

## Cara Operations Limited Announces Financing and Consent Solicitation in Connection With Its Proposed Acquisition of Prime Restaurants Inc.

**VAUGHAN, Oct. 17, 2011 /CNW/** - Cara Operations Limited (the "**Company**" or "**Cara**") announced today a proposed offering (the "**Offering**") of \$75.0 million senior secured second lien guaranteed notes of the Company (the "**Notes**") to finance its acquisition of all of the issued and outstanding shares of Prime Restaurants Inc. (TSX:EAT) ("**Prime**") by way of a plan of arrangement (the "**Prime Acquisition**"). Pursuant to the Prime Acquisition, Cara has agreed to acquire all of the issued and outstanding shares of Prime at a price of \$6.75 per share, or approximately \$58.9 million in aggregate, excluding net debt of Prime, if any, to be repaid by Cara concurrent with the closing of the Prime Acquisition. In addition, concurrent with the closing of the Prime Acquisition, Prime will use cash on hand to pay a special dividend to its shareholders of \$0.25 per share, or approximately \$2.2 million in aggregate, and will settle all of its restricted share units (RSUs) for \$6.75 in cash per RSU, or approximately \$3.2 million in aggregate, funded by way of a loan to Prime by Cara as part of the plan of arrangement. Closing of the Prime Acquisition is subject to the satisfaction of various customary conditions precedent, including court approval and shareholder approval of Prime. Closing of the Prime Acquisition is also subject to completion of the Offering. The Prime Acquisition is expected to close on or about January 4, 2012.

### The Offering

The Offering of Notes is expected to close in early November 2011, upon which the net proceeds from the Offering will be placed in escrow until the satisfaction of certain conditions, including the satisfaction of all conditions in respect of the completion of the Prime Acquisition. In addition to funding the Prime Acquisition, once released from escrow, the net proceeds from the Offering will be used to repay Prime's credit facility, make a loan to Prime to finance the cash settlement of its RSUs and/or to increase cash on hand. The Notes 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 Notes in Canada will be made on a basis that is exempt from the prospectus requirements of such securities laws. The Notes 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 Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

### Consent Solicitation

Cara today also commenced a solicitation (the "**Solicitation**") of consents (the "**Consents**") from the holders of the Company's 9.125% Senior Secured Second Lien Guaranteed Notes due December 1, 2015 (the "**2010 Notes**") upon the terms and conditions set forth in a consent solicitation statement (the "**Consent Solicitation Statement**") and the accompanying letter of consent, each dated as of October 17, 2011, which together constitute the "**Solicitation Materials**", to amend certain terms and provisions of the indenture dated as of December 1, 2010 (the "**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**"). If approved, the Proposed Amendments will allow the Company to, among other things, (i) increase the amount of security that it can grant in respect of indebtedness it incurs in order to allow for the issuance of the Notes and (ii) provide the Company the option to elect to make calculations under the Indenture in accordance with International Financial Reporting Standards (IFRS).

The Solicitation will expire at 5:00 p.m., Toronto time, on Monday, October 31, 2011, (such time and date, the "**Expiration Date**") unless extended or terminated by Cara. In particular, Cara reserves the right to amend the terms and conditions of this Solicitation at any time on or prior to the Expiration Date for any reason, including, but not limited to, extending and/or terminating the Solicitation. 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 Consents**").

If the Proposed Amendments are approved and effected, and the Offering is completed on or before January 4, 2012, the Company will pay to each holder of record of 2010 Notes 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 Expiration Date, \$5.00 in cash for each \$1,000 principal amount of 2010 Notes in respect of which a valid Consent was so delivered (the "**Consent Fee**"). The Consent Fee will be paid promptly and in any event, within three business days following the closing of the Offering, which is conditional upon, among other things, receiving the Requisite Consents and the entering into of a supplemental indenture to the 2010 Indenture to give effect to the Proposed Amendments. Holders of 2010 Notes 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 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 of the 2010 Notes, including those that did not give their Consent. If the Requisite Consents are not received by the Expiration Date, the Proposed Amendments will not be adopted.

The Company has engaged Scotia Capital Inc. ("**Scotia**") to act as solicitation agent and Georgeson Shareholder Communications Canada Inc. ("**Georgeson**") to act as information 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, or the Trustee makes any recommendation as to whether or not Holders of the 2010 Notes 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 Solicitation Materials which are being provided to each Holder of record of 2010 Notes as of 5:00 p.m., Toronto time, on October 13, 2011. Reference to those materials should be made for full details of the Solicitation.

This press release does not constitute a solicitation of Consents of Holders of the 2010 Notes. The Solicitation will be 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 certain circumstances, the Proposed Amendments concerning IFRS can be effected and remain in effect, notwithstanding the fact that the Offering does not proceed. In such a circumstance, no Consent Fee would 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 expectation that Cara will receive the Requisite Consents on terms as described herein or on other terms satisfactory to Cara or at all; the expectation that Cara will complete the Offering on terms as described herein or on other terms satisfactory to Cara or at all; and the expectation that Cara will complete the Prime Acquisition on terms as described herein or on other terms satisfactory to Cara or at all. The forward-looking information disclosed herein is based on a number of assumptions including, among other things, the assumption that the Requisite Consents will be received, the Offering will be completed and the conditions precedent to completion of the Prime Acquisition (including obtaining shareholder, court and other third party approvals) will be satisfied, all in a timely manner. Words such as "anticipate", "estimate", "may", "will", "expect", "believe", "plan" and other similar terminology may be used to identify forward looking information in this press release. This information reflects the Company's current expectations and speaks only as of the date of this press release. This forward-looking information involves a number of risks and uncertainties including, but not limited to: the risk that the Requisite Consents will not be received, not be received in a timely manner or on terms acceptable to the Company; the risk that the Offering will not be completed, not completed in a timely manner or on terms acceptable to the Company and the risk that the Prime Acquisition will not be completed, not be completed in a timely manner or on terms acceptable to the Company. As noted previously, this press release also contains forward-looking information concerning the anticipated timing of completion of the Solicitation, the Offering and the Prime Acquisition. Cara has provided these anticipated timelines in reliance on certain assumptions it believes are reasonable at this time, including assumptions as to the timing of receipt of various approvals. These dates may change for a number of reasons and should not be assumed to be

definitive.

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