



FOR IMMEDIATE RELEASE

MOSAIC CAPITAL CORPORATION

MOSAIC TO BE ACQUIRED FOR \$5.50 PER SHARE IN ALL CASH TRANSACTION

Calgary, Alberta – June 28, 2021. Mosaic Capital Corporation ("**Mosaic**" or the "**Company**") (TSX–V Symbols: **M** and **M.DB**) announced today that it has entered into an arrangement agreement (the "**Arrangement**") with 2356340 Alberta Inc. (the "**Purchaser**"), a newly formed private company owned by an entity controlled by Fairfax Financial Holdings Limited and MCC Holdings Ltd. pursuant to which the Purchaser has agreed to acquire all of the outstanding common shares of Mosaic for \$5.50 per share in cash (the "**Transaction**") for a consolidated enterprise value (inclusive of debt) of approximately \$277.3 million. At closing of the Transaction, Mosaic's outstanding convertible unsecured subordinated debentures will be acquired for consideration of \$1,000 plus accrued and unpaid interest for each \$1,000 principal amount.

TRANSACTION HIGHLIGHTS

- *Premium to Market Price.* The consideration to be paid pursuant to the Arrangement for each common share represents a 61.7% premium to the \$3.40 closing price of the common shares on the TSX-V on June 25, 2021, the last trading day prior to the public announcement of the Arrangement, and a 65.9% premium to the 20-day volume-weighted average common share price on the TSX-V for the period ending June 25, 2021.
- *Cash Consideration and Immediate Liquidity.* The consideration to be received by shareholders is payable entirely in cash, providing shareholders with certainty of value and immediate liquidity, and removes the risks associated with continued ownership of the common shares.
- *Historical Trading Information.* Trading in the common shares has been subject to low volumes and infrequency of trades for the last several years, indicating that the ability of shareholders to realize the current trading price for their common shares is highly unlikely.
- *Special Committee.* Mosaic's board of directors (the "**Board of Directors**") formed a special committee (the "**Special Committee**") of non-management directors to provide oversight, guidance and specific instructions with respect to the negotiations involving the Arrangement. The members of the Special Committee unanimously concluded that \$5.50 per common share is the highest price that the Purchaser was willing to pay to acquire the common shares.
- *Access to Capital and Public Markets.* Given the large amount of obligations comprising Mosaic's outstanding indebtedness, and ongoing lack of investor interest in diversified small capitalization companies, the Special Committee believes that Mosaic has limited ability to utilize the public equity markets, and any financings through such markets would be associated with a high cost of capital and significant dilution to existing shareholders. Therefore, the Special Committee does not believe that Mosaic's limited access to the public equity markets justifies the cost of remaining a public company.
- *Lack of Alternative Transactions.* From 2018 to 2020, Mosaic's management sought to identify, without success, potential strategic and financial parties who may be interested in undertaking a business combination or significant financing with Mosaic. The Special Committee believes that the inability to attract interest from

potential M&A and financing partners over that time period is indicative of the remote likelihood that other potential acquirers may emerge.

- *Ability to Respond to Superior Proposals.* Notwithstanding the Special Committee’s determination regarding the remote likelihood of other potential acquirers emerging, Mosaic retains the ability, under the terms of the Arrangement, to consider and respond to unsolicited superior proposals, and to enter into any such superior proposal upon payment of a \$1.8 million termination fee.
- *Reverse Termination Amount.* The Purchaser is obligated to pay to Mosaic a reverse termination amount of \$1.8 million in certain circumstances where there is a failure to consummate the Arrangement when required to do so under the terms of the Arrangement.
- *Support Agreements.* Certain shareholders, who collectively beneficially own or exercise control over approximately 41.6% of Mosaic’s outstanding common shares, have entered into “hard” voting and support agreements pursuant to which they have agreed to vote their common shares in favour of the Arrangement.

William H. Smith, QC, Vice Chairman of Mosaic and Chair of the Special Committee, commented “after careful deliberation, we are pleased to unanimously recommend that our shareholders vote in favour of this transaction. We believe the value offered is attractive at this juncture in Mosaic’s history. Furthermore, given the unique challenges related to diversified small-cap public companies in Canada we believe that Mosaic’s underlying portfolio companies are better positioned for future success with Mosaic structured as a private company.”

TRANSACTION DETAILS

The Transaction will involve the Purchaser acquiring all of the common shares of Mosaic for \$5.50 per share in cash. It will be implemented through a statutory plan of arrangement under the *Business Corporations Act* (Alberta).

Completion of the Transaction is subject to various conditions, including approval by shareholders at a special meeting, court and regulatory approvals and provision of financing by Mosaic’s lenders. It is currently expected to close in early August 2021.

It is a term of the plan of arrangement that all of Mosaic’s outstanding convertible unsecured subordinated debentures will be acquired for consideration of \$1,000 plus accrued and unpaid interest for each \$1,000 principal amount.

The foregoing summary is qualified in its entirety by the provisions of the Arrangement Agreement, a copy of which will be filed on SEDAR at www.sedar.com. Mosaic will mail a management information circular and certain related documents to shareholders in connection with the special meeting to consider and vote on the Transaction, copies of which will also be filed on SEDAR at www.sedar.com.

MOSAIC BOARD OF DIRECTORS RECOMMENDATION AND FAIRNESS OPINION

The Board of Directors, after receiving the unanimous recommendation of the Special Committee and in consultation with its legal advisors, has unanimously determined that the Transaction is in the best interests of Mosaic and fair to shareholders and is recommending that shareholders vote in favour of the Transaction.

Evans & Evans, Inc. has provided a fairness opinion to the Special Committee and Board of Directors that based upon and subject to the assumptions and limitation described in its opinion, the consideration to be received by shareholders pursuant to the Transaction is fair, from a financial point of view, to the shareholders.

ADVISORS

Farris LLP is acting as legal counsel to the Special Committee and to the Company. Evans & Evans, Inc. has provided the Special Committee and the Board of Directors with a fairness opinion in respect of the Transaction. Fillmore Riley LLP is acting as legal counsel to the Purchaser and MCC Holdings Ltd. Torys LLP is acting as legal counsel to Fairfax Financial Holdings Limited. Osprey Capital Partners Inc. is acting as sole financial advisor to MCC Holdings Ltd.

ABOUT MOSAIC CAPITAL CORPORATION

Mosaic is a Canadian investment company that owns a portfolio of established businesses which span a diverse range of industries and geographies. Mosaic's strategy is to create long-term value for its shareholders through accretive acquisitions, long-term portfolio ownership, sustained cash flows and organic portfolio growth. Mosaic achieves its objectives by maintaining financial discipline, acquiring businesses at attractive valuations, performing extensive acquisition due diligence, utilizing optimal transaction structuring and working closely with subsidiary businesses after acquisition.

ABOUT FAIRFAX FINANCIAL HOLDINGS LIMITED

Fairfax Financial Holdings Limited is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management.

ABOUT MCC HOLDINGS LTD.

MCC Holdings Ltd. is a company controlled by Mark Yusishen. Mr. Yusishen is a Canadian businessman who owns, directly or indirectly, a number of private businesses throughout Canada and the United States.

FORWARD-LOOKING INFORMATION

This news release contains forward-looking information and statements within the meaning of applicable Canadian securities laws (herein referred to as "forward-looking statements") that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All information and statements in this news release which are not statements of historical fact may be forward-looking statements. The words "believe", "expect", "intend", "estimate", "anticipate", "project", "scheduled", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. In particular, forward-looking statements in this news release include, but are not limited to: the closing of the Transaction on the terms and timing set out herein or at all; management's belief that Mosaic's underlying portfolio companies are better positioned for future success with Mosaic structured as a private company; the inability of shareholders to realize the current market price owing to low trading volumes; the high cost of capital and significant dilution required for future equity raises; the payment of a reverse termination fee to Mosaic in certain circumstances or at all; the intention to implement the Transaction through a statutory plan of arrangement under the *Business Corporations Act* (Alberta) and the intention to mail a management information circular and certain related documents to shareholders in connection with the holding of a special meeting of common shareholders to consider and vote on the Transaction. Such statements or information are only predictions and reflect the current beliefs of management with respect to future events and are based on information currently available to management. Actual results and events may differ materially from those

contemplated by these forward-looking statements due to these statements being subject to a number of risks and uncertainties.

Undue reliance should not be placed on these forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature forward-looking statements involve assumptions and known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions and other forward-looking statements will not occur. Some of the assumptions made by Mosaic, upon which such forward-looking statements are based include, but are not limited to: the closing of the Transaction on the terms set out herein; the expectations related to trading price and volumes of the common shares; the payment of the reverse termination fee to Mosaic in certain circumstances; and the receipt of requisite approvals and financing for the Transaction.

A number of factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements, including, but not limited to: prevailing economic conditions; unexpected changes in the financial markets (including in the trading price of the securities of Mosaic); changes in the general economic and business conditions of one or more of Mosaic and its subsidiaries; any of the conditions to the Transaction not being satisfied; and Mosaic has incurred expenses in connection with the Transaction and will be required to pay for those expenses regardless of whether or not the Transaction closes. Should any of the risks or uncertainties facing Mosaic and its subsidiaries materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance, activities or achievements could vary materially from those expressed or implied by any forward-looking statements contained in this news release. Readers are cautioned that the foregoing list of risks is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Mosaic and its subsidiaries are included in Mosaic's annual information form for the year ended December 31, 2020, a copy of which is available under Mosaic's profile on SEDAR (www.sedar.com).

Although Mosaic believes that the expectations represented by any forward-looking statements contained herein are reasonable based on the information available to it on the date of this news release, management cannot assure investors that actual results, performance or achievements will be consistent with these forward-looking statements. Any forward-looking statements herein contained are made as of the date of this news release and Mosaic does not assume any obligation to update or revise them to reflect new information, events or circumstances, except as required by law.

FOR FURTHER INFORMATION PLEASE CONTACT:

Cam Deller
Vice President, Corporate Development
Mosaic Capital Corporation
400, 2424 - 4th Street SW
Calgary, AB T2S 2T4
T: (403) 930-6576
E: cdeller@mosaiccapitalcorp.com

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