

## FIBRA INN INTERNALIZATION LETTER TO THE CBFIS HOLDERS

October 4, 2016

### Esteemed CBFIS Holders,

On behalf of the Technical Committee of Trust F/1616, Deutsche Bank México, S.A., Institución de Banca Múltiple, División Fiduciaria, (“**Fibra Inn**”, “the **Fibra**” or “the **Company**”), it is my pleasure to invite you to the Company’s Extraordinary Shareholders’ Meeting (“the **Meeting**”) that will take place at 11:00 am, on November 11, 2016, at Paseo de la Reforma, Number 342, 28th Floor, Colonia Juárez, C.P. 06600, Mexico City. This will be an important meeting as the matter to be brought forth for discussion and approval before the CBFIS Holders will be of the internalization of the Fibra’s advisory services via a voluntary agreement for the early termination of the contract with Asesor Activos Prisma, S.A.P.I. de C.V. (“the **Advisor**”) (“the **Contract**”), who currently offers the external advisory services to Fibra Inn in terms of acquisitions, divestments and real estate development, as well as the financial and administrative management so that these activities may be realized by executives and personnel in charge of the Fibra (“the **Internalization**”). As such, your participation in the Meeting is needed and requested.

The Internalization is the result of negotiations with the Advisor with the objective of terminating the Contract. The Fibra’s Technical Committee evaluates strategic business opportunities in accordance with the present circumstances and the Internalization is the result of identifying one of these strategic opportunities as Fibra Inn has increasingly noticed the preference for an internally managed structure from FIBRA and Real Estate Investment Trust (“REIT”) investors. This was the case in the United States in the 1990’s when equity of U.S. publicly traded REITs increased from under US\$9 billion to over US\$900 billion currently. This growth was mainly result of the modification of most of the REITs to an internally managed structure. Fibra Inn has experienced important growth since its Initial Public Offering that has resulted in increased fees to the Advisor.

Initially, the internalization of the advisory services was extensively evaluated in order to generate more favorable future and sustained growth conditions for the Fibra. It was determined that, upon realizing this internalization process under the correct terms, Fibra Inn could potentially reach a higher valuation, which would immediately benefit current Holders.

We consider that the Internalization will bring certain benefits to the Holders:

- **Elimination of Advisor Fees** – The Internalization will eliminate fees to the Advisor, which are currently paid in accordance with the Contract. This fee is currently at 0.75% over the non-depreciated value of the assets, updated for inflation quarterly. This fee was established during the Initial Public Offering when the asset base was significantly lower than the current asset base.



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- **Reduction of Future Administration Costs** – The Internalization immediately lowers general administrative expenses. As such, it increases operating cash flow and increases distributions; as the Fibra will reflect savings during 2017 of approximately Ps. 77 million for the payment of Advisor fees and will only have to pay Ps. 57 million for the activities previously carried out by the Advisor, for an annual savings of Ps. 20 million. In the future, these expenses will not increase at the same proportion as the Fibra’s assets, which could result in substantially higher gains.
- **Increase in Distributions** – As a result of the aforementioned, the Internalization is expected to immediately contribute towards increasing the cash Holder distributions by approximately 1.9% in 2017, considering the dilution effect derived from the CBFH issuance that would be used for the Advisor payment. The combined increase of the Internalization and fees from what is referred to as the Hotel Factory is 9.3% for 2017.
- **Alignment of Interests** – The Internalization promotes higher transparency in the management of the Fibra, improving its corporate governance, as the administration of the Fibra rests solely in the hands of the decision bodies and thus, its Holders.
- **Internal Management Team** - The Internalization will benefit the Fibra due to the experience of the executives and the staff that will join the Company, which would be reflected in a more efficient operation of business relationships and a lower financing cost.
- **Valuation of the CBFH** – The financial effect of lowering costs and expenses as well as raising distributions, added to improved transparency and alignment of interests of the Fibra’s management, could potentially result in a higher CBFH price.
- **Stock Market Considerations** – We recognize that the Internalization is a concept that is in line with market expectations, as investors seem to favor internally-managed companies and which could result in a higher CBFH price.

For these reasons, on September 30, 2016, **the Technical Committee unanimously approved to recommend to the Holders the Internalization of Fibra Inn so that they may vote FOR the Internalization at the Meeting that has been announced for this coming November.**

**Your vote is important.**

The Technical Committee, based on the recommendation of the Practices Committee on September 27, 2016, determined that the Internalization is in line with promoting the best interests of the Fibra and its Holders and unanimously recommends that its Holders vote **FOR** the Internalization. Therefore, with respect to the independent valuation of the Internalization process, Fibra Inn contracted the professional services of Green Street Advisors, LLC, a firm that has a long and successful track record in advising a significant number of REITS and is well known in the United States of America for internalization processes. As a result of their analysis, Green Street Advisors, LLC issued a reasonable valuation for compensation for the early termination of the Advisor Contract on June 24, 2016.

We recommend that you review all pertinent information regarding the Meeting that is made available for your perusal via the Mexican Stock Exchange’s web site as well as our own corporate web site.

Holdes may attend the Extraordinary Meeting and must present their admission cards corresponding to their CBFHs, expedited by the Common Representative; in advance, Holdes must visit the offices of CIBanco, S.A., Institución de Banca Múltiple, located at Cordillera de los Andes, number 265, 2nd Floor, Colonia Lomas de Chapultepec, Delegación Miguel Hidalgo, C.P. 11000, Mexico City, to the attention of Monica Jimenez Labora Sarabia and/or Lizbeth Moreno Martinez (mjimenezlabora@cibanco.com and/or limoreno@cibanco.com) and present their certificates or the corresponding deposit receipts from S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., under the terms applicable under the Securities Market Laws, during the office hours of 9:00 a.m. and 6:00 p.m., from Monday through Friday, beginning on the date of publication of the announcement and up until at least 1 business day before the date set to hold this Meeting. In exchange for these documents, you will receive your respective admission cards, which will contain the name of the Holder and the number of CBFHs they represent; without this, individuals will not be allowed to attend. Holdes may be represented by proxy by a person or persons designated by a power of attorney or by any other means of transferring rights applicable under Article 49, Section III of the Mexican Securities Market Law.

We appreciate your support in this strategic decision that will enable Fibra Inn to position itself as a leader in terms of best business practices within the Fibra sector and we hope that you will attend.

Sincerely,

**Victor Zorrilla Vargas**

President of Fibra Inn's Technical Committee

Trust F/1616

Deutsche Bank México, S.A., Institución de Banca Múltiple, División Fiduciaria