

## Cara Operations Limited Announces an Increased Consent Fee and Changes to the Proposed Amendments to Its 2010 Indenture

**VAUGHAN, Nov. 1, 2011 /CNW/ -**

### **NOT FOR DISTRIBUTION IN THE UNITED STATES OR OVER UNITED STATES WIRE SERVICES**

Cara Operations Limited (the "**Company**" or "**Cara**") announced today a further increase in the consent fee the Company will pay to each holder of its 9.125% Senior Secured Second Lien Guaranteed Notes due December 1, 2015 (the "**2010 Notes**") of record as of 5:00 p.m., Toronto time, on October 13, 2011 (each such holder, a "**Holder**"), who has delivered (and has not properly revoked) a valid Consent by the expiry date of the Company's solicitation (the "**Solicitation**") of consents (the "**Consents**") from Holders, from \$10.00 in cash for each \$1,000 principal amount of 2010 Notes in respect of which a Consent is delivered to \$30.00 in cash for each \$1,000 principal amount of 2010 Notes in respect of which a Consent is delivered (the "**Consent Fee**"), provided that Cara's lenders under its revolving credit facility consent (the "**Bank Consent**") to such increase, the Solicitation is successful and the Prime Financing (as defined below) is completed on or before January 4, 2012.

As previously announced, the Solicitation has been extended and will now expire at 5:00 p.m., Toronto time, on Thursday, November 3, 2011 (such time and date, the "**Expiration Date**"). The Solicitation is subject to customary conditions, including, among other things, the receipt of valid Consents (which Consents have not been properly revoked) by the Expiration Date with respect to not less than a majority in aggregate principal amount of the outstanding 2010 Notes (the "**Requisite Consent**"). The Solicitation is now also subject to receipt of the Bank Consent.

The Solicitation was commenced by the Company on October 17, 2011 to amend certain terms and provisions of the indenture dated as of December 1, 2010 (the "**2010 Indenture**") among the Company, certain guarantors (the "**Guarantors**"), and Computershare Trust Company of Canada, as trustee (the "**Trustee**") governing the 2010 Notes (the "**Proposed Amendments**").

The Solicitation has also been amended to reflect changes to the Proposed Amendments.

The Proposed Amendments, as amended, will: (i) limit the amount of liens that can be granted in respect of indebtedness that is *pari passu* with the 2010 Notes (including in respect of additional 2010 Notes issued) to \$76 million (down from \$100 million in the previously announced Proposed Amendments); (ii) reduce to \$10 million the amount of Restricted Payments (as defined in the 2010 Indenture) that Cara can make without regard to the restrictions on Restricted Payments in the 2010 Indenture, from and after the date the supplemental indenture giving effect to the Proposed Amendments is entered into; and (iii) allow Cara to exclude from the calculation of Consolidated Net Income (as defined in the 2010 Indenture) non-capitalized one-time acquisition and associated financing-related costs relating to the proposed purchase (the "**Prime Acquisition**") of all the issued and outstanding shares of Prime Restaurants Inc. ("**Prime**") for the purpose of excluding such costs from the determination of the amount of Restricted Payments that Cara can make under the 2010 Indenture. The previously announced Proposed Amendments concerning IFRS have not changed. If approved, the Proposed Amendments will provide flexibility to the Company to, among other things, finance the Prime Acquisition by incurring additional senior secured second lien guaranteed indebtedness (the "**Prime Financing**").

In the event the Prime Financing is not completed on or before January 4, 2012, we will further amend the 2010 Indenture, as then amended, to revoke the Proposed Amendments, except for the Proposed Amendments concerning IFRS which will remain in effect once implemented regardless of whether the Prime Financing is completed. However, in the event the Prime Financing is completed on or before January 4, 2012, all of the Proposed Amendments will remain in effect, regardless of whether the Prime Acquisition is completed or not.

Cara currently expects to effect the Prime Financing by way of issuing approximately \$75 million of subscription receipts that will automatically convert or exchange into approximately \$75 million aggregate principal amount of 2010 Notes upon the completion of the Prime Acquisition. If the Prime Acquisition does not close on or before January 17, 2012, the subscription receipts will be cancelled and the gross proceeds from the issuance of the subscription receipts will be returned to holders of the subscription receipts together with accrued but unpaid interest. Cara, however, reserves the right depending on market conditions to pursue some other form of financing to fund the Prime Acquisition including issuing additional senior secured second lien guaranteed notes, other than additional 2010 Notes. The subscription receipts, the 2010 Notes and any other such notes (collectively, the "**Securities**") have not been and will not be qualified for sale to the public under applicable Canadian securities laws and any offer and sale of the Securities in Canada will be made on a basis that is

exempt from the prospectus requirements of such securities laws. The Securities have not been registered under the Securities Act of 1933, as amended and may not be offered or sold in the United States. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Cara believes the Prime Acquisition will allow it to expand its market leading position in the full service restaurant market, provide meaningful access to complementary markets and brands and provide it the opportunity to realize significant cost synergies.

All Holders who have previously delivered Consents and who continue to be in favour of the Proposed Amendments do not need to redeliver such Consents or take any other action in order to consent or receive the increased Consent Fee, if one is paid. Other Holders who have not yet delivered Consents should follow the instructions set forth under "Procedure for Consenting" in the Consent Solicitation Statement delivered to them and may use the previously distributed Letter of Consent or Consent Instruction for purposes of delivering their Consents.

All Holders who have previously delivered Consents but disagree with the changes to the Proposed Amendments as described herein, should follow the instructions set forth under "Revocation of Consents" in the Consent Solicitation Statement delivered to them. After the Expiration Date, properly completed and duly executed and delivered Consents are not revocable.

Holders who do not deliver Consents on or prior to the Expiration Date, or who deliver but validly revoke their Consent prior to the Expiration Date, will not receive a Consent Fee if one is paid.

If the Bank Consent and the Requisite Consents are received on or prior to the Expiration Date and the supplemental indenture giving effect to the Proposed Amendments is entered into by the Company, the Guarantors and the Trustee, the Proposed Amendments will bind all Holders, including those that did not give their Consent or who validly revoked their Consent prior to the Expiration Date.

Cara reserves the right to amend the terms and conditions of the Solicitation at any time on or prior to the Expiration Date for any reason, including, but not limited to, amending, extending and/or terminating the Solicitation.

The Company has engaged Scotia Capital Inc. ("**Scotia**") to act as solicitation agent, Georgeson Shareholder Communications Canada Inc. ("**Georgeson**") to act as information agent and Computershare Trust Company of Canada ("**Computershare**") to act as tabulation agent for the Solicitation. Questions regarding the Solicitation may be directed to Scotia (attention: Michael Lay) via telephone at (416) 863-7257 or 1 (888) 776-3666 (toll-free) or via e-mail at [michael\\_lay@scotiacapital.com](mailto:michael_lay@scotiacapital.com).

Requests for documents relating to the Solicitation may be directed to Georgeson at 1 (888) 605-8408 (toll-free).

None of the representatives or employees, officers or directors of the Company or any of its subsidiaries, Scotia, Georgeson, Computershare, or the Trustee makes any recommendation as to whether or not Holders should deliver their Consents pursuant to the Solicitation, and no one has been authorized by any of them to make such recommendations. The information concerning the Solicitation in this press release is qualified in its entirety to the full text of the Consent Solicitation Statement and the accompanying Letter of Consent that were previously provided to each Holder, as previously amended and supplemented by the terms of the First Supplement to the Consent Solicitation Statement dated October 26, 2011 and as further amended and supplemented by the terms of the Second Supplement to the Consent Solicitation Statement dated November 1, 2011 that is being delivered to each Holder today (collectively, the "**Solicitation Materials**"). Reference to those materials should be made for full details of the Solicitation.

This press release does not constitute a solicitation of Consents. The Solicitation is being made solely by the Solicitation Materials. Execution of the supplemental indenture giving effect to the Proposed Amendments is subject to a number of conditions. No assurance can be given that such amendments can or will be completed on terms that are acceptable to the Company, or at all. In addition, in the event that the Prime Financing does not proceed, the Consent Fee will not be payable.

## **About Cara**

Cara is Canada's leading branded full service restaurant organization. The Company is more than 125 years old and operates some of the most recognized brands in the country, including Swiss Chalet Rotisserie & Grill®, Harvey's®, Milestones Grill & Bar®, Montana's Cookhouse® and Kelsey's Neighbourhood Bar & Grill®. Canadian-owned and led, Cara is the restaurant family that brings Canadians together. For more information, please visit [www.cara.com](http://www.cara.com).

### **Caution Concerning Forward-Looking Information**

Certain statements made in this press release may constitute "forward-looking information" that involve known and unknown risks, uncertainties and other factors that may cause actual events, results, performance or achievements of Cara to be materially different from those expressed or implied by such forward-looking information. Forward-looking information in this press release includes, but is not limited to, items such as the expected structure of the Prime Financing and the anticipated benefits of the Prime Acquisition. The forward-looking information disclosed herein is based on a number of assumptions all of which Cara believes to be reasonable. This forward-looking information may be identified by the use of words such as "anticipate", "estimate", "may", "will", "expect", "believe", "plan" and other similar terminology. This information reflects current expectations regarding future events and speaks only as of the date of this press release.

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