



PRESS RELEASE

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COLABOR GROUP ANNOUNCED COMPREHENSIVE RECAPITALIZATION TRANSACTIONS TO STRENGTHEN ITS BALANCE SHEET AND REDUCE FUTURE INTEREST COSTS

Boucherville, Québec, July 14, 2016 – Colabor Group Inc. (TSX: GCL) (“**Colabor**” or the “**Corporation**”) announced this morning proposed recapitalization transactions which will reduce Colabor’s indebtedness and significantly enhance the Corporation’s capital structure (the “**Recapitalization Transactions**”), together with various related transactions which can be summarized as follows:

- \$50 million rights offering fully backstopped by **Z-Holdings North ULC**, **Mr. Robert Briscoe**, **Fonds de solidarité des travailleurs du Québec (F.T.Q.)**, **Investissement Québec** and **Caisse de dépôt et placement du Québec** (the “**Rights Offering**”);
- Extension and renewal for three years of current senior credit facilities (the “**Credit Facilities**”) and a reduction of their outstanding balance by approximately \$30 million out of \$97,665,000;
- Extension by four years of current secured subordinated loan agreement (the “**Subordinated Loan**”), and a repayment of \$17.5 million of the \$42.5 million outstanding;
- Extension by five years of the term, an increase of the interest rate from 5.70% to 6.00% and a reduction of the conversion price from \$16.85 to \$2.50 per common share of the \$50 million 5.70% Convertible Unsecured Subordinated Debentures due April 30, 2017 (the “**Convertible Debentures**”);
- Foodservice industry seasoned operator Robert Briscoe to participate in the Rights Offering, following the transaction Board’s approval, Mr. Robert Briscoe was appointed to the Board immediately and is to be appointed as executive vice-Chairman on closing;
- Option at the sole discretion of Colabor and under a prescribed formula to purchase Dubé & Loiselle Inc. (“**Dubé Loiselle**”) within up to three years after closing;
- Shareholders and debentureholders vote scheduled on August 22, 2016; and
- The Board recommends, after due consideration, that shareholders and debentureholders vote for each of the resolutions required to implement the Recapitalization Transactions.

The Recapitalization Transactions are the result of a comprehensive strategic review process conducted by the board of directors of the Corporation (the “**Board**”) and a committee comprised of independent directors (the “**Ad Hoc Committee**”) starting in October 2015.

Both prior to and throughout the negotiation of the terms of the Recapitalization Transactions, the Board and the Ad Hoc Committee considered and pursued a variety of alternatives with a view to the best interests of Colabor, taking into account the interests of various stakeholders.

“After an extensive and rigorous review and analysis of all available alternatives conducted by the Board and the Ad Hoc Committee since the fall of 2015, we have the firm conviction that the proposed combination of transactions constitutes a very exciting outcome that will create value over time for Colabor and its stakeholders” said Robert Panet-Raymond, Chairman of the Board and of the Ad Hoc Committee.

"The Recapitalization Transactions will, among other things, allow Colabor to reduce its level of indebtedness by approximately \$47.5 million (and related annual interest expense by approximately \$3 million) and extend the maturity date of all debt by 3 to 5 years, which will significantly enhance the capital structure of Colabor, improve liquidity and free cash flow and provide for a stronger financial foundation" said Jean-François Neault, CFO.

Rights Offering

The Rights Offering will allow all shareholders to maintain their pro rata equity interests in the Corporation. Each holder of record of common shares of the Corporation (the "**Common Shares**") as of a record date to be determined in connection with the Rights Offering will receive transferable rights (each, a "**Right**") to subscribe for an aggregate number of Common Shares for an aggregate amount of \$50,000,000. Each shareholder of Colabor will receive one Right for each Common Share owned by the shareholder. The exercise price per Common Share applicable under the Rights Offering will be \$0.67, being equal to 80.0% of the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange ("**TSX**") for the 5 trading day period prior to July 14, 2016.

Z-Holdings North ULC, an affiliate of The Article 6 Marital Trust created under the First Amended and Restated Jerry Zucker Revocable Trust dated 4-2-07 ("**Zucker**"), Mr. Robert Briscoe, indirectly through an affiliate ("**Briscoe**"), Fonds de solidarité des travailleurs du Québec (F.T.Q.) ("**FSTQ**"), Investissement Québec ("**IQ**") and Caisse de dépôt et placement du Québec ("**CDPQ**") (collectively, the "**Standby Providers**") have agreed to subscribe for all Common Shares offered under the Rights Offering which are not otherwise purchased by holders of Rights (the "**Standby Commitments**"), each for up to \$10 million, pursuant to a standby purchase and voting support agreement dated July 14, 2016 (the "**Standby Purchase and Voting Support Agreement**").

"We are extremely pleased to have the support of FSTQ and IQ as part of the Recapitalization Transactions combined with the support of CDPQ and Zucker, current shareholders, and Briscoe who has joined us on our Board immediately after the execution of the Standby Purchase and Voting Support Agreement and will join us on closing as shareholder and executive vice-Chairman" said Claude Gariepy, President and CEO. "With the strong show of support from our stakeholders and the hard work and commitment of our management team and Board, this will allow for a great flexibility to invest in our operations and pursue our business strategy."

The Standby Commitments provide certainty that the Rights Offering for aggregate proceeds of \$50 million will be completed, subject to the terms of the Standby Purchase and Voting Support Agreement. Under the terms of the Rights Offering and the Standby Purchase and Voting Support Agreement, and in compliance with the shareholder rights plan agreement dated as of March 18, 2015 between Colabor and Computershare Investor Services Inc. which was approved by shareholders, no shareholder or Standby Provider may become a beneficial owner of 20% or more of the outstanding Common Shares as result of the Recapitalization Transactions.

Under the Standby Purchase and Voting Support Agreement, Colabor has agreed with the Standby Providers that on the closing date of all Recapitalization Transactions ("**Closing**"), the Board shall be comprised of 7 individuals, provided that (i) each Standby Provider shall have the right to propose one nominee for election to the Board on Closing and annually subsequently as indicated below and (ii) no less than 4 members of the Board shall be independent. The right of each Standby Provider to propose one nominee for election to the Board shall apply, in respect of each of Briscoe, Zucker, FSTQ and IQ until the next annual meeting of shareholders of Colabor and, thereafter, as long as it holds at least 7.5% (5% for Briscoe) of the outstanding Common Shares (their nominees shall be independent under applicable securities laws (except for Briscoe which shall become executive vice-Chairman)). The current right of CDPQ to propose for election as director one nominee as long as it holds at least 5% of the outstanding Common Shares (CDPQ's nominee must be independent under applicable securities laws) shall continue. The current right of Colabor Investments Inc. ("**Colabor Investments**") to propose for election as director one nominee shall also continue as long as it holds at least 15% of the outstanding Common Shares following the Rights Offering.

Colabor will file a preliminary short form prospectus with the securities regulatory authorities in each of the provinces of Canada in connection with the Rights Offering which will contain further details regarding the Rights Offering (including the record date for participation by shareholders) after obtaining the required approvals in connection with the Recapitalization

Transactions from the debentureholders and shareholders (currently expected in August 2016) and after the date on which all necessary approvals and consents are received from the relevant securities regulatory authorities and the TSX.

Of the proceeds from the Rights Offering, \$17.5 million will be used to reduce the Corporation's Subordinated Loan, approximately \$30 million will be used to pay amounts outstanding under the Credit Facilities, and the remaining approximately \$2.5 million will be used to pay transaction costs and other general corporate purposes.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities in the United States or in any province, state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such province, state or jurisdiction. The securities referenced herein may not be offered or sold in the United States except in transaction exempt from or not subject to the registration requirements of the United States Securities Act of 1933, as amended, and applicable state securities laws.

Senior Credit Facilities Amendments

Colabor will use a portion of the proceeds derived from the Rights Offering, in the amount of approximately \$30 million, to reduce the outstanding balance of the Credit Facilities, which were provided by a syndicate of lenders (with Bank of Montreal, as sole book runner, co-lead arranger, co-syndication agent, administrative agent and collateral agent and Bank of America, N.A., as co-lead arranger and co-syndication agent), concurrently with an extension of the term of the Credit Facilities until three years after Closing and certain other amendments thereof.

Subordinated Loan Amendments

In connection with the Recapitalization Transactions, Colabor will repay an amount of \$17.5 million of the amounts due under its Subordinated Loan with Avrio Subordinated Debt Limited Partnership ("**Avrio**"), BDC Capital Inc. ("**BDC**") and FSTQ dated January 31, 2014 (with a complete repayment of amounts owed thereunder to Avrio and BDC).

Also in connection with the Recapitalization Transactions, FSTQ has agreed, subject to certain conditions, to extend the maturity of the Subordinated Loan for a period of four years from Closing and to adjust the interest rate under the Subordinated Loan at initially 7.5% per annum (subject to potential subsequent upward and downward adjustments).

Debenture Amendments

As part of the Recapitalization Transactions, a proposition will be made to the debentureholders to amend the terms of the Convertible Debentures to extend the maturity date for a 5-year period from Closing, to increase the interest rate from 5.70% to 6.00% (as of October 31, 2016) and to reduce the conversion price from \$16.85 to \$2.50 per Common Share which will, in the view of the Board, and combined with the extended time to maturity, provide a higher probability that the Common Shares value will rise above the conversion price, and will provide debentureholders with an increased opportunity to benefit from an increase in value of the Corporation's equity in addition to benefiting from a stronger financial foundation for Colabor.

Required Meetings and Approvals and Voting Supports

A meeting of the debentureholders to consider the amendments to the terms of the debenture indenture dated April 27, 2010 between the Corporation and Computershare Trust Company of Canada (the "**Indenture**") is currently expected to take place on or around August 22, 2016 (the "**Debentureholders Meeting**"). A management information circular relating to the Debentureholders Meeting and containing further details regarding the Recapitalization Transactions is expected to be mailed to debentureholders on or around July 29, 2016. Approval of at least 66 2/3% of the principal amount of the Convertible Debentures held by debentureholders of record as of July 14, 2016 who attend the meeting in person or by proxy will be required in order to proceed with the Recapitalization Transactions.

A special meeting of Colabor shareholders (the "**Shareholders Meeting**") will also be called to consider a resolution regarding the Rights Offering, including the offering price under the Rights Offering (the "**Recapitalization Transaction Resolution**"). The Shareholders Meeting is currently expected to take place on or around August 22, 2016. A proxy circular

relating to the Shareholders Meeting and containing further details regarding the Recapitalization Transactions is expected to be mailed to Colabor shareholders on or around July 29, 2016. Approval of at least 50% of Colabor shareholders present in person or by proxy at the meeting (excluding Zucker and any other person whose vote must be excluded under applicable securities laws), will be required in order for the Recapitalization Transaction Resolution to be passed.

Voting Supports

The Corporation has entered into a voting support agreement (the “**Voting Support Agreement**”) with Colabor Investments, a shareholder holding approximately 18.5%, in the aggregate, of the currently issued and outstanding Common Shares. Pursuant to the Voting Support Agreement, Colabor Investments agreed, subject to certain conditions, to vote its Common Shares in favour of each of the Recapitalization Transaction Resolution and other matters to be approved at the Shareholders Meeting. In addition, under the Standby Purchase and Voting Support Agreement, CDPQ and Briscoe who currently hold in the aggregate approximately 7.2% of the currently issued and outstanding Common Shares (and approximately 25.7% collectively with Colabor Investments) also agreed, subject to certain conditions, to vote their Common Shares in favour of each of the Recapitalization Transaction Resolution and other matters to be approved at the Shareholders Meeting.

In addition, Zucker, an insider whose vote cannot be counted as part of the Recapitalization Transaction Resolution under applicable securities laws, but who holds approximately 11.8% of the currently issued and outstanding Common Shares, has entered into the Standby Purchase and Voting Support Agreement and is supportive of the Recapitalization Transactions.

In addition, under the Standby Purchase and Voting Support Agreement, IQ and Zucker who currently hold in the aggregate approximately 18.6% of the currently issued and outstanding Convertible Debentures agreed, subject to certain conditions, to vote their Convertible Debentures in favour of the resolution to approve the amendments to the Indenture and other matters to be approved at the Debentureholders Meeting.

Board Recommendation

After due consideration and after having received the recommendation of the Ad Hoc Committee, the Board has unanimously determined that the Recapitalization Transactions are in the best interests of Colabor. Accordingly, the Board recommends that shareholders and debentureholders vote for each of the resolutions required to implement the Recapitalization Transactions at the Shareholders Meeting and Debentureholders Meeting.

Dubé Loiselle Option Agreement

In connection with the Recapitalization Transactions, Colabor has also entered into an option agreement on July 14, 2016 with an affiliate of Briscoe which provides an option in favour of the Corporation to purchase, at a prescribed formula and subject to certain conditions, Dubé Loiselle in the sole discretion of Colabor on Closing or within up to three years after Closing. This agreement provides for the payment by Colabor of an amount of \$500,000 to Briscoe on Closing in consideration of the option. In the event that the option is exercised, Colabor intends to comply with the terms of the agreements and the undertakings entered into in connection with the purchase by Briscoe of Dubé Loiselle. “Dubé Loiselle is a food distributor and a current client of Colabor with a business in the foodservice sector which provides potential growth opportunities and operational synergies for Colabor in the greater Montréal region” said Claude Gariépy, President and CEO.

Colabor does not expect to exercise its option at Closing.

Closing

The Standby Purchase and Voting Support Agreement provides for customary closing conditions, including the concurrent effectiveness of the Subordinated Loan amendments, the Credit Facilities amendments and the Convertible Debenture amendments and obtaining all required securityholders and regulatory approvals. If all closing conditions are satisfied (or waived), Closing is currently expected to occur during the month of October 2016, after completion of the Rights Offering, and in any event no later than November 30, 2016.

Copies of the Standby Purchase and Voting Support Agreement and the Voting Support Agreement and certain related documents will be filed with Canadian securities regulators and will be available on SEDAR at www.sedar.com as part of Colabor's public filings.

Regulatory Matters

As Zucker currently holds approximately 11.8% of the outstanding Common Shares and approximately 2.6% of the outstanding Convertible Debentures, it is considered a "related party" of the Corporation within the meaning of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). Therefore, the participation by Zucker to the Recapitalization Transactions as a shareholder and, through an affiliate, as Standby Provider under the Rights Offering constitutes a "related party transaction" subject to MI 61-101 and the grant to Zucker of the right to propose, subject to certain conditions, a nominee for election to the Board may constitute a "collateral benefit" under MI-61-101. As a result of the Recapitalization Transactions, Zucker (directly and indirectly through an affiliate) may hold up to approximately 17.8% of the outstanding Common Shares.

The Rights Offering, including the offering price under the Rights Offering, will be submitted to the approval of at least 50% of Colabor shareholders present in person or by proxy at the Shareholders Meeting (excluding Zucker and any other person whose vote must be excluded under MI 61-101) in accordance with MI 61-101. Colabor benefits from an exemption from the formal valuation requirement under MI 61-101 in connection with the Rights Offering on the basis that the transaction is a distribution of securities for cash consideration and that the documentation to be delivered to shareholders in connection with the Rights Offering and Shareholders Meeting will contain all relevant material information concerning Colabor and its securities.

None of the other Standby Providers is an insider of Colabor within the meaning of applicable securities laws or a "related party" of Colabor within the meaning of MI 61-101.

TD Securities Inc. acted as exclusive financial advisor and McCarthy Tétrault LLP acted as legal advisor to Colabor in connection with the Recapitalization Transactions.

Forward-looking statements

Certain statements included herein constitute "forward-looking statements". All statements included in this press release that address future events, conditions or results of operations, including in respect of the Recapitalization Transactions, its realization and its potential consequences and benefits, the timing of the completion of the Rights Offering, the filing and content of the prospectus, the potential acquisition of Dubé Loiselle and its anticipated benefits are forward-looking statements. These forward-looking statements can be identified by the use of forward-looking words such as "may", "should", "will", "could", "expect", "intend", "plan", "estimate", "anticipate", "believe", "future" or "continue" or the negative forms thereof or similar variations. These forward-looking statements are based on certain assumptions and analyses made by management in light of their experiences and their perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate in the circumstances. These statements are subject to risks, uncertainties and assumptions, including risks related to the successful completion of the Recapitalization Transactions, timing of the completion of the Recapitalization Transactions, use of proceeds of the Rights Offering, satisfaction of conditions for Briscoe to become executive vice-Chairman, and that the Corporation, debentureholders, shareholders and/or other stakeholders may not realize the anticipated benefits of the Recapitalization Transactions and other risks, such as the risk of dilution for existing shareholders, including those mentioned in the Corporation's annual

information form, which can be found under its profile on SEDAR (www.sedar.com) and risks relating to the failure to obtain any required regulatory approvals. Many of such risks and uncertainties are outside the control of the Corporation and could cause actual results to differ materially from those expressed or implied by such forward-looking statements. In making such forward-looking statements, management has relied upon a number of material factors and assumptions, including with respect to general economic and financial conditions, interest rates, exchange rates, equity and debt markets, business competition, changes in government regulations or in tax laws, acts and omissions of third parties and the ability of the Corporation to obtain approval for, and carry on, the Recapitalization Transactions. Such forward-looking statements should, therefore, be construed in light of such factors and assumptions. All forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth above. The Corporation is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

CONFERENCE CALL

Colabor will hold a conference call to discuss the Recapitalization Transactions on July 14, 2016, beginning at 8:30 a.m. Eastern Time. Interested parties can join the call by dialling 647-788-4922 (from Toronto and overseas) or 1-877-223-4471 (from elsewhere in North America). If you are unable to participate, you can listen to a recording by dialling 1-800-585-8367 and entering the code 36596646 on your telephone keypad. The recording will be available from 11:30 a.m. on Thursday, July 14, 2016, until 11:59 p.m. on Thursday, July 21, 2016.

Those wishing to join the webcast and presentation can do so by clicking on the following link:

<http://www.colabor.com/investisseurs/evenements-et-presentations/>

ABOUT COLABOR

Colabor is a wholesaler and distributor of food and non-food products serving the foodservice market (cafeterias, restaurants, hotels, restaurant chains, etc.) in Québec, Ontario and the Atlantic provinces, as well as the retail market (grocery stores, convenience stores, etc.).

For additional information:

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