

Cara Operations Limited Announces Offer to Acquire Prime Restaurants Inc.

Transaction Adds More Iconic Brands and Scale to Canada's Largest, Leading Full Service Restaurant Company

VAUGHAN, Oct. 17, 2011 /CNW/ - Cara Operations Limited ("Cara" or the "Company"), owner of such brands as Swiss Chalet Rotisserie & Grill® and Harvey's®, announced today that it has reached a definitive agreement with Prime Restaurants Inc. ("Prime") under which Cara will acquire Prime (TSX:EAT), owner of casual dining restaurant brands and premium Irish pubs. The Company expects that the acquisition will further solidify Cara's position as Canada's leading full service restaurant company with iconic brands that deliver unique dining experiences for Canadians coast to coast.

Pursuant to the acquisition, Cara has agreed to acquire all of the issued and outstanding shares of Prime by way of a plan of arrangement under the *Business Corporations Act* (Ontario) 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 acquisition. In addition, concurrent with the closing of the 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. The price per share of \$6.75 together with the special dividend of \$0.25 per share represents a premium of 44%, based on the closing price of the Prime shares on October 14, 2011, or 53%, based on the 20 trading day volume weighted average price ended October 14, 2011. Closing of the transaction is subject to the satisfaction of various customary conditions precedent, including court approval and shareholder approval of Prime. Closing is also subject to Cara obtaining financing for the transaction. The transaction is expected to close on or about January 4, 2012.

"Cara is the restaurant family that brings Canadians together. In Prime we see a company that, like us at Cara, puts the guest experience first," said Don Robinson, Cara President and Chief Executive Officer. "We believe Cara's significant scale and expertise will allow us to contribute to the future success of the brands that Prime operates, and collectively take all of our brands to the next level, with an unwavering eye to providing the perfect guest experience in every single location. Strategically, this broadens our offering to Canadian families and moves us further towards our vision of becoming the leader of the restaurant industry in Canada."

With total system sales of approximately \$340.5 million for the 52 weeks ended July 3, 2011, Prime franchises, owns and operates a network of casual dining restaurant brands and premium Irish pubs including East Side Mario's, Casey's and Prime Pubs (Fionn MacCool's, D'Arcy McGee's, Paddy Flaherty's, Tir nan Óg and Bier Markt).

"This is a proud day for Prime Restaurants and the entire Prime family who has contributed to the growth and success of the Company over the past 30 years," said John A. Rothschild, Chief Executive Officer of Prime Restaurants. "Becoming part of the Cara family will create new opportunities to grow our brands."

"Both companies are Canadian-based and founded on a passion for food and serving guests. Prime delivers more iconic brands into the Cara family and we're excited by the opportunity to apply Cara's successful approach to business intelligence, restaurant and people development, as well as our collective purchasing power to the Prime business. Furthermore, Prime's market strength in Ontario combined with its franchising focus and national market expansion opportunities mirror our own," added Robinson.

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 operates 673 corporate and franchise-owned restaurants in Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland as of June 28, 2011. The Company and its restaurants employ more than 26,000 associates across the country.

A privately held company since 2004 and from 1883-1968, Cara was listed for 35 years as a publicly traded company (1968-2004). The acquisition of Prime follows a series of divestitures, including the sale of the airline solutions business, which have prepared the Company to focus fully on restaurant brands. Following the acquisition of Prime, Cara will be solidly positioned as the third largest restaurant operator in the country¹ by 2010 system sales and its portfolio will feature five of the top ten full service restaurant brands nationally² by 2010 sales. Upon the closing, the strength and reach of the organization will include approximately 830 restaurants and pubs that employ more than 37,000 Canadians and offer meaningful experiences for guests

and their families.

About Cara

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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. 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 forward-looking information is based on assumptions that Cara believes are reasonable, although these assumptions may turn out to be incorrect. Readers are cautioned not to place undue reliance on forward looking information. Forward-looking information in this press release is given as of the date hereof and Cara disclaims any obligation to update or revise this information, except as required by law.

- 1 Technomic 2011, Top 200 Canadian Chains Restaurant Report
- 2 Technomic 2011, Top 200 Canadian Chains Restaurant Report

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