

## **InnVest Real Estate Investment Trust Enters into Definitive Agreement with Bluesky Hotels and Resorts to be Acquired for \$7.25 in Cash per Unit**

- InnVest unitholders to receive \$7.25 in cash per unit, representing a 37% premium over the 30-day volume-weighted average price of \$5.28.
- The \$2.1 billion transaction has the unanimous support of InnVest's board of trustees.
- Binding agreements have been entered into with unitholders accounting for approximately 29.1% of InnVest's total outstanding units.
- Bluesky has made a \$100 million deposit in escrow with Computershare Trust Company of Canada at a Schedule I Canadian bank and the transaction is not subject to obtaining financing commitments.

TORONTO, May 10, 2016 /CNW/ InnVest Real Estate Investment Trust ("InnVest") (TSX:INN.UN) and Bluesky Hotels and Resorts Inc., ("Bluesky"), a privately-held Canadian company, are pleased to announce that they have entered into an arrangement agreement (the "Arrangement Agreement") pursuant to which Bluesky will acquire all the issued and outstanding units of InnVest for \$7.25 in cash per unit, pursuant to a court-approved plan of arrangement (the "Arrangement"). The proposed transaction values InnVest at approximately \$2.1 billion, including the assumption of InnVest's net debt.

"This transaction is a winning outcome for all stakeholders. The dedicated work of InnVest to improve its portfolio quality and strengthen its balance sheet has culminated in the crystallization of value that this transaction represents. Bluesky is aligned with InnVest's strategic objectives for the portfolio, and I look forward to continuing to lead InnVest on the path of asset quality driven growth," said Drew Coles, President and Chief Executive Officer of InnVest.

"Bluesky welcomes the opportunity to acquire the InnVest business," stated Li Chen, the President and Chief Executive Officer of Bluesky. "We are impressed with InnVest's hotel assets and its management team. This transaction is an investment that will establish a global platform from which Bluesky will continue to pursue growth opportunities in North America."

**Cash Consideration and Attractive Premium** – Under the Arrangement, unitholders of InnVest will receive \$7.25 per InnVest unit in cash, offering certainty of consideration and representing a premium of 37% over the 30-day volume weighted average trading price of InnVest units of \$5.28 per unit on the Toronto Stock Exchange, ending on May 10, 2016.

InnVest will work with Bluesky in connection with the redemption of all of InnVest's outstanding convertible debentures. Bluesky has proposed that, subject to obtaining the requisite approvals of holders of convertible debentures to amend the underlying indentures, InnVest will redeem for cash concurrent with the completion of the Arrangement (i) all 6.25% Series G convertible debentures at a price of \$1,040 per \$1,000 of debentures and (ii) all 6.00% Series E convertible debentures and 5.75% Series F convertible debentures at a price of \$1,010 per \$1,000 of debentures. This will enable holders of those debentures to receive proceeds immediately upon completion of the Arrangement, rather than having to wait and exercise their put rights upon the change of control that will occur as a result of the Arrangement.

**Board Support and Approval** – The Arrangement has received the unanimous approval of the Board of Trustees of InnVest (the “Board”) and has the full support of InnVest’s management team. The Board has unanimously determined that the Arrangement is in the best interests of InnVest and its unitholders. The Board has received an opinion from its financial advisor, CIBC World Markets Inc. that as of the date hereof and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be received by unitholders of InnVest pursuant to the Arrangement Agreement is fair, from a financial point of view, to unitholders of InnVest.

**Significant Unitholder Support** – Unitholders representing approximately 29.1% of the total issued and outstanding units of InnVest, including KingSett Real Estate Growth LP No. 5, an affiliate of KingSett Capital (“KingSett”), Orange Capital Master I, Ltd., an affiliate of Orange Capital, LLC (“Orange Capital”) and each of the Trustees of InnVest, have agreed to vote their units in favour of the transaction. KingSett will continue to retain its existing majority ownership interests in Toronto’s Fairmont Royal York and Courtyard Marriot properties.

**Management Continuity and Toronto Head Office** – Upon closing of the transaction, Bluesky intends that InnVest will maintain its senior leadership team and workforce, including Mr. Drew Coles, the President and Chief Executive Officer. InnVest’s headquarters will remain in Toronto, Canada.

“We are pleased to have arrived at an agreement with Bluesky that offers InnVest unitholders an opportunity to receive a significant premium over the trading price of their units. This transaction was the result of an intense period of deliberation by the Board, and lengthy, constructive negotiations with Bluesky,” said Edward Pitoniak, Chairman of InnVest.

### **Details of the Arrangement and Required Approvals**

The Arrangement will be subject to a number of customary conditions, including the approval of InnVest unitholders, and Canadian regulatory approvals, under the *Investment Canada Act* and the *Competition Act*.

The Arrangement will be considered by unitholders at the upcoming annual meeting to be held on June 28, 2016, and will require the approval of at least 66 2/3% of the votes cast by unitholders at the meeting. It is expected that InnVest will prepare and mail a management information circular to unitholders before the end of May.

The transaction is expected to close in the third quarter of 2016 following the receipt of all required regulatory approvals. Unitholders are encouraged to review the detailed information to be contained in the management information circular. The management information circular, a copy of the arrangement agreement, the plan of arrangement, and related documents will be filed in the coming weeks with Canadian securities regulators and will be available at [www.sedar.com](http://www.sedar.com).

Unitholders will continue to receive their regular monthly distributions in the ordinary course until the transaction is completed. The distribution reinvestment plan offered by InnVest will be terminated in accordance with its terms.

The Arrangement Agreement provides for, among other things, customary non-solicitation provisions, with “fiduciary out” provisions that allow InnVest to terminate the Arrangement Agreement to accept

an unsolicited superior proposal in certain circumstances, subject to payment of a termination fee of \$32 million and subject to the right of Bluesky to match the superior proposal in question. Additionally, \$100 million has been deposited into escrow with Computershare Trust Company of Canada at a Schedule I Canadian bank by Bluesky, in part to secure its performance in certain circumstances. The transaction is not subject to obtaining financing commitments.

### **Advisors**

CIBC World Markets Inc. is acting as financial advisor to InnVest and provided a fairness opinion to the Board in connection with the transaction. Norton Rose Fulbright Canada LLP is acting as legal advisor to InnVest. Bayfield Strategy, Inc. has been retained as InnVest's communications and media advisor.

Bluesky's legal advisor is McCarthy Tétrault. Navigator Ltd. has been retained as Bluesky's public affairs advisor.

RBC Capital Markets acted as KingSett's financial advisor in connection with this transaction. Osler, Hoskin & Harcourt LLP is acting as legal advisor to KingSett.

Trimaven Capital Advisors Inc. acted as Orange Capital's financial advisor in connection with this transaction. Paul, Weiss, Rifkind, Wharton & Garrison LLP is acting as legal advisor to Orange Capital.

### **About InnVest REIT**

InnVest Real Estate Investment Trust is an unincorporated open-ended real estate investment trust which owns a portfolio of 109 hotels across Canada representing over 14,500 guest rooms operated under internationally recognized brands. InnVest also holds a 50% interest in Choice Hotels Canada Inc., one of the largest franchisors of hotels in Canada.

InnVest's units and convertible debentures trade on the Toronto Stock Exchange (the "TSX") under the symbols INN.UN, INN.DB.E, INN.DB.F and INN.DB.G. [www.investreit.com](http://www.investreit.com)

### **About Bluesky**

Bluesky is a privately-held Canadian corporation, backed by Hong Kong capital, with an interest in developing a diversified asset portfolio of hotels, hospitality services, real-estate and other long-term holdings. Prioritizing opportunities to continually enhance its portfolio quality, Bluesky is focusing on the ownership and development of the hotels in the InnVest portfolio. [www.blueskyhotels.ca](http://www.blueskyhotels.ca)

**SOURCE:** InnVest Real Estate Investment Trust

### **FOR FURTHER INFORMATION:**

**Unitholders & Analysts:** Drew Coles, Chief Executive Officer, 416-607-7100; or Chantal Nappert, Vice President Finance and Investor Relations, Tel: (416) 607-2331, Website: [www.investreit.com](http://www.investreit.com)

**Media Inquiries:** Riyaz Lalani, Bayfield Strategy, Inc., Tel: (416) 907-9365,  
[rlalani@bayfieldstrategy.com](mailto:rlalani@bayfieldstrategy.com); Randi Rahamim, Navigator Ltd., Tel: (416) 307-2093,  
[rrahamim@navltd.com](mailto:rrahamim@navltd.com)

### **Cautionary Note Regarding Forward-Looking Statements**

Except for statements of historical fact, certain information contained herein constitutes “forward-looking information” under Canadian securities legislation. Forward-looking information includes, but is not limited to: statements concerning the proposed Arrangement referred to in this press release, including necessary court, regulatory and unitholder approvals and other conditions required to complete the Arrangement; the anticipated redemption (and the terms thereof) of all of InnVest’s outstanding convertible debentures in connection with the Arrangement; the expected continuity of InnVest’s management and headquarters following the completion of the Arrangement; the timing for the meeting of unitholders at which the Arrangement will be considered and the anticipated timing for completion of the Arrangement; and any other statements regarding InnVest’s expectations, intentions, plans and beliefs. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “will”, “occur”, “expect”, “believe”, “anticipate”, “intend”, “continue”, or the negative thereof or other similar expressions. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made including, but not limited to, assumptions relating to the following: business and economic conditions affecting InnVest’s operations will continue substantially in their current state and that there will be no significant event affecting InnVest occurring outside the ordinary course of InnVest’s business; that there will be no material delays in obtaining required court, regulatory and unitholder approvals in connection with the Arrangement and that such approvals will be obtained; that the Arrangement Agreement will not be amended or terminated; that there will be no material changes in the legislative, regulatory and operating framework for InnVest and its businesses; and that all other conditions precedent to completing the Arrangement will be met. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from those expressed or implied by such forward-looking information, including, but not limited to, risks relating to: the parties’ ability to satisfy conditions in the Arrangement Agreement; the occurrence of any event, change or other circumstance that could give rise to the termination of the Arrangement Agreement; material adverse changes in the affairs of InnVest; the parties’ ability to obtain required court, regulatory and unitholder approvals and consents in order to complete the Arrangement; and other risks described in InnVest’s current annual information form posted under its profile on SEDAR at [www.sedar.com](http://www.sedar.com). Although management of InnVest has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that could cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. InnVest does not undertake to update any forward-looking information, except in accordance with applicable securities laws.