloway") are pleased to announce that they have entered into an arrangement agreement (the "Arrangement Agreement") pursuant to which Clarke has agreed to acquire all of the common shares of Holloway (the "Holloway Shares") that it does not currently own (the "Acquisition").

Pursuant to the Arrangement Agreement, Holloway shareholders will receive for each Holloway Share they own 0.65 of a common share of Clarke (the "Clarke Shares"). Based on the closing share prices of each of Clarke and Holloway on August 8, 2019, the day prior to this announcement, this share exchange ratio implies an acquisition price per Holloway Share of $8.46 and a premium of 14%.

The Acquisition is valued at approximately $132 million on an equity value basis and $265 million on an enterprise value basis. This implies a price per hotel room of approximately $88,200 (after excluding the value of Holloway's vendor takeback mortgages and office properties) and a cap rate of 6.4% (after taking into account the interest income on Holloway's vendor takeback mortgages, the annualized negative cash flow associated with Holloway's office properties and Holloway's corporate overhead).

Clarke expects to issue approximately 4,940,193 Clarke Shares as consideration under the Acquisition, following which Clarke expects to have outstanding 16,962,422 Clarke Shares.

<u>Voting Support Agreement</u>

Clarke currently owns 51% of the Holloway Shares. Clarke has received expressions of support for the Acquisition from holders of an additional 32% of the Holloway Shares, including Letko, Brosseau & Associates Inc. ("Letko") which exercises control or direction over 20% of the Holloway Shares and which has entered into a voting support agreement pursuant to which it has agreed to vote its Holloway Shares in favour of the Acquisition.

<u>Rationale for the Acquisition and Clarke Strategy</u>

Clarke and Holloway believe the Acquisition brings a number of benefits to each company's shareholders, including:

1. **<u>Increased cash flow</u>**. Clarke currently generates minimal cash flow from its investment portfolio, consisting principally of dividends on owned securities and cash flow from its ferry operation. The Acquisition will allow Clarke to generate more cash flow per share, which it can deploy to a variety of investment opportunities (both within and outside the hotel industry).

2. **<u>Upside</u>**. Shareholders of Clarke and Holloway will participate in the upside that both companies believe exist in the other company's portfolio. Clarke shareholders will benefit more directly and fully in the upside associated with any rebound in Holloway's Western Canadian hotels and the

repositioning of several of Holloway's assets, including select hotels in Canada and its Houston office properties. Holloway shareholders will benefit from continued growth anticipated at Terravest and the substantial upside in Trican should Canadian energy commodity prices recover.

3. **Improved profile and trading liquidity**. Each of Clarke and Holloway has a concentrated shareholder base and limited trading liquidity in its shares. The companies believe that over time, Clarke's increased cash flows, asset base and investment returns will increase the liquidity of the Clarke Shares and attract additional investors who want to participate in Clarke's investment strategy.

David Wood, lead member of Holloway's Special Committee, stated: "In recent years, Holloway has demonstrated the value of its hotel investment strategy and operational capabilities. The result has been a meaningful increase in the company's book value per share and attractive total shareholder return. We believe this transaction provides Holloway's shareholders with an attractive value proposition, where the value of the company's efforts in recent years is being recognized while also allowing shareholders to continue to participate in the next phase of Holloway's growth."

Michael Rapps, President and CEO of Clarke, stated: "We are pleased to acquire the remainder of Holloway and welcome everyone on the Holloway team to Clarke. Holloway is a hotel-specific example of Clarke's general investment framework, namely buying an asset or business opportunistically, investing the time, energy and capital required to improve that asset or business and then monetizing that asset or business at an attractive price and time. We look forward to continuing to enhance the value of Holloway's properties."

Following the Acquisition, Clarke intends to focus on the following investment areas:

1. **Value-add real estate**. Initially, this will consist of Holloway's three newly acquired vacant office buildings in Houston and the potential redevelopment of select Holloway hotels. Over time, this area of focus may expand to other types of real estate.

2. **Engaged investments in public companies**. Clarke has consistently generated attractive returns by acquiring meaningful interests in public companies and working with the boards and management teams of those companies to increase shareholder value. This has been at the core of Clarke's operations over the last 15 years and we expect this type of investment to remain critical to Clarke in the future.

3. **Full or partial ownership of businesses**. Initially, this will consist of Clarke's ferry operation, Holloway's ownership and operation of hotels and Holloway's nascent third party hotel management business. In the future, we could seek to start, acquire or partner with companies that we believe offer long runways to grow their cash flows and compound their intrinsic values.

Mr. Rapps added: "We believe the acquisition of Holloway helps us increase the scale and scope of our investment operations. We gain a capable team, assets that offer upside through redevelopment or repositioning and additional cash flow that we can deploy to opportunities within the hotel business or in other areas."

Board Approval

The Board of Directors of Holloway, acting on the unanimous recommendation of its Special Committee comprised solely of independent directors, has unanimously (with George Armoyan and Michael Rapps, who are also directors and officers of Clarke, abstaining) approved the Acquisition and recommends that Holloway shareholders vote in favour of the Acquisition. Further information regarding the appointment of the Special Committee and its process in reviewing the Acquisition will be provided in Holloway's management information circular.

The Board of Directors of Clarke, acting on the unanimous recommendation of its Special Committee comprised solely of independent directors, has unanimously approved the Acquisition.

Holloway Debentures

Upon completion of the Acquisition, Holloway's Series B 6.25% convertible unsecured debentures due February 28, 2023 (the "Debentures") will cease to be convertible into Holloway Shares and, subject to the terms of the indenture governing the Debentures, will only be convertible into 52 Clarke Shares for each $1,000 principal amount of Debentures at a conversion price of $19.23 per Clarke Share. Holloway currently has $50,866,000 principal amount of Debentures outstanding.

Holloway intends to seek the approval of holders of the Debentures ("Debentureholders") for Clarke to assume the Debentures, conditional on completion of the Acquisition. The proposed assumption will provide greater security and asset coverage to Debentureholders given the greater asset base of Clarke (which now includes Holloway) compared to Holloway as a standalone borrower.

The Boards of Directors of each of Holloway and Clarke believe the Debenture assumption is in the best interests of each company and in the best interests of Debentureholders as it simplifies Clarke's capital structure following the Acquisition and provides Debentureholders with greater security and asset coverage on their investment.

The proposed Debenture assumption by Clarke will be effective if a resolution is passed by the affirmative vote of holders of at least 66⅔% of the principal amount of the Debentures voted at the meeting, whether in person or by proxy, on a date to be set. If approved, the Debenture assumption will take the form of, and be effective on the signing of, an Amended and Restated Trust Indenture by Holloway, Clarke and Computershare Trust Company of Canada. A description of the proposed assumption will be set out in a management information circular which is expected to be mailed to Debentureholders later this month. The management information circular will be available under Holloway's profile at www.sedar.com.

Clarke Board

Following the Acquisition, Clarke intends to appoint Marc Staniloff as a director of Clarke. Mr. Staniloff is President and Chief Executive Officer, and the founding Partner, of Superior Lodging Corp., a privately owned, vertically integrated hotel company, focused on the development, investment, and management of nationally franchised, limited service hotels in Canada. Mr. Staniloff received his Bachelor of Commerce degree from the University of Calgary. Mr. Staniloff is currently a director of Holloway and will bring significant hotel industry experience to Clarke.

Terms of the Arrangement Agreement and Required Approvals

The Acquisition will be implemented by way of a court-approved plan of arrangement under the *Business Corporations Act* (Ontario). Clarke and Holloway anticipate the Acquisition closing on or about September 30, 2019. The Acquisition is conditional upon, among other things:

- the affirmative vote of at least 66 2/3% of the Holloway Shares and a majority of the minority Holloway Shares, in each case that are voted at the shareholder meeting that will be held to consider the Acquisition;
- the affirmative vote of a majority of Clarke's shareholders in respect of Clarke's issuance of more than 25% of the currently outstanding Clarke Shares as consideration under the Acquisition;
- the receipt of court approval; and
- other customary closing conditions for a transaction of this nature.

The Arrangement Agreement also contains a termination fee of $1.5 million payable to Clarke in certain circumstances, including if Holloway accepts a superior proposal from a third party.

Full details of the Acquisition will be included in a management information circular which is expected to be mailed to Holloway shareholders later this month. The Arrangement Agreement will be available under each of Clarke's and Holloway's profiles at www.sedar.com and the management information circular will be available under Holloway's profile at www.sedar.com.

Pursuant to Section 611(c) of the TSX Company Manual, as the number of Clarke Shares issuable under the Acquisition and upon conversion of the Debentures exceeds 25% of the Clarke Shares presently issued and outstanding, the Toronto Stock Exchange (the "TSX") requires Clarke shareholder approval for the issuance of such Clarke Shares. Clarke has provided the TSX with written confirmation from Mr. George Armoyan, the Executive Chairman of Clarke, who exercises control or direction over approximately 60.5% of the presently issued and outstanding Clarke Shares, that he is familiar with the terms and conditions of the Acquisition and approves the issuance of the Clarke Shares pursuant to the Acquisition and upon conversion of the Debentures. The TSX has informed Clarke that it will generally not require further securityholder approval for the issuance by Clarke of up to an additional 1,895,849 Clarke Shares, such number being 25% of the number of Clarke Shares approved by Clarke shareholders for the Acquisition.

Clarke expects to issue approximately 4,940,193 Clarke Shares as consideration under the Acquisition (approximately 41% of the presently issued and outstanding Clarke Shares), following which Clarke expects to have outstanding 16,962,422 Clarke Shares. Clarke will reserve for issuance to Debentureholders upon conversion of such Debentures 2,645,032 additional Clarke Shares.

Following completion of the Acquisition, Mr. Armoyan will exercise control or direction over 7,277,665 Clarke Shares (representing approximately 42.9% of the pro forma issued and outstanding Clarke Shares). Other directors and officers of Clarke, who collectively own or have direction or control over an aggregate of 534,008 Clarke Shares (representing approximately 4.4% of the presently issued and outstanding Clarke Shares) will collectively receive 922,669 Clarke Shares pursuant to the Acquisition (representing approximately 7.7% of the currently issued and outstanding Clarke Shares) and, following completion of the Acquisition, collectively own or have direction or control over an aggregate of 1,456,677 Clarke Shares (representing approximately 8.6% of the pro forma issued and outstanding Clarke Shares). Following completion of the Acquisition, Letko will own or have direction or control over an aggregate of 2,964,734 Clarke Shares (representing approximately 17.5% of the pro forma issued and outstanding Clarke Shares).

About Clarke Inc.

Halifax-based Clarke invests in a variety of private and publicly-traded businesses and participates actively where necessary to enhance the performance of such businesses and increase its return. Clarke's securities trade on the Toronto Stock Exchange under the symbol “CKI”. For more information about Clarke Inc., please visit our website at www.clarkeinc.com.

About Holloway Lodging Corporation

Holloway is a real estate corporation focused on acquiring, adding value to and operating select real estate assets and managing hotels for third parties. Holloway owns 23 hotels with 2,723 rooms and three office properties with approximately 435,000 square feet of space. The Holloway Shares and the Debentures trade on the TSX under the symbols "HLC" and "HLC.DB" respectively. For more information about Holloway, please visit Holloway's website at www.hlcorp.ca.

Forward-Looking Statements

This press release contains certain forward-looking statements relating, but not limited, to Clarke and/or Holloway's expectations, intentions, plans and beliefs with respect to Clarke and/or Holloway. More particularly and without limitation, this press release contains forward-looking statements concerning: the rationale for the Acquisition, the anticipated benefits of the Acquisition to shareholders of each of Clarke and Holloway, the anticipated effect of the Acquisition on cash flow per share and liquidity, Clarke's operational focus following completion of the Acquisition, the anticipated terms of the assumption of the Debentures by Clarke, required regulatory, court and shareholder approvals for the transaction, the anticipated timing of mailing of the Holloway information circular, and the holding of meetings of the holders of Holloway Shares and Debentures. Such forward-looking information is provided for the purpose of providing information about management's current expectations and plans and investors are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions.

In respect of the forward-looking statements concerning the anticipated benefits and completion of the proposed Acquisition and the assumption of the Debentures, each of Clarke and Holloway have provided such statements in reliance on certain assumptions that it believes are reasonable at this time, including, but not limited to, assumptions as to the time required to prepare and mail shareholder meeting materials, including the required Holloway information circular, the ability of each of Clarke and Holloway to receive, in a timely manner, the necessary regulatory, court, shareholder, stock exchange and other third party approvals, the ability of Clarke and Holloway to satisfy, in a timely manner, the other conditions to the closing of the Acquisition, and expectations and assumptions concerning, among other things the perceived benefits of the Acquisition and Clarke's operational focus. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of Clarke to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. Risks and uncertainties include, among others, Clarke’s investment strategy, legal and regulatory risks, general market risk, potential lack of diversification in Clarke’s investments, interest rates and foreign currency fluctuations, inability to secure necessary shareholder, regulatory, court or other third party approvals for the Acquisition and/or the assumption of the Debentures in a timely manner or at all, that anticipated dates provided may change for a number of reasons, including unforeseen delays in preparing meeting materials, failure to realize the anticipated benefits of the Acquisition and to successfully integrate Clarke and Holloway, and failure to satisfy all required conditions precedent to completion of the Acquisition.

Although Clarke and Holloway have attempted to identify important factors that could cause actual actions, events or results or cause actions, events or results not to be estimated or intended, there can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Other than as required by applicable Canadian securities laws, Clarke and Holloway do not update or revise any such forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements.

For further information, please contact:

Michael Rapps, President and CEO of Clarke, at (416) 855-1925.

Jane Rafuse, CFO of Holloway, at (902) 443-5101.