

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1 – Name and Address of Company

VM Hotel Acquisition Corp. (“VMH”)
Brookfield Place
161 Bay Street, Suite 2420
Toronto, ON
M5J 2S1

Item 2 – Date of Material Change

December 7, 2021

Item 3 – News Release

A news release was issued by VMH on December 7, 2021 through the newswire services of Cision and filed on the System for Electronic Document Analysis and Retrieval (“SEDAR”). A copy of the news release is available under VMH’s profile on SEDAR at www.sedar.com.

Item 4 – Summary of Material Change

On December 7, 2021, VMH announced its proposed qualifying acquisition (the “**Qualifying Acquisition**”) of a portfolio of five premier hotels consisting of 2,079 keys in four cities and two countries – (1) the Battery Wharf in Boston, Massachusetts, (2) the Hyatt Regency in Cleveland, Ohio, (3) the Renaissance in Cleveland, Ohio, (4) the Sheraton Centre in Montreal, Quebec and (5) the Sheraton Golf & Spa in Panama City Beach, Florida – to create an initial cross-border North American portfolio of high-quality hotel properties (the “**Initial Portfolio**”). Following the Qualifying Acquisition, VMH will be a publicly-traded real estate operating company (“**REOC**”), allowing investors to participate in a long-term real estate strategy of acquiring and growing a portfolio of high quality, iconic and well-located upper-upscale and luxury North American hotel and resort properties at a discount to their stabilized values and replacement costs.

The purchase agreements provide for the acquisition by VMH of the hotels comprising the Initial Portfolio for an aggregate purchase price of US\$411 million, subject to adjustments and payable in accordance with the terms of the purchase agreements. The purchase price is expected to be funded through a combination of approximately US\$260 million of mortgage financing and US\$20 million raised through the issuance of VMH shares to a vendor, with the remaining portion funded through cash on hand and the PIPE Investment (as defined below).

Following the closing, VMH will have a 100% interest in each of the hotels other than the Renaissance, in which it will have a 90% interest, with Skyline Investments retaining a 10% interest as part of a strategic partnership with VMH. The purchase agreements contain covenants and representations and warranties and related indemnities, subject to certain thresholds and caps. They also include specific covenants in respect of VMH’s requirements to file a non-offering prospectus in respect of the Qualifying Acquisition and the PIPE Investment.

In connection with the Qualifying Acquisition, VMH has launched a private placement with the intention to raise gross proceeds of US\$145 million through the issuance of 14.5 million subscription receipts (automatically exchanged into common shares of VMH upon the successful completion of the Qualifying Acquisition) at an issue price of US\$10.00 per subscription receipt (the “**PIPE Investment**”). The

proceeds of the PIPE Investment are necessary to satisfy the minimum cash required to complete the Qualifying Acquisition and are intended to be used to provide sufficient working capital and to fund the growth of VMH following closing. The obligations to consummate the transactions contemplated by the PIPE Investment are conditional upon, among other things, the consummation of the Qualifying Acquisition.

An investor presentation is available under VMH's profile on SEDAR at www.sedar.com, which contains further information in respect of the Qualifying Acquisition. VMH will also file a non-offering prospectus in accordance with the rules of the Toronto Stock Exchange in each of the provinces and territories of Canada other than Quebec in due course.

Item 5 – Full Description of Material Change

For a full description of the material change, please see Schedule "A" attached hereto.

Item 6 – Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 – Omitted Information

None.

Item 8 – Executive Officer

The following executive officer of VMH is knowledgeable about the material change and this report:

Ian McAuley
President and CEO
imcauley@vcmgam.com
416-910-9889

Item 9 – Date of Report

December 13, 2021

SCHEDULE “A”

Please see attached.

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**VM HOTEL ACQUISITION CORP. ANNOUNCES PROPOSED ACQUISITION
OF FIVE PREMIER HOTELS TO CREATE A GROWTH-ORIENTED
REAL ESTATE OPERATING COMPANY**

Toronto, Ontario – December 7, 2021 – VM Hotel Acquisition Corp. (TSX: VMH.U and VMH.WT.U) (“**VMH**”), a special purpose acquisition company (“**SPAC**”), today announced its proposed qualifying acquisition (the “**Qualifying Acquisition**”) of a US\$411 million portfolio of five premier hotels, consisting of 2,079 keys in four cities and two countries, to create an initial cross-border North American portfolio of high-quality hotel properties (the “**Initial Portfolio**”). Following the Qualifying Acquisition, VMH will be a publicly-traded real estate operating company (“**REOC**”), allowing investors to participate in a long-term real estate strategy of acquiring and growing a portfolio of high quality, iconic and well-located upper-upscale and luxury North American hotel and resort properties at a discount to their stabilized values and replacement costs.

The US\$411 million purchase price is expected to be funded through a combination of approximately US\$260 million of mortgage financing and US\$20 million raised through the issuance of VMH shares to a vendor, with the remaining portion funded through cash on hand and the PIPE Investment (as defined below).

Ian McAuley, VMH’s President and CEO, said, “We are excited to announce the Qualifying Acquisition, which, upon closing, will allow our shareholders to participate in the unique buying opportunity created by the COVID-19 pandemic to acquire high quality hotels at significant discounted prices relative to their intrinsic value and replacement cost. Following closing of our Qualifying Acquisition, we believe that our REOC structure will offer investors private equity-like returns and liquidity of the public capital markets, while we continue to invest in the rebound of the hotel industry”.

VMH’s Executive Chair, Tom Vukota, added, “As a publicly-listed REOC targeting the upper-upscale and luxury hotel segment, we believe VMH will be uniquely positioned to consolidate the space and transact on an expected significant pipeline of follow-on U.S. and Canadian acquisitions the company expects to pursue post-closing”.

Initial Portfolio Highlights

High-Quality, Irreplaceable Assets – The hotels in the Initial Portfolio, set out below, are upper-upscale and luxury properties that are well-positioned within their respective competitive sets and located within stable markets with significant high barriers to entry for new competitors. All of the hotels are currently operating and together comprise 2,079 keys in four cities – Boston, Massachusetts, Cleveland, Ohio, Montreal, Quebec and Panama City Beach, Florida.

Hotel	Location	Rooms
Battery Wharf	Boston, Massachusetts	150
Hyatt Regency	Cleveland, Ohio	293
The Renaissance	Cleveland, Ohio	491
Sheraton Centre	Montreal, Quebec	825
Sheraton Golf & Spa	Panama City Beach, Florida	320

The majority of the hotels are fully renovated, with all “hard” construction improvements recently completed. The remaining renovations to be completed following the Qualifying Acquisition are primarily “soft” goods that will involve minimal interruption and disruption to the guest experience or operations.

Attractive Valuation – The Initial Portfolio is being acquired at an attractive valuation. The total purchase price of US\$411 million represents a 25% discount to current appraised stabilized values, a 65% discount to replacement cost and a weighted-average portfolio acquisition cost of approximately US\$198,000 per key.

Key Partnerships – Through the Qualifying Acquisition, VMH will be partnering with leading hotel brands and world-class operators including Hyatt Hotels Corporation, Marriott International, Inc., Aimbridge Hospitality, Westmont Hospitality Group and Crescent Hotels and Resorts.

Rebound of the Hotel Industry – In recent history, the hotel industry has weathered several “black swan events”. Previous disruptions, such as 9/11, resulted in sharp periods of demand downturns, however, after each such event lodging demand rebounded within 10 to 14 months to pre-event levels. While the COVID-19 pandemic has had a drastic impact on hotel demand and performance, current available data indicates the hotel industry is well poised for a quicker than expected rebound to pre-pandemic levels.

Benefits of REOC Structure

As a REOC, VMH will have an efficient capital structure and attractive relative value compared to yield-driven hotel real estate investment trusts. The REOC structure is designed to generate significant risk-adjusted returns through non-dilutive growth. It will allow VMH to own hotels across borders, and to reinvest 100% of its net income and cash flow into acquiring additional assets, which will enable VMH to grow its asset base exponentially after the Qualifying Acquisition.

VMH has established a deep pipeline of off-market opportunities in top markets across Canada and the U.S. to drive future growth. In the pursuit of this growth strategy, VMH expects to have the flexibility to unlock the increase in future values of the Initial Portfolio and access non-dilutive debt at conservative loan-to-value ratios to pursue an accretive acquisition pipeline without the need to access the capital markets.

Experienced and Committed Management Team and Board

VMH has a seasoned due diligence team that has conducted hundreds of similar hotel transactions and has strong relationships with each operator and brand in the Initial Portfolio. Following the Qualifying Acquisition, VMH’s current President and CEO, Ian McAuley, Executive Chair, Tom Vukota, and CFO, Tom Wenner will continue to lead the business. In addition to the multi-billion dollar hotel transaction experience of both the CEO and the Executive Chair, VMH’s CFO has completed over 175 real estate transactions and over CDN\$1.2 billion in debt and equity financings.

VMH is guided by a highly capable and experienced board of directors including independent board members Tracy Sherren (current President, Canadian Commercial, Starlight Investments), Charles Suddaby (who has provided advisory and valuation services to the hotel industry for over forty years) and Dr. John Andrew (Executive Director of Queen’s University’s Commercial Real Estate Executive Seminars and a professor at Queen’s School of Urban and Regional Planning). Blake D. Lyon (current CEO and a director at Skyline Investments (TLV: SKLN) (“**Skyline**”)) will join the board at closing.

Transaction Details

The Qualifying Acquisition is intended to constitute VMH's qualifying acquisition under Part X of the Toronto Stock Exchange (the "TSX"). The closing of the Qualifying Acquisition, which is subject to obtaining certain regulatory approvals, the satisfaction of certain conditions (including the approval of the TSX) and the continued listing of VMH's common shares on the TSX, is anticipated to occur in the first quarter of 2022. The outside date for the Qualifying Acquisition is February 28, 2022, or such other date as the applicable counterparties and VMH may mutually agree in writing.

The purchase agreements provide for the acquisition by VMH of the hotels comprising the Initial Portfolio for an aggregate purchase price of US\$411 million, subject to adjustments and payable in accordance with the terms of the purchase agreements. Following the closing, VMH will have a 100% interest in each of the hotels other than the Renaissance, in which it will have a 90% interest, with Skyline retaining a 10% interest as part of a strategic partnership with VMH. The purchase agreements contain covenants and representations and warranties and related indemnities, subject to certain thresholds and caps. They also include specific covenants in respect of VMH's requirements to file a non-offering prospectus in respect of the Qualifying Acquisition and the PIPE Investment.

In the event that any of the transactions comprising the Qualifying Acquisition cannot be completed for any reason, VMH may decide to proceed, subject to meeting all applicable regulatory and contractual requirements, with its acquisition of the others assets comprising the Initial Portfolio. In the event that it is not able to meet all applicable regulatory and contractual requirements, VMH will not proceed with the Qualifying Acquisition.

An investor presentation will be available under VMH's profile on SEDAR at www.sedar.com, which will contain further information in respect of the Qualifying Acquisition. VMH will also file a non-offering prospectus in accordance with the rules of the TSX in each of the provinces and territories of Canada other than Quebec in due course.

Debt Financing

VMH has negotiated term sheets with qualified lenders to provide approximately US\$260 million of property level debt and interest reserves, which will be used to partially fund the purchase price.

Private Placement Equity Financing

In connection with the Qualifying Acquisition, VMH has launched a private placement with the intention to raise gross proceeds of US\$145 million through the issuance of 14.5 million subscription receipts (automatically exchanged into common shares of VMH upon the successful completion of the Qualifying Acquisition) at an issue price of US\$10.00 per subscription receipt (the "**PIPE Investment**"). The proceeds of the PIPE Investment are necessary to satisfy the minimum cash required to complete the Qualifying Acquisition and are intended to be used to provide sufficient working capital and to fund the growth of VMH following closing. The obligations to consummate the transactions contemplated by the PIPE Investment are conditional upon, among other things, the consummation of the Qualifying Acquisition.

This press release is not an offer of securities for sale in the U.S., and the securities referred to herein may not be offered or sold in the U.S. absent registration or an exemption from registration. The securities have not been and will not be registered under the U.S. *Securities Act of 1933*.

Sponsors

The sponsors of VMH are VM HA Sponsor LP and VM HA Sponsor Corp. (the "**Sponsors**"). The Sponsors are controlled by Ian McAuley and Tom Vukota, respectively.

Advisors

Echelon Capital Markets and Janney Montgomery Scott LLC are acting as co-bookrunners and co-lead agents on the PIPE Investment as well as serving as financial advisors to VMH. Goodmans LLP is serving as legal counsel to VMH and the Sponsors.

About VM Hotel Acquisition Corp.

VMH is a SPAC incorporated under the laws of the Province of British Columbia for the purpose of effecting a qualifying acquisition within a specified period of time. VMH's head office is located at Brookfield Place, 161 Bay Street, Suite 2420, Toronto, ON, M5J 2S1 and the registered office is located at 700 West Georgia Street, Floor 25, Vancouver, BC V7Y 1B3.

Forward-Looking Statements

This press release may contain forward-looking information within the meaning of applicable securities legislation, which reflects the Sponsors' and the VMH's current expectations regarding future events. The words "will", "expects", "intends" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. Specific forward-looking information contained in this press release includes, but is not limited to, statements with respect to the following: the completion and proposed terms of, and matters relating to, the Qualifying Acquisition, including the satisfaction of the conditions to consummate the Qualifying Acquisition, and the expected timing related thereto; the completion and proposed terms of, and matters relating to, the PIPE Investment; the expected operations, financial results and condition of VMH following the Qualifying Acquisition; the expected benefits of the Qualifying Acquisition to, and resulting treatment of, securityholders of VMH; and the expectations regarding trends in the hotel industry, overall market growth rates and the VMH's growth rates. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond VMH's control, which could cause actual results and events to differ materially from those that are disclosed in or implied by such forward-looking information. Such risks and uncertainties include, but are not limited to: there can be no assurance that the Qualifying Acquisition and PIPE Investment will be completed on the expected terms, or at all; the continuing effects of the COVID-19 pandemic on the hotel and resort properties industry could have a material and adverse effect on the VMH's business, financial condition, liquidity and results of operations; VMH may not be able to successfully implement its business strategy on a timely basis or at all, and may be unable to manage future growth effectively; VMH's business may be adversely affected by various operating risks common to the hotel and resort properties industry and the ownership of real property in general, including competition, over-supply and dependence on business travel and tourism; as well as the factors discussed under the heading "Risk Factors" in the investor presentation to be filed and those to be set out in the preliminary prospectus, which will be available under VMH's profile on SEDAR at www.sedar.com.

The Sponsors and VMH undertake no obligation to update such forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

FOR FURTHER INFORMATION PLEASE CONTACT:

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